What Role Does Financial Risk Tolerance Play in Mediating Investing Behavior?

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ABSTRACT

The present study offers an alternative explanation for the so-called gender and marital (cohabitation) status asset gap. The working hypothesis was that risk tolerance might have a mediation effect on investment behavior. Results show that financial risk tolerance significantly mediated the effects of gender on investment behavior. Similarly, risk tolerance played a small yet significant mediating role between cohabitation status and investment behavior. It is possible that what appears to be a gender or cohabitation status asset gap may be more closely related to differences in financial risk tolerance, regardless of gender or cohabitation status.

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Introduction

For more than a decade, data from the U.S. Census Bureau have shown a consistent pattern of equity and fixed-income asset ownership in terms of gender and cohabitation status.[1] For instance, national data show that men are more likely to own equities compared with women.[2] This pattern of asset ownership has sometimes been referred to as the "gender asset gap." Further, those who are married, as well as those who have a shared living arrangement, have a tendency to own more equities compared with those who are single, divorced/separated, or widowed. Based on cohabitation status alone, singles are nearly seven times less likely to own stocks, whereas those who are divorced/separated or widowed are approximately nine times less prone to own equities of any kind (e.g., stocks, derivatives, mutual funds, exchange-traded funds) compared with married households.[3] This pattern of ownership could be indicative of a "cohabitation status asset gap."[4]

The potential ramifications of gender and cohabitation status asset ownership gaps are large. If it is assumed that the risk-return relationship is positive and long-lasting, then it follows that one must be willing to take some risk in order to achieve wealth over the life cycle, holding inheritances and serendipitous transfers constant.[5] The literature is replete with descriptions of wealth discrepancies.[6] In general, women tend to hold less wealth than men. Sin-

gles, divorced/separated individuals, and widows also control less wealth than married households.[7] Additionally, low wealth levels can lead to lower income and greater financial instability during retirement for most households.

Both the gender and cohabitation status asset gap have been described and explained from multiple theoretical perspectives. One perspective argues that men and women are physiologically and psychologically different.[8] These perceived differences drive men and women to make different risk choices. The matter becomes confounded upon marriage, when the male partner's risk tolerance often dominates the choice dilemma scenario. Another perspective suggests that gender differences—and by extension, cohabitation status differences—are dependent on the social and cultural norms present at the time of the decision process.[9] Within this framework, women should be more conservative and oriented toward safety, as their decisions are heavily affected by socialization factors. A third perspective indicates that any gender and cohabitation status differences seen when risky choices are made are based almost entirely on access to resources. For example, based on this argument, one could entertain the thought that women and single individuals would take less risk because they start with fewer assets. To date, there is little consensus regarding the cause of the gender and cohabitation status asset gap, although the socialization perspective tends to garner the greatest level of support.[10] Some, for instance, have pointed out that women and singles ought to be willing to take more risk precisely because they have less to lose financially.[11] If true, then socialization factors emerge as a logical explanation for behavioral differences.

The purpose of this study is to test the proposition that another reason may exist to account for any apparent gender and cohabitation status asset gap. Specifically, this study was designed to determine whether financial risk tolerance—defined as a person's willingness to engage in a financial behavior that entails the possibility of gain and loss—might mediate the associations between gender and risk taking and between cohabitation status and risk taking.[12] Utilizing a Sobel test, this paper presents three models designed to test for the possibility of mediation, which occurs when one variable amplifies or attenuates the effect of another variable on an outcome. The first model was designed to evaluate the extent to which gender, cohabitation status, and financial risk tolerance are associated with the investment allocation decision. The second model tested whether investment allocation by gender is mediated by financial risk tolerance. The third model tested whether risk tolerance mediates the effect between investment allocation choices and being married.

