

BEHAVIORAL DETERMINANTS OF HOUSEHOLD
FINANCIAL CHOICE: THREE ESSAYS

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Abstract

This dissertation examines household characteristics the impact financial decision making. The first essay explores the role of cognitive ability in numeracy, risk tolerance, credit decisions, wealth and retirement savings and asset allocation and finds that cognitive ability is an important predictor of financial decisions. The second essay develops a new instrument to measure time discounting and models asset accumulation and asset allocation and finds that a factor score of intertemporal behaviors is significantly related to both asset accumulation and asset allocation. The third essay documents the decline in basic financial knowledge among households over 60 using a new financial literacy instrument developed to more accurately capture a household's ability to make effective balance sheet, credit, investment, and insurance choices.