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Will Genius Fail? The Effect of Age, Education Level, and Race on Fear of Financial Collapse

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Will Genius Fail? The Effect Of Aging on Fear of Financial Collapse

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Introduction to Research

▪This study explores how age, race, and education level shape fear of financial collapse among adults in the United States.

▪Examining who was affected most in previous recessions helps us to forecast who should fear the next most.

▪Traditional finance wisdom states that fear should increase with age; however, various factors detest this.

▪Younger, less educated, and non-White citizens all suffered more during the 2008 recession, and it took longer for them to recover financially (Mucci et al., 2016).

▪Younger, less educated, and non-White citizens had considerably less diversified investment portfolios and worse historic returns. This places them at further risk in a future recession (Calvet et al., 2009).

▪The Great Twist in Unemployment Rates was a phenomena in 2008 in which unemployment rates were increasing for everyone under 57 but decreasing for those older (Sum et al., 2014).

▪Recessions are shown to have negative developmental effects on children and teenagers, caused by experiencing financial hardship and not being able to gain work experience themselves (Kalil, 2013).

▪Age has been shown to increase investment decisions until about age 70, when retirees became far more likely to abandon 50% or more of their portfolio for safer assets in a recession (Korniotis & Kumar, 2011).

▪Studies have shown that past the age of 70, financial hardships decrease due to less unnecessary spending, incoming benefits, and higher education and experience levels (Mirowsky & Ross, 1999).

▪The increase in exposure to market risk for the individual investor coupled with the increasing dominance of professional investors hurts undiversified investors disproportionately more (Malkiel, 2020).

Hypotheses:

H 1: The older an individual is, the less they will fear a financial collapse.

H 2: The higher the level of education an individual has completed, the less they will fear a financial collapse.

H 3: If an individual is White, they will fear a financial collapse less than non-White respondents.

