Do Males Still Specialize in Higher Household Finances?

Suzanne Lindamood, Independent[1]
Sherman D. Hanna, The Ohio State University[2]

Abstract

This research analyzes whether the male or female is the financially more knowledgeable spouse/partner in mixed-sex couple households. In financial survey research, such as the Survey of Consumer Finances, the initial respondent is asked who is the financially more knowledgeable person in the economic unit and the interview is then scheduled with that person. This research helps answer questions of (1) whether women are increasingly likely to be the financially more knowledgeable person, (2) whether the designation of the financially more knowledgeable person is actually a matter of household convenience and not the person that theory suggests would be the financially more knowledgeable, and (3) whether observed differences in male and female responses to attitude questions such as risk tolerance, actually represent structural differences in the types of households where the female, versus the male, is the financially more knowledgeable. Using the 2010 Survey of Consumer Finances, we found no time trend in women being the financially more knowledgeable person with females being more financially knowledgeable in 46% of mixed-sex couple households, a proportion that was slightly lower than the proportion in 1992 (47%). We also found a difference in the type of household in which women were the financially more knowledgeable. In households with a net worth in the top decile for mixed-sex couples, females in 2010 were financially more knowledgeable than the male in only 19% of the households. Based on a multivariate logistic regression, we found that (1) the more educated spouse/partner is likely to be financially more knowledgeable, and (2) the likelihood of the female being financially more knowledgeable decreases as net worth increases from zero and as net worth decreases below zero. The research also supported the finding that the designation of the financially more knowledgeable person was not simply a matter of convenience for the household as the effect of the employment status of the male and female suggests that the choice of the respondent is not related to availability of the spouse/partner to be interviewed, as females are more likely to be the respondent when both are employed than when the male only is employed.

Keywords: Gender, Survey of Consumer Finances, Financial knowledge, Household production model, Family decision-making, Gender roles

Introduction

Role specialization is fairly typical within couple households (Coltrane 2000; Noonan 2001). Becker (1991) demonstrated that specialization in specific household tasks as well as in market work is efficient, even if household members have equal initial abilities. One set of household tasks in which specialization has been observed is the management of household finances, from paying bills to income tax return calculation to managing investments. There are two dominant theoretical approaches in economics that have been used for explaining role specialization: the household production model articulated by Becker (1991) and the bargaining model, which is similar to sociological models of household roles (Bernasek & Bajtelsmit 2002). In the household production model, household utility is maximized based on specialization of tasks (Bernasek & Bajtelsmit 2002). The model assumes tasks will be done by the person with comparative advantage, so the one who has acquired more human capital related to a particular task will specialize in that task (Becker 1981; Ratchford 2001; Bernasek & Bajtelsmit 2002). Ratchford (2001) noted the role of learning by doing, so those who perform a task will tend, over time, to have an increasing comparative advantage.

Management of household finances is not a single task, however, as the concept encompasses several activities of varying complexity. Hilgert, Hogarth, and Beverly (2003) divided household financial

[1]Ph.D., JD, 2161 Arlington Avenue, Columbus, OH 43210, suzanne@lindamood.com.
[2]Professor, Human Sciences Department, 1787 Neil Avenue, Columbus, OH 43210, The Ohio State University, Columbus, OH, (614) 292-4584, hanna.1@osu.edu.

activities into four main categories: cash flow management, credit management, saving, and investment. In addition, income tax preparation is important for many households, with our analysis of the 2010 Survey of Consumer Finance indicating that 40% of respondents report doing their own taxes. In the present study, we are interested in whether, for the U.S. Survey of Consumer Finances, the male or female in mixed-sex couple households is designated as the more financially knowledgeable person. Presumably the person who specializes in the most important tasks is likely to be considered the more knowledgeable spouse. In financially less complex households, such as those that do not itemize on their federal income tax return and those who do not have investment portfolios, the spouse/partner who pays the bills is likely to be the one who will have better knowledge to answer the questions about income, credit balances, and the value of assets. For financially more complex households, such as those that have investment portfolios, the spouse/partner who has knowledge of the household's investments and assets is likely to be the more knowledgeable spouse.

