



Time Personality & Financial Health Study

Results Summary

Being financially healthy depends more on your approach to time, rather than your ability to calculate compounding interest. Just because you think you are financially literate, does not mean you will be financially healthy.



Want to take the Time Personality Quiz?

You can do so online here:

www.magnifymoney.com/timeperspective

Executive Summary

The fallout from the 2008 financial crisis proved poor financial decisions by individuals can lead to disastrous results for both the individual and, potentially, the society at large. Debt can overwhelm the budget of a family, and poor investment decisions could lead to loss of home, bankruptcy or both.

To improve financial decision making, efforts have historically focused on improving financial literacy. Financial literacy training requires an understanding of mathematical skills and key financial concepts, like compounding interest, the effect of inflation and the tax implications of investment products. These skills are critical, but are they sufficient to ensure people lead a financially healthy life? Will a high level of financial literacy help people avoid bankruptcy, foreclosure or high-cost debt?

How do millennials compare to baby boomers? And how do different countries in Europe, Asia, North America and South America compare?

MagnifyMoney.com teamed up with Professor Philip Zimbardo, Professor Emeritus of Psychology at Stanford University, to understand why people make poor financial decisions.

Key findings of the survey include:

A high degree of financial acumen is not a strong predictor of financial health.

- Just because you have the ability to do the math, does not mean you are more likely to be financially healthy

People who perceive themselves as financially literate do not necessarily show a higher degree of financial health

- Just because you rank yourself higher (on a scale of 1-7) on financial literacy, does not mean that you are more likely to be financially healthy

There is a high degree of correlation between a person's approach to time and their financial health.

- The ZTPI identifies your approach to the past, present and future. Your ZTPI score on the past, present and future is strongly correlated to your financial health.

People who are past oriented (score high on past positive or past negative) are more likely to be financially healthy

- *Once bitten, twice shy:* People who are stuck in the past base their decisions and actions on memories rather than current experience. They tend to be more conservative and take less risk. If you lost money in the past, you are less likely to take risk in the future. By taking less risk, you can avoid financial ruin. But you can miss out on financial upside.
- *Memory Hoarders:* Having a positive memory of the past is important for making good decisions today. However, some people can become obsessively tied to the positive memories of the past. If yesterday was always better than today, you may refuse to believe in new technologies or new ideas. You would be more likely to keep your money in cash, avoid new investment ideas or take risk. This helps to keep you financially healthy, but sometimes a bit of risk is a good thing.

People who are excessively present oriented are likely to be financially sick.

- *Hedonists:* People who impulsively indulge in the present (score high on ZTPI present hedonism) behave like children: they take what they want, when they want it without any thought of future consequences. Impulsive indulgers grab the candy at the checkout line in the grocery store, and buy the upgrade even if they do not have any money. Not surprisingly, people who score highly in present hedonism are highly likely to be financially sick. They are willing to gamble their life savings, spend money they don't have and ignore the consequences of poor financial decisions.
- *Powerless:* People who feel stuck in the present (score high on ZTPI present fatalism) feel like life is dictated by influences out of their control. As a result, they are less likely to take control of their financial situation, and are more likely to gamble or buy lottery tickets. Present fatalists are likely to stick with their existing bank or credit card, even though they are paying far too much. They don't believe that better options exist, and end up giving all control to the financial institutions.

People who are focused on the future have a high self-perception of financial literacy, but not necessarily a higher degree of financial health.

- People who score high in the ZTPI future scale tend to sacrifice pleasure today for success tomorrow. They are highly focused on their careers, and never have enough time in the day for their friends, family or even themselves.
- Future-oriented people want to be financially literate and plan for the future. However, without the right information (or with the wrong advice), bad investments or excessively expensive insurance can be purchased.

Millennials think they are less financially literate, but demonstrate better financial health than baby boomers.

- When asked to rate their financial literacy, millennials were far less likely to rate themselves as highly literate, however when their financial health was assessed, a higher percentage of millennials were healthy compared to baby boomers
- Millennials have a much higher past-negative score than baby boomers. They entered the working world during a financial crisis and face high levels of youth unemployment. As a result, they tend to be more risk-averse. Interestingly, not buying a car (you can't afford) or a house (for which you do not have enough for a down payment) is sensible. However, for society at large, it poses a challenge.

People in the UK had the highest percentage of financially healthy individuals.

- The most financially healthy countries were the UK and Germany
- The US was in the middle of the pack
- Italy (Sicily), Hong Kong and Brazil were the least financially healthy

Survey Methodology

3,049 participants were surveyed across 6 countries: USA, UK, Germany, Italy (Sicily), Brazil and Hong Kong.

Each country had approximately 500 participants. There was:

- An equal representation of women and men (51% / 49%)
- An equal representation of baby boomers and millennials (51% / 49%)

Professor Philip Zimbardo was the Academic Director of the study. The survey was conducted online in the USA, UK and Germany. Survey Sampling International (SSI) conducted the survey in these 3 countries.

In Italy (Sicily), the survey was led by Piero Bocchiaro, from the University of Palermo.

In Brazil, the study was led by Umbelina Rego Leite, from the Universidade de Rio Verde.

In China (Hong Kong), the study was led by Michael Osofsky, of The Chinese University of Hong Kong.

Each participant was given:

- The 36 question Zimbardo Time Perspective Inventory
- A self-assessment of financial literacy (on a scale of 1-7, how financially literate do you self-rate)
- A test of financial acumen
- An assessment of financial health. Someone who is financially sick would be:
 - Highly likely to borrow money from a non-bank source (like a payday lender)
 - Likely to have filed bankruptcy or experience foreclosure
 - Likely to carry a balance on a credit card (unable to pay the balance in full)
 - Unlikely to even know the interest rate on their borrowings

A statistical analysis, led by Fabrizio Scrima from Paris Oest University, was completed (factor analysis and chi squared test were used for data analysis).

Detailed Findings

For each of the key findings outlined in the Executive Summary, we will provide the key data.

A high degree of financial acumen is not a strong predictor of financial health.

- A correlation analysis was conducted.
- The correlation between acumen and financial sickness was 0.544.
- The correlation between acumen and financial health was 0.539.

In other words, given a high level of acumen, it is not possible to predict people's financial behavior.

People who perceive themselves as financially literate do not necessarily show a higher degree of financial health

- People were asked to rate their financial literacy on a scale of 1-7 (with 7 being highly literate).
- People with a high self-rating, were less likely to score well on the acumen test (correlation of -0.299) and were more likely to be financially sick (0.168).

In short, self-perception of literacy does not mean that you have either acumen or demonstrated financial health.

There is a high degree of correlation between a person’s approach to time and their financial health.

	Financial Health	Financial Sickness
PAST		
Past Negative	0.132	-0.011
Past Postive	0.161	-0.007
PRESENT		
Present Hedonist	-0.191	0.119
Present Fatalist	-0.009	0.09
FUTURE	-0.003	-0.014

Millennials think they are less financially literate, but demonstrate better financial health than baby boomers

- On a scale of 1-7, 16.1% of baby boomers rated themselves as highly financially literate, compared to 10.2% of millennials.
- 25.3% of millennials are past negative, compared to 16.5% of baby boomers.
- And 9.5% of millennials are highly financially healthy, compared to 16% of baby boomers.

People in the UK had the highest percentage of financially healthy individuals.

Below are the percent of individuals scoring high on financial health:

UK	51.90%
Germany	40.90%
USA	33.20%
Italy	18.10%
Hong Kong	17.00%
Brazil	14.10%