Data

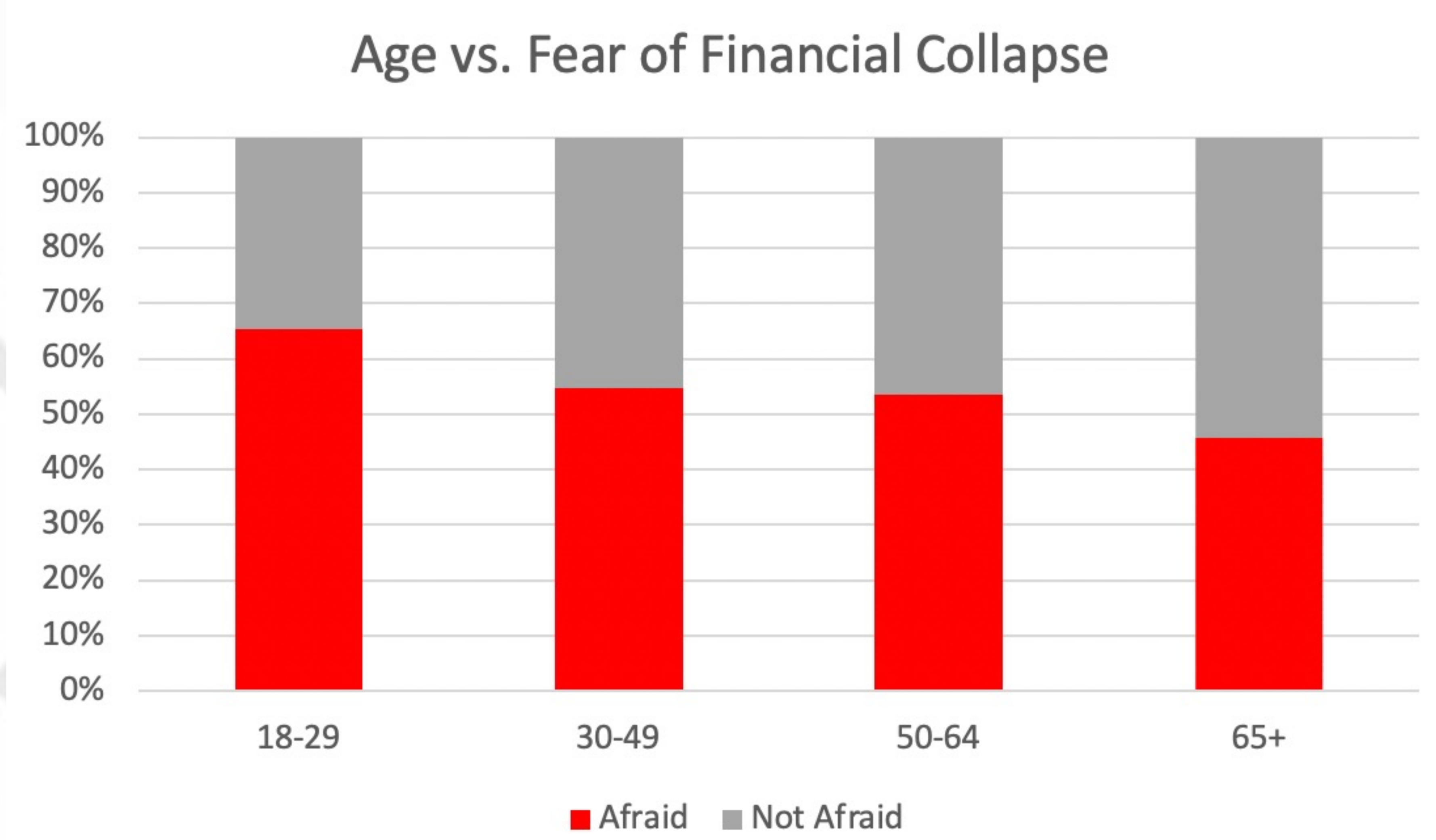
H 1: Age v. Fear of Financial Collapse

Crosstabulation Results:

