



# The merit of teamwork

Couples who make joint decisions have fewer financial problems

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## **Consumer Economics at ING**

This report is part of ING's growing research into consumer economics. Our aim is to deepen understanding of economic and financial decision-making of individuals and households. The first step is to examine the impact of economic, social, political, and technological change. We are looking not just at the household sector as a whole, but also at particular socio-economic segments. The second step is to analyse how individual behaviour is changing. What are the challenges and opportunities that people face? The third, and most important, step is to address the question: **how can we help people make better financial decisions?**

To that end, we are also drawing on the expertise of external partners through the Think Forward Initiative, an open-source collaboration aimed at helping people make better financial decisions.

Seeking ways to improve people's financial decision-making will need not just combining macro and micro-economics. It will take us beyond economics, to the tools of other disciplines. Helping people to learn or avoid mistakes will call upon psychological and educational insights. Addressing social influences on decisions will pull in other social sciences such as sociology and social anthropology.

We invite readers to join the debate. You can contact us directly, or on Twitter @thinkforward, or via the Think Forward Initiative LinkedIn community.

**Mark Cliffe**  
**Chief Economist**

# Summary

- **Decision-making in households is a remarkably under-researched field**

Business, like mainstream economics, often starts from a presumption that we make decisions as self-absorbed individuals. This report sets out to show how at odds that is with the everyday reality that many of our decisions are made with our nearest and dearest.

Having surveyed over 1000 Dutch couples, we find that:

- **Many financial decisions are joint between couples, with holidays topping the list**

The household is the place where many decisions are made. We find that around 87% of decisions on holidays are joint. Even for individual consumption items such as clothes, more than one third of the decisions are joint. Remarkably, most decisions on savings (75%) and shared bank account use (83%) are joint.

- **Couples who make joint decisions encounter fewer financial problems**

Joint decision making benefits couples. Our research shows that only 25% of couples who make joint decisions on the use of shared bank accounts encounter financial problems in the previous year. The percentage increases to 41% for the ones who make individual decisions.

- **Couples who make joint decisions are more likely to have financial plans**

Couples who make joint decisions discuss financial issues more often with each other. They have a better overview of their financial situation, and are also more likely to set up financial goals and planning.

- **Paying does not imply decision making. Men often pay for purchases that they do not decide on**

The purchasing process often involves collecting information, making the decision, and paying. The person who pays for the purchases is not necessarily the one who makes the decision. Men often pay for purchases that they do not decide on. For example, we find that only 2% of men decide on the clothes their partner buys, but 20% of men pay for their partner's clothes.

# Introduction

Economics and business tend to assume that we make decisions alone

The report is based on a survey of 1,116 Dutch couples

It is part of our everyday experience that our decisions are affected by those around us. Strangely, this is an idea that mainstream economics struggles with. It assumes that people operate as self-interested individuals, or that everyone in a household shares the same preferences. Stranger still, many businesses also treat their customers as if they are isolated individuals. This includes banks, who typically provide products and services in blissful ignorance of the comingling of people's decisions and finances.

As a result, the interactions and dynamics within households is a remarkably under-researched area<sup>1</sup>. For statistical or tax purposes, the household is often the unit of measurement. In this case the total amount of household income or consumption is measured. How income or consumption is distributed among household members and the different roles household members play in earning or spending the income and in planning are often ignored. In order to attempt to fill this gap, we decided to conduct a survey on the decision-making process among couples. This report presents the results of a survey conducted earlier this year among 1,116 couples in the Netherlands.

Among the questions that we wanted to answer were: Is there a main decision maker among couples when they decide what to purchase? To what extent do they take each other's preferences into consideration? Is it better to have one person being in charge of household finance or is it better to work as a team?

The picture that emerged from our survey confirmed our intuition that many decisions that couples take are made jointly, even if the preceding search for information, or the subsequent execution and consumption are not. The degree to which this happens varies according to the type of decision being made, and it varies along age and gender lines. But the central message is clear: decisions are profoundly influenced by others.

