Fatalistic Tendencies:
An Explanation of Why People Don't Save

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Abstract

This paper uses data from the 2001 Survey of Consumer Finances to analyze household savings behavior. Individuals who are relatively pessimistic about the future of the economy or who deem themselves unlucky with financial affairs are more likely to realize their need to save, but are less likely to actually do so. The results hold after controlling for a number of demographic and behavioral factors, and are consistent across income and wealth levels. A possible explanation is that pessimistic people exhibit fatalism and do not save because they believe that they have little control over their future financial situations.

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1. Introduction

Why do people save so little? A large body of evidence shows that many households enter retirement with little or no savings (Diamond and Hausman 1984 and Banks, Blundell and Tanner 1998). Numerous hypotheses have been proposed to explain why households have such low savings rates. Several papers analyze the role of information and knowledge in planning for retirement years. For example, Gustman and Steinmeier (2001) show that many households are not well-informed about their future Social Security and pension benefits. Bernheim and Garrett (2002) find that employer-based financial education stimulates greater saving, while Duflo and Saez (2003) show that participation in 401K plans increases when individuals attend information fairs, or when they know a co-worker who has attended. Some models predict that certain individuals rationally choose not to plan and therefore save less due to the high costs of absorbing information. Allen and Carroll (2001) argue that approximating optimal savings behavior is an extremely difficult mathematical problem and the amount of time necessary to calculate reasonable rules of thumb for consumption is "absurdly large". Reis (2003) assumes that there are non-trivial costs to gathering, absorbing and processing information. Because of this, consumers only infrequently revise their expectations and re-compute their optimal consumption plans. Expectations are still rational, but are only sporadically updated.

Another line of research points to behavioral explanations such as self-control problems, inertia and status quo bias. Laibson, Repetto and Tobacman (1998) and Diamond and Koszegi (2000) use hyperbolic discounting to formally model the self-control problem in relation to the empirical findings on household savings behavior. O'Donoghue and Rabin (1999 and 2001) examine self-control issues using a model where some individuals are aware of their self-control problems, but others are not. There is also evidence that default behavior is quite prevalent in deciding how to invest and save. Madrian and Shea (2001) find that a significantly large portion of employees retain a default contribution rate and allocation for their retirement funds and do not reallocate their funds due to "participant inertia". Choi et al. (2003) analyze a program that forces

employees to actively make a choice between participating and not participating in a 401k plan with no default option. This active decision approach significantly increases participation rates by addressing the problem of participant inertia. In this setting where decision-makers have issues of inaction and/or self-control, one policy implication is that a simple increase in information about planning and saving for retirement may not be sufficient in affecting actual behavior. In fact, Thaler and Benartzi (2004) propose a savings plan where people pre-commit to allocating a certain portion of their future salary increases towards retirement savings.

This paper builds on the existing household savings literature by analyzing the effects of behavioral parameters on attitudes toward retirement saving and actual savings behavior. I use data from the 2001 Survey of Consumer Finances and find that controlling for financial resources and other demographic characteristics, people who are more pessimistic about the future of the economy and those who deem themselves unlucky with financial affairs are more likely to worry about the adequacy of their future retirement income. However, these individuals are also significantly less likely to actually be saving or to shop around when making serious investment and savings decisions. While these results are somewhat consistent with a story of self-control problems and procrastination, I propose an alternative explanation, where individuals have fatalistic tendencies which prevent them from increasing their current savings behavior. There may be a potential "throwing in the towel" effect, and the empirical analysis shows some support for this theory, as individuals who are more likely to realize their need to save are actually *less* likely to do so, even after controlling for financial constraints. This type of fatalistic thinking has been documented in a variety of disciplines and I discuss this later in the paper. These results are starkly at odds with the traditional life-cycle hypothesis, which posits that as consumers develop lower expectations about the future, they will adjust their behavior by consuming less and saving more.[1]

[1] For a further discussion on the failures of the life-cycle model, see Thaler (1994).

The remainder of the paper proceeds as follows. Section 2 describes the empirical specification and the data used in the analysis. Section 3 presents the main results of the paper and Section 4 provides a discussion of the results and conclusion.

2. Data and Methodology

The data used for this study is derived from the 2001 Survey of Consumer Finances (SCF). The SCF is conducted every three years by the Federal Reserve Board and samples from a broad age range of households, providing information on income, assets, pensions, and other demographic characteristics of U.S. families. The survey also gathers information on the use of financial institutions, information on investments, credit and borrowing and asks a number of attitudinal questions regarding consumption and savings behavior. The 2001 sample contains approximately 4,400 observations with non-missing information. The SCF surveys both married and single individuals, and the household head (in almost all cases this is assumed to be the husband) of married couples is the one that is primarily interviewed (though some limited spousal information is provided).

