



The Role of Personality Traits on Intra-Household Financial Decision-Making and Household Debt

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Abstract

This paper examines the effect of personality traits on intra-household financial decision-making, with a particular focus on household debt dynamics. Using data from the Survey of Health, Ageing and Retirement, the study explores how the Big Five personality traits influence the selection of the financial head within elderly couples, and how the traits of both the financial head and the spouse contribute to household non-mortgage debt. The findings highlight the significance of openness and extraversion in the determination of financial headship. Husbands with greater openness tend to take on the role of financial head, while wives with relatively higher levels of openness and extraversion compared to their husbands are more likely to assume this responsibility. The analysis also reveals that neuroticism is the only personality trait influencing household debt decisions, with higher levels of neuroticism in both the financial head and the spouse associated with increased amounts of non-mortgage debt.

Keywords Personality traits · The Big Five · Spousal effect · Non-mortgage debt · Intra-household decision making

JEL Classification G41 · G51 · D91 · D13

Introduction

The financial decisions made by households play a crucial role in determining their economic well-being and financial stability. Beyond that, these decisions have extensive implications to the broader economy, including financial markets, economic growth, and overall societal resilience. The increasing recognition of the importance of household decision-making in the financial system has led to a growing body of research aimed at analyzing the dynamics of financial choices in recent decades.

Households engage in a decision-making process to manage a range of financial issues, involving consumption patterns, borrowing decisions, portfolio choices, and retirement planning. Although existing literature often treats households as cohesive entities, they inherently exhibit intricacy and heterogeneity due to individual members' divergent objectives, preferences, and bargaining powers

(Gomes et al., 2021). While the household head is typically recognized as the primary decision-maker; financial decisions within households are by and large the outcome of a collaborative process, with other members exerting influence to varying degrees.

In this paper, I examine intra-household financial decision-making in the context of non-mortgage debt decisions. My objective is to shed light on spousal influence on debt behavior within couples. Non-mortgage debt, constituting a substantial portion of household debt, encompasses a range of financial obligations, such as credit card debts, payday loans, medical expenses, car loans, bank overdrafts, student loans, and informal debts (Zinman, 2015). Primarily utilized for covering daily expenses and fulfilling the personal needs of household members, the extent of non-mortgage debt holdings may offer insights into the impact of spousal influence.

When evaluating the distinct contributions of both partners to household financial decisions, my focus is placed on the effect of their personality traits, which is assessed through the Big Five inventory. The analysis is structured into two main sections: the first part examines how personality traits shape the selection of household financial head,

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and the second part explores the impact of personality traits of the financial head and their spouse on household non-mortgage debt.

To conduct this analysis, I draw upon data from the Survey of Health, Ageing, and Retirement in Europe (SHARE), focusing on a sub-sample of Wave-7 collected in 2017. My empirical findings highlight the role of openness and extraversion in household financial headship. Specifically, a one-unit rise in the husband's openness (equivalent to 0.5-point change on the 5-point scale) is associated with a 2.0 percentage point decline in the probability that his wife being the financial respondent. Moreover, a one-unit increase in the difference in openness between the wife and husband is associated with a 1.6 percentage point rise in the wife taking on this responsibility, while a one-unit increase in the extraversion difference raises the probability by 1.4 percentage points. Regarding household debt, neuroticism emerges as the sole influential personality trait for both the financial respondent and their spouse, with a one-unit increment in the financial head's neuroticism leading to a 15.6 percent increase in non-mortgage debt conditional on debt holding, and the same rise in the spouse's neuroticism resulting in a 16.3 percent increase.

The paper progresses with Sect. "Literature" offering an overview of relevant literature, followed by Sect. "Data" providing details on the dataset and summary statistics. Section "Empirical Results" discusses the methodology and empirical findings. Section "Conclusion" contains concluding remarks.

Literature

In household finance, there has been a growing interest in the role of personality traits, aiming to uncover the psychological factors behind financial decision-making within households. A prevalent framework employed in the academic literature is the Big Five inventory, categorizing individual personalities into five broad traits: conscientiousness, openness to experience, extraversion, agreeableness, and neuroticism (Costa & McCrae, 1992). These traits are typically characterized as follows: conscientiousness reflects self-discipline, dependability, and organization; openness to experience refer to imagination, intellectual curiosity, and autonomy; extraversion encompasses sociability, ambition, and assertiveness; agreeableness indicates cooperative, trusting, and caring behavior; and neuroticism captures emotional instability, stress proneness, and susceptibility to negative emotions (Judge et al., 1999).

Previous research consistently demonstrates the substantial influence of the Big Five personality traits on various financial behaviors. Conscientiousness is positively

linked to better financial management, including careful financial planning (Sarwar et al., 2020), higher savings, lower unsecured debts (Parise & Peijnenburg, 2019), smaller mortgage debts (Pearson et al., 2023) and greater wealth accumulation (Mosca & McCrory, 2016). Openness to experience is associated with enhanced investment intentions (Sarwar et al., 2020) and increased mortgage debts (Pearson et al., 2023). Extraversion promotes borrowing intentions (Lubis et al., 2022) and more stock trading (Tauni et al., 2015). Agreeableness tends to reduce stockholding (Buccioli & Zarri, 2017) and liquid savings (Nyhus & Webley, 2001). Neuroticism also diminishes saving behavior (Nyhus & Webley, 2001; Parise & Peijnenburg, 2019) and fosters financial regret and discouraged borrowing (Goldfayn & Vellekop, 2018).

My paper contributes to the literature by examining the impact of personality traits on household non-mortgage debt. The focus extends to assessing the determination of the financial head within couples and dissecting the influence of spousal dynamics on debt-related decisions. The contributions are twofold: the first is to the household finance literature, by analyzing how personality traits influence household debt, and the second is to the intra-household decision-making literature, by exploring the determination of the financial head within households.

