Invoking the Responsible Self and Enhancing Subjective Competence: Nudges to Increase Financial Engagement

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Many individuals do not proactively manage their investments, which can have significant negative implications for consumers during retirement. Across three online experiments and a large field experiment, we identify interventions that increase financial engagement by appealing to individuals’ sense of personal responsibility and by boosting subjective investing ability.

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Money on our Minds: Unraveling Consumers’ Complex Relationship with Money

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Paper #1: A Sense of Wealth or Poverty Can Help or Hurt Charitable Giving
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Paper #2: Invoking the Responsible Self and Enhancing Subjective Competence: Nudges to Increase Financial Engagement
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Paper #3: Meaning Transforms Money: How Job Satisfaction Affects Consumers’ Perception and Use of Their Earnings
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Paper #4: Tuition Aversion: Impatience Impaired Financial Decision Making for Higher Education
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SESSION OVERVIEW
Money is central to almost all aspects of consumers’ life: people seek to acquire it through their participation in the workforce, use it to manage their image and their social relationships, spend it to acquire valuable goods and services, and save it or invest it in the hope of a better future. Because of its numerous uses, money is extremely complex, and a significant source of influence on consumer behavior by inducing feelings as diverse as fear, hope, envy, competence or alienation (Furnham and Argyle 1998). It is as much the cornerstone of all market transactions as a social and cultural item (Nelms and Maurer 2014), and as such it is best understood through a multidisciplinary perspective which incorporates social, cultural, and economic aspects (Aarts and Bijleveld 2014).

In the proposed special session, we present four research projects which explore the interplay between the psychological and economic aspects of money. In the first paper, Fennis, Chaplin, Tierean and Vohs explore circumstances under which the poor are more generous than the rich. Reconciling conflicting findings in the literature, they show that charity appeals focusing on others make the poor more generous, while those focused on the self make the rich more generous. In the second paper, White and Sussman develop behavioral interventions to help consumers manage their investment more responsibly, and show the impact of such nudges on consumer financial decision making in a series of lab and field studies. In the third paper, Andre, Carmon and Wertensbroch shows that consumers who are more satisfied with their jobs attach greater intrinsic value to the money they earn, and as a consequence have a harder time letting it go. Finally, Yoon, Yang and Morewedge show that educating consumers about the return that they get on education can backfire by making them pick less advantageous loans.

Collectively, the four papers of the session present recent contributions from leading scholars in the field of money and financial decision making, and paint a compelling picture of consumers’ relationship to money, from the moment it is earned to the moment it is used. The session covers important aspects of consumers’ life (job satisfaction, college choice…), and offers promising behavioral interventions to improve consumers’ management of their money. Because the session considers both the economic dimension of money and its psychological and sociological aspects, it would appeal to a large audience, and bring researchers with diverse trainings and research interests together to further our understanding of money.

A Sense of Wealth or Poverty Can Help or Hurt Charitable Giving

EXTENDED ABSTRACT
Are the rich more generous, or the poor? Myriad perspectives on this question have been offered – with supportive findings on both sides. Such disparate findings suggest that both a sense of wealth and poverty can promote generosity, albeit under different circumstances. Therefore, a key objective of the present research was to identify the conditions under which wealth and poverty produce generosity (as measured by charitable giving), and to validate these findings in controlled and naturalistic settings. To that end, we measured willingness to donate time to a fictitious cause, and solicited monetary donations to an existing charity. Finally, we examined whether our findings are limited to the adult population, or extend to children as well, which gave us insights into the universal nature of the phenomenon described.

The literature on how social status and material well-being affect charitable giving is fraught with conflicting findings. On the one hand, there are grounds to infer a positive association between having money and donation behavior. First, charitable donations typically flow from the more fortunate to the less fortunate rather than the opposite (Hong and Bonnet 2007). Extensive research on the behavior of consumers in the top income brackets (households with tens to hundreds of millions of dollars) spanning 20 to 50 years indicates that as wealth levels increase, so does charitable giving (Schervish and Havens 2002).

On the other hand, some findings have found generosity to decrease in the level of income. For example, a survey that tracks philanthropic behavior reported that households earning more than $100,000 donate a smaller fraction of their income to than households earning less than $25,000 (gardyn 2003). In addition, reminding people of money has been shown to reduce generosity, both in the form of charitable donation and helping behavior (Vohs, Mead, and Goode 2008).