One shortcoming of the data is that the SCF is not a panel study, but rather a series of cross-sectional surveys. Thus, it is difficult to determine whether a change in an individual's expectations about the future has a causal impact on that same individual's attitudes toward saving and saving habits. However, the argument for reverse causality is not entirely convincing. It seems much more likely that one's disposition or degree of pessimism would affect her savings behavior, rather than the other way around. I also address the problem of omitted variable bias by controlling for various economic, demographic and behavioral characteristics as discussed above. In particular, I control for financial resources (household income and net worth) in order to

distinguish between a household's *inability* to save vs. an unwillingness to save, as there is some evidence that richer households save more.[2]

The first hypothesis to be tested is whether individuals who are generally more pessimistic about their finances are more likely to be concerned about saving for the future. In particular, the available survey questions allow me to estimate the following model:

$$(1) \qquad \textit{Saving Attitude} = \beta_0 + \beta_1 \textit{expectation} + \beta_2 X + \varepsilon$$

The purpose in estimating this equation is to see whether general expectations about current and future resources translate into worrying about specific areas such as one's own retirement years. In equation 1, the first dependent variable I use for *Attitude* is the answer to the following question from the SCF: "How would you rate the retirement income you (receive or expect to receive) from Social Security and job pensions?" The answers are coded along a 1-5 scale, from "totally inadequate" to "very satisfactory". I also use a second measure of an individual's attitude toward savings. The SCF asks the following question: "About how much do you think you (and your family) need to have in savings for emergencies and other unexpected things that may come up?"

For the measure of *expectations* about current and future financial status, I use two different variables. The first is the answer to the following question: "I'd like to start this interview by asking you about your expectations for the future. Over the next five years, do you expect the U.S. economy as a whole to perform better, worse, or about the same as it has over the past five years?" I use two indicator variables *same* and *worse* and compare this to the baseline of "better". A second variable used to measure an individual's perception of her financial situation is the answer to the following question: "Compared with other people of my generation and background, I have been lucky in my financial affairs." Respondents can answer along a 1-5 scale, ranging from "strongly agree" to "strongly disagree". I use an indicator variable *unlucky*

[2] Dynan, Skinner and Zeldes (2004) find a strong positive relationship between lifetime income and saving rates, and somewhat weaker support for a positive effect of wealth on the marginal propensity to save.

("strongly disagree" or "disagree") to represent people who have a negative outlook of their personal financial situations. The vector *X* represents a set of demographic and economic variables that include age, race, sex, marital status, education, work status, income, assets, and variables measuring degrees of planning behavior and risk tolerance.[3]

Though information and expectations about the future may cause an individual to change her attitudes toward saving, this does not necessarily imply that saving habits will be different. As discussed earlier, there is a large literature that analyzes the roles of procrastination and self-control in influencing savings behavior. Thus, I also ask the question of how current and future expectations affect actual savings behavior by estimating the following equation:

$$(2) \qquad \textit{Saving Habit} = \beta_0 + \beta_1 \textit{expectation} + \beta_2 X + \varepsilon$$

While much of the literature on savings behavior focuses on actual dollar amounts or rates of saving, I focus on people's general savings habits. Many studies construct measures of savings rates such as a ratio of wealth to permanent income (see, for example, Lusardi 1998 and Dynan, Skinner and Zeldes 2004). However, it is often difficult to ascertain how reliable these measures are and optimal levels of saving may vary greatly according to economic circumstance and may be extremely complex to calculate. Thus the goal here is not so much to measure how *much* people are saving, but whether they are saving at all. In estimating equation two, I use several different dependent variables to capture various aspects of peoples' savings behavior. The first variable used is an indicator variable equal to one if the individual claims to be engaging in any saving at all.[4] Next, I take a subset of individuals who claim to have some major foreseeable expenses in the next five to ten years. Conditional on this fact, I use a second dependent variable which is coded to be one if an individual is currently saving for these expenses and zero otherwise. Finally, I analyze the degree to which people shop around for the best terms when

[3] As a robustness check, I also include additional controls such as industry and occupation indicators, union status, overall debt and credit card use.