In an era characterized by increasing labor force participation of women and attention to financial education of women, one would expect women to be the financial decision-maker more often than in the past. Knowledge of who is the decision maker is important to financial educators and financial service firms, which have to decide whether to direct efforts to men, women, or both. Financial planners working with couple households should take into account who is financially more knowledgeable, especially if the planner can interact with only one person. If role specialization is substantial for some types of couple households, divorce or separation from or death of the more financially knowledgeable spouse/partner could be a problem for the other person. The potential for a problem is illustrated by the fact that in 2008, only 34.8% of females age 75 to 84 were married with a spouse present (U.S. Census Bureau, 2009). Specialization in household financial management by the male of couple households could cause problems later in life for women who lack knowledge.

Knowledge of who is financially more knowledgeable and the characteristics related to that person is important in understanding survey research and especially in analyzing research such as the Survey of Consumer Finance. Zagorsky (2003) noted that most household surveys rely on one respondent to report information about household characteristics. In his research, in which both persons in couple households responded, he found differences in responses based on whether the male or the female was the respondent. It is also important, when considering attributing male-female differences in survey research that the type of household impacts whether the male, instead of the female, is the financial manager and therefore more knowledgeable. If so, it is possible that structural differences in households, not male-female differences per se, are reflected in different answers for men versus women. It is important to take into account the sex of the respondent in couple households and consider whether there are systematic differences between households with male respondents and households with female respondents.

Objectives

This research examines the question of who is the financially more knowledgeable spouse/partner among mixed-sex couple households. The research employs logistic regression analysis using data from the six most recent Surveys of Consumer Finances (SCF) conducted every three years from 1992 – 2010 by the Federal Reserve Board (Bricker, Kennickell, Moore, & Sabelhaus, 2012) to investigate determinants of whether the male or female in mixed-sex couple households is financially more knowledgeable. The Survey of Consumer Finances is particularly suited to this research because the interviews specifically are scheduled with the person the household indicates is more knowledgeable about the family's finances. The SCF takes great efforts to assure that the survey is conducted with the more knowledgeable person, who is not necessarily the person SCF designates as the household head. With the SCF surveys, it is possible to identify both the respondent and the household head, as well as whether the respondent's spouse or partner was present during the interview.

Most previous studies based on the SCF have reported findings in terms of the characteristics and attitudes of the household head. Lindamood, Hanna, & Bi (2007) found that many researchers erroneously have assumed that the head is the same person as the respondent and thus inadvertently attributed the respondent's attitudes and characteristics to the head. Such research could produce biased results, especially if there are differences in male-female response patterns and differences in household types where the male, versus the female, is financially more knowledgeable. This research investigates the question of whether households in which the female is more knowledgeable are different from households in which the male is more knowledgeable. It should add to the understanding the characteristics of male and female respondents and further, provide insight into observed differences may be due to structural differences in the types of households where females, as opposed to males, are the respondents.

Lindamood and Hanna (2005) reviewed some literature related to bargaining and unitary models to explain role specialization in household finances. They analyzed the 1992 to 2001 Survey of Consumer Finances datasets, and found that 47% of married couple households had the wife as the respondent, and were therefore presumably the more financially knowledgeable spouse. Their multivariate analysis found that education was related to who was the respondent, and the likelihood of the wife being the respondent decreased as income and assets increased. A number of other variables had significant effects on whether the wife was the respondent, suggesting that the respondent might tend to be the spouse who was more knowledgeable about the household's finances.