Literature Review

Gender and Asset Ownership

It is well established in the risk-taking literature that women tend to exhibit risk-avoiding attitudes.[13] On average, women have a preference for low-risk investments.[14] As noted in the introduction to this paper, this tendency among women to choose conservative investments when given the choice often leads to low wealth accumulation over the lifespan as compared with men. Lyons et al. called this phenomenon the "gender gap" in wealth.[15] There are a number of factors that contribute to discrepancies in wealth accumulation between women and men, including limited access to high-paying jobs, lower levels of financial literacy, and restricted access to retirement plans. It is worth noting, however, that risk tolerance also plays a pivotal role in shaping the wealth gap. Sundén and Surette noted that the tendency of women's preference for conservative investments is a leading reason explaining why a wealth gap exists.[16] Neelakantan reported that risk tolerance alone explains approximately 10 percent of the wealth gap.[17] In effect, the wealth gap is directly associated with the gender asset gap. That is, when given a choice of investments with differing risk characteristics, women generally choose low-risk alternatives.

Cohabitation Status and Asset Ownership

A cohabitation status asset gap has also been documented in the literature. Hirschl et al. documented that over their life spans married couples accumulate more wealth and affluence compared with nonmarried, formerly married, and never-married individuals.[18] They concluded that not only does marriage enhance well-being, it also provides structural advantages in the accumulation of wealth. Waite and Gallagher pointed out that being married might allow couples strategically to divide their labor in a manner that allows for better household resource allocations.[19] The same may be true for those couples who live together in a committed relationship but are not married. It is possible that these cohabitating (i.e., married or otherwise) couples experience an upward shift in their combined risk tolerance given greater household security through labor market diversification.[20]

Risk Tolerance as a Possible Mediator

Given the extent of the existing literature, it is possible to draw the following conclusions. First, a gender asset gap likely exists. Specifically, women are predicted to shy away from owning higher-risk investments compared with men. Second, a cohabitation asset gap also may be present. In this case, those who are married or living with a significant other should exhibit a greater propensity to own risky assets compared with singles, although the relationships among other cohabitation statuses (e.g., divorced, widowed) and risky asset ownership is less clear. Third, a direct, positive association between financial risk tolerance and risky investment ownership should exist. Finally, it is reasonable to hypothesize that financial risk tolerance may mediate the effect of gender and cohabitation status on risky asset ownership. If true, then some of the gap in asset ownership that is attributable to gender and cohabitation status may be currently overstated.

The possibility that risk tolerance may mediate the relationship between demographic characteristics and financial behaviors has not been fully explored in the literature. However, there is some evidence to suggest that risk tolerance is an important mediator. The literature detailing the relationship between and among demographic and socioeconomic factors, financial risk tolerance, and financial decision-making is both large and growing. Grable summarized much of this literature by showing that in addition to gender and cohabitation status, other variables play an important role in shaping risk attitudes and behaviors.[21] Three variables of importance include age, educational attainment, and income.[22] The most controversial of these variables is age. There is a lack of general consensus on the directional association between age and risk tolerance and between age and risk-taking behavior. Some have argued that younger individuals should be more willing to take financial risks because they have less to lose financially. Others argue that the relationship between age and risk taking should be positive because age can be conceptualized as a proxy for experience and enhanced financial literacy and numeracy, both of which tend to boost risk taking.[23] There is less debate in relation to education and income. The majority of published studies show that the relationship between education and willingness to engage in risky financial behavior is positive, as is the association between income and a person's willingness to take financial risks.[24] That is, those with higher educational attainment or greater income are predicted to be more aggressive when allocating investment assets and when making other financial decisions. Given the importance of these three variables, nearly all studies that involve an evaluation of risk attitudes attempt to control for the marginal effects of age, education, and income.

The remainder of this paper provides details about the (a) methodology used to test the proposition that financial risk tolerance mediates the association between gender and risk taking and between cohabitation status and risk taking, (b) results from the analyses, and (c) conclusions and implications for financial service professionals and researchers who may be interested in extending this study further in the future.

