

Well Being 233

intro intro

We would now like to ask you some questions about financial decision making. You may have previously answered a number of questions that you will be asked today. Please answer all the questions you are asked to the best of your ability, even if you have seen them before. We are very interested in your responses, as some of your opinions may have changed. Thank you!

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IF ( usedvd = (YOUTUBE) Youtube AND askingvideos = Yes ) THEN
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| soundon check sound
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| In this survey you will be shown one or more video clips. As such, before we continue, please  
| check to see that your sound is on, and set at a reasonable volume, and turn on your speakers if  
| you have them.
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| I checked, and turned the sound on to a reasonable volume
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|
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ENDIF
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IF ( interventions > Control: new respondent who did not participate in MS143-MS145 ) THEN
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| IF ( module_order = (INFLATIONFIRST) Inflation, then risk diversification ) THEN
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|| IF ( interventions > Control: new respondent who did not participate in MS143-MS145 ) THEN
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||| IF ( inflation_video_narrative_order = (FIRSTNARRATIVE) Narrative first ) THEN
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||| inflationnarrative narrative Inflation and the Plaid Shirt
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||| Please read the following. You will be asked questions about it later: Lauren unpacked  
||| another paper bag and surveyed the sea of groceries. "Hey, Stacy, do you think we really  
||| bought enough soda for the barbecue?" "Yeah, this is fine for now. Alex and Jess said  
||| they'll be bringing over lots of drinks. These are just to tide everyone over till they  
||| show up." "Good call," said Lauren, flattening a bag. "They're always late. Speaking of  
||| which...let me pay you for my half of all this stuff." She fished for the receipt and wrote  
||| out a check, which she handed to Stacy with a friendly flourish. Stacy smiled  
||| apologetically. "Thanks for remembering. I'd tell you to just pay me back later, but these  
||| groceries cost a major chunk of cash." "I know what you mean," Lauren nodded in sympathy.  
||| "Good thing I moved enough money into my checking account to cover it." Stacy looked  
||| puzzled. "If you know you write checks and use your ATM card, why don't you just keep  
||| all your money in your checking account then? That way, you don't have to think so much  
||| about balancing your checkbook." Lauren laughed. "Don't think I haven't been tempted!  
||| But I barely earn any interest on my checking account." She took out her iPhone to check  
||| on the rsvp's. Stacy meanwhile tried to digest the point her friend was making: "OK,  
||| Lauren, so you don't really make any money on what's in your checking account, and  
||| you're saying you'd rather keep more of your money somewhere it can grow?" Lauren shook  
||| her head. "It's even more than that. If my money's not earning any interest, then  
||| over time, because of inflation, not only is it not growing, it won't even buy as much as  
||| it used to. So I keep some money in my savings account and also put money I save for the  
||| future in investments that should keep pace with inflation." "But hang on," Stacy said,  
||| taking a bill out of her pocketbook. "You don't mean that this $100 bill all of a sudden  
||| stops being $100!" Lauren laughs "Yes, it's still $100. But because of inflation,  
||| the amount of, well, groceries, or whatever, that $100 can buy keeps changing." Her  
||| iPhone rang again. Another three for the barbecue. Stacy fingered some old movie tickets  
||| lying on the table. Someone had told her once that movie theaters used to be called
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nickelodeons because seeing a movie cost a nickel. A nickel wouldn't buy much of anything today. Lauren interrupted her thoughts. "I remember reading a good example about a bag of groceries. Let's say all the items in the bag add up to \$100 to start with. But then say inflation is 3% per year. In other words, prices, overall, go up 3% each year." "Ok, tell me more," Stacy added, gaining even more interest in the subject. "Right. So you might not think it would have such a big impact on the cost of things." Stacy nodded. "Let's see: after the first year, at 3% inflation the bag of groceries would go from \$100 to \$103." She shrugged. That didn't feel like such a huge difference. "That's true," said Lauren, "but here's the kicker: That 3% increase each year starts to add up and after 20 years, the same bag of groceries costs \$181 instead of \$100. I swear I remember, that's the figure." "Whoa, it almost doubles!" Stacy stood up and surveyed the kitchen table again. "OK, I get it, so you don't want your money to just be sitting around without growing because with inflation the same amount of money will be able to buy less and less over time." Lauren grunted in agreement. How would she cram six more packs of franks into the refrigerator? Stacy was now more into figures than franks. "So Lauren, if inflation is 3% each year, you'd have to keep making 3% more each year too, just in order to afford what you could afford before." She wandered over to stare out at the deck. It was like you're on a treadmill and have to keep running as fast as the machine is moving just to stay place... Lauren caught Tracy's thoughts. "I know... Even if my money were earning 1% interest each year instead of basically nothing, what if inflation was higher than that, say 3%? I still wouldn't be able to keep up. I might have more money, but I wouldn't be able to buy as much." She closed the refrigerator and went over to join her friend by the back door. "Stacy, that's why I make sure to put money for the future in investments I expect will keep up with inflation Stacy opened the door and began taking food out to the deck. "You know, this whole keeping up with inflation thing is kind of like our annual barbecue. The first year, we had just enough hot dogs for everyone. The second year, we bought a little more food but there were tons more people! Our little bit more just couldn't keep up" Lauren laughed. "I know! All those party crashers! It was fun though, and Jason made a mid-barbecue run to the supermarket and saved the day." Lauren remembered trying to keep up with the stream of guests who kept coming last year. It had been lots of fun. Then she thought back to inflation. "Yeah, we definitely have to make sure our money grows as much as inflation does." "And our groceries keep up with all those added barbecue guests!"

