

Financial Wealth and the Role of Time Preferences

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Individuals accumulate wealth in order to increase future consumption. This study posits that an individual's rate of time preference influences their level of wealth accumulation. Individuals with a high rate of time preference, those preferring to increase consumption of present utility in the at the expense of future utility, are predicted to have a low relative level of wealth accumulation. Using the NLSY 1979 data set, we examine the relationship between an individual's rate of time preference and wealth; we proxy time preference by using a composite score based on six items: smoking status, obesity status, excessive alcohol consumption, drug use, exercise status, and nutrition label use. Results suggest that an individual's rate of time preference does influence their level of wealth accumulation.

Endnotes

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