

# UNDERSTANDING PEOPLE'S FINANCIAL DECISIONS BEYOND MONEY

Does understanding how a consumer broadly relates to risk help predict financial behavior?

Convention states that information about a consumer's financial risk attitude would predict their financial behavior. Financial advisors often suggest investments by assessing their clients' risk attitudes in a financial context. But what if consumers' risk attitudes in other domains affect their risk attitudes in financial situations?

Crystal Reeck and colleagues assessed if they could make predictions about people's financial risk-taking based on knowledge of their risk behaviors in non-economic contexts. They examined risk attitudes across social, health, ethical, and other domains. They then used a behavior experiment that mimicked a real-life financial risk situation to see how survey respondents approached financial risk.

They found that knowing risk attitudes in other spheres of an individual's life provided a more accurate picture of their risk attitude in an economic context than their self-reported financial risk attitudes. Getting a better sense of how a consumer views risk in different situations helps to more accurately make these predictions.

Simply asking individuals about their economic choices isn't sufficient to fully understand consumers' risk attitudes. These findings can be applied to developing new techniques to solicit consumers' risk preferences in order to ensure their choices in a less familiar domain align with their risk attitudes in others.

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## MAJOR TAKEAWAYS:

- Understanding the common feature of how an individual views risk across different domains does a better job of predicting consumers' financial risk-taking.
- This research is valuable for many industries where people are trying to understand consumers' risk attitudes.

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## WHO NEEDS TO KNOW:

- Financial advisors
- Managers or marketers interested in consumer risk-taking
- Wall Street or investment bankers
- Researchers

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- Beyond money: risk preferences across both economic and non-economic contexts predict financial decisions.  
[www.doi.org/10.1371/journal.pone.0279125](http://www.doi.org/10.1371/journal.pone.0279125)