ENDIF

inflationvideo inflation video

Here is a short video clip. Please turn on your sound or speakers and press PLAY or the arrow in the middle of the screen. You will be asked questions about it later. Please click next when the video is done playing.

seeinflationvideo saw inflation video

Before we continue, please indicate whether you were able to see the video clip.

1 I saw the video clip

2 I did not see the video clip

3 I saw part of the video clip

IF (inflation_video_narrative_order = (FIRSTVIDEO) Video first) THEN

inflationnarrative narrative Inflation and the Plaid Shirt

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they'll be bringing over lots of drinks. These are just to tide everyone over till they show up." "Good call," said Lauren, flattening a bag. "They're always late. Speaking of which...let me pay you for my half of all this stuff." She fished for the receipt and wrote out a check, which she handed to Stacy with a friendly flourish. Stacy smiled apologetically. "Thanks for remembering. I'd tell you to just pay me back later, but these groceries cost a major chunk of cash." "I know what you mean," Lauren nodded in sympathy. "Good thing I moved enough money into my checking account to cover it." Stacy looked puzzled. "If you know you write checks and use your ATM card, why don't you just keep all your money in your checking account then? That way, you don't have to think so much about balancing your checkbook." Lauren laughed. "Don't think I haven't been tempted! But I barely earn any interest on my checking account." She took out her iPhone to check on the rsvp's. Stacy meanwhile tried to digest the point her friend was making: "OK, Lauren, so you don't really make any money on what's in your checking account, and you're saying you'd rather keep more of your money somewhere it can grow?" Lauren shook her head. "It's even more than that. If my money's not earning any interest, then over time, because of inflation, not only is it not growing, it won't even buy as much as it used to. So I keep some money in my savings account and also put money I save for the future in investments that should keep pace with inflation." "But hang on," Stacy said, taking a bill out of her pocketbook. "You don't mean that this \$100 bill all of a sudden stops being \$100!" Lauren laughs "Yes, it's still \$100. But because of inflation, the amount of, well, groceries, or whatever, that \$100 can buy keeps changing." Her iPhone rang again. Another three for the barbeque. Stacy fingered some old movie tickets lying on the table. Someone had told her once that movie theaters used to be called nickelodeons because seeing a movie cost a nickel. A nickel wouldn't buy much of anything today. Lauren interrupted her thoughts. "I remember reading a good example about a bag of groceries. Let's say all the items in the bag add up to \$100 to start with. But then say inflation is 3% per year. In other words, prices, overall, go up 3% each year." "Ok, tell me more," Stacy added, gaining even more interest in the subject. "Right. So you might not think it would have such a big impact on the cost of things." Stacy nodded. "Let's see: after the first year, at 3% inflation the bag of groceries would go from \$100 to \$103." She shrugged. That didn't feel like such a huge difference. "That's true," said Lauren, "but here's the kicker: That 3% increase each year starts to add up and after 20 years, the same bag of groceries costs \$181 instead of \$100. I swear I remember, that's the figure." "Whoa, it almost doubles!" Stacy stood up and surveyed the kitchen table again. "OK, I get it, so you don't want your money to just be sitting around without growing because with inflation the same amount of money will be able to buy less and less over time." Lauren grunted in agreement. How would she cram six more packs of franks into the refrigerator? Stacy was now more into figures than franks. "So Lauren, if inflation is 3% each year, you'd have to keep making 3% more each year too, just in order to afford what you could afford before." She wandered over to stare out at the deck. It was like you're on a treadmill and have to keep running as fast as the machine is moving just to stay place... Lauren caught Tracy's thoughts. "I know... Even if my money were earning 1% interest each year instead of basically nothing, what if inflation was higher than that, say 3%? I still wouldn't be able to keep up. I might have more money, but I wouldn't be able to buy as much." She closed the refrigerator and went over to join her friend by the back door. "Stacy, that's why I make sure to put money for the future in investments I expect will keep up with inflation" Stacy opened the door and began taking food out to the deck. "You know, this whole keeping up with inflation thing is kind of like our annual barbecue. The first year, we had just enough hot dogs for everyone. The second year, we bought a little more food but there were tons more people! Our little bit more just couldn't keep up" Lauren laughed. "I know! All those party crashers! It was fun though, and Jason made a mid-barbecue run to the supermarket and saved the day." Lauren remembered trying to keep up with the stream of guests who kept coming last year. It had

