

Study links a couple's numeracy skills with greater family wealth

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Couples who score well on a simple test of numeracy ability accumulate more wealth by middle age than couples who score poorly on such a test, according to a new study of married couples in the United States.

Researchers found that when both spouses answered three numeracy-related questions correctly, family wealth averaged \$1.7 million, while among couples where neither spouse answered any questions correctly the average household wealth was \$200,000. Numeracy is the ability to reason with numbers and other mathematical concepts, and are skills typically learned during school.

"We examined several cognitive skills and found that a simple test that checks a person's numeracy skills was a good predictor of who would be a better family [financial decision](#) maker," said James P. Smith, a co-author of the study and Distinguished Chair in Labor Markets and Demographic Studies at the RAND Corporation, a nonprofit research organization. The other two authors of the study are John McArdle of the University of Southern California and Robert Willis of the University of Michigan.

Researchers found that choosing the wrong person as a family's primary financial decision maker can have consequences. While families choose the less-numerate spouse less than 20 percent of the time, when this does happen total household wealth is lower.

The findings are published in the November edition of the *Economic*

Journal.

The study relied on a sample of [married couples](#) from the Health and Retirement Survey, a nationally representative survey of Americans at least 50 years old that includes high-quality measurement of family wealth and tests of cognitive ability of both husbands and wives. The Health and Retirement Survey is funded by the National Institute on Aging.

Researchers say the skills needed to make successful investment choices are among the most cognitively demanding that a family has to make, especially as they get older and assume greater control of decisions about their wealth, pensions and health care.

The new study is one of the first to examine who makes these financial decisions for a household, how that selection is influenced by couple's personal attributes and the relative cognitive abilities of both wives and husbands.

In addition to studying numeracy skills, the study also examined the impact that other [cognitive skills](#), including memory retrieval and intact mental status, may have on financial outcomes. Researchers found the other cognitive functions studied had far less influence on a household's wealth.

Other findings from the study include:

- As the numeracy score of each spouse rose, the percent of a family's portfolio held in stocks increased.
- A man was the financial decision maker in 62 percent of the households studied. This male preference was particularly

pronounced when the husband was older and more educated than his wife.

- Selection of the husband as the financial decision maker was more sensitive to a husband's numeracy ability than it was to the numeracy skills of the wife. Even when a husband scored zero in his numeracy test, there was essentially a 50-50 chance that he would still be selected as the financial decision maker. This male bias in choosing the financial decision maker has been declining over time so that it is smaller among younger couples in this age range.

Provided by RAND Corporation

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