Methods

Data

This study uses the 2010 Survey of Consumer Finances (SCF) dataset, the most recent cross-sectional SCF dataset, sponsored by the Federal Reserve Board and administered every three years (Bricker et al., 2012), and also for a descriptive comparison, the 1992 SCF dataset. Lindamood et al. (2007) reviewed a number of issues important in analyzing SCF datasets. Because this research includes only households that are comprised of mixed-sex couples, it is of particular importance to this research to accurately identify couples who live in the same household and share in the household's finances. The SCF takes extensive measures to assure that each unit of analysis is actually a "primary economic unit" (PEU), a grouping of people who both live in the same household and share finances. A person is not included in a PEU if that person apparently rents a room, is a roommate, or otherwise is economically independent of the person who owns or leases the housing. The SCF analyzes responses to various questions to determine if a person usually lives in the household and if the person shares in the finances. Prior to 2001, to determine if the respondent had a spouse or partner in the PEU, the SCF primarily relied on the respondent's report of living with a spouse or partner. Starting in 2001, the SCF analyzed each case to determine if a spouse/partner was part of the primary economic unit, and did not depend on whether the respondent initially indicated a spouse/partner was present. We include in this research all households in which the respondent indicates that he or she has a spouse or partner of the opposite sex in the household and the SCF has established that the spouse/partner is living in the household and is part of the PEU. (There are a small number of same-sex partner and married couples in the SCF, for instance, 30 in the 2010 dataset, but we wanted to focus on gender differences in decision-making in traditional married couple households.) Using this method, we identified 2,556 mixed-sex couple households in the 1992 SCF dataset and 3,990 in the 2010 SCF dataset (Table 1). Of these mixed-sex couple households, 2,453 were married in 1992 and 3,558 were married in 2010.

A second important consideration for this research is identifying the more financially knowledgeable spouse/partner. The respondent in the SCF is the person identified as "more knowledgeable about the household finances" (Federal Reserve Board, 2001). The SCF makes extensive efforts to schedule and complete an interview with that person and the interviewers for the SCF follow a set of pre-determined rules in identifying the person to serve as the respondent in a household. An initial interview is held with a household member to gain basic information including identifying the person with whom subsequent, in depth interviews, will be held. During that initial contact with a household, the interviewer asks a series of questions including the number of people in the household, the number of children, and the identity of each person in the household. For couple households, the interviewer states: "For this study, we would like to interview the head of the household or that person's spouse or partner if they are more knowledgeable about the household finances. Who would this be?" The instructions for interviewers state "(PROBE, IF NECESSARY)" (Federal Reserve Board, 2004).

We create all variables for the analysis using data in the SCF SAS files available on the Federal Reserve Board website (www.federalreserve.gov/pubs/oss/oss2/ scfindex.html).

Dependent Variables

We use whether the female or male is the respondent as a proxy for which one is the more financially knowledgeable respondent. The dependent variable is a dichotomous variable equal to 1 if the respondent is the female, and equal to 0 if the respondent is the male.

Independent Variables

Demographic variables in the model include the respondent's race/ethnicity, and the male's age. We create four dummy variables for race/ethnicity based on the possible categories in the SCF public dataset, White, Black, Hispanic, and other. The other category is probably about 80% Asian or Pacific Islander (Hanna & Lindamood, 2008).

We create dummy variables for the highest education level of the male and of the female: less than high school, high school degree, some college but less than a bachelor's degree, bachelor's degree, and a post-bachelor degree. We create variables related to differences between the male and female in age, education, employment, and health. We create three categories for male-female education differences: same level, female more, male more, and also include the dummy variables for the male's education in the analysis. Age differences are based on three categories, the male being more than five years older than the female, the female being more than five years older than the male, and the difference in age being no more than five years, and we also include male's age in the analysis. Employment status differences are based on four categories, female employed and male not, male employed and female not employed, both employed, and neither employed. Health differences are based on four categories of self-described health, both poor, neither poor, male poor/female not, and female poor/male not.

