# The Effect of Time Perspective on Debt Behaviors

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Time Perspective Theory (Zimbardo, & Boyd, 1999) views human behavior is influenced by temporal cognitive frames that partition human experience into the past, present, and future. It posits the present decision making is determined by reconstructing the memories and experiences of the past and constructing the expectations and goals of the future. Although time perspective is characterized by five dimensions (i.e. Past-Negative, Present-Hedonistic, Future, Past-Positive, and Present-Fatalistic), the most dominant factors studied in previous literature were present-hedonistic and future orientation. According to the theory, people who overvalue the present pleasure are likely to seek hedonistic values in life with high impulsivity and little concern for future consequences of their actions. On the other hand, future-oriented people are likely to resist temptation and plan for future goals, achievements, and rewards. (Stolarski, Fieulaine, & van Beek, 2015). Empirically, present orientation has been associated with negative consequences, and future orientation has been related to positive consequences. For example, future-oriented students were more likely to participate in the required tasks as early as possible and produced better outcomes whereas present-oriented students tended to delay their commitments and took more time to complete the tasks (Zimbardo, & Boyd, 1999). In financial planning, consumers who have higher levels of future orientation were likely to participate in retirement plans, save more, and repay loans (Howlett, Kees, & Kemp, 2008; Klicperová-Baker, Košťál, & Vinopal, 2015). Also, Joireman, Kees, and Sprott (2010) found present orientation magnified the impact of compulsive buying tendencies on credit card debt among college students.

Overall, reviewing previous studies provides an idea that financial behaviors and the consequences of financial management may differ depending on an individual's sense of time. Focusing on the debt change between before and after the recession, this study investigated the relationship between time perspective and debt status of respondents. Specifically, it was hypothesized that (a) people who have higher levels of future orientation are likely to have less debt, and (b) people who pursue present-hedonistic values are likely to have more debt compared to what they owed before the recession. The significance of this study is to provide empirical evidence that dispositional factor, such as time perspective, has a significant impact on the change of debt amount between now and before the recession, even after controlling for the other economic experiences of the recession.

Data were obtained from the third wave of the National Survey of Midlife Development in the United States (MIDUS), conducted by the Institute on Aging at the University of Wisconsin-Madison and funded by the National Institute on Aging. The survey aims to investigate the role of behavioral, psychological, and social factors in understanding age-related differences in physical and psychological well-being. The third wave of data was collected in 2013/14 and contains information of total 3,294 respondents; however, a total of 1,733 were analyzed due to the missing answers for important variables of interest. Multinomial logistic regression analysis was used to identify the effect of the variables. The model was tested using STATA 12.

*The dependent variable, Debt Change* was defined as self-reported debt status change between 2008 and when the survey was conducted. It reflects whether the debt status of respondents has become worse or improved during the past years. The respondents were asked whether they currently owe more, the same, or less compared to what they owed before the recession. Answers were coded 1 if they owe more than before, 2 if their debt status is about the same, and 3 if they owe less than before. A variable of interest, *Future Orientation* was defined as self-reported, future-oriented planning nature of the self. Future orientation was a scale variable ranged from 1 to 4, and comprised of three items of the following: (a) "I like to make plans for the future," (b) "I know what I want out of life," and (c) "I find it helpful to set goals for the near future". The higher value in future orientation represents higher propensity of planning for future. Another variable of interest, *Present-hedonistic* was defined as self-reported, present-focused nature of the self. Present-hedonistic was a scale variable ranged from 1 to 4, and comprised of four items of the following: (a) I live one day at a time," (b) "I have too many things to think about today to think about tomorrow," (c) "There is no use in thinking about the past because there is nothing you can do about it," and (d) "I believe there is no sense planning too far ahead because so many things can change". The higher value in present-hedonistic indicates higher propensity of living for today. *Recession Experiences* was defined as what the respondents have experienced during the recession. Since the debt status is likely to be determined by the dynamics of the individual financial situation, recession experiences were to be included in the model. The specific events of recession experiences used in this study were lost a job, took additional jobs, lost a home due to a foreclosure or the other reasons, filed a bankruptcy, reduced income, bought a home, sold a home, paid off all credit card debt, paid off all other debt, and increased credit card debt. Responses were coded 1 if respondents have had the experience since the recession began, otherwise 0. *Socio-economic Status* included various demographic and socio-economic characteristics of respondents such as age, gender, race, education level, employment status, marital status, household size, household income, and homeownership.

A total 1,733 respondents were utilized in this study. Table 1 shows that approximately 48% of respondents were male, and 52% were female. The mean age was 61 years, ranging from 39 to 92. Thirty-five percent of respondents were age 65 or more. Most respondents were White (90.1%), educated at the college level or higher (76.8%), currently working (64.8%), and married (69.7%). The average household size was 2.32 (SD=1.27), and the mean household income was $ 98,338. About 88.5% of respondents owned home. The average future orientation score and present-hedonistic were 3.09 and 2.17, respectively. The proportion of respondents who reported that they currently have more debt than before the recession was 24.7%, and who reported that they have less debt was 44.3%.

