

Hidden Costs of Gender Inequality in Aging Couples' Financial Management

Dr Anup Basu

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Gender inequality takes different forms across economic, social, political, and cultural situations. One important example from everyday life relates to how households make financial decisions. **Professor Anup Basu** from Queensland University of Technology researches the intersection of age, financial decision-making and gender. His recent research sheds light on the influences that shape the distribution of financial management and responsibilities in ageing couples.

Gendered Financial Decision-making

A gender imbalance in financial decision-making within households remains prevalent, with men traditionally having greater control over household finances. This issue is further complicated as couples age. Old age is associated with health-related issues, including difficulties with thinking and making decisions in general, which frequently result in reduced capacity to make financial decisions.

Despite years of research into factors that determine who takes charge of finances in the household, there has been little focus on how this responsibility shifts among older couples. Professor Anup Basu from Queensland University of Technology in Australia researches this intersection of age, financial decision-making, and gender, shedding light on how societal norms and individual circumstances shape the distribution of financial authority and responsibilities in ageing couples.

In a recent study, Professor Basu led a team of researchers to examine how older married individuals delegate financial decision-making tasks to their spouses. He and his colleagues were particularly interested not only in whether gender differences persist in this delegation but also in how other factors contribute to it. For example, if one spouse is more skilled or experienced with money management, do they tend to take on more responsibility? By exploring these questions, the researchers gained new insights into how older couples delegate financial decisions and the role of gender in these dynamics.

Examining Delegation Dynamics

Sixty-four couples aged 60 years or older participated in the study. The couples were all married and living together. They first participated in a delegation experiment in which both spouses took part individually. Each was given 10 financial decision-making tasks that are common in daily life, like managing credit card payments or making investment decisions. They had to choose the best response from four options for each task. For example, in the task of choosing a deposit account to invest \$4,300 for two years, the options included different accounts with varying interest rates and payment frequencies. All participants had the choice to attempt each task themselves or transfer it to their spouse. They earned points for selecting the best response, regardless of who answered, and scoring more points made them eligible for a lucky draw of prizes.

To understand how control over delegation influences an individual's willingness to delegate, the researchers randomly assigned couples to two groups. Participants in the first group were allowed to transfer to their spouse whichever tasks they wanted to. However, in the second group, once a participant chose to delegate a task, all subsequent tasks were automatically transferred to their spouse.

The next component of the study was a financial competence test to evaluate participants' financial abilities. This aimed to determine if having higher or lower financial competence than one's spouse influenced the delegation of financial tasks. The tasks included writing checks to pay bills, analysing bank statements, and making budget-conscious shopping decisions. Participants also answered questions about their financial awareness and knowledge, and then completed a cognitive assessment in which they rated their spouse's thinking abilities in the last part of the study.



Patterns of Financial Delegation

Initially, participants delegated fewer tasks to their spouses, but as the tasks became progressively more difficult, they tended to delegate tasks more often. The team proposed that this reflected the participants' continued understanding of task complexity. However, 70% of participants chose not to delegate any tasks to their spouses, indicating a strong inclination to retain control over financial decisions.

The team found that in the vast majority of couples where delegation took place, only one spouse delegated to the other. There was a stark difference in delegation based on gender. Approximately 92% of those who delegated tasks to their spouse were women. On the other hand, only 3 out of 64 (less than 5%) male participants delegated any task to their wives.

The research team tested several theories to potentially explain the difference in delegation by gender, for example, whether financial competence was a critical factor. To their surprise, they found that both genders scored similarly on the financial competence tests on average, so financial competence was unlikely to be the main driving force. While financial competence relative to spouse influenced an individual's willingness to delegate, its role was secondary compared to gender. They concluded that the most likely reason for this gender imbalance in financial decision-making in ageing couples is the sense of identity and social norms – the perceived role of men as primary financial decision-makers within marriage. Delegation requires giving up control, and as financial decision-making has been traditionally viewed as 'men's work', delegating these tasks to their spouses leads to a sense of losing control and self-identity among men.

These results raise concerns about women's financial well-being in old age, since they often outlive their husbands and, therefore, disproportionately bear the adverse consequences of poor financial decisions. If financial decisions are not delegated in a timely manner, women can find themselves unprepared to take over such responsibilities when their partners die or suffer from serious cognitive decline like dementia.

The researchers also found that those with less control over delegation – those who could only make irrevocable decisions – were less likely to delegate tasks. They often waited until tasks became exceedingly difficult before passing them on. In contrast, those individuals who had the choice to revoke delegation or assign tasks to their spouse selectively, were more willing to delegate.

These findings have important practical implications for substituted decision-making mechanisms, such as Power of Attorney, among older people. A better understanding of provisions such as the authority to revoke a Power of Attorney or using a 'springing' Power of Attorney (which becomes effective only upon the occurrence of specific events) may encourage older people to put such arrangements in place sooner rather than later.

Future Directions: Wealth, Societal Norms, and Diversity

There is still much left to explore. How does household wealth influence delegation decisions? Are these trends influenced by changes in societal norms over time? What about differences across ethnicities or types of couples? By delving deeper into these questions, Professor Basu hopes to gain a richer understanding of these dynamics that will help him address the broader issue of gender inequality in financial decision-making process across the lifespan.



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MEET THE RESEARCHER

Dr Anup Basu, Faculty of Business & Law, School of Economics & Finance, Queensland University of Technology, Brisbane, Australia

Dr Anup Basu is a professor of finance and behavioural/experimental economics at the Centre of Behavioural Economics, Society, and Technology at Queensland University of Technology in Australia. Dr Basu is a renowned expert in the field of pensions, investments, and behavioural finance. On top of his teaching and research commitments, he has also been a consultant and a trainer to government, regulators, and investment companies, and has worked with various research and educational projects. Dr Basu's research reaches a wide audience, with his articles published in prestigious scientific journals and popular media, including the Financial Times and the Daily Telegraph. One of his current areas of focus is the intersection between financial decision-making and the influence of other factors, including gender and age.

CONTACT

a.basu@qut.edu.au

<https://www.qut.edu.au/about/our-people/academic-profiles/a.basu>

[@anupkbasu](https://www.linkedin.com/in/anup-basu-00660b5/?originalSubdomain=au)

<https://www.linkedin.com/in/anup-basu-00660b5/?originalSubdomain=au>

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KEY COLLABORATORS

Sylvain Hohn

Centre for Behavioural Economics, Society and Technology, Queensland University of Technology

Uwe Dulleck

Centre for Behavioural Economics, Society and Technology, Queensland University of Technology

Julie Henry

School of Psychology, University of Queensland

Nicolas Cherbuin

Centre for Research on Ageing, Health and Wellbeing, Australian National University

FURTHER READING

S Hohn, A Basu, U Dulleck, *et al.*, LOOSENING THE GRIP: Delegation of Financial Decision-Making to Spouse in Old Age, *Gender & Society*, 2024. DOI: <https://doi.org/10.1177/0891243223122550>



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