Individual Differences in Loss Aversion and Preferences for Skewed Risks

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Introduction

In a previous study, we identified age differences in preferences and frontal brain activity during skewed risk taking (Seaman et al, in revision), but the mechanisms accounting for the age differences in brain and behavior were unclear. Previous evidence for age-related “positivity effects” in attention and memory could extend to financial decision making, such that older adults are more loss averse. In the present study, we examined whether individual differences in loss aversion explained the previously observed age differences.

Are adult age differences in positive skew preference due to loss aversion?

Methods

508 healthy participants ages 21-82 (M= 49.62) completed self-report and behavioral measures to assess loss aversion and a behavioral measure to assess skew preference.

Conclusions

We found age differences in positive skew preferences but not in loss aversion. More loss averse individuals were less likely to accept positively-skewed gambles. There was an interaction such that this negative correlation increased with age.

Loss aversion accounts for a small amount of variance in skew preference

Loss Aversion (self-reported)

Loss Aversion (revealed preference)

Skewed Risk-taking (revealed preference)

Data collected using Qualtrics

Thanks to Steve Shu and Shlomo Bernartzi for assistance with the loss aversion assessment.

Supported by National Institute on Aging Pathway to Independence Award R00-AG042596.

Thanks to @CousinAmygdala @arossotto @cMadan for design feedback via ridicule/sarcasm on earlier drafts of this poster.