The Role of Saving Goals on Savings Behavior: A Regulatory Focus Approach

Soo Hyun Cho, South Dakota State University[1]
Loren Geistfeld, The Ohio State University[2]
Cäzilia Loibl, The Ohio State University[3]

Americans save little. With the volatile economic situations evidenced in 2009, the limited savings of Americans is a concern. Public policy and research efforts have been directed to increase personal saving rates. While previous studies contributed to identifying characteristics of savers and thus distinguishing between savers and non-savers, underlying reasons as to why some individuals have a tendency to put away money and others do not have not been addressed in research. The purpose of this research is to provide a better understanding of individual characteristics related to savings and the relationship between saving goals and saving behaviors.

Regulatory Focus Theory (Higgins, 2000) specifies that individuals can exhibit a promotion inclination or a prevention inclination based on the direction of the outcomes. Promotion-oriented people are motivated to seek accomplishment, whereas prevention-oriented people are motivated by safety. Similarly people's goals can be categorized as either promotion or prevention goals (Higgins, 2000).

Data from the 2007 Survey of Consumer Finances was analyzed to explore the relationship between saving goals and savings behavior by household level. Logistic regression was conducted to test proposed relationships between saving goals and regular saving behavior. The results of this study suggest the Regulatory Focus Theory helped explain people's saving behavior. Having promotion-related or prevention-related saving goals significantly increased the likelihood to save regularly. Individual regulatory orientation also was shown to increase the odds of saving significantly.

It is indicated that when paired with individual regulatory orientations, saving goals variably influence the likelihood of saving. As expected, prevention-oriented people were more likely to save regularly if they listed prevention related saving goals at the same time. This is in accordance with the prediction of regulatory fit hypothesis, where there is enhanced performance when the chronic regulatory orientation fits with the regulatory focus of the task (Shah et al., 1998; Spiegel et al., 2004).

Based on the findings, a conclusion was saving goals play a significant role on the saving behavior. Moreover, saving goals can be divided into two different motivational statuses, which have divergent effects on saving. Also present was individual regulatory orientations were important factors in explaining people's regular saving behavior. These bear implications both for public policy and consumer education. Public messages can be developed to influence either promotion- or prevention-focused behavior. Targeting consumer segmentation, according to the regulatory focus proclivity, would increase the effectiveness of the public message. Consumers also can set their financial goal based upon whether they are promotion-prone or prevention-prone. The well-being of consumers is contributed by a better understanding of their motivational direction.

References

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[1] Assistant Professor, Department of Design, Merchandising, and Consumer Sciences, SNF 307/Box 2275A Brookings SD 57007, 605-688-5835(phone), 605-688-5578(fax), and Soohyun.cho@sdstate.edu
[2] Professor Emeritus, Department of Consumer Sciences
[3] Assistant Professor, Department of Consumer Sciences