[4] Even though the SCF represents a fairly wealthy sample, roughly 18% of the respondents claim that they are not saving at all.

making major savings and investment decisions. The dependent variable is an index from 1-5, with 1 representing "almost no shopping" and 5 representing "a great deal of shopping". Under a traditional life-cycle model, those who are most worried about their retirement savings would be the ones most likely to shop around for the best terms since they have the most to gain.[5]

3. Results

Table 1 shows the summary statistics of the variables used in the analysis. The sample has a wide age distribution, with an average age slightly below 50. Almost 60 percent of respondents are married (where the husband is almost always the primary interviewee) and roughly 10 percent are black. Although this is a fairly wealthy sample (median net worth is over $150,000), only 82 percent claim to be currently saving. About half of the sample states that they have foreseeable major expenses in the near future, but only approximately 60 percent of those individuals claim that they are currently saving for these future expenses.

I begin the empirical analysis by estimating equation 1 using an ordered probit model, and the results are presented in Table 2.[6] As described earlier, the dependent variable is an index from 1-5 of the degree to which one views her retirement income as adequate (with higher numbers signifying a greater degree of satisfaction and lower numbers signifying a greater degree of worry). Women tend to worry more and blacks worry less about future income. Neither current net worth nor household income has a significant relationship with the degree of worrying about retirement income once other characteristics are controlled for. Of particular interest is the sign of the expectations variables. In column 1, the results show that controlling for demographic and financial characteristics, those that perceive themselves to be particularly "unlucky" in their finances are more likely to be worried about the adequacy of retirement income. Along the same lines, column 2 shows that those who believe that the economy will perform worse in the next

[5] This would be true if one assumes diminishing marginal utility to wealth and uniform fixed costs of shopping.
[6] The results are similar when I estimate the model using ordinary least squares.

five years are more likely to be worried about their future retirement income. Finally, in column 3, I include both of these expectations measures as independent variables. The coefficients on *unlucky* and *worse* continue to be positive and statistically significant. Thus, these variables seem to be capturing slightly different aspects of people's expectations of their future financial resources. In order to account for other characteristics that may be related to one's general degree of anxiety or myopia, I also include controls for risk preferences and planning horizon. The survey asks respondents about their willingness to accept financial risks, as well as the time horizon (next few months, year, next few years, 5-10 years, more than 10 years) that is most relevant for decision making. The results are not sensitive to the inclusion of these variables.

It is conceivable that an individual is acting optimally and does not see a need to currently save more, but may still view the amount of their future retirement income as being inadequate. I therefore re-estimate equation 1 using a different dependent variable related to the amount of savings an individual claims to need for emergencies and unexpected events. The SCF asks the following question: "About how much do you think you (and your family) need to have in savings for emergencies and other unexpected things that may come up?" Table 3 shows the marginal effects of a probit regression where the dependent variable is equal to one if someone claims that she needs a significant amount of savings (more than $10,000) to protect against potential shocks.[7] The first column of Table 3 shows that "unlucky" individuals are 8.8 percent more likely to claim they need to have a significant amount of savings for emergencies. Column 2 shows that people who believe the economy will be worse in the near future are 5.5 percent more likely to need greater than $10,000 in savings. Finally, in column 3 I include both of these independent variables in the regression; both coefficients continue to be statistically significant and the marginal effects are only slightly smaller.

[7] I also estimate a median regression with the dollar value of "needed savings" as the dependent variable and obtain similar results. Given the number of extremely large outliers (some amounts well over $1million), using ordinary least squares to estimate this produces imprecise results, though the results are qualitatively the same.

Next, I estimate equation 2, which uses the same set of independent variables, but the dependent variable is a dichotomous variable equal to one if an individual claims to be saving at all. Table 4 presents the results of the marginal effects for these probit model regressions. More educated people and those with higher net worth and household income are more likely to be regularly saving. Column 1 also shows that those that consider themselves particularly unlucky with their financial affairs are less likely to be savers. The marginal effect is indeed quite large – one who considers herself unlucky with financial affairs is 10.1 percent less likely to be a regular saver. This coefficient is statistically significant at the 1 percent level. Column 2 shows that individuals who believe that the economy will get worse over the next five years are also less likely to be saving (marginal effect of 4.5 percent), relative to those who are optimistic about the future economy. Column 3 includes all of the expectations variables, and the coefficients continue to be negative and significant.