Behavioural economics has revealed how individuals' decisions are affected by psychological biases. Our research suggests that to fully understand how decisions are made we need to go further, looking not just at the personalities and biases of individuals but also those of the people close to us, and how our roles and relationships are structured and evolve. For business, if a large number of decisions are made at the level of the household instead of the individual, that calls for products and services to be tailored to meet the needs of the household.

We would like to emphasise that the focus of our research is not just on the Netherlands. Through ING's International Surveys (IIS)<sup>2</sup> we are familiar with the fact that some aspects of consumer behaviour vary from country to country, often for cultural or institutional reasons. However, on this score we expect that the behavioural differences, at least in the developed economies, will be small. Indeed, the early results for a forthcoming survey that we have conducted on the behaviour of couples in the UK suggest precisely that. In the next report, we will investigate the different roles men and women<sup>3</sup> have in the decision making process, and how that relates to the bargaining power of men and women.

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<sup>1</sup> Indeed, we had to go back to the early 1970s to find an authoritative analysis of the division of spending within households: see Harry L. Davis & Benny P. Rigaux (1974). Perceptions of marital roles in decision processes. *Journal of Consumer Research*, 1, 51-62, and Robert Ferber & Lucy C. Lee (1974). Husband-wife influence in family purchasing behaviour. *Journal of Consumer Research*, 1, 43-50. While sociologists study social interactions, they have been notably reluctant to quantify them in the way that we have done here.

<sup>2</sup> See [https://www.economics.com/ing\\_international\\_surveys/](https://www.economics.com/ing_international_surveys/)

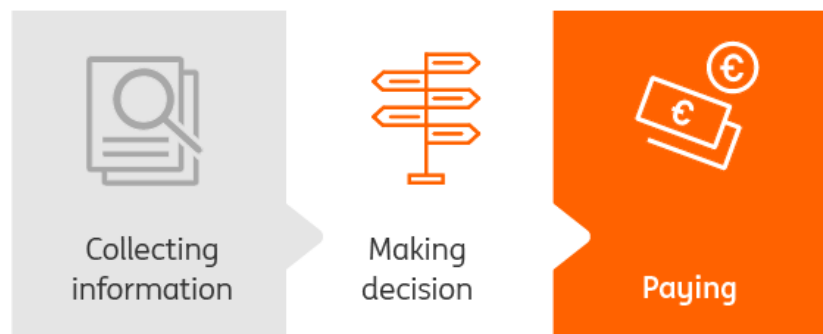
<sup>3</sup> Out of the 1,116 couples in our sample, 22 are male only couples and 20 are female only couples.

# “Joint” is the keyword

You want a secluded beach, your partner wants a city break. Where do you end up going on holiday? How do you make the choice?

The decision making process often starts from collecting information (Figure 1). Couples then make either joint or individual decisions based on the information they have collected. The process usually ends with the payment.

Fig 1 The decision making process



Source: ING

## Collecting information is often an individual activity

People tend to collect information individually. For example, although 79% of people agree that buying a car is a joint decision (Figure 2), only around one third of them treat the information collection process of buying a new car as joint (Figure 3). Even for holidays, only half of the people collect information jointly. This shows the division of labour in the family – it is efficient to collect information individually and share the information with each other during the decision making process.