The relationship between personality traits and household debt has been explored by Nyhus and Webley (2001) and Brown and Taylor (2014), with both studies recognizing the potential role of spouses in shaping financial decisions. Using a 1996–1997 Dutch dataset, Nyhus and Webley (2001) employed two personality inventories, the 16PA and the FFPI, which partially align with the Big Five traits. Their results, based on OLS regressions, indicated that inflexible and autonomous household heads were associated with higher debt levels, while spousal traits had no significant impact. They also conducted logistic regressions, focusing only on household heads, finding that more neurotic, agreeable, autonomous, and less meticulous heads were more likely to hold debt. In contrast, Brown and Taylor (2014) used British panel data (1995–2005) and averaged the Big Five personality traits of household heads and spouses. Their tobit analysis showed that conscientiousness reduced unsecured debt levels, whereas extraversion, openness, and agreeableness increased debt levels. Probit regressions supported these findings, additionally indicating a positive relationship between neuroticism and debt holding.

My paper diverges from this body of work in four key aspects: (i) it focuses on the *financial head* rather than the *household head*, examining how this role is determined within couples; (ii) it analyzes the personality traits of the financial head and their spouse separately; (iii) it centers on the elderly population; and (iv) it utilizes a more recent

multinational data that captures the increasing prevalence of female-headed households.¹

In Nyhus and Webley (2001) and Brown and Taylor (2014), the exploration of personality within couples centered on the household head and their spouses. While the household head is frequently used as a proxy for the financial decision-maker, this role is mostly shaped by traditional norms in some societies or by factors such as earnings and gender in certain surveys (Bertocchi et al., 2014). My study takes a step forward by focusing directly on the financial head, explicitly identified as the financial respondent within a household during the survey.² Moreover, I separately analyze the personality traits of the financial head and the spouse, shedding light on their distinct impacts on household debt—unlike Brown and Taylor (2014), who used averaged partner traits. In addition, while Nyhus and Webley (2001) relied on OLS regressions to assess spousal effects, this study employs a tobit model to account for the censored nature of debt data and enhance estimation precision.

My analysis draws on the SHARE dataset, which concentrates on the elderly population in Europe, deviating from the scope of the two papers that included individuals aged 25 and older. By using an older demographic, this research mitigates potential confounding factors related to income, health, social needs, and financial responsibilities, which can differ largely between younger and older adults. Additionally, the Big Five taxonomy is widely recognized for their stability over an individual's lifetime (Cobb-Clark & Schurer, 2012; McCrae & Costa, 1994), with this stability becoming prominent beyond the age of 30 (Todd & Zhang, 2020). The use of an elderly data in the analysis also establishes a research context less susceptible to personality changes.

The second contribution of this paper is to the intra-household finance literature. Intra-household dynamics has captured scholarly attention after Becker's seminal studies in 1973 and 1974. The subsequent papers have explored the interactions among household members, highlighting the role of these interactions in shaping household decisions. However, the field of intra-household financial decision-making remains still relatively uncharted, with a limited number of studies examining the heterogeneity of decision-making processes regarding household finances (Ke, 2021). There are several studies, such as Woolley (2003), Friedberg and Webb (2006), Bertocchi et al. (2014), Campana et al.

(2024), and Hitzenko (2024) exploring the factors affecting financial headship within households. These studies emphasize the importance of age, education, employment, income, and health in determining who is responsible for financial decisions.

My paper extends this literature by examining the impact of personality traits on the determination of the financial head within households. The role of the Big Five traits has also been examined by Johnston et al. (2016) and Xu and Yao (2022). Using Australian data (2005–2013), Johnston et al. (2016) assessed the allocation of financial decision-making responsibility based on self-reports from male and female partners, revealing that 70 percent of both partners reported shared responsibility, with the gender of the financial head varying among the rest depending on the reporter. They found that higher conscientiousness and lower agreeableness increased a partner's likelihood of being the primary decision-maker, irrespective of gender. Other personality traits had gender-sensitive effects. Unlike Johnston et al. (2016), my dataset identifies a single financial head, rather than relying on partners' perceptions of responsibility.

The study by Xu and Yao (2022), which closely aligns with my analysis, utilized elderly U.S. data from 1992 to 2012 to examine the selection of the financial head within couples. They emphasized the role of conscientiousness in increasing financial headship and linked the misallocation of headship to adverse wealth outcomes. My paper makes a valuable addition by using more contemporary, multinational data from 2017 across twelve European countries. In recent years, both the financial system and household dynamics have experienced significant changes, with a notable trend being the rise in female headship (Guiso & Zaccaria, 2023). In my study, nearly half of the financial heads in couples are women, compared to just 35 percent in Xu and Yao (2022). This upward trend in female financial headship may influence the factors that shape the allocation of financial responsibilities. My findings identify openness and extraversion as emerging key traits in determining financial headship rather than conscientiousness as indicated by Xu and Yao (2022).

Theoretical Framework

The existing literature on intra-household decision-making presents three key theoretical models that seek to explain how decision-making processes are organized and responsibilities are distributed within households. The *intra-household bargaining model* suggests that financial headship depends on partners' relative bargaining power, which is shaped by factors such as income, education, and occupational status (Bertocchi et al., 2014). The *household production model* emphasizes the division of labor within couples, proposing that the partner with more available time or lower opportunity costs often assumes non-market tasks, including financial

¹ In this study, nearly 50 percent of financial heads are female. Nyhus and Webley (2001) and Brown and Taylor (2014) reported much lower female representation among household heads: 16 percent for singles and couples in the former, and only 9 percent for couples in the latter.

² Prior research identifies the financial respondent in household surveys as the primary financial decision-maker, given the presumed greater knowledge and awareness of household financial affairs (Hsu & Willis, 2013; Smith et al., 2010; Xu & Yao, 2022).

management (Xu & Yao, 2022). The *collective household model* views household decisions as the outcome of maximizing the household's utility function, which is a weighted sum of both partners' utilities (Browning et al., 2014), and financial responsibilities are assigned based on the relative weight of each partner's preferences (Johnston et al., 2016).