Economic variables include the household's pretax income and net worth, adjusted to 2010 price levels using the method the Federal Reserve Board describes. Because the relationships between these monetary amounts and our dependent variable are not necessarily linear, we use the log of income (set to ln[0.01] if income is zero), the log of net worth (set to ln[0.01] if net worth is non-positive), and the log of – net worth (set to ln[0.01] if net worth is non-negative). We create dummy variables for whether the household owns its home, for the survey year to control for possible changes over time, and for whether the spouse/partner of the respondent was present during the interview.

The Analyses

For descriptive information, we present the proportion of households with the female as the respondent by net worth category for 1992 and for 2010, weighted by the SCF population weight in each survey year. For multivariate analysis of the 2010 SCF dataset, we use logistic regression (logit), which is an appropriate multivariate analysis to use with the dichotomous dependent variable of whether the female is the respondent. We use the Repeated Imputation Inference method (Lindamood et al., 2007) for the logistic regression for better estimates of variances of estimates and significance levels.

Results

Descriptive Results

Projecting from the SCF population weights, of mixed-sex couple households in 1992, 47% had females who were financially more knowledgeable, and the proportion decreased to 46% by 2010 (Table 1). Households with the female as the respondent are different from households with the male as respondent in terms of the net worth distribution in each year. In 1992, only 29% of couple households in the top net worth decile in that year had female respondents. In 2010, only 19% of couple households in the top net worth decile for that year had female respondents.

Table 1

Mixed Sex Couple Households, 1992 and 2010, and Rate of the Female Being the More Financially Knowledgeable by Net Worth Category

	1992	2010
Unweighted number of mixed sex couple households	2,556	3,990
Overall proportion with female as the more financially knowledgeable	47.00%	45.72%
Proportion with female as more financially knowledgeable by net worth category:		
Top 10% of net worth for couple households	29.08%	18.99%
Median to 89.9th percentile of net worth for couple households	45.85%	45.61%
Net worth zero or above but less than median net worth for couple households	51.30%	50.16%
Negative net worth	54.09%	55.64%

All analyses are weighted by population weights except those listed as unweighted numbers.

Multivariate Results

Table 2 shows the logit results for the likelihood that the female is the respondent, with the logit coefficients and the odds ratios for each variable. The likelihood that the female is the respondent does not change significantly as income increases, but as net worth increases in positive ranges of net worth, the likelihood of the female being the respondent decreases. The likelihood also decreases as net worth becomes more negative for negative ranges of net worth. Households with a Black respondent and those with an Asian/other respondent are not significantly different from otherwise similar households with a White respondent in the likelihood of the female being the respondent. However, households with Hispanic respondents are significantly less likely to have a female respondent that similar households with white respondents.

The likelihood of a female respondent increases with the age of the male, controlling for other variables, including the age difference between the male and female. A female who is more than five years older than her male spouse/partner is more likely to be the respondent than an otherwise similar household where the male is more than five years older than the female.

The more educated respondent is more likely to be the more financially knowledgeable spouse. Households with a college educated male are less likely to have the female as a respondent than those with males without any college. If both the male and female are employed, the female is more likely to be the respondent than in otherwise similar households where only the male is employed. Households where neither is employed are not different from those where only the male is employed.

Homeownership and whether the spouse/partner was present during the interview are not related to the chance of the female being the respondent. Households with a dependent child at home are more likely to have the female as the respondent than otherwise similar households without a dependent child at home. If the male is in poor health and the female is not, the female is more likely to be the respondent compared to households where neither is in poor health.

Discussion

Most of our multivariate results (Table 2) are consistent with both the unitary model and the bargaining model. If the female is more than five years older than the male, she is more likely to be the respondent, which is consistent with expectations that experience increases knowledge. The result that the older the male, the more likely the female is the respondent is the reverse of the finding reported by Lindamood and Hanna (2005) in their analysis of husband-wife couples in the 1992-2001 SCF datasets. If one spouse/partner has more education than the other, that person is more likely to be financially more knowledgeable. Controlling for education differences, households with college educated males are less likely to have the female be more knowledgeable. The employment effects are not consistent with a simple unitary model based on the availability of time for household tasks, but might be consistent if learning about investments through employment are important.