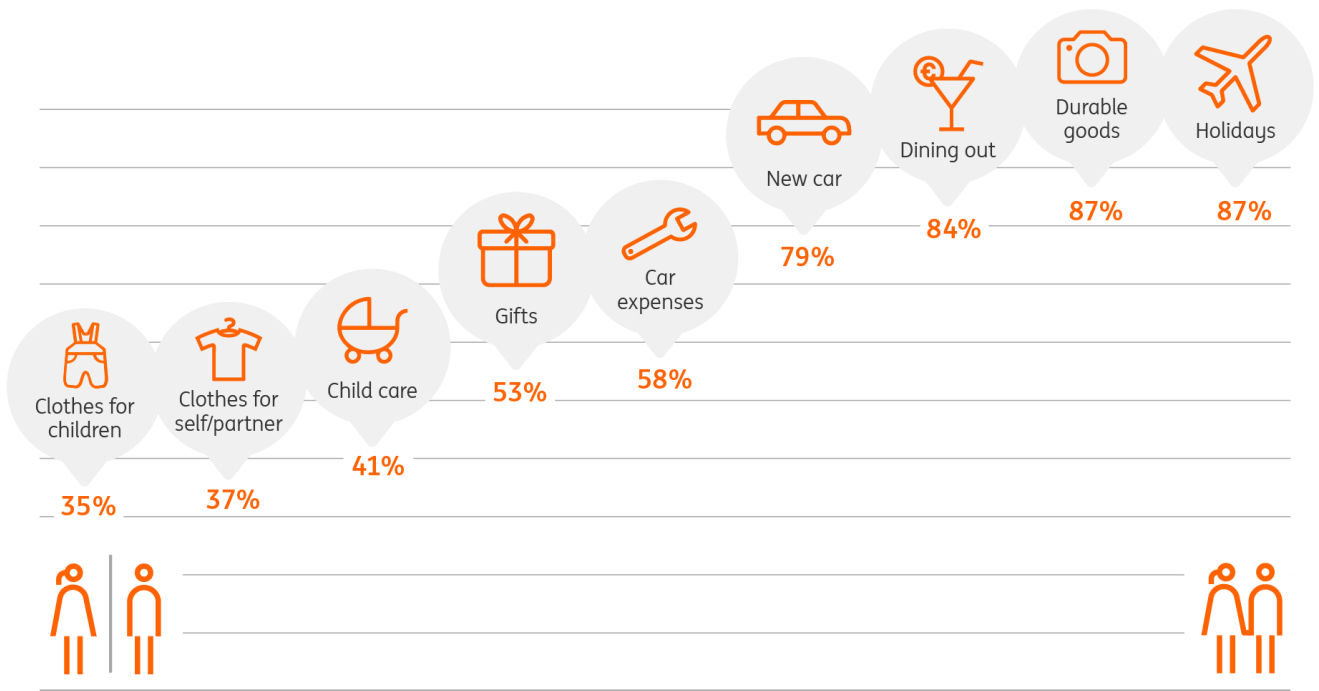
## Many decisions are jointly taken between couples with holidays topping the list

Holidays top the list of joint decisions: 87% of people, young and old, rich and poor, regard decisions around holidays as joint with their partners (Figure 2). It turns out that not only holidays but also decisions on durable goods such as TV, or furniture, dining out and buying a new car are all made together.

Smaller and more frequent decisions such as the purchases of gifts and clothes are also typically joint. Around 37% of people consult their partners and jointly make the decision when they purchase clothes for themselves. The percentage increases to 45% for men.

Couples strongly influence each other through joint decisions

Fig 2 The proportion of people who regard the decision as joint



Source: ING calculations

Besides consumption decisions, the majority of decisions on savings (75%) and the use of shared bank accounts (83%) are joint as well. Additionally, there is also a high portion (65%) of couples who use a 50/50 approach where this time one person decides and next time the other person decides, when there is disagreement between them.

The above results suggest that couples strongly influence each other through decisions from small to big. Far from managing their finances alone, they interact, discuss and compromise if needed. Since a large portion of the decisions are taken jointly, they reflect the preferences of both men and women.

**Fig 3 The proportion of people who regard the activity as joint**



Source: ING calculations

Payment is not equivalent to making decisions

**Men more often pay for purchases they do not decide on**

Paying does not automatically guarantee making decisions. Except for clothes, between 54% and 65% of the purchases are jointly paid by couples (Figure 3). Crucially, the percentage of men who claim they made the payment is higher than that who claim that they made the decision. For example, only less than 2% of men decide what clothes their partner should buy, but more than 20% of them claim that they pay for the purchases.<sup>4</sup> Similarly, only 5% of men individually decide on holidays, but almost 30% of them claim that they individually pay for holidays.

**Three quarters of people share the majority of income with their partner**

Relationships often mean that income and wealth are shared between couples, but in reality they might have different views on how to manage their income and wealth. For instance, they might contribute a certain portion of their income to shared bank accounts and keep the rest for their own expenses and savings.