Methodology

Data for this study were obtained from a repeated cross-sectional data-gathering project hosted by Rutgers New Jersey Agricultural Experiment Station. Rutgers has been collecting financial risk-tolerance data from consumers via an open-access Internet site for nearly 10 years.[25] The data collection site provides a free risk score to users based on a risk-tolerance scale developed by Grable and Lytton.[26] For the purposes of this study, data from late 2007 through December 2013 were analyzed. The sample frame from this period consisted of 169,280 individuals who fully completed the survey. A 10 percent random sample (i.e., 16,903) was selected; however, this sample was further delimited to include only respondents older than age 25. This step was taken to remove students from the analyses. This resulted in a usable sample of approximately 7,500 respondents (n = 7,506). The demographic characteristics of the sample are provided in the results section.

Outcome Variable

Respondents were asked to indicate whether they currently owned investable assets, and if yes, how their investment assets were allocated. The following response categories were provided: (a) cash, such as savings accounts, certified deposits, or money market mutual funds; (b) fixed-income investments, such as corporate bonds, government bonds, or bond mutual funds; (c) equities, such as stocks, stock mutual funds, direct business ownership, or investment real estate (not including a personal residence); and (d) other, such as gold or collectibles. Only respondents who provided complete information (i.e., total allocation equaled 100 percent) were included in the analyses. Overall, respondents held assets in the following approximate proportions: 37 percent equities (i.e., stocks), 16 percent bonds, 41 percent cash, and 5 percent other assets.

Allocation information was then used to estimate an equity-to-fixed-income ratio for each respondent. The ratio was estimated as: equities/fixed-income assets. The equity-to-fixed-income ratio was used as an indicator of a respondent's investment behavior. A higher equity-to-fixed-income ratio was assumed to indicate a riskier asset allocation compared with a lower equity-to-fixed-income ratio. The mean, median, and standard deviation for the variable were 2.54, .54, and 8.04, respectively.

Test Variables

Five variables were included in the first model used to estimate the effects of gender, cohabitation status, and risk tolerance on the equity-to-fixed-income ratio (i.e., investment behavior). Gender was coded 1 = female and 0 = male. Age was measured using the following six categories: (a) 25 to 34, (b) 35 to 44, (c) 45 to 54, (d) 55 to 64, (e) 65 to 74, and (f) 75 and over. Cohabitation status was evaluated using the following categories: (a) never married, (b) living with significant other, (c) married, (d) separated/divorced, (e) widowed, and (f) shared living arrangement. The never-married category was used as the reference group in preliminary analytic model [i.e., ordinary least squares (OLS) regression analysis]. Categories were collapsed for the Sobel test. Specifically, cohabitation was defined as including living with a significant other, married, or participating in a shared living arrangement. Single was defined as being never married, separated/divorced, or widowed. These variables were coded as cohabitation = 1 and single = 0. Education was measured as follows: (a) some high school or less, (b) high school graduate, (c) some college/trade/vocational training, (d) associate's degree, (e) bachelor's degree, and (f) graduate or professional degree. Household income was grouped into the following five categories: (a) less than $25,000, (b) $25,000 to $49,999, (c) $50,000 to $74,999, (d) $75,000 to $99,999, and (e) $100,000 or greater.

The year in which a respondent completed the survey (i.e., 2007, 2008, 2009, 2010, 2011, 2012, or 2013) was also recorded and used in the analysis. Given the wide variability of market conditions during each of these periods, it was thought that the year

variable might be significant. Specifically, the period between 2007 and 2010 marked the beginning and end of the Great Recession in the United States. It was thought that those who assessed their risk tolerance and reported asset holdings during this period may have been different from those who assessed the Web site during the postrecession period.

Finally, financial risk tolerance was estimated using a summated score from the Grable and Lytton financial risk tolerance scale, in which scores can range from a low of 13 to a high of 47.[27] In this study (n = 7,506), scores ranged from 13 to 47, with mean, median, and standard deviation scores of 27.62, 28.00, and 5.39, respectively. Scale reliability was measured using Cronbach's alpha, which was 0.77.

