

# Changing Preferences at Older Ages

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Understanding individual attitude towards risk is crucial in order to explain how agents take economic decisions under uncertainty. So far, the literature has found a relation between getting older and increasing risk aversion level (Dohmen & all. 2011). Some scholars find that elicited risk tolerance has a predictive power in households' decisions (Guiso & Paiella, 2004). Some others claim that increasing in risk aversion at older ages might be the effect of cognitive process (Bonsang & Dohmen, 2015). Language can also be a good predictor of behavioral choices and willingness to take risk (Chen, 2013), as well as education (Outreville, 2015). Furthermore, approach to risk can be transmitted by intergenerational inheritance (Dohmen & all. 2012).

This paper aims to assess whether risk preferences are correlated with age or if this is instead due to other events, which usually happen as people age.

Analyzing a panel of 13 European countries of individuals aged 50+, we find that, for agents between 50-60 years old, changes in risk preferences correlate with changes in working status, pension situation, income and numeracy skill. Older individuals (aged 61-75) seem to be less exposed to changes in risk preferences than younger cohorts. This might be justified by the fact that individuals experience a rise in uncertainty at younger ages (aged 50-60) and later they tend to stick to that level, partly due to benefits and annuity payments. Adding health as a control, we found a small, but still statistically significant effect on risk tolerance. We use several measures of health such as number of acute diseases, self-perceived health status and a health index. All of them show a small impact on the variation in willingness to take risk.

Regarding country effect, a regional component is also present: northern European countries appear to be less risk averse than southern European ones. This might be explained by higher level of education in Northern countries.

In conclusion, age *per se* does not seem to be the only predictor of changes in risk tolerance. As a matter of fact, other life related events contribute to risk preferences variation.

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