Previous research therefore suggests that having money might sometimes promote and sometimes hinder generosity. Complicating matters still, the same results has been found with regard to lacking money, which can sometimes reduce prosocial behavior (Gasiorowska, Zaleskiewicz, and Wygrab 2012; Vohs, Mead, and Goode 2006) or conversely promote it (Cialdini 2001).

We propose a reconciliation of these seemingly conflicting findings. We predicted that the relationship between possession of monetary resources and displays of generosity might depend on whether the person is self-oriented (versus other-oriented) when faced with charitable opportunities. Indeed, previous research has identified
that the behavior of those with money appears to largely be driven by self-focused considerations, whereas those without money are guided by the choices and behaviors of others (Kraus et al. 2012). By implication, we argue that in order to favor charitable behavior, the charitable appeal should be in line with the orientation of the potential benefactor. For people reminded of money, self-focused appeals will produce increased levels of generosity, and other-focused appeals will decrease it. For people primed with lacking money, the reverse will be true. In three experiments conducted in the lab and on the field, we provide support for this hypothesis, and show that the effect holds both for young children and adults.

Study 1 used a 2 (mindset: having versus lacking money) x 2 (focus: own versus others’ behavior) between-subjects design in which participants read an essay and imagined themselves as the main character. The story described either a relatively wealthy individual who led an affluent life (having money condition) or someone with few financial means who lived a modest life (lacking money condition; 6). Next, participants were either asked to describe an event in which they behaved generously toward someone or an organization requesting help (own behavior condition) or in which someone else behaved generously toward someone or an organization (other’s behavior condition). Finally, participants were asked to indicate the amount to hours they would be willing to volunteer towards the University Student Fund, and their answer served as a measure of generosity.

Results showed that when participants had been reminded of how they personally acted generously in the past, people in the mindset of having money signed up to donate more of their time than those in the lacking money condition. Among participants reminded of the generosity of others, the pattern reversed— as expected.

Study 2 extended these findings by including a control condition to assess the directionality of the effects found, and focusing on generosity with money instead of time. Participants in this study were first primed with having money, lacking money or a neutral state using a sentence unscrambling paradigm. Next, the experimenter indicated that she was soliciting monetary donations for the World Wildlife Fund (WWF). When the focus was on the self, she asked participants whether they agreed that the WWF is an important enterprise for a green and sustainable planet (all participants agreed). When the focus was on the choices of others, she mentioned that many participants had already donated money to the cause. Results showed that, compared to the control condition, participants in the mindset of having money only donated more when the charitable appeal was focused on participants’ opinion about the charity. The reverse pattern was found for participants in the mindset of lacking money, who were only susceptible to the appeal to others’ behavior.

The last study, involving children aged 8-11 used the same design and procedure of Experiment 1 and found similar results thus showing that, even among young children—who might not yet have extensive experience with and a full understanding of the meaning of money—a sense of financial wealth or poverty can help or hurt charitable giving depending on whether the behavior of the self or of others is made salient.

**Invoking the Responsible Self and Enhancing Subjective Competence: Nudges to Increase Financial Engagement**

**EXTENDED ABSTRACT**

With millions of senior citizens living below the poverty line in the US (Short 2014), researchers, policymakers, and practitioners have sought ways to improve savings and investing decisions earlier in life. In addition to saving more, individuals can also improve their long-term financial prospects by making wiser financial decisions using the money they have already saved. However, far from focusing on improving their financial decisions, many individuals disengage from decisions about their financial futures. For example, people tend to stick with their company’s default retirement plan (which may not have an ideal contribution rate or distribution of funds), fail to rebalance their portfolios over time, and use naïve diversification strategies (e.g., 1/n heuristic) rather than making thoughtful choices about their portfolios (Benartzi and Thaler 1995, 2007; Samuelson and Zeckhauser 1988). Each of these tendencies can be costly to consumers in the long run, significantly impacting their wellbeing during retirement.

