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Hierarchical Financial Needs Reflected by Household Financial Asset Shares

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Abstract

This study explores the relationship between family financial needs and household financial asset shares. A conceptual framework based on the needs hierarchy theory, new consumer demand theory, and prospect theory guides the investigation. Results from the bivariate and tobit analyses suggest that family financial needs are hierarchical that are reflected by patterns of financial asset shares. Specifically, checking and savings accounts represent the lowest-level survival needs, and bonds and stocks represent the highest-level growth needs. The rest of the financial assets examined, except for trusts, represent the middle-level security needs.

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