Personality traits are likely to shape financial decision-making roles through the mechanisms proposed by these models. In the intra-household bargaining model, traits such as conscientiousness and extraversion, linked to confidence, assertiveness, and perceived competence, may strengthen an individual's bargaining position in financial decisions. In the household production model, conscientiousness and emotional stability (i.e., low neuroticism) may provide a comparative advantage in financial management tasks, as these traits are associated with being organized, self-disciplined, and stress tolerant. Within the collective household model, agreeableness and openness may influence the way that household utility function is formed and weighted: agreeable individuals may foster cooperation, while openness may encourage flexible thinking into joint decisions.

The effect of personality traits on household debt can be explained using theories from behavioral economics. The *dual-self model* (Thaler & Shefrin, 1981) highlights a conflict between short-term desires and long-term planning, where short-term desires lead to impulsive spending and higher debt, while long-term planning promotes savings. The *behavioral life-cycle hypothesis* (Shefrin & Thaler, 1988) focuses on mental accounting and self-control: individuals with a greater temptation to spend may accumulate more debt, yet those with stronger self-control tend to avoid debt by prioritizing savings. *Prospect theory* (Kahneman & Tversky, 1979) further explains how individuals perceive and weigh financial risks and losses asymmetrically, often leading to biased or suboptimal borrowing decisions.

Among the Big Five personality traits, conscientiousness, characterized by self-discipline and long-term goal orientation, is closely associated with greater resistance to short-term temptations and more prudent financial planning, consistent with the dual-self model and the behavioral life-cycle hypothesis. In contrast, neuroticism may intensify the influence of the short-term desires by increasing stress-induced consumption, thereby weakening self-control and fostering debt accumulation. Agreeableness, within the framework of the behavioral life-cycle hypothesis, may lead individuals to prioritize social obligations in their mental accounting. This tendency to place others' needs above personal financial constraints can increase the likelihood of indebtedness. Extraversion and openness, which are often related with sociability, novelty-seeking, and optimism, may also promote consumption and reduce attention to future financial risks, as explained by prospect theory.

Data

This study employs data from the Survey of Health, Ageing and Retirement in Europe (SHARE).³ It is a longitudinal European panel survey consisting of eight regular waves and two corona surveys. The research utilizes data from Wave-7,⁴ conducted in 2017, which is one of two waves including information on personality traits, while the other (Wave-8) coincides with unstable pandemic period.

Wave-7 has a distinctive design with two sub-samples based on respondents' participation in Wave-3, which focused on life histories and known as SHARELIFE. The first sub-sample includes those who attended Wave-3 and completed regular panel modules, whereas the second sub-sample includes those who did not attend Wave-3, and instead answered the SHARELIFE questionnaire and a condensed version of the regular panel. As household debt questions are only present in the regular panel, this analysis is based on the first sub-sample, encompassing roughly 14,000 respondents from 12 countries: Austria, Germany, Sweden, Spain, France, Denmark, Greece, Switzerland, Italy, Czech Republic, Belgium, and Poland.

The SHARE questionnaire is designed to explore the elderly population, and given to individuals aged 50 years or over, as well as their household members. The psychology literature has documented the stability of personality traits, particularly after the age of 30 and even more so in older adults (Cobb-Clark & Schurer, 2012). This minimizes potential concerns about reverse causality or endogeneity in the analysis. Nonetheless, it is crucial to interpret the empirical findings within the context of the elderly, acknowledging the differences in financial goals, needs, and responsibilities between younger and older individuals.

³ The SHARE data collection has been funded by the European Commission, DG RTD through FP5 (QLK6-CT-2001-00360), FP6 (SHARE-I3: RII-CT-2006-062193, COMPARE: CIT5-CT-2005-028857, SHARELIFE: CIT4-CT-2006-028812), FP7 (SHARE-PREP: GA N°211,909, SHARE-LEAP: GA N°227,822, SHARE M4: GA N°261,982, DASISH: GA N°283,646) and Horizon 2020 (SHARE-DEV3: GA N°676,536, SHARE-COHESION: GA N°870,628, SERISS: GA N°654,221, SSHOC: GA N°823,782, SHARE-COVID19: GA N°101,015,924) and by DG Employment, Social Affairs & Inclusion through VS 2015/0195, VS 2016/0135, VS 2018/0285, VS 2019/0332, and VS 2020/0313. Additional funding from the German Ministry of Education and Research, the Max Planck Society for the Advancement of Science, the U.S. National Institute on Aging (U01_AG09740-13S2, P01_AG005842, P01_AG08291, P30_AG12815, R21_AG025169, Y1-AG-4553-01, IAG_BSR06-11, OGHA_04-064, HHSN271201300071C, RAG052527A) and from various national funding sources is gratefully acknowledged (see www.share-project.org).

⁴ See Börsch-Supan (2022) for dataset; and Börsch-Supan et al. (2013), Bergmann et al. (2019a), and Bergmann et al. (2019b) for more details.

SHARE collects a wide range of information from its respondents, including family and social relations, mental and physical health, cognitive and noncognitive abilities, and economic and financial matters. The questionnaire is designed so that certain modules are completed by all household members, while others are completed by specific members referred to as family, financial, or household respondents. Financial respondents are of particular interest to the study, as they are selected to answer questions related to household assets and financial transfers on behalf of their couples. This selection for detailed financial questions indicates that they are likely to have greater knowledge of household finances and play a more central role in financial decision-making within the household.

The paper is structured into two parts. The first part investigates the association between the Big Five personality traits and the determination of the financial respondent within the household. The second part examines the extent to which the Big Five traits of both the financial respondent and their spouse affect the non-mortgage debt of the household.

The analysis incorporates imputed variables provided by SHARE to mitigate the impact of data loss. Multiple imputations are available for several variables, including the Big Five traits and non-mortgage debt levels. Calibrated cross-sectional household weights are also employed to address the concerns related to sample attrition, unit or item non-response, and sampling process. The special design of Wave-7 is not a problem, as multiple imputations and calibrated weights were calculated separately for two subsamples. Therefore, all estimations in the analysis are conducted accordingly.