Afraid
- 18-29: 65.4%
- 30-49: 54.6%
- 50-64: 53.4%
- 65+: 45.7%

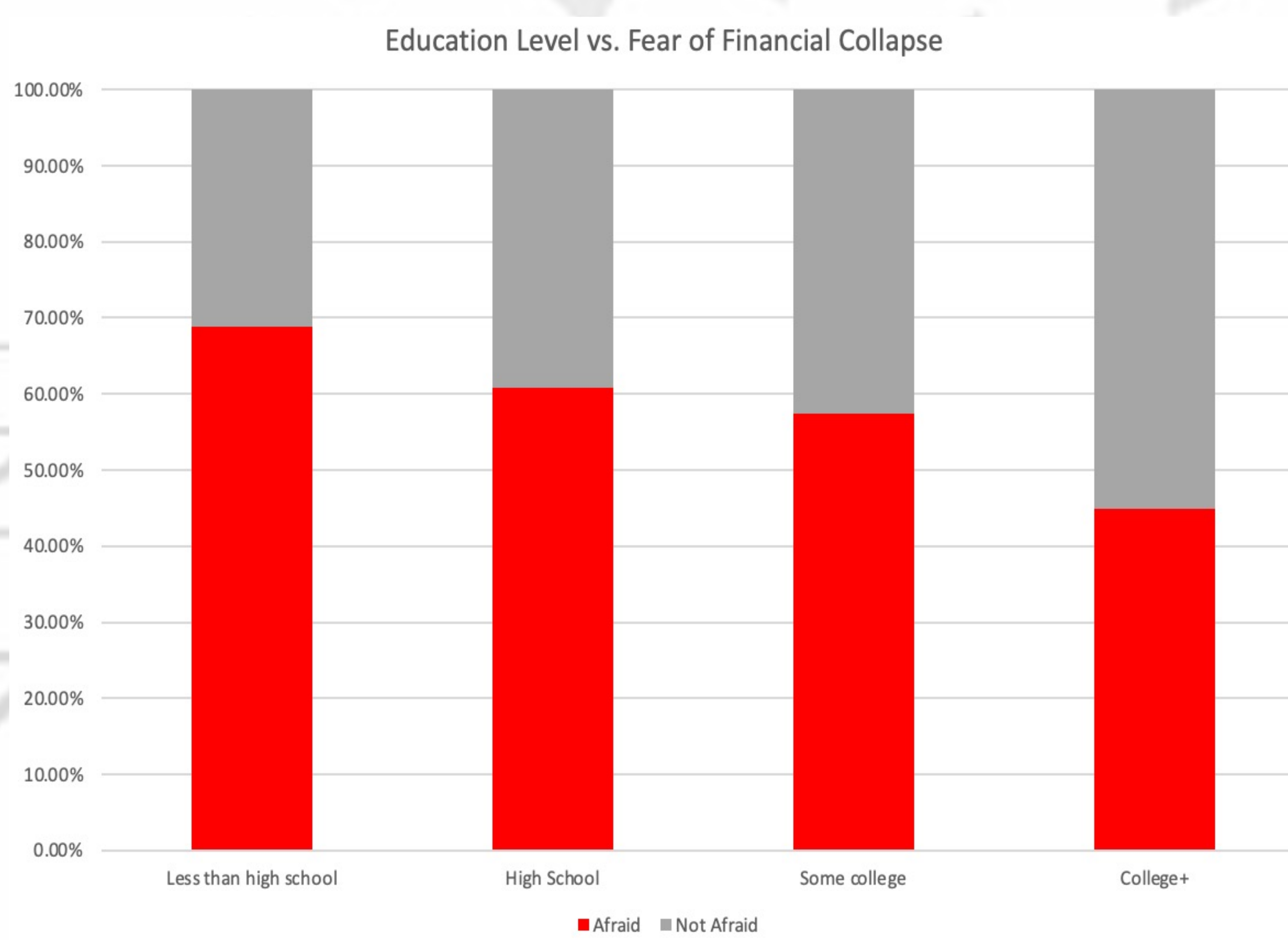
Not Afraid
- 18-29: 34.6%
- 30-49: 45.4%
- 50-64: 46.6%
- 65+: 54.3%