Table 2

Logistic Regression Analysis of the Female Being Financially More Knowledgeable, 2010

Variable	Coefficient	Standard	Sig.	Odds
Log (household income) {Ln(.01) if income=0}	-0.0197	0.0195	.2461	0.981
Log (-net worth) {Ln(.01) if net worth≥0}	-0.1651	0.0238	<.0001	0.848
Log (net worth) {Ln(.01) if net worth≤0}	-0.1786	0.0199	<.0001	0.836
Racial ethnic status of respondent {reference category = White}				
Black	-0.0564	0.1373	.6813	0.945
Hispanic	-0.4202	0.1292	.0011	0.657
Asian/other	-0.2132	0.1678	.6445	0.925
Age difference of male and female {reference category = male more than 5 years older}				
Male’s age – female’s age < -5 (female older)	0.5917	0.2055	.0040	1.807
Male’s age – female’s age = 5 years or less	0.1707	0.0910	.0609	1.186
Age of male	0.0078	0.0038	.0404	1.008
Highest education level of male {reference category = < high school degree }				
High school degree	0.0007	0.1393	.9965	1.001
Some college, including associate degree	-0.3702	0.1525	.0151	0.691
Bachelor degree	-0.5334	0.1632	.0011	0.587
Post-bachelor degree	-0.7088	0.1859	.0001	0.492
Highest education level of male and female {reference category = same level}				
Female has more	0.4621	0.0892	<.0001	1.587
Male has more	-0.2826	0.0950	.0029	0.754
Employment status of male and female {reference category = male employed, female not}				
Female employed, male not	0.1514	0.1657	.3611	1.163
Neither employed	-0.2331	0.1467	.1123	0.792
Both employed	0.4371	0.0859	<.0001	1.548
Own home	0.1286	0.1074	.2304	1.137
Have child < 19 at home	0.2991	0.0816	.0002	1.349
Spouse or partner present during interview	-0.1359	0.0835	.0805	0.873
Health status of male and female {reference category = neither poor}				
Male poor, female not	0.5918	0.2016	.0033	1.807
Female poor, male not	0.2199	0.2175	.3611	1.246
Both poor	-0.6412	0.3987	.1081	0.527
Married	-0.0169	0.1232	.8909	0.983
Intercept	0.7098	0.3144	.0376	
Concordance (averaged for 5 implicates)	72.6%			

Unweighted RII analysis of 2010 SCF dataset.

The negative relationship between net worth and the female being the respondent over positive ranges of net worth is plausibly due to higher net worth households having investments be more important components of financial tasks. The cause of the decreasing likelihood of the female being the respondent as net worth decreases from zero is not as obvious, but it is likely that some households that manage businesses might have negative net worth.

The racial ethnic patterns in the multivariate analysis might be due to the high proportion of immigrants among those identifying as Hispanic, as based on U.S. Census results, Hispanics have high proportions of immigrants (Hanna and Lindamood, 2008), and it is possible that immigrants have more traditional attitudes toward sex roles. (The Survey of Consumer Finances does not include information about immigrant status.)

It is possible that the spouse/partner designated as more financially knowledgeable is simply the one more available to answer the numerous questions in the Survey of Consumer Finances. If, however, that were generally true, we would not expect to find households with both employed, ceteris paribus, more likely than households with non-employed females to have the female be respondent. It is also possible that males and females generally have equal knowledge, and that the designation of who will respond to the SCF is somewhat random. If that were the case, however, we would not expect to find the many significant effects in our multivariate analysis.