The baseline sample of this study is limited to couples with two respondents, aligning with its core objective of exploring the personality traits of both partners within a couple and their individual influence on household financial decisions. Hence, those who were single or whose partner did not participate in the survey are excluded from the analysis. Furthermore, in line with the goal of investigating the allocation of financial responsibility between wives and husbands, the analysis is restricted to couples with different genders. This study adopts the definition of gender as provided in the SHARE data source and contains male and female categories. The overall sample includes 4,445 couples, each of which consists of financial respondent and a spouse, from twelve countries. Table 1 presents sample summary statistics.

The data reveals a nearly equal representation of males and females among financial respondents, diverging from earlier studies reporting lower prevalence of female financial headship. Notable variations emerge across gender and spousal roles. Wives, on average, are younger than husbands (67 versus 70 years), although no significant age difference is observed between financial respondents

and spouses. Educational disparities are apparent, with 27 percent of financial respondents holding at least a college degree relative to 24 percent of their spouses. This gap also exists among husbands (27 percent) and wives (24 percent). Numeracy, assessed on a 1–5 scale through questions involving probability, proportion, pricing, and interest calculations, shows a similar pattern. Financial respondents outperform spouses with an average numeracy score of 3.63 versus 3.49, while husbands have better scores (3.73) than wives (3.40) on average.

Wives have a higher employment rate (16 percent) relative to husbands (13 percent), which may be attributed to their relatively younger age. Moreover, a larger portion of spouses, 16 percent, are employed or self-employed compared to the 13 percent among financial respondents. This aligns with the household production model, which suggests that the division of labor within couples is related with time constraints, and the one with more available time often takes on the role of managing financial matters (Bertocchi et al., 2014). In terms of health, there is no significant difference between wives and husbands. However, financial respondents tend to have better health than their spouses. The prevalence of self-reported poor health among financial respondents stands at 8 percent, while it is 11 percent among spouses. Additionally, financial respondents experience fewer limitations in their daily life activities such as dressing, showering, shopping, preparing meals, and taking medications, with an average of 0.15 limitations, compared to 0.22 limitations for spouses.

The data regarding household variables presents that 95 percent of couples have at least one child, with an average of 2.24 children per couple. In 2017, when the survey was conducted, the average annual household income, after taxes and contributions, was recorded at 27,901 Euros, with a median of 24,405 Euros. When considering the wealth of households, the average net real wealth was found to be 219,315 Euros, while the median was 156,518 Euros. Moreover, the net financial wealth of households had an average value of 43,948 Euros, with a median of 8,953 Euros.

In this study, household non-mortgage debt encompasses all types of financial liabilities held by financial respondents or their spouses, excluding mortgage loans and debts associated with land, property, or business ownership. Table 2 outlines the various categories of non-mortgage debt captured in the survey, such as bank loans, credit card balances, loans for vehicles, unpaid utility bills, and personal debts. Within the sample, 13 percent of couples reported having non-mortgage debt, with the most common forms being loans from financial institutions (8 percent) and debt on vehicles (5 percent). Respondents with at least one form of non-mortgage debt were also asked to disclose the total amount they owed at the time of the survey. As of 2017, the

Table 1 Sample Descriptive Statistics

<i>Individual Characteristics</i>		W	H	t-test	FR	SP	t-test
		Mean (Std.)	Mean (Std.)		Mean (Std.)	Mean (Std.)	
Age	age in years	66.712 (7.374)	69.607 (6.827)	0.000	68.274 (7.034)	68.046 (7.461)	0.093
Male	being male				0.509 (0.500)	0.491 (0.500)	0.469
College	having at least college education	0.240 (0.427)	0.273 (0.446)	0.008	0.272 (0.445)	0.241 (0.428)	0.015
Working	being employed or self-employed	0.160 (0.366)	0.128 (0.334)	0.007	0.132 (0.338)	0.156 (0.363)	0.040
Poor Health	reporting poor health	0.084 (0.278)	0.100 (0.301)	0.101	0.079 (0.270)	0.105 (0.307)	0.009
Limitations	limitations in daily-life activities	0.167 (0.710)	0.194 (0.769)	0.219	0.145 (0.601)	0.216 (0.856)	0.001
Numeracy	numeracy score	3.402 (1.025)	3.725 (1.015)	0.000	3.634 (1.020)	3.492 (1.040)	0.000
<i>Household Characteristics</i>			Mean (Std.)	25th perc	50th perc	75th perc	
Child	having at least one child		0.952 (0.214)				
Income	household net income		27,901 (22,552)	14,677	24,405	36,248	
Real Wealth	household net real wealth		219,315 (280,997)	27,216	156,518	297,357	
Financial Wealth	household net financial wealth		43,948 (159,271)	941	8,953	45,607	

Number of observations is 4,445. Table shows averages for age, limitations, numeracy, income, real and financial wealth, while percentages for male, college, working, poor health, and child. Standard deviations (Std.) are provided in parentheses. Income, real wealth, and financial wealth are in PPP-adjusted Euros, with their quartiles also presented. T-test p-values are included to compare individual characteristics between wives (W) and husbands (H), as well as between financial respondents (FR) and spouses (SP)

average total non-mortgage debt for these respondents was 15,667 Euros, with a standard error of 113,748 Euros, indicating a substantial variability in debt amounts.

This study examines the personality of individuals using the Big Five inventory which consists of five broad personality traits: openness to experience, conscientiousness, extraversion, agreeableness, and neuroticism. The analysis makes use of the 10-Item Big Five Inventory (BFI-10) available in the SHARE dataset. The BFI-10 is considered as a concise but effective measure for capturing individuals' personality profiles. In the survey, there are two statements for each of the five personality traits, and participants are asked to rate their agreement on a five-point scale ranging from 'disagree strongly' to 'agree strongly.' One statement for each trait is reverse-coded. Trait scores are calculated as the average of the two responses, resulting in values between 1 and 5 with increments of 0.5. The summary statistics for the Big Five traits are presented in Table 3, alongside the corresponding statements for each trait.