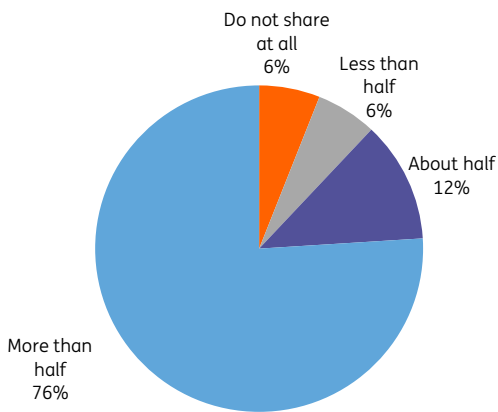
Our results show that a high proportion of income is shared among couples. Three quarters of people reported that they share more than half of their income with partners (Figure 4). When asked to what extent they think their partners share income, 77% believe that their partners also share more than half of the income (Figure 5). This means that people not only share their income with partners but also trust that their partners do the same.

People share income with partners and also trust that their partner share income

<sup>4</sup> This is largely confirmed by women's answers: more than 15% of women admit that their partner pays for their clothes. For other consumption goods presented in Figure 3, women's answers all confirm their partners' claims on the payment of the purchases.

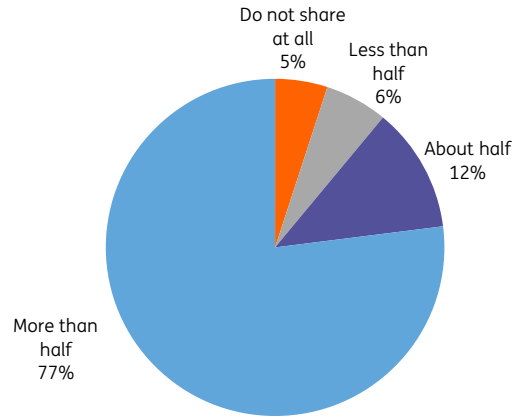


**Fig 4 To what extent do people share income with their partners?**



Source: ING calculations

**Fig 5 To what extent do people think their partners share income?**

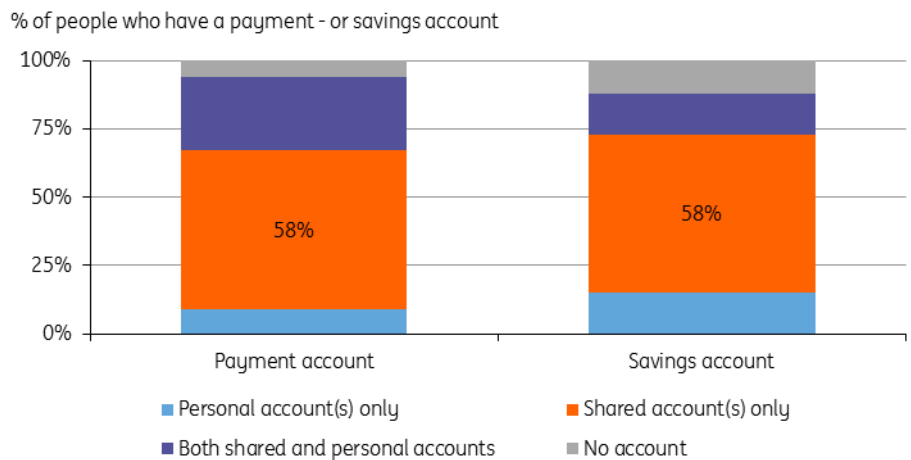


Source: ING calculations

Three in five people do not have individual bank account

The results on shared bank accounts, an important device for income sharing, confirm the high level of income sharing among couples as well. Around 58%, or three in five people, do not have their own payment or savings account, meaning that they share all their income in the joint account(s) (Figure 6). Only a small percentage of people (around 10%) have only personal account(s) but no joint account(s).