One potential method for helping individuals become better financial decision makers is to provide financial literacy training, which has been linked to participation in the stock market and better planning for retirement (Lusardi 2008). However, financial literacy programs have had mixed results (Boshara et al. 2010; Fernandes, Lynch Jr, and Netemeyer 2014). Perhaps more concerning, some research even suggests that some components of financial literacy training may highlight gaps in knowledge, unpleasantly underscoring individuals’ ignorance and leading to a decrease in willingness to participate in the market (Hadar, Sood, and Fox 2013). Although there may be many potential reasons for low levels of financial literacy and engagement, one potential factor is that individuals avoid seeking information about topics which they find unpleasant to think about, especially if they do not feel competent or on track to meet their goals and learning more would make those shortcomings salient (Golman, Hagmann, and Loewenstein 2015; Sweeny et al. 2010; Townsend and Liu 2012).

Thus, our research aims to design nudges that increase individuals’ engagement with their finances (i.e., increasing willingness to learn more or become proactive decision makers with respect to finances) by increasing perceptions of financial competence and personal responsibility for the financial outcomes. Our research draws from earlier work which suggests that invoking a sense of identity can motivate behavior (Bryan et al. 2011; Bryan, Adams, and Monin 2013, Bryan and Hershfield 2012) and that self-affirmation exercises can lead to improvements in program participation (Hall, Zhao, and Shafir 2014). We propose and test interventions to increase financial engagement across 3 online studies and one large field study, using a variety of metrics to measure financial engagement. Studies 1 and 4 aim to evoke a sense of financial responsibility to oneself or others, while studies 2, 3, and 4 aim to boost perceptions of financial competence in an investing domain. Because women have lower levels of financial literacy and stock market participation (Lusardi and Mitchell 2008), as well as traditionally different social roles, we anticipated gender differences in the effectiveness of different interventions.

Study 1 (N=525) aimed to invoke identities that instilled a sense of financial responsibility to oneself or others. Subjects randomly viewed control instructions or one of three “responsible self” instructions, which read as following: “As Chief Financial Officer of [your life/ your future life/ your family], you’re responsible for making wise financial decisions.” Relative to control, subjects in the “future self” condition spent more time on a page where they could learn about investment options before proceeding to a hypothetical allocation decision (p=.004 for log-transformed measure with outliers dropped).

Studies 2 and 3 tested the effect of boosting self-efficacy in a financial domain. In study 2 (N=493), subjects completed a self-affirmation exercise, either writing about a wise purchase decision, a wise saving decision, a wise investment decision, or their daily eating routine (control). All self-affirmation conditions boosted self-
assessed ability to make wise financial decisions (p<.05), and subjects who wrote about a wise investment decision were significantly more likely to express interest in learning more about finances and investment options (p<.05). In study 3 (N=510), subjects took a fabricated financial personality quiz and were told either that they already had the skills to be good investors or that they would need to invest significant time in learning about investing in order to become good investors. The confidence-boosting manipulation significantly increased a within-subject measure of confidence (p<.0001), and women (but not men) in the high confidence condition spent significantly more time on a page where they could learn about investment options before making a hypothetical investment decision (p=.028 for log-transformed measure with outliers dropped).

Study 4 (N=45,196) aimed to test the effect of similar marketing messages in a large field study conducted on existing customers of a large financial advisory firm. The firm sent emails encouraging customers to stay on top of their long-term financial goals and click on a retirement planning tool. Our test included four conditions: control (“learn more”), responsibility to family (“CFO of your family”), responsibility to self (“CFO of your own life”), and confidence (“You’re a better investor than you think”). We used click rate minus unsubscribe rate as a measure of financial engagement. The responsibility to family manipulation was effective on women (family vs. control: women only, p<.01; men only, ns), while the responsibility to self manipulation was effective on men (self vs. control: men only, p<.1; women only, ns). The confidence boost manipulation was directionally less effective than control. We suspect this is due more to ineffective phrasing than to a lack of connection between confidence and engagement, which is an area to explore in future studies.

These studies suggest that well targeted messages invoking individuals’ financially responsible selves, as well as interventions inducing subjects to feel more competent specifically in investing-related domains, can impact individuals’ engagement with their finances and investments. That inducing a sense of competence can increase interest in learning more about investments may be counterintuitive to investment or financial education professionals. Future research can explore whether confidence-boosting messages can improve uptake of such services in a real-world setting.

