

Marketing Research Seminar Series | Department of Marketing | WU Vienna

John G. Lynch, University of Colorado Boulder (US)

June 22nd, 2017 | 13:00 – 15:00 | TC.3.10

**“On a Need to Know Basis: Divergent Trajectories of Financial Expertise
in Couples and Effects on Independent Search and Decision Making”**

Past work has shown that financial literacy is painfully low – a global phenomenon (e.g., Lusardi and Mitchell, 2011 *J. Pension Economics & Finance*). Efforts to remedy this low financial literacy via financial education have delivered miniscule benefits in improved financial behavior (Fernandes, Lynch, and Netemeyer, 2014 *Management Science*) unless the education is “just in time” relative to the behavior to be influenced. In this project with Adrian Ward of UT-Austin, we propose that people tend to be ignorant about money because they think they have it covered—not because they know about money, but because they don’t *need* to know about money. People generally develop expertise on a “need to know” basis; they pay attention to what they think they need to know, when they think they need to know it. In the present work, we consider how couples use each other as experts, often entrusting just one partner (the “household CFO”) with the bulk of the responsibility for financial matters, and how this distribution of responsibility affects what they know, what they learn, and their ability to make good financial decisions. In this research, we analyze the factors that contribute to the division of cognitive labor around money management. We show how this division of cognitive labor may lead relationship partners to accumulate different experiences and areas of expertise over time, to attend to—and fail to attend to—different types of potentially important information, and to be prone to making suboptimal decisions in different areas. We focus our analysis on financial decision-making and financial literacy and analyze the welfare consequences of division of financial responsibility in couples.