TABLE 1
Demographic Profile of Sample (n = 7,506)

		n	Percent
Gender	Male	4,417	58.85
	Female	3,089	41.15
Age	25-34	2,948	39.28
	35-44	1,501	20.00
	45-54	1,405	18.72
	55-64	1,160	15.45
	65-74	360	4.80
	Over 75	132	1.76
Cohabitation status	Married	4,280	57.02
	Never married	1,700	22.65
	Not married but living with significant other	582	7.75
	Separated or divorced	688	9.17
	Shared living arrangement	114	1.52
	Widowed	142	1.89
Education	Some high school or less	110	24.32
	High school	408	14.61
	Some college	1,306	17.09
	Associate degree	741	6.63
	Bachelor degree	2,520	33.57
	Graduate degree	2,421	32.25
Income	Less than $25,000	632	8.42
	$25,000-$49,999	1,410	18.78
	$50,000-$74,999	1,577	21.01
	$75,000-$99,999	1,258	16.76
	Over $100,000	2,629	35.03

Data Analysis Methods

An OLS regression model was developed to determine the marginal effects of gender, cohabitation status, and financial risk tolerance on the equity-to-fixed-income ratio, controlling for other factors. This model was used to verify the directional relationships as described in the literature. Specifically, the model was used to confirm that gender, cohabitation status, and risk tolerance were related to equity ownership patterns.

For the second and third models in this study, Preacher and Hayes's criteria for mediation estimation and Baron and Kenny's Sobel test procedures were utilized.[28] Essentially, the mediation tests were used to test the assertion that financial risk tolerance acts as a mediator between gender and investment behavior and between cohabitation status and investment behavior. The test procedure included the following assumptions:

$$Y = i1 + cX \,(1)$$

$$M = i2 + bX \,(2)$$

$$Y = i3 + c'X + bM \,(3)$$

where Y = outcome variable, X = independent variable, M = mediating variable, and i = intercept coefficient.

Results

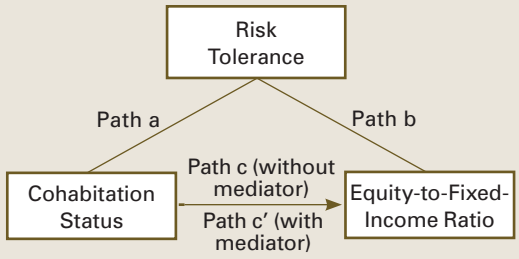
Table 1 provides a demographic profile summary of the sample. Reported data represent the total number of complete cases. It is possible that the total may be different from the overall sample based on each demographic characteristic.

Analysis I: Regression Model

As a first step in determining whether financial risk tolerance acts as a mediator between gender and investment behavior and between cohabitation status and investment behavior, an OLS regression was used to test the marginal effects of gender and cohabitation status, holding other factors constant, on the equity-to-fixed-income ratio. As shown in Table 2, results matched previously reported findings from the literature. As expected, women were found to have a lower equity-to-fixed-income ratio compared with men. In the case of cohabitation status, never-married respondents were the reference group in the model. Those who were separated or divorced were more likely to hold equities compared with never-married individuals. This indicated that greater equity-to-fixed-income ratios were associated with being separated or divorced. On the other hand, no differences were noted among those who were single, living with a significant other, widowed, or living in a shared arrangement. Even though the difference between those who were married and never married was not statistically different, the direction of the coefficient was positive. Finally, the relationship between financial risk tolerance and equity ownership was positive. These results provided the basis to move forward with the mediation tests.

It is also worth noting other significant associations from the regression test. Older respondents were more likely to own a greater proportion of equities. Both education and income were positively associated with greater ownership of equity. Lastly, the year in which a risk score was assessed was significant in the model. The negative coefficient in the regression indicated that that ownership of equities, on average, declined over the period of analysis.