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|| | those added barbecue guests!"

|| |
|| | ENDIF

|| |
|| | ENDIF

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|| | **I6** take into account effects of prices changing
|| | I can make decisions about my money that take into account the effects of prices changing over
|| | time.

- || | 1 Not at all true
- || | 2 Hardly true
- || | 3 Moderately true
- || | 4 Exactly true

|| |
|| | **I2** knowledge of inflation
|| | Suppose that by the year 2020 your income has doubled and prices of all goods have doubled too.
|| | In 2020, how much will you be able to buy with your 2020 income?

- || | 1 More than today
- || | 2 The same amount as today
- || | 3 Less than today
- || | 4 Don't know

|| |
|| | **I3** behavior regarding inflation
|| | Rita must choose between two job offers. She wants to select the job with a salary that will
|| | afford her the higher standard of living for the next few years. Job A offers a 3% raise every
|| | year, while Job B will not provide a raise for the next few years. If Rita chooses Job A,
|| | she will live in City A. If Rita chooses Job B, she will live in City B. Rita finds that the
|| | price of goods and services today are about the same in both areas. Prices are expected to rise,
|| | however, by 4% in City A every year, and stay the same in City B. Based on her concerns
|| | about standard of living, what should Rita do?

- || | 1 Take Job A
- || | 2 Take Job B
- || | 3 Take either one: she will be able to afford the same future standard of living in both places
- || | 4 Don't know

|| |
|| | **I4** behavior regarding inflation
|| | If the interest rate on your savings account is 1% per year and inflation is 2% per year, after
|| | one year, you will be able to buy less with the money in this account than you are able to buy
|| | today.

- || | 1 Yes
- || | 2 No

|| |
|| | **I5** how confident grasp of prices
|| | How confident are you that you have a grasp of how prices change over time and its effect on
|| | how much you can buy?

- || | 1 Extremely confident
- || | 2 Very confident
- || | 3 Somewhat confident
- || | 4 Not very confident
- || | 5 Not at all confident