Taken together, the results of Tables 2-4 suggest that those who are most pessimistic about their personal financial situations or the future prospects of the economy are more likely to realize their need to save, but are less likely to actually be saving.[8] In particular, these types of individuals worry more about the adequacy of retirement income and feel that they need to have more money saved up for unexpected events, but are less likely to be currently saving. What explains these findings? It may be the case that certain individuals do not have a need to save for anything, while others do and this may somehow be related to one's degree of pessimism or expectations about the future. Even after controlling for current financial resources, there may be households that do not save because they do not have any specific foreseeable expenses. To address this issue, I re-estimate equation 2 using a similar, but alternative measure of savings behavior. About half of the survey respondents report having some major foreseeable expense in

[8] Ameriks, Caplin and Leahy (2004) present evidence that many households do not have a very good sense of how much they spend on various consumption items and thus may engage in "precautionary spending". While this type of "absent-mindedness" may undoubtedly be present, the results here suggest that even when people realize their need to save, they may not do so.

the next 5-10 years. I restrict the sample to those who report having some foreseeable expense in the near future and use as a dependent variable the answer to the subsequent question, "…are you saving for these expenses now?" I estimate this equation using a probit model and the marginal effects for these regressions are reported in Table 5. Similar to the results obtained in Table 4, wealthier and more educated households are more likely to be saving for foreseeable expenses, given that they have some. Meanwhile, people in poor health are much less likely to be saving for these expenses. Consistent with the earlier findings, the coefficient on the unlucky variable is negative and significant at the 1% level. The marginal effect reported in Table 5 is indeed quite large. Individuals who consider themselves particularly unlucky with their finances are 12.3 percent less likely to be saving for future major expenses. The sign on the "economy will perform worse" variable is also negative, but the coefficient is not statistically significant.

One possible explanation for these findings is that those with worse expectations are *unable* to save due to financial constraints, even though they realize the need to do so. Note, however, that all of the regressions have controlled for financial resources by including net worth and household income as independent variables. As a sensitivity check, I have experimented with different functional forms of the wealth and income variables, and the results are similar. I have also included additional variables such as credit card use, the use of a financial planner, and overall debt amounts and the results are robust to these additional controls. In addition, when splitting the data between those in the top half of the wealth distribution and the bottom half of the wealth distribution, I obtain similar results for both groups. It is particularly striking that the results of Tables 4 and 5 hold for even the wealthiest households. It is not simply the poor that exhibit this type of behavior, but also those households with significant net worth and income.[9] Finally, I test to see whether liquidity constraints may be driving the results by splitting the sample according to those with little or no liquid assets and those with a fair amount of liquid

[9] Venti and Wise (1998) show that there are a significant number of non-savers among high-income households, just as there are a large number of low-income households that save a great deal.

assets, as well as splitting the sample according to whether or not the household has a credit card. Once again, the results are similar across these subsamples. This suggests that the lack of savings does not necessarily reflect an inability to do so because of credit constraints or cash flow problems.[10]

Given that many people realize the need to save but do not do so, one is led to believe that issues of self-control and/or procrastination may be relevant. As discussed earlier, there is a large literature that documents the presence of self-control problems in economic decision making (O'Donoghue and Rabin 1999 and 2001). While it is difficult to gain an empirical measure of procrastination or self-control, the SCF does provide a few variables that may serve as close proxies. One question asks whether people generally pay off their full credit card bills or leave a balance on them.[11] Another series of questions involve people's attitudes toward borrowing money to pay for certain expenditures including educational expenses, luxury items, and daily living expenses. In particular, the question asks, "People have many different reasons for borrowing money which they pay back over a period of time. For each of the reasons I read, please tell me whether you feel it is all right for someone like yourself to borrow money to…" The results (not shown here) show that those who tend to leave a balance on their credit cards and those who believe it is acceptable to borrow money to pay for luxury items such as vacations, jewelry and fur coats are indeed less likely to be regular savers and less likely to be saving for specific major expenses. However, when I include this information in the main regressions, the coefficients on *pessimism* and *unlucky* remain statistically significant, and actually increase slightly in magnitude.

In addition, if self-control were the only explanation for the main results, then one might expect to find that worsened future expectations would affect worrying about retirement income,

[10] Here, I am distinguishing between the inability to save because of financial constraints vs. the inability to save because of self-control problems (which one might choose to categorize as an "unwillingness" to save).