Personality traits reveal substantial gender-based differences, with wives surpassing husbands in openness (3.40 versus 3.22), conscientiousness (4.17 versus 4.10), extraversion (3.46 versus 3.34), and neuroticism (2.87 versus 2.53). In contrast, financial respondents differ slightly from spouses in terms of personality traits. The sole significant distinction lies in neuroticism: financial respondents exhibit lower neuroticism (2.66) on average than spouses (2.74), indicating a greater ability to handle stress and a reduced propensity for nervousness.

Empirical Results

The analysis begins with an investigation into the effect of personality traits on the financial headship within a couple, with particular attention to the probability of the wife being chosen as the financial respondent. The next stage of the analysis centers on how the personality traits of both the

Table 2 Descriptive Statistics for Non-Mortgage Debt

<i>Non-Mortgage Debt</i>	Prevalence	Conditional on holding			
		Mean (Std.)	25 perc	50 perc	75 perc
Holding Debt	12.93%				
Debt Amount		15,667 (113,748)	1,260	4,095	13,128
IHS (Debt Amount)		8.86 (1.79)	7.83	9.01	10.17
<i>Types of Non-Mortgage Debt</i>					Prevalence
1. Debt on cars and other vehicles (vans, motorcycles, boats, etc.)					4.64%
2. Debt on credit cards or store cards					0.56%
3. Loans (from bank, building society or other financial institution)					8.38%
4. Debts to relatives or friends					0.54%
5. Student loans					0.08%
6. Overdue bills (phone, electricity, heating, rent)					0.80%
7. Other					2.41%

Number of observations is 4,445. Table presents the percentage of couples holding non-mortgage debt; and the averages and quartiles for the amount of non-mortgage debt outstanding, along with its inverse hyperbolic sine (IHS) transformation, conditional on debt holding. It also shows different types of non-mortgage debt and their prevalences. Standard deviations (Std.) are provided in parentheses. The amounts are in PPP-adjusted Euros

financial respondent and the spouse influence household non-mortgage debt.

The Big Five Personality Traits and Financial Respondents

This section explores the determinants of intra-household financial decisions, with a focus on the impact of personality traits on the choice of the household’s financial head. The analysis employs the probit model, where the dependent variable, WFR_i , is binary, taking the value of 1 if the wife is the financial respondent and if the husband takes on this role in couple i . Three separate probit regressions, specified in Eqs. (1–3), are estimated and their corresponding average marginal effects are reported in Table 4.

$$P(WFR_i = 1) = \Phi(\beta_{10} + \beta_{11}B5_{w,i} + \beta_{12}B5_{h,i} + \lambda_1 C_c + \epsilon_{1i}) \tag{1}$$

$$P(WFR_i = 1) = \Phi(\beta_{20} + \beta_{21}B5_{w,i} + \beta_{22}B5_{h,i} + \gamma_2 X_{w,i} + \delta_2 X_{h,i} + \theta_2 H_i + \lambda_2 C_c + \epsilon_{2i}) \tag{2}$$

$$P(WFR_i = 1) = \Phi(\beta_{30} + \beta_{31}\Delta B5_i + \gamma_3 X_{w,i} + \delta_3 X_{h,i} + \theta_3 H_i + \lambda_3 C_c + \epsilon_{3i}) \tag{3}$$

In these three regressions, Φ represents the cumulative distribution function of the standard normal distribution. The variables $B5_{w,i}$ and $B5_{h,i}$ denotes the Big Five personality traits (openness to experience, conscientiousness, extraversion, agreeableness, and neuroticism) of the wife and the husband, respectively, while $\Delta B5_i$ captures the differences in the Big Five traits between the wife and the husband in

couple i . Individual-level control variables (age, age², college, working, poor health, limitations, and numeracy) are represented by $X_{w,i}$ for the wife and $X_{h,i}$ for the husband. H_i accounts for household-level control variables (child, income, real wealth, and financial wealth). C_c includes country dummies to address country-specific effects, and ϵ_i is the error term.

In the first probit regression Eq. (1), the analysis includes exclusively the variables of interest, namely the Big Five personality traits of both the wife and the husband, as well as country dummies. The findings in Column 1 indicate that wives are more likely to act as the financial head when they display higher levels of conscientiousness. However, this likelihood diminishes when their husbands exhibit greater levels of openness.

The second regression Eq. (2) extends the analysis by including individual- and household-level control variables, along with the Big Five personality traits and country dummies. The results in Column 2 highlights that, after accounting for these additional variables, the husband’s openness emerges as the only personality trait that remains statistically significant at the 5 percent level. Specifically, a one-unit increase in the husband’s openness score (equivalent to a 0.5 rise on a 5-point scale) corresponds to a 2.0 percentage-point decline in the likelihood of the wife being the financial respondent.

Beyond personality traits, the analysis reveals several noteworthy results. An increase in the wife’s age is related with a higher probability of her assuming financial headship at a decreasing rate. Conversely, a rise in the husband’s age reduces this probability, with the decline occurring at an increasing rate. While the wife’s educational attainment

Table 3 Descriptive Statistics for the Big Five Personality Traits

		W	H		FR	SP	
	<i>I see myself as someone ...</i>	Mean (Std.)	Mean (Std.)	t-test	Mean (Std.)	Mean (Std.)	t-test
Openness to Experience	<i>who has few artistic interests.*</i> <i>who has an active imagination</i>	3.40 (0.94)	3.22 (0.94)	0.000	3.33 (0.93)	3.28 (0.96)	0.125
Conscientiousness	<i>who tends to be lazy.*</i> <i>who does a thorough job</i>	4.17 (0.73)	4.10 (0.76)	0.001	4.15 (0.72)	4.12 (0.77)	0.163
Extraversion	<i>who is reserved.*</i> <i>who is outgoing, sociable</i>	3.46 (0.87)	3.34 (0.89)	0.000	3.42 (0.88)	3.38 (0.88)	0.143
Agreeableness	<i>who is generally trusting</i> <i>who tends to find fault with others.*</i>	3.67 (0.78)	3.62 (0.81)	0.050	3.64 (0.79)	3.65 (0.80)	0.876
Neuroticism	<i>who is relaxed, handles stress well.*</i> <i>who gets nervous easily</i>	2.87 (1.00)	2.53 (0.94)	0.000	2.66 (0.97)	2.74 (1.00)	0.017

Number of observations is 4,445. Table reports the averages for the Big Five personality traits, with standard deviations (Std.) in parentheses. The sentences with * represents the reversed statements of each trait. T-test p-values are included to compare individual characteristics between wives (W) and husbands (H), as well as between financial respondents (FR) and spouses (SP)

does not have a significant influence, the likelihood of her financial headship decreases when her husband holds at least a college degree. In terms of health, the wife is less likely to be the financial respondent when she faces more limitations in daily life activities; but she is more likely when her husband reports poor health or experiences more limitations. Furthermore, the likelihood of the wife being the financial respondent ascends with her numeracy level and descends with the husband's numeracy level. Household characteristics, however, do not have a significant impact on the selection of financial head.

