

Older adults care about strangers' welfare in financial decision-making

January 2 2019



A study led by Assistant Professor Yu Rongjun from the NUS Department of Psychology compared how adults in older and younger age groups make financial decisions both for themselves and for others. Credit: National University of Singapore

A recent study by researchers from the National University of Singapore

(NUS) found that when it comes to making financial decisions under risk, older adults will regard the financial outcomes of others' as their own and make choices that they would have selected for themselves.

"Citizens in approximately one-third of the countries around the world rely heavily on decisions made by older adults who may be government, business or community leaders. It is important not only to understand how these [elderly people](#) make decisions for themselves, but also how they make decisions on behalf of others, as their decisions can lead to significant gains or losses," said team leader Assistant Professor Yu Rongjun, who is from the Department of Psychology at the NUS Faculty of Arts and Social Sciences.

The results of this study were reported in the journal *Psychology and Aging* in September 2018.

Closing the knowledge gap in financial decision-making

People often need to make financial choices for themselves, and sometimes on behalf of others. Studies have shown that [younger adults](#) take more risks when making financial decisions for others. However, there is a lack of understanding about the decision-making behaviour of the elderly.

To address this knowledge gap, Assistant Professor Yu and his team conducted studies to compare how younger adults and older adults make financial decisions, both for themselves and for others. The NUS study was conducted from 2016 and 2017, and involved 191 Singaporean participants. Among them, 93 were older adults with an [average age](#) of 70, while 98 were [young adults](#) averaging 23 years old.

The participants were asked to complete a series of computerised

decision-making tests in which they were assessed based on the choices they made under uncertainties. The [research team](#) used computational modeling to analyse two aspects of the participants' financial decision-making: loss aversion, which is a tendency to weight potential losses more strongly than potential gains; risk-aversion asymmetry, which looks at the tendency to be risk-averse for potential gains and risk-seeking for potential losses.

Financial decisions vary with age

The results show that when younger adults are making [financial decisions](#) on behalf of others, they take more risks even when the decisions put the person they are acting for at a disadvantage. Seniors make similar choices for themselves and when they act for others. Hence, the findings suggest that older adults care more about strangers' welfare.

"Our results demonstrate that decision-makers of different age groups have different motivational goals. The young [adults](#) may treat the finances of others differently from their own, perhaps regarding them as being less important. On the other hand, the older generation may care more about social harmony and [emotional experience](#), and have less emphasis on material gains," explained Assistant Professor Yu.

He added, "Although we did not manipulate decision-making power and participants simply made choices for strangers in our study, we speculate that similar age-dependent decision-making patterns may also apply to real-life workplaces. For instance, a young boss may choose one insurance plan for his employees and another plan for himself. The plan that he picks for others may be more risky and potentially disadvantageous compared to the plan he chooses for himself. On the other hand, an older boss is likely to select the same plan for his staff and himself. The findings of this study resonate with our earlier research

which showed [older adults](#) are more generous toward strangers."

To deepen their understanding on the financial [decision-making](#) processes of people from different age groups, Assistant Professor Yu and his team will be conducting neuroimaging studies to examine the underlying neural basis of their observations.

More information: Narun Pornpattananankul et al, Choosing for you: Diminished self–other discrepancies in financial decisions under risk in the elderly., *Psychology and Aging* (2018). [DOI: 10.1037/pag0000284](#)

Provided by National University of Singapore

Citation: Older adults care about strangers' welfare in financial decision-making (2019, January 2) retrieved 14 March 2023 from <https://medicalxpress.com/news/2019-01-older-adults-strangers-welfare-financial.html>

<p>This document is subject to copyright. Apart from any fair dealing for the purpose of private study or research, no part may be reproduced without the written permission. The content is provided for information purposes only.</p>
--