

Take the money: Why we make better financial decisions for strangers than family

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(Medical Xpress)—People make more rational economic decisions on behalf of strangers and distant relatives than they do for close family members or themselves, new psychology research has shown.

The ability to turn down an immediate reward in anticipation that greater spoils will come later is known as 'deferred gratification' and is an important component of civilised society as it restrains people from acting on basic "me, now" impulses. There is even evidence that young children's willingness to forego one sweet on the understanding they will receive two sweets a few minutes later is an indicator of future [academic performance](#).

Researchers from the universities of Lincoln and Nottingham asked

undergraduate students to choose whether to accept a small amount of money immediately or a larger sum later, on the basis that the beneficiary would be either themselves, or someone other than themselves.

The test was constructed so the researchers could measure how the closeness of the relationship between the [decision maker](#) and the imagined recipient affected choices.

Participants were asked to press one of two keys, which determined whether they would accept a specific amount of money now, or would prefer to wait for a larger pay-off.

The researchers set scores (coefficients) to define the degree of family relatedness between the decision maker and the recipient - ranging from self, to parents and siblings, to aunts and uncles, then cousins, nephews and nieces, to best friends, and finally, complete strangers. They also staggered the size of the rewards and the time intervals between them, to identify where the tipping point came when the future reward was too small or too far off to justify the wait.

They found participants were more likely to select a smaller immediate reward than delay for a larger pay-off both for themselves and for beneficiaries they were more closely related to. The decisions got progressively less impulsive and steadily more rational as the family connection became more distant. The most rational economic choices were made on behalf of complete strangers.

The study, published in the online journal *PLOS ONE*, is the first to show that decisions taken on behalf of others are affected systematically by the closeness of the relationship as measured on a family tree.

The experiment was carried out by Dr Fenja Ziegler from the School of

Psychology at the University of Lincoln and Dr Richard Tunney from the School of Psychology at the University of Nottingham.

Dr Ziegler said: "The decision to wait for the larger reward is often the more rational choice economically, yet people do not always make rational choices, especially when emotions are involved. An immediate reward carries with it emotional gratification but a delayed reward does not. When we care about the people affected by our decisions, we tend to be more impulsive. Therefore in tests such as this, we are more inclined to accept a smaller immediate reward than to delay the gratification, even if this impulsive choice means our loved-ones actually receive less in financial terms."

This latest study is significant because it is the first to show systematically that the identity of the third party in relation to the decision maker is a crucial consideration. Most previous research in this area has treated the third party, or 'other', as a homogenous group.

Dr Ziegler concluded: "Our experiment confirmed that the closer the decision maker is to the imagined beneficiary, the less rational their decisions were. This is the first empirical evidence that social distance, as measured by relatedness on a family tree, has a systematic influence on decision-making.

"It is also important to note that we are principally capable of making rational choices, as shown by decisions we make for strangers. However, rational economic concerns can be outweighed by emotional components.

"This question of how relatedness affects the rationality of our decisions is not just of interest to academics. It may also have profound implications for instances where difficult decisions must be made by proxy, such as when family members and medical professionals are

discussing end-of-life choices for terminally-ill patients."

The paper 'Decisions for others become less impulsive the further away they are on a [family tree](#)' by Fenja Ziegler and Richard Tunney was published by *PLOS ONE* on 28th November 2012 and is available at: [dx.plos.org/10.1371/journal.pone.0049479](https://doi.org/10.1371/journal.pone.0049479)

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