The third regression analysis Eq. (3) examines the variations in personality traits within couples. It focuses on the differences in the Big Five traits between the wife and the husband, without including their individual Big Five traits separately. This analysis employs the same set of control variables for each spouse and for the household as the second regression. The findings in Column 3 present a positive impact of wife-husband differentials in openness and extraversion on female financial headship. A one-unit increase in the difference in openness scores is associated with a 1.6 percentage point rise in the probability of the wife being the financial respondent, and a one-unit increase in the extraversion difference corresponds to a 1.4 percentage point rise in this probability.

While earlier studies (e.g., Johnston et al., 2016; Xu & Yao, 2022) emphasized conscientiousness as a key factor for the allocation of financial responsibilities within households, this study finds its effect to be insignificant at 5 percent level when accounting for a comprehensive set of controls. Instead, openness and extraversion emerge as significant predictors. Openness (reflecting intellectual curiosity and adaptability) and extraversion (associated with sociability and assertiveness) are linked to qualities such as confidence and proactive behavior, which are essential for managing

financial complexities. Xu and Yao (2022) found no significant effects for these traits in U.S. data (1992–2012), while Johnston et al. (2016) observed mixed effects in Australian households (2005–2013), with open and extravert wives more likely to lead financially, but extravert husbands were less likely. This study, drawing on 2017 European data, highlights the growing importance of openness and extraversion, possibly reflecting their role in managing the increasing complexity and unpredictability of modern financial systems.

The Big Five Personality Traits and Non-Mortgage Debt

This section examines how the personality traits of both the financial respondent and their spouse influence household non-mortgage debt, with the aim of uncovering any spousal effect. The analysis utilizes the tobit model to investigate the impact of the Big Five traits on the amount of non-mortgage debt, using the inverse hyperbolic sine (IHS) transformation of debt as the dependent variable.⁵ The tobit model is well-suited for this analysis as it accounts for the censored nature of debt data, distinguishing between households with zero debt and those with varying debt levels. The application of IHS transformation enhances the model by addressing the skewness of debt amounts while allowing for the inclusion of zero values.

To disentangle the distinct contributions of the financial respondent and the spouse, three tobit regressions are estimated, as outlined in Eqs. (4–6). The first one focuses on the

⁵ The formula for the inverse hyperbolic sine (IHS) transformation is $\sin^{-1}(y) = \ln(y + \sqrt{y^2 + 1})$.

Table 4 The Effect of the Big Five Personality Traits on Being a Financial Respondent

	(1)		(2)		(3)	
	M.E. (S.E.)	<i>p</i>	M.E. (S.E.)	<i>p</i>	M.E. (S.E.)	<i>p</i>
W Openness	0.0070 (0.0087)	0.420	0.0122 (0.0086)	0.155		
W Conscientious	0.0239 (0.0108)	0.027	0.0181 (0.0106)	0.089		
W Extraversion	0.0149 (0.0093)	0.108	0.0132 (0.0090)	0.141		
W Agreeableness	−0.0070 (0.0105)	0.504	−0.0071 (0.0104)	0.496		
W Neuroticism	−0.0157 (0.0081)	0.053	−0.0143 (0.0081)	0.076		
H Openness	−0.0260 (0.0086)	0.003	−0.0197 (0.0086)	0.023		
H Conscientious	−0.0102 (0.0102)	0.316	−0.0036 (0.0101)	0.719		
H Extraversion	−0.0139 (0.0090)	0.120	−0.0137 (0.0088)	0.121		
H Agreeableness	−0.0200 (0.0104)	0.055	−0.0159 (0.0103)	0.122		
H Neuroticism	0.0088 (0.0087)	0.310	0.0037 (0.0087)	0.672		
D Openness					0.0160 (0.0067)	0.017
D Conscientious					0.0100 (0.0080)	0.209
D Extraversion					0.0137 (0.0064)	0.032
D Agreeableness					0.0049 (0.0078)	0.532
D Neuroticism					−0.0089 (0.0060)	0.135
W Age			0.0772 (0.0154)	0.000	0.0771 (0.0155)	0.000
W Age ²			−0.0005 (0.0001)	0.000	−0.0005 (0.0001)	0.000
W College			0.0111 (0.0209)	0.597	0.0103 (0.0209)	0.620
W Working			−0.0331 (0.0272)	0.223	−0.0326 (0.0272)	0.231
W Poor Health			−0.0522 (0.0299)	0.081	−0.0542 (0.0298)	0.069
W Limitations			−0.0343 (0.0099)	0.001	−0.0353 (0.0099)	0.000
W Numeracy			0.0483 (0.0082)	0.000	0.0481 (0.0082)	0.000
H Age			−0.0534 (0.0208)	0.010	−0.0528 (0.0208)	0.011
H Age ²			0.0003 (0.0001)	0.015	0.0003 (0.0001)	0.016
H College			−0.0823 (0.0197)	0.000	−0.0848 (0.0195)	0.000
H Working			−0.0288 (0.0282)	0.306	−0.0287 (0.0282)	0.308
H Poor Health			0.1057 (0.0279)	0.000	0.1048 (0.0278)	0.000

Table 4 (continued)