[11] While this might reflect liquidity problems, note that I am already controlling for income, net worth and liquid assets.

but not affect savings behavior at all. In other words, one would expect a zero effect on savings habits, unless there was a reason to believe that procrastination and pessimism have a strong positive correlation (but the evidence from above suggests that this is not the case).[12] However, the results here are even more striking. Those that are relatively pessimistic about their financial situations (either personally or about the economy as a whole) are even *less* likely to be savers than other people. This suggests another explanation, similar in spirit, but yet different than one simply involving myopia or self-control. Many people who are pessimistic about their current and/or future financial situations may exhibit fatalistic tendencies. Many studies in the psychological literature highlight the importance of fatalism in various aspects of life, including the aging process, mental health, medical screening, and even suicidal tendencies. The Miriam-Webster Dictionary defines fatalism as "a doctrine that events are fixed in advance so that human beings are powerless to change them". If this is the case, those that believe they are unlucky with financial affairs or that the economy is going to worsen in the near future would be less likely to save because they feel that they have little control over their future situations.

To further explore this channel, I analyze the degree to which people shop around when making saving and investment decisions. I estimate equation 2 using as a dependent variable an index indicating the degree to which individuals "shop around for the best terms" when making savings and investment decisions. Table 6 presents these results using an ordered probit model.[13] People who feel that the economy will not improve in the near future (either stay the same or become worse) are significantly *less* likely to take time to shop around when making important financial decisions, though being unlucky with financial affairs has no statistically significant effect on this behavior. While the unwillingness to save (for those individuals who recognize their need to do so) may simply represent problems with self-control, the results shown in Table 6 are more consistent with a story of fatalistic individuals who recognize the need to save but do

[12] In the psychology literature, there is no well-established relationship between these two traits.
[13] Once again, OLS yields similar results.

not even spend the time finding the best terms when making financial decisions.[14] These findings by no means reject a procrastination/self-control explanation, but they show that this alone is not sufficient in explaining the empirical findings.

There is a large literature analyzing the consequences of fatalism, and the research spans several different disciplines including psychology, medicine, political science and sociology. There is evidence that those who are most at risk for certain diseases are often the least likely to get medical screens for them (see Kash and Dabney 2001 and Wu 2003). Caplan (2003) highlights the role of fatalism in the aging process. Her results indicate that greater fatalism measured in a particular year predicts greater difficulty in everyday cognitive tasks twenty years later. McClure et al. (2001) find that people are less likely to prepare for earthquakes and other disasters if they make fatalistic attributions for potential earthquake damage. Petterson (1999) uses data from the NLSY to show that fatalism has a positive effect on subsequent joblessness and a particularly pronounced effect for poorer and more disadvantaged workers. Goodwin and Allen (2000) demonstrate strong relationships among fatalism, attitudes toward democracy and democratic participation in various republics of the former Soviet Union. Olmsted et al. (1991) link fatalism during adolescence with increased future substance abuse problems and Harrell (1995) studies the effects of having histories of occupational mishaps on fatalism towards occupational accidents and perceived hazardousness of present occupation. The common theme among these various studies is that those with fatalistic tendencies believe that their current actions will not improve their future outcomes. This is analogous to the athlete who when faced with the prospect of losing "throws in the towel" in admission of defeat. If individuals who have low expectations of their future finances exhibit fatalism, the prediction is that these individuals

[14] One may argue that this result simply represents a difference in the time cost of shopping around and gathering information. However, recall that I have controlled for a host of behavioral parameters and demographic and financial characteristics, including planning horizon, risk preferences, household income, net worth and financial sophistication.

will be less likely to actually save. The empirical evidence shown here is consistent with this prediction.

While there may be alternative explanations for the findings in this paper, the results strongly support the hypothesis that many individuals with low future expectations do not save or take time to shop around when making financial decisions due to fatalistic tendencies. This theory may help explain the results of Venti and Wise (1998), who show that conscious decisions to save or spend while young are the driving factor in determining variation of wealth among the elderly, and little of the variation is explained by chance. If individuals with the worst future expectations are the ones least likely to save, it is not surprising that even for those with similar lifetime incomes, there is a great deal of wealth dispersion among the retired population.

4. Conclusion

This paper has shown that individuals who are more pessimistic about their current and/or future financial situations are more likely to realize their need to save, but are significantly less likely to actually be saving. In addition, more pessimistic people and those that consider themselves unlucky with financial affairs are less likely to shop around for the best terms when making important financial decisions. These effects persist after controlling for current financial resources as well a host of other control variables. A traditional life-cycle model would predict that those with greater uncertainty or more negative expectations about their current and future financial well-being would be more likely to be saving for the future. However, the results of this paper are at odds with this hypothesis. While individuals may have problems with self-control, the combined results here suggest this is not the entire story either. Those that are the most likely to be worried about the adequacy of their future retirement income are actually *less* likely to be actually saving and less likely to be spending time shopping around for good terms in investments. This suggests that people who have negative expectations of the future are more fatalistic and believe that they have little control over the events of the future.

