On a Need-to-Know Basis: How the Distribution of Expertise Between Couples Shapes Financial Literacy and Financial Outcomes

Abstract

Many consumers suffer from low levels of financial literacy, and attempts to increase this dimension of consumer expertise via educational interventions are typically unsuccessful. We propose that relationship partners distribute responsibility for knowledge and decision-making in different domains, causing some of these apparent deficits in literacy and learning. Cross-sectional data from consumers in long-term relationships show that at relationship onset, assignment of the role of household Chief Financial Officer is unrelated to any difference from the partner in financial knowledge. But the longer the couple stays together, the more the household CFO comes to dominate the non-CFO in financial knowledge (Study 1). This pattern of diverging knowledge in longer relationships is not explained by partners switching financial roles over time to put the more knowledgeable person in the household CFO role or by dissolution over time of relationships with the less knowledgeable person in the CFO role (Study 2). A study of new relationship partners shows that rather than financial knowledge, one gets the financial role because one is doing less than one’s partner in other domains (Study 3). We show this pattern in an experimental setting where ad hoc dyads members equally bad or good at money focus more on money matters when the partner has a relative advantage in another domain (Study 4). In study 5 we show that the diverging pattern of financial expertise of household CFO and non-CFO from studies 1 and 2 manifests in parallel diverging patterns of tendency to make appropriate use of external search to improve the quality of individual financial decisions. Consumers seem to develop expertise on a “need to know” basis. We argue that offloading responsibility to a relationship partner may eliminate this need in the present, while simultaneously creating barriers to developing expertise if and when it is needed in the future.