Meaning Transforms Money: How Job Satisfaction Affects Consumers’ Perception and Use of Their Earnings

EXTENDED ABSTRACT

Past research has highlighted important differences in the management of financial resources across consumers. Notably, while some consumers exhibit patterns of overspending (Shah, Mullainathan, and Shafir 2012), others oversave (Carroll 1998). Similarly, important differences have been highlighted with regard to risk-taking and gambling (Holt and Laury 2002). In the present research, we propose that such differences can in part be attributed to the circumstances in which consumers earn money. In particular, we hypothesized that when consumers derive greater pleasure and satisfaction from their job, they view the money that they earn from this job not only as a medium which allows them to acquire valuable resources, but also as a symbol of their achievements and success. In turn, this greater intrinsic value attached to their earnings makes these less fungible, which in turn makes consumers more conservative in their use of money. In contrast, when consumers work dissatisfying jobs, they do not attach such symbolic value to their paycheck: the money has no intrinsic value and is more fungible, which makes consumers less conservative in using their earnings.

Past research has suggested that that money can both function as a medium or as a good (Lea and Webley 2014). The first aspect, money as a medium, corresponds to the way microeconomic theory describes money: it is viewed as a quasi-universal and fungible medium of exchange, which does not possess intrinsic worth but derives its value from its ability to acquire valuable goods and resources (Jevons 1875). The second aspect, money as a good, speaks to the fact that money is at the heart of numerous social and cultural practices, through which it can acquire intrinsic value. According to this second perspective, not all “monies” are the same, and consumers can attach special value to money as a function of the context in which it was acquired (Carruthers 2010; Zelizer 1989). In the present research, we hypothesized that when money is acquired in a job which reflects favorably on people’s self, the money would be more likely to be treated as a good than when the money does not reflect such favorable associations.

In the first study, we sought basic support for the effect of job satisfaction on the perception of money: a survey administered to MechanicalTurk respondents showed that people who are satisfied with their jobs are also more likely to report “a sense of personal connection with their paycheck”, are more likely to agree that “they view their paycheck as special”, and are less likely to agree that “they would not distinguish between their paycheck and money earned from other sources”.

In the second study, we established a causal validation of our correlational results. We recruited currently employed respondents on MechanicalTurk and gave them a list of changes to their job that would increase (vs. decrease) their job satisfaction before asking them to imagine working in that environment. Our manipulation successfully replicated the results of the first study: participants who had been asked to imagine a more (vs. less) satisfying job reported that they would feel a greater (vs. smaller) sense of personal connection with their earnings, would treat the money as more (vs. less) special, and would view the money as more (vs. less) fungible.

In the third study, we aimed at replicating the results, provide support for our hypothesized mediator, and rule out an alternative explanation. We hypothesize that the change in the perception of the money stems from a sense of competence that the earnings have become associated with. However, an alternative explanation could be that lower job satisfaction triggers a sense of disgust with the money (Di Muro and Noseworthy 2013). Job satisfaction was first manipulated by asking participants to generate changes which would improve or degrade their work environment, and imagine that such changes would be implemented. This manipulation replicated our results on the participants’ perception of money. We then measured participants’ disgust by asking them to imagine touching, rubbing and handling close to their face the money from their paycheck, and to report how attractive (vs. repulsive) doing so would be. There was no difference in disgust between conditions, which does not support disgust as a mediator for our effect. Finally, we asked participants whether they would feel competent in the job that they had imagined, and whether they felt that their paycheck would reflect this sense of competence. The projected sense of competence significantly mediated people’s attitude toward the money, which supports the hypothesized psychological process.

In the fourth study, we investigated the behavioral consequences of treating the money as a good (as opposed to a medium). We recruited participants to work on a task purportedly meant to measure their creativity, and asked them draw an alien. Twenty-four hours after completing the task, participants were contacted by email, and
told that we had decided to reward them with a $1 bonus. The reason for the bonus was manipulated between subject: participants were either told that the bonus was because we had an extra budget available for the study (control condition), because the average quality of the drawings exceeded our expectations (small competence condition) or because the quality of their drawing exceeded our expectations (strong competence boost condition). Participants were given the opportunity to get the bonus as is, or to gamble the money in a double-or-nothing bet. As expected, participants were more conservative when the bonus was framed as strongly linked to their competence than when it was weakly linked to their competence or framed as a gift. Further laboratory studies are currently being run, investigating other downstream consequences of job satisfaction on saving, spending and investing behavior.