FIGURE 1
Hypothesized Gender Mediation Model



Analysis II: Gender Mediated by Risk Tolerance

It was hypothesized that risk tolerance may mediate the association between gender and equity own-

TABLE 2
OLS Regression Results Showing Associations with the Equity-to-Fixed-Income Ratio

Variable	*b*	*Std. Error*	*95% CI*
Gender (1=Female)	-0.67***	0.19	[-1.05, -0.29]
Age	0.18*	0.08	[0.03, 0.33]
Cohabitation Status			
Living with Significant Other	-0.19	0.39	[-0.95, 0.57]
Married	0.37	0.25	[-0.13, 0.87]
Separated/Divorced	0.84*	0.37	[0.11, 1.57]
Widowed	-0.66	0.72	[-2.08, 0.75]
Shared Living Arrangement	-0.29	0.77	[-1.81, 1.22]
Education	-0.01	0.07	[-0.16, 0.13]
Income	0.28***	0.08	[0.13, 0.43]
Risk Tolerance	0.16***	0.02	[0.12, 0.19]
Survey Year	-0.16**	0.06	[-0.27, -0.05]
Constant	312.06	112.80	[90.94, 533.18]

Notes:
$*p < .05$, $**p < .01$, $***p < .001$
$F_{10,16892} = 17.03$, $p < .001$
$R^2 = .02$

ership—measured as the ratio of equities to the total percentage of fixed-income assets. The model shown in Figure 1 represents the hypothesized mediation association between gender and the equity-to-fixed-income ratio. Within the model, the following four direct associations among gender, risk tolerance, and the equity-to-fixed-income ratio were expected:

(1) Gender would be directly associated risk tolerance (Path a).
(2) Risk tolerance would be directly associated with the equity-to-fixed-income ratio (Path b).
(3) Gender would be directly associated with the equity-to-fixed-income ratio (Path c).
(4) Gender would be associated with the equity-to-fixed-income ratio controlling for risk tolerance (Path c').

In order to confirm mediation, the coefficient for gender needed to be smaller in the fourth condition than it was in the second condition. Partial to full mediation was possible if these relationships could be confirmed. In this study, the mediation coefficients were estimated using OLS regression procedures.

Table 3 and Figure 2 provide summary findings from the mediation test. First, the direct association between gender and the equity-to-fixed-income ratio was significant and negative. Women (coded 1), on average, held less in equities than men did. Second, the direct association between risk tolerance and the equity-to-fixed-income ratio was significant and positive, indicating that those with a higher risk tolerance were more likely to hold a greater percentage of their wealth in equities. An increase of one point on the risk tolerance scale yielded an increase of 0.16 percent in equity ownership. Third, the direct association between gender and risk tolerance was negative and significant. Women exhibited lower levels of tolerance for financial risk compared with men. Fourth, when controlling for risk tolerance, gender still was found to be associated with the equity-to-fixed-income ratio. Holding risk tolerance constant, women held 0.77 percent less in equities than men. It is important to note that the absolute value of the gender coefficient when controlling for risk tolerance (-0.77, $p < 0.001$) was smaller than the gender coefficient alone (-1.21, $p < 0.001$) in the model where equity-to-fixed-income ratio was regressed on gender. This result provided direct evidence of mediation in the model. Hence, it was determined that the mediation effect of financial risk tolerance was significant.

FIGURE 2
Empirically Tested Gender Mediation Model

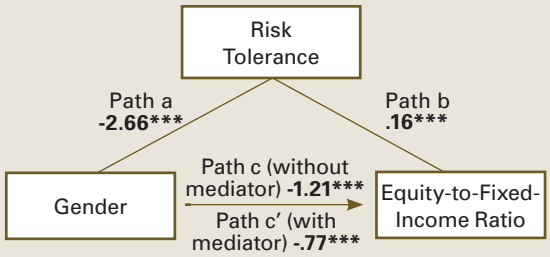


TABLE 3
Mediation Test of Equity Ownership as a Function of Gender and Risk Tolerance (n =7 ,506)

	Independent Variables	*Dependent Variables*	*Coefficients*
Path a	Gender (1=Female)	Risk tolerance	-2.66***
Path b	Risk tolerance	Equity-to-fixed-income ratio	0.16***
Path c	Gender (1=Female)	Equity-to-fixed-income ratio	-1.21***
Path c'	Gender (1=Female)	Equity to fixed-income ratio	-0.77***

Notes:
*$p < .05$, **$p < .01$, ***$p < .001$
R^2 = .06 (Path a), .02 (Path b and Path c'), .01 (Path c)
F = 471.64 ($p < .001$, Path a), 64.82 ($p < .001$, Path b and Path c'), 41.44 ($p < .001$, Path c)

Analysis III: Cohabitation Status Mediated by Risk Tolerance

A similar mediation test was undertaken using cohabitation status as the direct effect variable. (See Figure 3.) Specifically, the model tested whether the association between cohabitation status (coded 1) and the equity-to-fixed-income ratio was mediated by financial risk tolerance. The results of this analysis are shown in Table 4 and Figure 4.