Implications

Those conducting research using the Survey of Consumer Finances and other surveys in which only one person in the household is interviewed should be aware that for mixed-sex couple households, attitudes may depend on whether the male or female is the respondent, and that the pattern of which one is the respondent is not random. Most past researchers using the Survey of Consumer Finances have either assumed that attitudes reflected the male's opinions because the SCF designates the male as the head, or assumed that attitudes reflect joint opinions of the male and female (Lindamood et al., 2007). Research with surveys with only one respondent should identify the gender of respondent, and test whether there are systematic differences in attitudes based on whether the male or the female is the respondent.

Even though females are the respondents, and thus presumably financially more knowledgeable, in almost half of mixed sex couple households, clearly males are still much more likely to be considered the knowledgeable spouse/partner for households in the target market for financial services companies, such as households with higher incomes or financial assets. Financial educators and advisors in financial service companies should attempt to work with both partners in couple households, as death or divorce may leave the less informed partner in a bad situation. This research shows that the female is less likely to be financially more knowledgeable in households with higher net worth. Educational efforts should be directed to these households to increase the female's familiarity with household's finances. Financial institutions and educators should also be aware that the female is likely to be financially more knowledgeable in households with lower incomes and lower asset levels.

The lack of a time trend suggests that there are no generational changes developing in terms of the role of females in family financial management decision making, though as suggested above, the increasing important of investment decisions for households might have offset what would otherwise have been an increase in females being the more knowledgeable spouse/partner.

References

Becker, G. S. (1991). *A treatise on the family*. Cambridge, MA: Harvard University Press, Enlarged Edition.

Bricker, J., Kennickell, A. B., Moore, K. B., & Sabelhaus, J. (2012), Changes in U.S. family finances from 2007 to 2010: Evidence from the Survey of Consumer Finances. *Federal Reserve Bulletin*, *98*(2), 1-80.

Bernasek, A., and Bajtelsmit, V. L. (2002). Predictors of women's involvement in household financial decision-making. *Financial Counseling and Planning* , *13*(2), 39-47.

Coltrane, S. (2000). Research on household labor: modeling and measuring the social embeddedness of routine family work, *Journal of Marriage and the Family*, *62*(November), 1208-33.

Federal Reserve Board (2001). Household information packet. *2001 Survey of Consumer Finances*. Retrieved from http://www.federalreserve.gov/econresdata/scf/files/2001_hip2001ap.pdf.

Federal Reserve Board (2004). Household screener. Retrieved from http://www.federalreserve.gov/econresdata/scf/files/ 2004_1HIP_AP04_English.pdf

Hanna, S. D. & Lindamood, S. (2008). The decrease in stock ownership by minority households. *Financial Counseling and Planning*, *19*(2), 46-58.

Hilgert, M. A., Hogarth, J. M., & Beverly, S. G. (2003). Household financial management: The connection between knowledge and behavior, *Federal Reserve Bulletin, 89,* 310-22.

Lindamood, S. & Hanna, S. D. (2005). Determinants of the wife being the financially knowledgeable spouse. Proceedings of the Academy of Financial Services. Available at http://64.211.221.225/Downloads/AFS_Lindamood_Hanna.pdf.

Lindamood, S., Hanna, S. D., & Bi, L. (2007). Using the Survey of Consumer Finances: Methodological considerations and issues. *Journal of Consumer Affairs*, *41*(2), 195-214.

Noonan, M. C. (2001). The impact of domestic work on men's and women's wages. *Journal of Marriage and the Family*, *63*(November), 1134-45.

Ratchford, B. T. (2001). The economics of consumer knowledge. *Journal of Consumer Research*, *27*(March), 264-79.

U.S. Census Bureau. (2009). Table A1. Marital status of people 15 years and over, by age, sex, personal earnings, race, and Hispanic origin, 2008. *Current Population Survey 2008 Annual social and economic supplement*, (January). Retrieved from http://www.census.gov/population/socdemo/hh-fam/cps2008/tabA1-asianmax.xls

Zagorsky, J. L. (2003). Husbands' and wives' view of the family finances, *Journal of Socio-Economics*, *32*, 127-46.

