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Financial Risk Aversion and Personal Life History

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Abstract

Though risk attitude is central to economics and finance, relatively little is known about how it is formed and how it changes over time. Based on US data from a dedicated psycho-social module on lifestyle of the 2010 Health and Retirement Study (HRS), we provide new evidence on the correlation between financial risk attitude and life-history negative events out of an individual's control. Using observed portfolio decisions to proxy for risk aversion, we find correlation with two of such events: having been in a natural disaster and (especially) the loss of a child. These effects survive after controlling for classic socio-demographic determinants of risk aversion.

Keywords: risk aversion, financial asset ownership, personal life history, behavioral finance**JEL Classification:** D03, D14, D81, G02, G11[Suggested Citation](#) >[Show Contact Information](#) >[Download This Paper \(Delivery.cfm/SSRN_ID2356202_code1111030.pdf?abstractid=2356202&mirid=1\)](https://papers.ssrn.com/sol3/Delivery.cfm/SSRN_ID2356202_code1111030.pdf?abstractid=2356202&mirid=1)[Open PDF in Browser \(Delivery.cfm/SSRN_ID2356202_code1111030.pdf?abstractid=2356202&mirid=1&type=2\)](https://papers.ssrn.com/sol3/Delivery.cfm/SSRN_ID2356202_code1111030.pdf?abstractid=2356202&mirid=1&type=2)

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