Public Abstract

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Wealth management has become an increasingly important issue as individuals are becoming more responsible for planning their own retirement and are expected to shoulder more of the cost of increasing health care. Studies of wealth are now focusing on the need to better understand what influences wealth accumulation among individuals. Of particular interest is how different individuals prefer to consume or save in the present. In economics literature, the tradeoff between consuming now or saving and consuming later is referred to as time preference. For example, an individual who exercises is investing in their future health and will receive benefits in the form an increased life expectancy at the expense of time. Using the National Longitudinal Study of Youth 1979, the concept of time preference is proxied through an individual's behaviors: smoking, drug use, the frequency of reading a nutrition label, time spent exercising, body mass index, the frequency of negative behaviors related to drinking, and the highest grade completed by the individual. Analysis of the data suggests that an individual's time preference influences their wealth accumulation as expected. Policy makers can use this to help create programs that provide incentives for saving for individuals that prefer to consume now. Previous research has focused on the behavioral economics associated with helping individuals save. Further research should focus on the results from early attempts to provide incentives for people to delay consumption and increase savings.