One policy implication is that in an effort to influence savings behavior, it may be just as important (if not more) to affect people's preference parameters as it is to increase their level of information regarding savings and retirement. In addition, the way that information about saving is presented may be equally or more important than the actual content. In particular, with respect to fatalistic individuals, it may be helpful to provide indications how saving a little today can lead to much better retirement years and to show how small actions today can greatly affect the future. The idea is to get people to believe that they have more "control" of their well being during future retirement years than they might initially think in order to combat fatalistic beliefs. Alternatively, it may be helpful to have people pre-commit to allocating a certain portion of their future salary increases towards retirement savings, as Thaler and Benartzi (2004) propose. Prescriptive plans such as these that address behavioral issues in household savings are promising. As economists continue to incorporate findings in the psychology literature in modeling savings behavior, policy makers will be better equipped to address the issues surrounding retirement and the well being of the elderly.

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Table 1: Summary Statistics

Variable	Mean	Standard Deviation
Married	0.61	0.49
Female	0.22	0.41
Black	0.10	0.31
Age	50.21	16.17
High School Graduate	0.24	0.43
Some College	0.20	0.40
College Graduate	0.22	0.41
Post College Degree	0.21	0.41
Log (Net Worth)	11.55	4.35
Log (Household Income)	11.17	1.82
Have a Credit Card	0.81	0.39
Index of Planning Horizon (1-5 scale)	3.28	1.31
Index of Risk Aversion (1-4 scale)	2.96	0.88
Index of Self-Reported Health (1-4 scale)	1.90	0.83
Satisfaction With Retirement Income (1-5 scale)	2.50	1.34
Saving At All?	0.82	0.38
Have Major Foreseeable Expenses	0.53	0.50
Planning for Foreseeable Expenses (if any)	0.63	0.48
Index of Shopping for Investment Decisions (1-5 scale)	3.08	1.39
Consider Self Unlucky with Financial Affairs	0.14	0.35
Future Economy Will Perform Better	0.28	0.45
Future Economy Will Perform Same	0.39	0.49
Future Economy Will Perform Worse	0.34	0.47
Observations	4,442	

Notes: Source is 2001 Survey of Consumer Finances.

Table 2: Expectations and Satisfaction with Retirement Income: Ordered Probit Models

Variable	(1)	(2)	(3)
Married	0.077*	0.077*	0.071
	(0.046)	(0.046)	(0.046)
Female	-0.075	-0.068	-0.075
	(0.053)	(0.053)	(0.053)
Black	0.170***	0.182***	0.173***
	(0.057)	(0.057)	(0.057)
Age	-0.029***	-0.032***	-0.028***
	(0.006)	(0.006)	(0.006)
Age Squared	0.000***	0.000***	0.000***
	(0.000)	(0.000)	(0.000)
Log (Net Worth)	0.007	0.011*	0.007
	(0.006)	(0.006)	(0.006)
Log (Household Income)	0.003	0.011	0.008
	(0.013)	(0.013)	(0.013)
High School Graduate	0.038	0.021	0.030
	(0.058)	(0.058)	(0.058)
Some College	0.086	0.066	0.082
	(0.062)	(0.062)	(0.062)
College Graduate	0.101	0.084	0.100
	(0.066)	(0.066)	(0.066)
Post College Degree	0.145**	0.142**	0.156**
	(0.069)	(0.069)	(0.069)
Have Credit Card	-0.010	0.006	-0.012
	(0.050)	(0.050)	(0.050)
Good Health	-0.001	-0.010	-0.002
	(0.037)	(0.037)	(0.037)
Fair Health	-0.026	-0.039	-0.024
	(0.053)	(0.053)	(0.053)
Poor Health	-0.182**	-0.203**	-0.166*
	(0.088)	(0.088)	(0.088)
Particularly unlucky with financial affairs	-0.262***		-0.257***
	(0.049)		(0.050)
Future economy will perform same		-0.014	-0.015
		(0.040)	(0.040)
Future economy will perform worse		-0.156***	-0.152***
		(0.042)	(0.042)
Observations	4,442	4,442	4,442

Notes: All regressions also include controls for risk aversion and planning horizon. Omitted category for health status is excellent. Omitted category for expectations of future economy is better. *Significant at 10% level. **Significant at 5% level. ***Significant at 1% level. Standard errors are in parentheses.