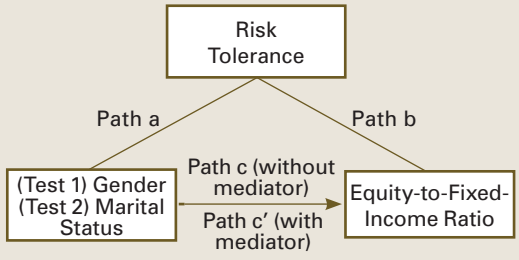
As shown in Table 4, cohabitation status was positively and significantly associated with the equity-to-fixed-income ratio. Compared with singles, cohabiting households were more likely to report a greater percentage of equity ownership. Risk tolerance was found to be positively associated with equity ownership. This result was the same as the gender mediation test (Analysis II). Third, cohabitation status was positively associated with financial risk tolerance. Specifically, cohabitating couples were more likely to exhibit a high risk-tolerance score. Fourth, holding risk tolerance constant, cohabitation status exhibited a statistically significant association with the equity-to-fixed-income ratio. The coefficient for cohabitation status in this model was smaller than the cohabitation status coefficient where equity-to-fixed-income ratio was simply regressed on cohabitation status. Specifically, the coefficient between cohabitation status and the equity-to-fixed-income ratio decreased from 1.57 ($p < .001$) to 1.54 ($p < .001$). It was concluded that financial risk tolerance played a very minor role in mediating the association between cohabitation status and equity ownership. Unlike the gender results, the mediation effect was not large or meaningful from a financial planning perspective. This is shown in Figure 4.

Discussion

The existing body of financial services literature has previously identified and reported the phenomena commonly described as the gender gap in wealth and the cohabitation status asset gap. The former alludes to observed lower levels of wealth accumulation among women.[29] The primary explanation for this particular discrepancy in wealth by gender arises from the general tendency among women to select more-conservative securities when investing.[30] Such a gender gap in wealth also has been linked with what is sometimes called the gender asset gap. Interestingly, risk tolerance has been found to explain about one-tenth of the so-called gender gap in wealth.[31] The other phenomena, coined in this paper as the cohabitation status asset gap, describes the documented differences in asset accumulation over the lifespan between couples living together in a committed relationship and nonmarried individuals—that is, never-married, separated/divorced, and widowed individuals.[32] Structural advantages associated with being in a committed relationship, such as a more efficient division of household labor and better allocation of pooled and shared resources, have been identified as contributing factors for higher wealth and asset accumulation among cohabitating households.[33]

From a theoretical perspective, little agreement exists in terms of a framework that might explain either the gender asset gap or the cohabitation status asset gap. Several propositions have been offered (e.g., physiological and psychological differences, social and cultural norms, and access to resources). To date, the socialization framework perspective has received the greatest attention and the highest degree of acceptance.

FIGURE 3
Hypothesized Cohabitation Mediation Model



In an attempt to elucidate both phenomena further, this study proposed an alternative framework in which financial risk tolerance was conceived of as a mediator between gender and investment behavior and a mediator between cohabitation status and investment behavior. The findings indicated that what appears to be a gender or cohabitation status asset gap may be more closely related to differences in financial risk tolerance, regardless of gender or cohabitation status, although this was certainly more accurate in relation to gender. Overall, the results support the proposed models by showing that that financial risk tolerance significantly mediated gender and investment behavior (proxied as an equity-to-fixed-income ratio). While risk tolerance did moderate the association between cohabitation status and equity ownership, the effect was very modest.