## References


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**Table 1.** Descriptive Statistics ($N = 1{,}733$**)**

| Variable | *Mean (%)* | *SD* | *Min* | *Max* |
|---|---|---|---|---|
| Age | 61.05 | 9.67 | 39 | 92 |
| Gender | | | | |
| Male | 48.30 | | | |
| Female | 51.70 | | | |
| Race | | | | |

| | | | | |
|---|---|---|---|---|
| White | 90.13 | | | |
| Black | 3.35 | | | |
| Other | 6.52 | | | |
| Education | | | | |
| Less than high school | 23.25 | | | |
| Some college | 54.01 | | | |
| College or more | 22.74 | | | |
| Employment | | | | |
| Working | 64.80 | | | |
| Not working | 35.20 | | | |
| Marital status | | | | |
| Married | 69.71 | | | |
| Never married | 7.73 | | | |
| Single | 22.56 | | | |
| Household size | 2.32 | 1.27 | 1 | 20 |
| Household income | 98,337.85 | 74,761.92 | 0 | 300,000 |
| Homeownership | | | | |
| Yes | 88.52 | | | |
| No | 11.48 | | | |
| Time perspective | | | | |
| Future orientation | 3.09 | .66 | 1 | 4 |
| Present-hedonistic | 2.17 | .65 | 1 | 4 |

Table 2 demonstrates that the result of multinomial logistic regression analysis. Model 1 includes time perspective variables only, and recession experiences were added in Model 2. The results show that present-hedonistic was significantly associated with debt status change in both models. It means the propensity to present-hedonism was more likely to be engaged in having more debt. However, debt. Income reduction was positively associated with both increase and decrease of debt. Although the association is not clear, there are two possible ways of explanation for this result. First, people might have borrowed financial resources against income reduction, which led to the increase of debt amount. Second, people might have paid off debts due to the anticipation of financial hardship, which resulted in the decrease of debt. The major findings of the current study were consistent with the results from Joireman, Kees and Sprott (2010)'s research because present time perspective was negatively linked to debt but future time perspective was not a significant predictor of debt.

**Table 2.** Multinomial Logistic Regression on Debt Change

| | Model (1) | | Model (2) | |
|---|---|---|---|---|
| | Increase (*N*=428) | Decrease (*N*=768) | Increase (*N*=428) | Decrease (*N*=768) |
| | Odd | Odd | Odd | Odd |
| Time perspective | | | | |
| Future orientation | 1.107 | 1.171 | 1.099 | 1.178 |
| Present-hedonistic | 1.411** | 1.039 | 1.408** | 1.025 |
| Age | .944*** | .953 | .961*** | .958*** |
| Gender (Male) | .797 | 1.124 | .793 | 1.096 |
| Race | | | | |
| Black | 2.771* | 1.990 | 2.623* | 1.994 |
| Other | 1.091 | .817 | 1.040 | .792 |
| Education (High school) | | | | |
| Some college | 1.257 | .741 | 1.270 | .725* |
| College or more | 1.284 | .672 | 1.346 | .670* |
| Employment Status (Working) | 1.230 | 1.032 | 1.155 | 1.073 |
| Marital Status (Married) | | | | |
| Never Married | .784 | .551 | .904 | .609* |
| Single | .852 | .902 | .873 | .899 |
| Household Size | 1.117 | 1.040 | 1.082 | 1.018 |
| Household Income | 1.000* | 1.000 | 1.000 | 1.000 |
| Homeownership (Yes) | .980 | .922 | .991 | 1.189 |
| Recession Experiences | | | | |
| Lost job | | | 1.207 | 1.001 |
| Add job | | | 1.498 | 1.193 |
| Lost home | | | .836 | 1.201 |
| Bankruptcy | | | .472 | 2.931* |
| Income reduction | | | 1.476* | 1.448** |
| Bought home | | | 2.547*** | 1.022 |

| | | | | |
|---|---|---|---|---|
| Sold home | | | .870 | 1.152 |
| Paid cc debt | | | .619** | .891 |
| Paid other debt | | | .527*** | .872 |
| Increase cc debt | | | 3.368*** | 1.199 |
| Log Likelihood | -1767.75 | | -1662.42 | |
| Pseudo $R^2$ | .046 | | .103 | |
| $\chi^2$ | 169.95*** | | 380.59*** | |

*Note.* $* p < .05, ** p < .01, *** p < .001$

This paper aims to examine the relationship between time perspective and personal financial behavior. Although the results of this study did not tell whether future time perspective is beneficial to financial well-being, it suggests present-hedonistic perspective may be detrimental because it contributed to the increase of debt even after controlling for the effect of socioeconomic features and the financial events during the recession. This adds to the existing consumer studies literature by documenting that the dispositional factors (=individual sense of time) significantly relate to personal financial status. Consumer educators can take it into consideration when nurturing desirable financial behaviors.