Table 3: Expectations and Need for Significant Savings
Dependent Variable is Whether Household Needs More Than $10,000 in Savings for Unexpected Events

Variable	(1)	(2)	(3)
Married	0.053**	0.054**	0.056**
	(0.024)	(0.024)	(0.024)
Female	-0.008	-0.011	-0.008
	(0.028)	(0.028)	(0.028)
Black	-0.023	-0.026	-0.024
	(0.031)	(0.031)	(0.031)
Age	0.010***	0.011***	0.010***
	(0.004)	(0.004)	(0.004)
Age Squared	-0.000	-0.000	-0.000
	(0.000)	(0.000)	(0.000)
Log (Net Worth)	0.038***	0.036***	0.038***
	(0.004)	(0.004)	(0.004)
Log (Household Income)	0.076***	0.073***	0.075***
	(0.008)	(0.008)	(0.008)
High School Graduate	-0.053*	-0.047	-0.051
	(0.031)	(0.031)	(0.031)
Some College	0.004	0.010	0.004
	(0.033)	(0.033)	(0.033)
College Graduate	0.087**	0.094***	0.087**
	(0.034)	(0.034)	(0.034)
Post College Degree	0.155***	0.158***	0.152***
	(0.035)	(0.035)	(0.035)
Have Credit Card	0.075***	0.070***	0.077***
	(0.027)	(0.027)	(0.027)
Good Health	-0.040*	-0.036*	-0.039*
	(0.020)	(0.020)	(0.020)
Fair Health	-0.015	-0.010	-0.015
	(0.029)	(0.028)	(0.029)
Poor Health	-0.054	-0.046	-0.061
	(0.048)	(0.048)	(0.048)
Particularly unlucky with financial affairs	0.088***		0.086***
	(0.025)		(0.025)
Future economy will perform same		-0.002	-0.003
		(0.022)	(0.022)
Future economy will perform worse		0.055**	0.054**
		(0.023)	(0.023)
Observations	4,442	4,442	4,442

Notes: Reported coefficients are marginal effects for probit models. All regressions also include controls for risk aversion and planning horizon. Omitted category for health status is excellent. Omitted category for expectations of future economy is better. *Significant at 10% level. **Significant at 5% level. ***Significant at 1% level. Standard errors are in parentheses.

Table 4: Expectations and Likelihood of Being a Saver

Variable	(1)	(2)	(3)
Married	-0.025*	-0.024*	-0.027*
	(0.014)	(0.014)	(0.014)
Female	-0.035**	-0.032*	-0.036**
	(0.017)	(0.017)	(0.017)
Black	0.022	0.026*	0.023
	(0.015)	(0.015)	(0.015)
Age	0.001	-0.001	0.001
	(0.002)	(0.002)	(0.002)
Age Squared	-0.000	0.000	-0.000
	(0.000)	(0.000)	(0.000)
Log (Net Worth)	0.014***	0.016***	0.014***
	(0.002)	(0.002)	(0.002)
Log (Household Income)	0.013***	0.016***	0.014***
	(0.004)	(0.004)	(0.004)
High School Graduate	0.015	0.010	0.014
	(0.016)	(0.016)	(0.016)
Some College	0.040**	0.033*	0.039**
	(0.016)	(0.017)	(0.016)
College Graduate	0.039**	0.032*	0.038**
	(0.018)	(0.019)	(0.018)
Post College Degree	0.039**	0.036*	0.042**
	(0.020)	(0.020)	(0.020)
Have Credit Card	0.069***	0.076***	0.069***
	(0.017)	(0.017)	(0.017)
Good Health	-0.014	-0.018	-0.014
	(0.013)	(0.013)	(0.013)
Fair Health	-0.018	-0.024	-0.016
	(0.018)	(0.018)	(0.018)
Poor Health	-0.083**	-0.098***	-0.077**
	(0.033)	(0.034)	(0.033)
Particularly unlucky with financial affairs	-0.101***	...	-0.099***
	(0.018)		(0.018)
Future economy will perform same	...	-0.021	-0.021
		(0.014)	(0.014)
Future economy will perform worse	...	-0.045***	-0.041***
		(0.015)	(0.015)
Observations	4,442	4,442	4,442

Notes: Reported coefficients are marginal effects for probit models. All regressions also include controls for risk aversion and planning horizon. Omitted category for health status is excellent. Omitted category for expectations of future economy is better. *Significant at 10% level. **Significant at 5% level. ***Significant at 1% level. Standard errors are in parentheses.