**Fig 6 Ownership of payment and savings accounts: Almost six out of 10 people have shared account only**



Source: ING calculations

# Joint decisions go hand in hand with fewer financial problems

## Do joint decisions pay off?

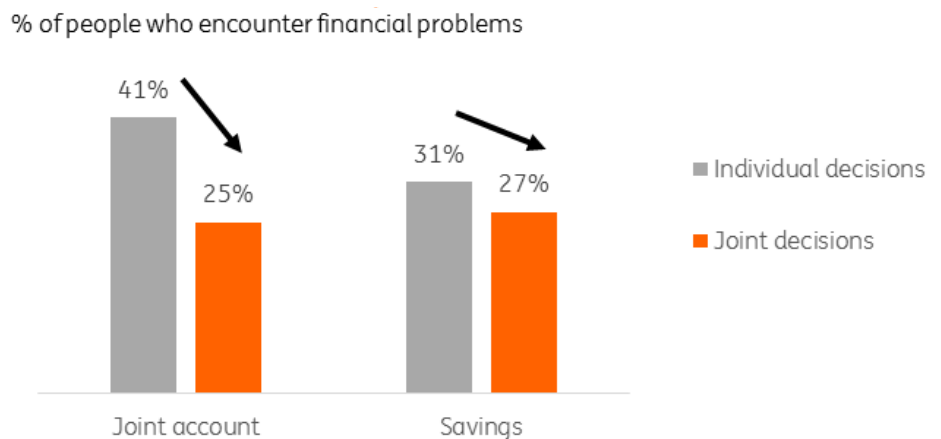
Is it better for couples to make joint decisions? Or is it better to let one person who has more financial knowledge make all the decisions instead?

We see a correlation between more joint decision making and fewer financial problems

### Joint decisions are better in terms of having fewer financial problems

The majority of couples share bank accounts (Figure 6). Couples may jointly manage the accounts to decide on how much to spend and save. Alternatively, one person may largely manage the shared accounts on his/her own. Among people who reported individually managing shared accounts<sup>5</sup>, 41% encountered financial problems including failing to pay a bill on time, not having enough balance on their bank account(s) or not paying bank loan or credit on time in the past year (Figure 7). The number drops to 25% for people who reported that they jointly manage their shared accounts.<sup>6</sup>

Fig 7 The proportion of people who encountered financial problems: Joint decisions – fewer financial problems



Source: ING calculations

Similar results are observed on saving decisions. For example, out of people who make individual decisions on savings, 31% of them encountered financial problems. The percentage drops to 27% for people who make joint decisions with their partners on savings (Figure 7).

<sup>5</sup> For people who do not have shared account, it is not possible to jointly manage it. Therefore, for decisions on shared accounts, the grey bar in Figure 7 includes two types of couples: the ones who individually manage shared accounts and the ones who do not have shared accounts.

<sup>6</sup> The statistical significance of the results has been tested using a regression and also controlling for factors such as income and age.

# Why are joint decisions better?

More joint decisions, more discussions and better overview

## Couples who make joint decisions have better overview of their financial situation

Close to two thirds (61%) of the people who make joint saving decisions believe that they have a good overview of their household financial situation. The proportion is only slightly over half (54%) for people who make individual saving decisions (Figure 8).

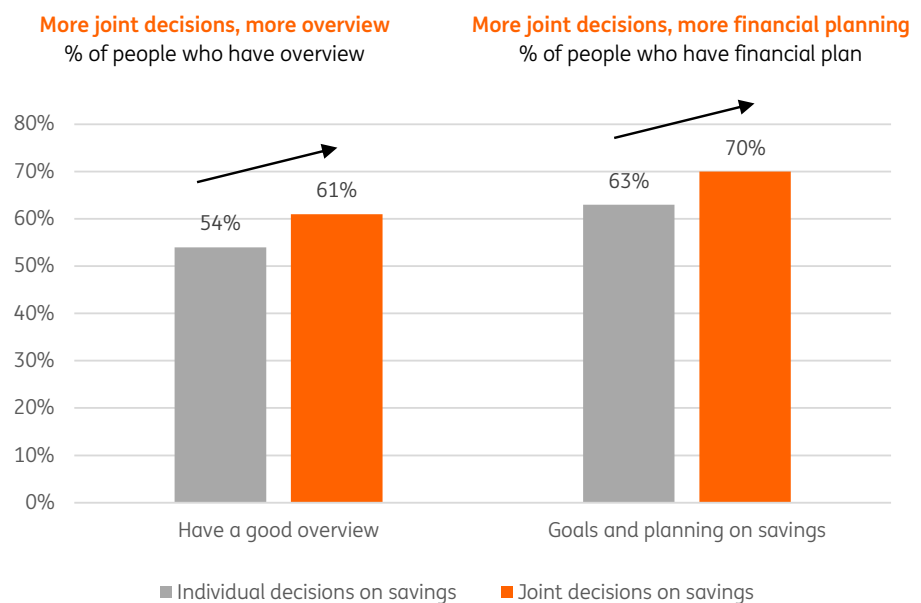
This is likely to be due to the more frequent discussions joint decision making involves. Take decisions on savings as an example. Close to two thirds of the people who make joint saving decisions have discussions with their partners about savings on a weekly or monthly basis. For people who do not make joint decisions, the percentage reduces to 44%.