**Tuition Aversion: Impatience Impaired Financial Decision Making for Higher Education**

**EXTENDED ABSTRACT**

Student loans are one of the largest sources of consumer debt in America, second only to home mortgages. In response to the mounting cost of college, government, for-profit, and non-profit agencies including the Department of Education, Payscale, and Money magazine, have attempted to aid students and parents with the financial planning of their higher education. These efforts attempt to steer consumers to consider their choice of higher education, in part, as an investment decision. In other words, in addition to other factors such as school rank, location, and recreational opportunities, students should consider the costs and long-term financial ramifications of attending each of the colleges they consider.

The assumption of these agencies is that students do not consider higher education as an investment decision because they lack information about the true costs and returns of attending different colleges. Consequently, decision aids in this domain typically provide information about prospective colleges such as their average annual cost (tuition and expenses), graduation rate, and starting salary after graduation. These efforts assume that students will reduce their debt load and increase their lifetime earnings if they are simply provided with all of the relevant information.

We suggest that the primary complicating factor is the temporal structure of when consumers will incur the costs of higher education (i.e., immediately or in the near future) and when they will reap its rewards (i.e., in the more distant future). This disjunction between the payment of the investment and start of its return makes the choice of higher education a choice over time—an intertemporal tradeoff. In this case, the problem impairing the consideration of college as an investment decision may lie within the decision maker (her impulsivity) rather than in the manner in which information regarding the decision is presented.

In five experiments, we examined how providing financial information affected financial decision making in the context of college choice. Specifically, for pairs of colleges, we provided student and convenience samples of participants with various mixtures of information including: the total cost of tuition, expected annual salary, and 30-YR return for pairs of real colleges taken from a recommended aid, College Scorecard. We then examined whether this information would lead participants to make more financially savvy choices when faced with a choice between a low cost but low return school (School L, hereafter) and a high cost but high return school (School H, hereafter). In our experiments, School L was always cheaper to attend than School H, but a less prudent choice, as its total return would be substantially smaller over the course of 30 years (even when accounting for its higher tuition).

We first tested whether simple decision aids, and trust in the information they contained, would increase consideration of both the financial costs and benefits of higher in Studies 1 and 2. In Study 1, we compared students’ college choices when provided with information about the costs, returns, or both the costs and returns of higher education in various formats to see whether simply providing students with better information would be sufficient to improve their financial decision making. In Study 2, we examined whether students who did chose the low return school simply did so because they did not trust return information. If these students did not trust they would earn the projected returns, their choice might rationally be based then on the more certain cost of tuition and expenses.

In Studies 3-5, we tested our proposed and alternative psychological explanations underlying the tendency to underweight the long-term financial consequences of higher education decisions. Our assumption is that temporal discounting is a root cause of the preference to minimize immediate expenses rather than maximize total earnings. We tested our discounting hypothesis against a simple heuristic to choose the cheapest option in Study 3. We tested our discounting hypothesis against the possibility that participants were instead considering return on investment (ROI) in Study 4. In Study 5, we examined where individual participants’ discount rates predicted their overall preference to minimize tuition rather than maximize total returns.

In all studies, we found strong evidence of a “tuition aversion.” Participants exhibited strong tendency to prefer low return schools (School L) when compared to high return schools (School H), which was present in virtually all cases in which tuition costs were provided (whether alone, and alongside expected annual salary information, and/or alongside 30-YR aggregated expected income information). Several process studies found that tuition aversion was not explained by uncertainty or mistrust of the financial information provided. Even people who preferred School L believed that they would earn more money over their lifetime if they attended School H instead (Study 2). It was also not explained by the different ratios of tuition costs and total returns or percentage ROI for the two schools (Study 4).

Instead, the results point to temporal discounting underlying preferences for the dominated option (School L), suggesting that different perceptions of immediate costs (i.e., tuition) and long-term returns (i.e., income) play a substantive role in college choice. This hypothesis was tested directly in Study 5, which found that more impatient participants were more likely to prefer School L’s, implying that high impulsivity inflates the perceived immediate cost bigger and undervalues the long term benefit of preferring School H’s. Our findings demonstrate a new anomaly in a consequential financial decision faced by millions of students, and provide evidence for the process resulting in these suboptimal decisions.

**REFERENCES**


Money on our Minds: Unraveling Consumers' Complex Relationship with Money


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