Table 5: Expectations and Likelihood of Saving for Foreseeable Expenses

Variable	(1)	(2)	(3)
Married	0.017	0.019	0.015
	(0.030)	(0.030)	(0.030)
Female	-0.008	-0.006	-0.008
	(0.034)	(0.034)	(0.034)
Black	0.062*	0.066*	0.064*
	(0.034)	(0.034)	(0.034)
Age	-0.003	-0.005	-0.003
	(0.004)	(0.004)	(0.004)
Age Squared	0.000	0.000	0.000
	(0.000)	(0.000)	(0.000)
Log (Net Worth)	0.024***	0.026***	0.024***
	(0.004)	(0.004)	(0.004)
Log (Household Income)	-0.005	-0.002	-0.004
	(0.008)	(0.008)	(0.008)
High School Graduate	0.037	0.034	0.038
	(0.038)	(0.039)	(0.039)
Some College	0.079**	0.076*	0.081**
	(0.039)	(0.039)	(0.039)
College Graduate	0.091**	0.086**	0.093**
	(0.041)	(0.041)	(0.041)
Post College Degree	0.109***	0.107**	0.113***
	(0.042)	(0.042)	(0.042)
Have Credit Card	0.023	0.030	0.021
	(0.032)	(0.032)	(0.032)
Good Health	-0.021	-0.028	-0.022
	(0.024)	(0.024)	(0.024)
Fair Health	-0.024	-0.031	-0.025
	(0.034)	(0.034)	(0.034)
Poor Health	-0.148**	-0.169***	-0.145**
	(0.060)	(0.060)	(0.060)
Particularly unlucky with financial affairs	-0.123***		-0.122***
	(0.031)		(0.031)
Future economy will perform same		0.018	0.018
		(0.026)	(0.026)
Future economy will perform worse		-0.018	-0.016
		(0.027)	(0.027)
Observations	2,353	2,353	2,353

Notes: Reported coefficients are marginal effects for probit models. All regressions also include controls for risk aversion and planning horizon. Omitted category for health status is excellent. Omitted category for expectations of future economy is better. *Significant at 10% level. **Significant at 5% level. ***Significant at 1% level. Standard errors are in parentheses.

Table 6: Expectations and Degree of Shopping for Saving and Investment Decisions: Ordered Probit Models

Variable	(1)	(2)	(3)
Married	0.108**	0.108**	0.108**
	(0.045)	(0.045)	(0.046)
Female	0.053	0.055	0.055
	(0.053)	(0.053)	(0.053)
Black	0.166***	0.159***	0.160***
	(0.057)	(0.057)	(0.057)
Age	0.003	0.003	0.003
	(0.006)	(0.006)	(0.006)
Age Squared	-0.000	-0.000	-0.000
	(0.000)	(0.000)	(0.000)
Log (Net Worth)	0.031***	0.030***	0.031***
	(0.006)	(0.006)	(0.006)
Log (Household Income)	-0.027**	-0.026**	-0.026**
	(0.013)	(0.013)	(0.013)
High School Graduate	0.082	0.079	0.079
	(0.058)	(0.058)	(0.058)
Some College	0.205***	0.200***	0.199***
	(0.062)	(0.062)	(0.062)
College Graduate	0.163**	0.159**	0.158**
	(0.066)	(0.066)	(0.066)
Post College Degree	0.198***	0.198***	0.197***
	(0.069)	(0.069)	(0.069)
Have Credit Card	0.106**	0.110**	0.110**
	(0.050)	(0.050)	(0.050)
Good Health	-0.108***	-0.105***	-0.105***
	(0.037)	(0.037)	(0.037)
Fair Health	-0.068	-0.061	-0.062
	(0.053)	(0.053)	(0.053)
Poor Health	-0.352***	-0.343***	-0.345***
	(0.089)	(0.089)	(0.090)
Particularly unlucky with financial affairs	0.008		0.009
	(0.049)		(0.049)
Future economy will perform same		-0.112***	-0.112***
		(0.040)	(0.040)
Future economy will perform worse		-0.088**	-0.088**
		(0.042)	(0.042)
Observations	4,442	4,442	4,442

Notes: All regressions also include controls for risk aversion and planning horizon. Omitted category for health status is excellent. Omitted category for expectations of future economy is better. *Significant at 10% level. **Significant at 5% level. ***Significant at 1% level. Standard errors are in parentheses.