SENSATION SEEKING AND FINANCIAL RISK TAKING IN EVERYDAY MONEY MATTERS

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ABSTRACT: The present study investigated the degree to which the previously established relationship between sensation seeking and risk taking associated with gambling could be extended to everyday financial matters (e.g., personal banking activities). The subjects, classified into high and low sensation seekers, were asked to make a series of everyday financial decisions that varied in their degrees of risk. Overall, the results indicate high sensation seekers displayed greater risk-taking tendencies in everyday financial matters than low sensation seekers. This difference in everyday financial risk taking between high and low sensation seekers was also found within each gender group. Implications and suggestions for future research involving sensation seeking in other personal and professional financial decision-making areas are also presented.

Finance professionals (cf. Boone & Kurtz, 1989; Widicus & Stitzel, 1989) indicate that financial risk taking is influenced by various financial considerations (e.g., need for financial liquidity & income security). In the area of personality psychology, one factor that has been found to be related consistently to financial risk-taking behavior is that of sensation seeking (Zuckerman, 1983; Zuckerman & Kuhlman, 1978). Sensation seeking is defined as “the need for varied, novel, and complex sensation and experiences and the willingness to take physical and social risks for the sake of such experiences” (Zuckerman, 1979b, p. 10). The risks associated with gambling tend to create a heightened level of arousal and stimulation desired by individuals who are high on the personality dimension of sensation seeking. High sensation seekers tend to bet more and at higher odds than low sensation seekers (Zuckerman & Kuhlman, 1978; Waters & Kirk, 1968). However, the research linking sensation seeking and financial risk taking has been limited to that of gambling and related games of chance.

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The purpose of the present study is to investigate if the relationship between sensation seeking and financial risk taking associated with gambling is extended to risks in everyday financial matters, such as personal banking activities, insurance planning, and career decisions. To investigate this possibility, individuals classified as high and low sensation seekers were asked to make a series of everyday financial decisions with varying degrees of risk. It was hypothesized that high sensation-seeking individuals would be willing to engage in greater risks in their everyday financial matters, as well as those related to gambling, than low sensation-seeking individuals. With women's increasing presence in the work force and their role as principal household financial planners, this study also investigated the extent to which gender and sensation seeking differences influence financial risk-taking behavior.

METHOD

Subjects

The subjects (N = 233) were 99 male and 124 female undergraduate students, ranging in age from 18 to 53 years (M = 26 years of age), who participated voluntarily in this study as part of an in-class exercise.

Procedures

The subjects were informed that the basic procedures would involve them reading a series of statements and making a number of decisions concerning various everyday financial matters and completing a 40-item questionnaire about their personal preferences for various types of activities. These procedures were carried out with eight separate groups, ranging in size from 20 to 65 individuals.

Measure of financial risk taking. The subject's measure of financial risk was assessed using a 12-item questionnaire that required the subject to make decisions concerning his or her willingness to take financial risks in certain everyday situations. The 12 financial decisions were classified into three separate categories: personal investments, household affairs, and gambling. Within the personal investments category, the subjects were asked to make decisions concerning the buying of stocks, bonds, certificates of deposit, and a house. For the household affairs category, the decisions involve maintaining adequate funds in a bank account, buying automobile insurance, and concerns over career income. Within the gambling category, the subjects were asked to make decisions involving playing the lottery and card games and serving as a contestant on a television game show requiring the taking of financial risks. For