Several implications emerge from the findings of this study. For financial advisors and those engaged in providing financial education and counseling, this research provides insight into the pivotal role that financial risk tolerance plays in financial decision-making. For example, results highlight the notion that practitioners should, when building a client's investment and financial capability profile, pay careful attention not only to traditional life-cycle factors and demographic characteristics but also to their clients' preference and tolerance for financial risk. Moreover, the results from this research stress the importance of utilizing financial risk tolerance instruments that have established evidence of validity and acceptable levels of reliability. In addition to the use of accurate measures, thoughtful interpretation of risk-tolerance scores is critical. This will improve meaningful evaluations used for financial recommendations.

For researchers, the proposed framework—and specifically the notion of financial risk tolerance as a factor mediating investment behavior factor—provides insights and different paths for further research endeavors. For example, the model shows some of the theoretical links and dynamic connections financial risk tolerance has with other variables. Further, the model can be expanded to include other associations to explore and test life-cycle variables, time horizon, attitudes, and expectations. Future studies are recommended to use panel data. For instance, with the aid of panel data, it would

FIGURE 4
Empirically Tested Cohabitation Mediation Model

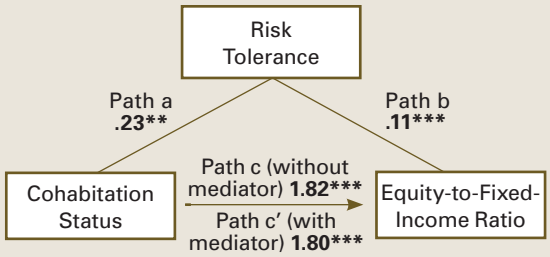


TABLE 4
Mediation Test of Equity Ownership as a Function of Cohabitation Status and Risk Tolerance (n =7,506)

	Independent Variables	*Dependent Variables*	*Coefficients*
Path a	Cohabitation status (1=Married)	Risk tolerance	0.24**
Path b	Risk tolerance	Equity-to-fixed-income ratio	0.11***
Path c	Cohabitation status (1=Married)	Equity-to-fixed-income ratio	1.54***
Path c′	Cohabitation status (1=Married)	Equity to fixed-income ratio	1.57***

Notes:
*p < .05, **p < .01, ***p < .001
R^2 = .00 (Path a), .03 (Path b and Path c′), .02 (Path c)
F = 7.56 (p < .001, Path a), 240.22 (p < .001, Path b and Path c′), 296.56 (p < .001, Path c)

be possible to examine the mediating role of risk tolerance on financial behaviors of specific individuals over time. Likewise, the relationship, if any, and magnitude of a change in financial risk tolerance on changes in asset holdings or wealth would be of great interest. As illustrated in this study, there are numerous research opportunities within the field of financial planning to further investigate financial risk tolerance and its associations with other variables and financial behaviors, and to understand the position and fit of this latent construct from a more theoretical perspective.

In summary, this paper provides an alternative explanation for what some have identified as gender and cohabitation investing asset gaps. While it is true that factors such as social and cultural norms, financial socialization, and resource constraints likely play an important role in shaping the investment decisions of many individuals, the results from this study suggest that financial risk tolerance also plays an important role in shaping behavior. This finding should not be surprising to financial service professionals. The results showing that financial risk tolerance mediates the association between gender investment behavior and cohabitation status and investment behavior confirms what financial advisors probably witness on a daily basis. That is, rather than being a decision dictated purely by, say, a person's gender, the willingness to hold risky assets is more closely aligned with a person's risk attitude. Findings reported here confirm that these risk attitudes dampen a large portion of the gender effect. Risk tolerance plays some role in reducing the cohabitation effect but to a much lower extent. It is possible that being involved in a committed relationship does, as McNeil pointed out, help diversify household resources to such an extent that the willingness to hold risky assets becomes more palatable for cohabitating clients.[34] In the end, however, results from this study add to the existing literature by showing the importance financial risk tolerance plays in shaping investment behavior. ■

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