	(1)		(2)		(3)	
	M.E. (S.E.)	<i>p</i>	M.E. (S.E.)	<i>p</i>	M.E. (S.E.)	<i>p</i>
H Limitations			0.0305 (0.0102)	.003	0.0299 (0.0102)	0.003
H Numeracy			−0.0527 (0.0084)	0.000	−0.0530 (0.0084)	0.000
Child			−0.0200 (0.0354)	0.572	−0.0195 (0.0354)	0.582
Income			−0.0015 (0.0183)	0.934	−0.0021 (0.0183)	0.907
Real Wealth			−0.0054 (0.0033)	0.107	−0.0054 (0.0033)	0.107
Financial Wealth			−0.0021 (0.0017)	0.218	−0.0020 (0.0017)	0.247
Country Dummies	Yes		Yes		Yes	
Observations	4,445		4,382		4,382	
Pseudo R ²	0.0322		0.0681		0.0673	

In these probit models, dependent variable is female financial headship. For independent variables, W denotes the wife, H denotes the husband, and D denotes the difference between the wife and the husband. Each regression incorporates robust standard errors and country dummies. Inverse hyperbolic sine transformation is employed for income, real wealth, and financial wealth. Average marginal effects (M.E.) are reported with standard errors (S.E.) and p-values (*p*)

financial respondent, the second centers on the spouse, and the third combines both partners.

$$IHS(Debt_i^*) = \alpha_{10} + \alpha_{11}B5_{f,i} + \vartheta_1X_{f,i} + \sigma_1H_i + \zeta_1C_c + \epsilon_{1i} \tag{4}$$

$$IHS(Debt_i^*) = \alpha_{20} + \alpha_{22}B5_{s,i} + \pi_2X_{s,i} + \sigma_2H_i + \zeta_2C_c + \epsilon_{2i} \tag{5}$$

$$IHS(Debt_i^*) = \alpha_{30} + \alpha_{31}B5_{f,i} + \alpha_{32}B5_{s,i} + \vartheta_3X_{f,i} + \pi_3X_{s,i} + \sigma_3H_i + \zeta_3C_c + \epsilon_{3i} \tag{6}$$

In these regressions, $Debt_i^*$ is the latent variable indicating the true amount of non-mortgage debt in household *i*, while the observed dependent variable $Debt_i$ is censored at zero and transformed using IHS function. $B5_{f,i}$ and $B5_{s,i}$ denote the Big Five personality traits of the financial respondent and their spouse, respectively. The individual-level control variables for the financial respondent ($X_{f,i}$) and the spouse ($X_{s,i}$) include age, age², college, working, poor health, limitations, and numeracy. Household-level variables, H_i , include child, income, real wealth, and financial wealth. C_c introduces country dummies, and ϵ_i represents the error term.

The regression results, reported as average marginal effects conditional on debt holding, are presented in Table 5. Across all three regressions, neuroticism consistently stands out as the only personality trait with a statistically significant impact on household non-mortgage debt at 5 percent level, for both the financial respondent and the spouse. Although agreeableness for the financial

respondent also shows a positive and significant effect in the first regression (Column 1), this effect loses significance once spousal characteristics are included (Column 3). The findings from the combined analysis in Column 3 indicate that a one-unit increase in the financial respondent’s neuroticism corresponds to a 15.6 percent increase in household debt, conditional on holding debt. Similarly, when the spouse’s neuroticism increases by one unit, household debt rises by an average of 16.3 percent.

These results suggest that the emotional stability of both the financial head and the spouse play a crucial role in shaping household debt. Neurotic people often struggle with managing stress, have difficulty staying calm, and frequently experience anxiety and nervousness. These tendencies can adversely affect their financial decision-making process, leading to delayed or spur-of-the-moment decisions, both of which are likely to be suboptimal. Previous research presents that neurotic people tend to exhibit smaller savings (Davey & George, 2011), higher debt levels (Parise & Peijnenburg, 2019), and lower overall wealth (Mosca & McCrory, 2016). Their emotional instability could also heighten their susceptibility to impulsive buying behaviors. As emphasized by Parise and Peijnenburg (2019), neurotics are less likely to adhere to a financial plan and more prone to impulsive purchases. When a partner within a couple, either the financial respondent or the spouse, makes spontaneous purchases, particularly of unnecessary or luxury items, it can significantly exacerbate household debt levels. Similarly, Brown and Taylor (2014) demonstrated that neuroticism positively

Table 5 The effect of the big five personality traits on non-mortgage debt

	(1)		(2)		(3)	
	M.E. (S.E.)	<i>p</i>	M.E. (S.E.)	<i>p</i>	M.E. (S.E.)	<i>p</i>
FR Openness	0.0952 (0.0683)	0.163			0.0832 (0.0698)	0.233
FR Conscientious	−0.1529 (0.0833)	0.067			−0.1438 (0.0855)	0.093
FR Extraversion	0.0801 (0.0728)	0.271			0.0711 (0.0737)	0.334
FR Agreeableness	0.1683 (0.0834)	0.044			0.1535 (0.0843)	0.069
FR Neuroticism	0.1674 (0.0685)	0.014			0.1562 (0.0694)	0.024
SP Openness			0.0204 (0.0717)	0.776	0.0091 (0.0722)	0.900
SP Conscientious			−0.0346 (0.0845)	0.682	−0.0165 (0.0848)	0.845
SP Extraversion			0.0240 (0.0776)	0.757	0.0117 (0.0780)	0.881
SP Agreeableness			0.0502 (0.0843)	0.551	0.0566 (0.0844)	0.503
SP Neuroticism			0.1559 (0.0706)	0.028	0.1625 (0.0699)	0.020
FR Age	0.2680 (0.1500)	0.074			0.1649 (0.1524)	0.279
FR Age ²	−0.0025 (0.0011)	0.016			−0.0016 (0.0011)	0.141
FR Male	0.4245 (0.1336)	0.001			0.1234 (0.1681)	0.463
FR College	0.0985 (0.1499)	0.511			0.1135 (0.1567)	0.469
FR Working	0.3771 (0.1923)	0.050			0.3347 (0.1973)	0.090
FR Poor Health	0.4877 (0.2392)	0.041			0.4807 (0.2414)	0.046
FR Limitations	−0.0134 (0.0999)	0.893			−0.0156 (0.1012)	0.877
FR Numeracy	−0.0133 (0.0677)	0.845			−0.0194 (0.0709)	0.785
SP Age			0.2147 (0.1097)	0.050	0.1003 (0.1156)	0.385
SP Age ²			−0.0022 (0.0008)	0.006	−0.0010 (0.0009)	0.254
SP Male			−0.2539 (0.1361)	0.062		
SP College			0.1730 (0.1573)	0.271	0.1052 (0.1618)	0.516
SP Working			0.1095 (0.1997)	0.584	0.0434 (0.2027)	0.831
SP Poor Health			0.2090 (0.2482)	0.400	0.1534 (0.2432)	0.528
SP Limitations			0.0495 (0.0812)	0.542	0.0425 (0.0813)	0.602
SP Numeracy			−0.0146 (0.0658)	0.824	−0.0114 (0.0676)	0.867
Child	0.7085 (0.3497)	0.043	0.7116 (0.3560)	0.046	0.6604 (0.3521)	0.061