Table 1. Age vs. Fear of Financial Collapse



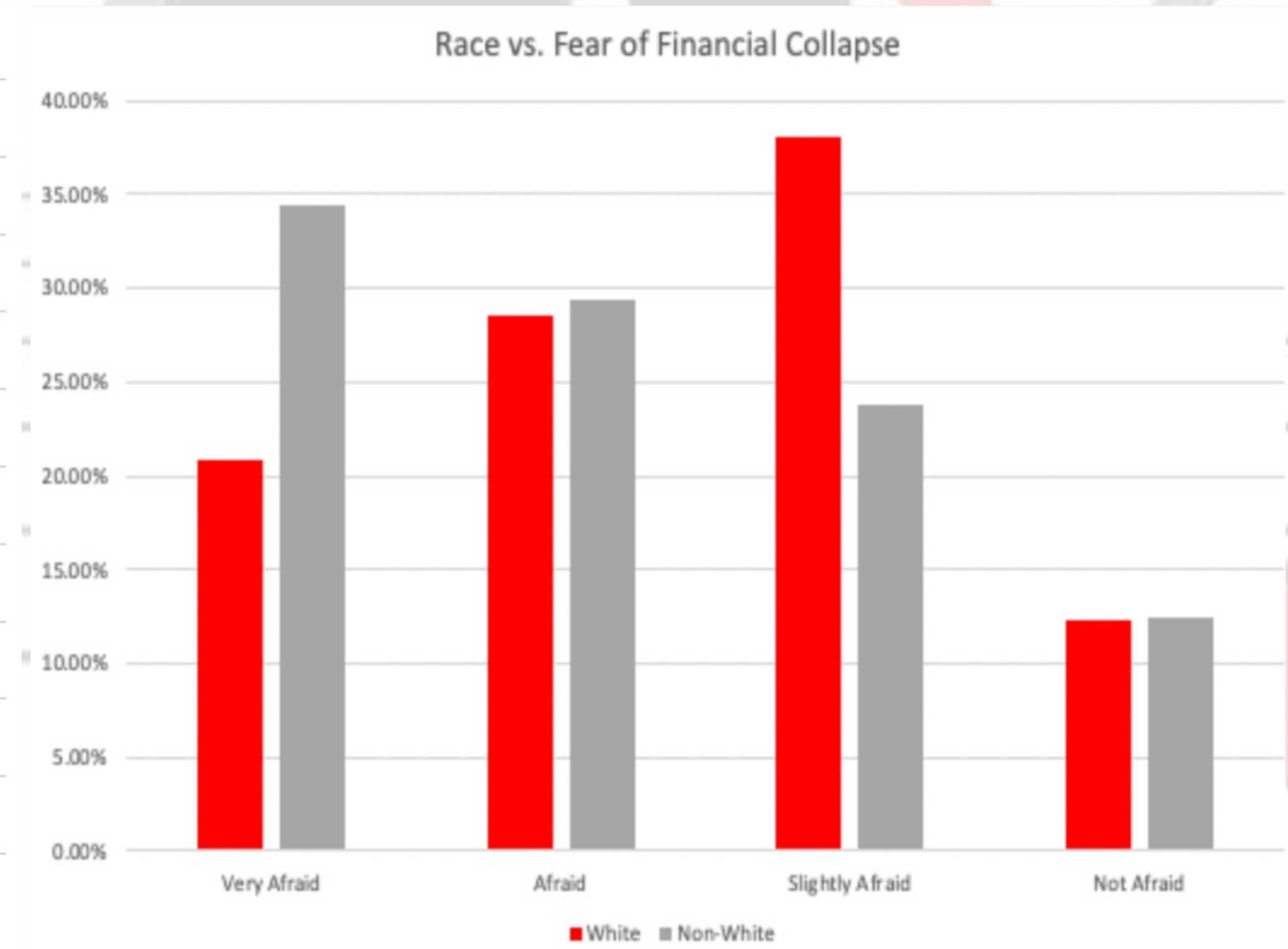
H 2: The higher the level of education an individual has completed, the less they will fear a financial collapse.

Table 2. Education Level vs. Fear of Financial Collapse



H 3: White vs. Non-White Fear of Financial Collapse

Table 3. Race vs. Fear of Financial Collapse



Findings

H 1: Age vs. Fear of Financial Collapse

As Table 1 illustrates, as age increases there is an inverse relationship with fear of financial collapse which decreases. Age had a slight correlation at .122 significant at the 0.01 level. The crosstabulation results display this trend clearly as 18 to 29 year olds were over 10% more likely to be very afraid of financial collapse than those over 65.

H 2: Education Level vs. Fear of Financial Collapse

As Table 2 highlights, the higher level of education that an individual has completed, the less they will fear financial collapse. This was highlighted during crosstabulation as 43.2% of respondents with less than high school were very afraid of a collapse compared to 16.9% with a college degree. Education level had a slight correlation at .138 significant at the 0.01 level.

H3: Race vs. Fear of Financial Collapse

Table 3 shows the relationship between White and non-White respondents and their fear of financial collapse. When conducting crosstabulation, White respondents were 13.5% less likely to be very afraid of a collapse. Most White respondents were at most slightly afraid, which was opposite for non-White respondents. The correlation was -.113 significant at the 0.01 level.

Conclusions

▪Regression analysis shows us that our adjusted R squared is 0.34 meaning we can explain 3.4% of the variance in fear of financial collapse with these variables.

▪Education level exerted the largest influence on fear of financial collapse, followed by race then age.

▪Younger, less educated, and non-white individuals have not only been disproportionately affected by past recessions, but they also fear the next more because they will be affected more should one happen.

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