

Marriage may not aid financial savings for those who favor immediate rewards

June 19 2019



Credit: Lynn Greyling/Public Domain

A study of married couples in Vietnam suggests that, when one spouse tends to favor immediate rewards, marriage does not help them commit to saving money. Hisaki Kono of Kyoto University, Japan, and Tomomi Tanaka of the World Bank, US, present these findings in the open-access journal *PLOS ONE*.

The tendency to overvalue immediate rewards, known as present bias, is

a major obstacle to building financial savings. Formal and informal structures like [retirement plans](#) or rotating savings and credit associations (ROSCAs) can help people with present bias build savings. Another possible solution is for a present-biased person to delegate spending decisions to their non-present-biased spouse, but no previous research has evaluated this strategy's success.

To investigate whether [marriage](#) can serve as a savings commitment device for present-biased people, Kono and Tanaka studied 134 [married couples](#) in a relatively wealthy community in Vietnam. They surveyed husbands and wives separately and together to understand their financial habits. The couples also participated in experiments in which they made imaginary financial decisions both separately and together.

The results suggest that marriage does not aid savings for couples with a present-biased spouse. While joint decisions made between [spouses](#) were less present-biased than individual decisions, present-biased spouses gave a smaller proportion of their income to their spouses, received more [money](#) from their spouses' earnings, and were more likely to be in charge of household resources. Even when present-biased spouses received smaller allowances, they tended to conceal money, hampering efforts to save.

While it's not clear how much these results generalize outside of Vietnam, the study highlights the value of savings strategies outside of a married couple's household, including retirement plans and ROSCAs, which could protect money from a present-biased spouse. Future research could help identify the underlying factors within a marriage that cause a present-biased spouse to receive more resources.

Kono adds: "Present-biased individuals turn over a smaller ratio of their earnings to their spouses, and receive larger amounts of money from their spouses' incomes. Marriage exacerbates the problem of present

bias, and external savings commitment devices are required to protect money from their present-biased spouses."

More information: Kono H, Tanaka T (2019) Does marriage work as a savings commitment device? Experimental evidence from Vietnam. *PLoS ONE* 14(6): e0217646. doi.org/10.1371/journal.pone.0217646

Provided by Public Library of Science

Citation: Marriage may not aid financial savings for those who favor immediate rewards (2019, June 19) retrieved 2 May 2024 from <https://phys.org/news/2019-06-marriage-aid-financial-favor-rewards.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>
--