Table 5 (continued)

	(1)		(2)		(3)	
	M.E. (S.E.)	<i>p</i>	M.E. (S.E.)	<i>p</i>	M.E. (S.E.)	<i>p</i>
Income	0.1355 (0.1625)	0.405	0.1801 (0.1654)	0.278	0.1061 (0.1678)	0.528
Real Wealth	−0.1078 (0.0201)	0.000	−0.1023 (0.0206)	0.000	−0.1032 (0.0205)	0.000
Financial Wealth	−0.0817 (0.0191)	0.000	−0.0853 (0.0192)	0.000	−0.0810 (0.0193)	0.000
Country Dummies	Yes		Yes		Yes	
Observations	4,434		4,382		4,382	
Pseudo R ²	0.0536		0.0491		0.0552	

In these tobit models, dependent variable is debt amount. For independent variables, FR denotes the financial respondent, and SP denotes the spouse. Each regression incorporates robust standard errors and country dummies. Inverse hyperbolic sine transformation is employed for non-mortgage debt, income, real wealth, and financial wealth (excluding non-mortgage debt). Average marginal effects conditional on debt holding (M.E.) are reported with standard errors (S.E.) and *p*-values (*p*)

influences debt holding, especially in hire purchase agreements commonly used for goods like cars and consumer durables.

Beyond the Big Five traits, Table 5 highlights other noteworthy findings regarding household and individual characteristics affecting non-mortgage debt. Among household variables, greater net real wealth and net financial wealth are related to lower debt amounts. In terms of individual characteristics, only the financial respondent's self-reported poor health exhibits a significant positive relationship with household debt, while the characteristics of spouses appear to have no notable effect.

When examining the effect of personality traits on the presence of household debt using a probit model, the findings closely align with those of tobit analysis on debt amounts. Neuroticism emerges as the only significant trait, with higher levels in both the financial respondent and the spouse increasing the probability of holding non-mortgage debt. This underscores the critical role of emotional stability in shaping household indebtedness.

When considering the average personality traits of both partners, neuroticism remains the sole trait with a significant effect on debt holding and conditional debt amounts. However, when the analysis shifts to the differences in personality traits between the financial respondent and their spouse, none of these differences exhibit a significant impact. These findings suggest that individual personality traits are more influential than relative personality dynamics in determining household debt.

Conclusion

This research examines the dynamics of intra-household financial decision-making, specifically focusing on the relationship between personality traits and household non-mortgage debt among elderly European couples. Using the SHARE dataset, the analysis uncovers the influence of the Big Five traits on the selection of the financial head within households and the subsequent implications for their debt holding patterns.

In modern societies, couples are increasingly sharing financial decision-making responsibilities and jointly determining who assumes the role of financial headship, moving away from traditional norms in which husbands were typically the default household heads. This study underscores the importance of personality traits in the allocation of this role, along with other factors such as age, education, numeracy, and health. The findings reveal that wives are less likely to become the financial head when their husbands exhibit higher levels of openness. However, when wives are relatively more open and extravert compared to their husbands, they are more likely to take on this responsibility.

In household finance studies, the spotlight often falls on the financial head within couples, with less attention given to their spouses. This study, however, distinguishes the individual contributions of both partners to household debt. The results reveal that neuroticism is the only personality trait significantly influencing non-mortgage debt, with higher levels of neuroticism in both the financial respondent and the spouse independently associated with higher levels of debt.

This study advances the existing literature by foregrounding the psychological dimension of intra-household financial roles and outcomes. It highlights the importance of

incorporating individual personality traits within couples, rather than relying only on socio-demographic or economic factors. The findings contribute to a more comprehensive understanding of household financial decision-making, emphasizing the collaborative processes involved in assigning financial headship and managing non-mortgage debt.

The research results also offer valuable practical implications for financial education and family economics, particularly in designing effective educational strategies for couples. Integrating personality assessments into financial counseling can be a powerful approach to personalize advice. Although such integration may appear complex, it is increasingly feasible through the use of brief and validated tools such as the BFI-10, which can be easily administered as part of initial client assessments, whether in-person or via digital platforms. With this information, financial advisors could tailor their guidance more effectively. For example, couples where one or both partners exhibit high levels of neuroticism could benefit from interventions focused on stress management and structured financial planning. These strategies can help mitigate the impulsive or avoidance behaviors often associated with emotional instability, which may be particularly relevant for older adults facing financial uncertainty in retirement. Additionally, digital financial platforms or educational workshops targeting older populations could include self-assessment modules that provide personalized feedback not only on financial literacy but also on personality-related risk tendencies. These tools can assist couples better understand how their psychological dynamics influence financial behavior and encourage more deliberate allocation of financial responsibilities within households.

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Declarations

Conflict of interest The author reports there are no competing interests to declare.

Ethical approval Not applicable.

Participant consent Not applicable.

Consent for publication Not applicable.

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