More joint decisions, more financial goals and planning

## Couples who make joint decisions are more likely to set up financial goals

People who have goals and good planning are often found to perform better in life and in finance.<sup>7</sup> Our results also show some link between joint decisions and having financial goals and planning. Again take saving decisions as an example. Around 70% of people who make joint saving decisions with their partners have goals and plans on saving. For those who make individual saving decisions, the percentage is only 63% (Figure 8).

**Fig 8** The portion of people who report having a good financial overview and having planning on saving



Source: ING calculations

More joint decisions, less conflict among household members

Moreover, couples who make joint decisions naturally have the agreement from each other on the decisions they make. More than that, we also find that other household members including children tend to agree with them more when the decisions are joint. For example, among people who jointly manage their shared bank account(s), 90% report that other household members including children agree with their decisions in general. The percentage reduces to 82% for people who individually manage their shared bank account(s).

<sup>7</sup> Research that provide evidence to this includes, for example, Edwin A. Locke. 1996. "Motivation through conscious goal setting." *Applied and Preventive Psychology* 5(2), pp. 117-124.

# Conclusions

Couples influence each other in the decision making process more than we think. Marketing agencies, product and service providers including banks, and policy makers all need to be aware that the individuals they target with their market research, products and policies are all social beings - people make a large number of decisions with their partners.

The fact that the degree of joint decision making differs from one category of goods to the other and varies during the process of decision making has profound implications. Take men's clothes for example, the easiest to observe for producers and retailers is often who pays for the purchases - mostly men themselves. However, that observation overlooks the big role women play in collecting information on men's clothes, the fact that close to half of men decide on which clothes to buy together with their partner, and that couples behave differently when they make joint decisions.

This research challenges many of the commonplace assumptions of economics and business. Economics typically overlooks the distinction between individuals and households<sup>8</sup>. Our research shows that many, if not most, of our spending, savings and other financial decisions are not made alone. The composition of households, and the roles and relationships within them, therefore matter a great deal. The survey presented in this report just focused on the interaction between couples. But this already gives us a clue that once we add relationships with other household or family members, let alone beyond, the importance of social interactions will be all the more important.

For business, our results are important not just for marketing, but also for the design and delivery of products and services. In particular, banks, which play a special role at the heart of the economy, have a long way to go in making their products and services 'social'. Take, for example, banking apps. Typically, they allow you to access your own accounts and transactions, but the fact that many of your decisions and transactions depend on the views, behaviour and finances of your partner or other family members is nowhere to be seen. The development of digital technology and AI opens up the potential to transform this in coming years. By facilitating joint decision-making, banks could therefore make a dramatic contribution to the financial health of their customers.

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<sup>8</sup> See <http://www.thinkforwardinitiative.com/stories/economics-in-3d>

## Annex 1: The data

The data used in this report were collected through an on-line survey conducted by Motivaction and commissioned by ING. Motivaction invited members from the Stempunt panel with a link to the questionnaire. In the questionnaire, invited panel members could invite their partners by filling in their email address. A time lag of one hour was built in when sending out the questionnaire to the partner so the partner was unlikely to receive the questionnaire before the panel member submitted his/her answers. The survey was active from 11-18 January 2017.

In total, 1,116 Dutch couples were surveyed. To ensure that they are representative of all households with at least two adults in the Netherlands, weights were calculated. Motivaction used a reference file from the Central Bureau of Statistics in the Netherlands that contain the distribution of age, Nielson region, size of household and education level in the Netherlands. Weights were calculated so that the distribution of these variables in the surveyed sample is the same as in the reference file.

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