

Determinants of Household Saving Practices

Yoonkyung Yuh, Ewha Womans University¹
Sherman D. Hanna, Professor, Ohio State University²

This paper analyzes a combination of the 1995, 1998, 2001, and 2004 Survey of Consumer Finances datasets. In the 1995-2004 period, 16% of households reported spending more than income. The proportion did not change much between 1995 and 2004. The multivariate analysis shows that many effects are consistent with normative models. Some effects that are contrary to a normative model might be due to differences in time preferences or ability to plan. Efforts to increase saving among young households might not be successful, as they already are more likely to save and less likely to dissave than otherwise similar older households. Black and single female households are more likely to spend more than income than otherwise similar White and married households. Efforts to increase saving among low income households seem unlikely to produce substantial results.

¹ Associate professor, Ewha Business School, Ewha Womans University, Ewha-Shinsega Building RM425, 11-1 Daehyun-dong, Seodaemun-gu, Seoul 120-750, Korea(ROK), Phone:82-2-3277-4076, yuhyk@ewha.ac.kr.

² Professor, Consumer Sciences Department, 1787 Neil Avenue, , Columbus, OH 43210, 614-292-4584, hanna.1@osu.edu.

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