|| |

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|| IF ( interventions > Control: new respondent who did not participate in MS143-MS145 ) THEN
|| |
|| | IF ( risk_treatment = (NARRATIVE) Narrative ) THEN
|| | |
|| | | risknarrative narrative Don't Put All Your Eggs in One Basket
|| | | Please read the following. You will be asked questions about it later: "I hope Grandma
|| | | and Grandpa like their new apartment in Florida -- and find room for all this stuff!" Kate
|| | | said to her brother Sam as they packed up their grandparents' china. Sam turned to his
|| | | older sister: "Yeah, but they're also giving away a bunch of their things, like that tea set
|| | | Grandma gave you. So hopefully what's left will fit ok." "Good point," replied Kate, "and
|| | | it's super nice that they even gave us a little slice of the proceeds from selling their
|| | | house." Sam nodded. "Yeah, that part's definitely pretty awesome. But it also feels a
|| | | little overwhelming. I'm just not used to getting a chunk of cash like this." He reflected
|| | | for a moment. "Kate, what are you planning to do with it all? $12,000 each..." "I'm going
|| | | to invest mine," said Kate -- and she lowered her voice. "Grandma told me last night that
|| | | she wants each of us to have a little "nest egg" for the future ." Sam chuckled.
|| | | "Eggs. That 's one of Grandma's favorite words." And he imitated his grandmother's voice:
|| | | "Sam, you listen to your Grandparents and don't put all your eggs in one basket. We didn't
|| | | and you and your parents have all been given a good start in life." "You may laugh", Said
|| | | Kate, " but we had a Planning for your Future seminar in my senior year, and they also told
|| | | us about not putting all our eggs in one basket. I'm going to spread the money around."
|| | | They both began emptying the highest kitchen shelf. Their grandmother had so many plates.
|| | | What could she possibly have wanted with them all? "But Kate, " said Sam, "Why not just
|| | | put it somewhere you know is safe? Some really really safe stock." Kate shook her head:
|| | | "Well, what is really really safe, Sam? Did you know that some really famous firms have
|| | | ended up going bust? Anyway, if you want to make your money grow over time, they said that
|| | | you have to take some risk." "But what's one have to do with the other?" protested Sam.
|| | | Kate put down a plate, and thought for a moment. "Well, um, let me get this right. They
|| | | said that the average amount of money an investment earns over the long run is related to
|| | | the riskiness of the investment. Riskier investments tend to make more money, less risky
|| | | investments tend to make less money. There you go," she said, packing the last plate into a
|| | | box. Sam looked puzzled. "So Kate, you're saying that riskier investments are better?"
|| | | "No, not necessarily. With riskier investments, there's a higher chance of making money but
|| | | also a higher chance of losing money higher chance you'll lose money, instead of making more
|| | | money." Sam took a sip of water. "I get it. Yes, that makes sense. What you're saying is
|| | | that there's a trade-off between risk and return." Kate nodded. "Yes, that's a good way
|| | | of putting it. Each asset in your portfolio, every investment you own, will have some degree
|| | | of risk. Everything can go up and down. But what no one wants to happen is they have a total
|| | | wipeout and lose everything they own all at once. That's why you don't want to put
|| | | everything into one single asset." "You mean like if you only own stock from one
|| | | company?" "Yes, that was an example they gave. It's because then you're counting on the
|| | | performance of just one company." "And if it were to get totally destroyed by a hurricane
|| | | or something, then...! As the thought sunk in, Sam let out a low whistle. "Well then,
|| | | you're screwed in deep, deep troubles." They both laughed. Kate began stacking a few
|| | | boxes in a corner. "Well, they were talking about something less dramatic. You see, Sam,
|| | | that's why I want to put the gift I got in a mix of things, and not put all my money in
|| | | one place." Sam still wasn't convinced. "I feel like investing in the company I'm
|| | | working for now. They're growing. I know they're doing well." "No, but companies can
|| | | change over the years, can't they? What if your company tanks? Then your job is in trouble.
|| | | And if your job's in trouble, is that when you want your investments to be doing badly?"
|| | | Sam wrapped up a couple of stray bowls and stretched. "OK, then, that's decided: I'm going
|| | | to spread my $12,000 around. In fact, maybe it's not even a good idea to invest in a whole
|| | | bunch of companies that manufacture the same thing, say, um -- But Kate was into a dusty
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||| blue object she'd found by the window. "Hey, Sam, look. Remember this umbrella?" Sam
||| seized on the word: "Yeah, imagine if we had all our money invested in companies that make
||| umbrellas. After all, it's always going to be raining. But then, what if, all of a sudden,
||| the value of umbrellas plummeted? No but seriously, Kate, I was reading about when the tech
||| bubble burst and now of course the real estate market is in trouble." Kate thought about
||| this for a moment. "Yes, basically, I guess you want the ups and downs of your investments
||| to be as unrelated to each other as possible, so that if some do badly, others will offset
||| those losses." With that, she put on her jacket and Sam closed the lights. Then he
||| paused: "Hmm, we're going to need quite a few baskets, Kate..." "But by the time we're
||| finished, Sam, I think we'll have quite a few eggs...."

|||
||| ELSEIF (risk_treatment = (VIDEO) Video) THEN

|||
||| **riskvideo** risk video
||| Here is a short video clip. Please turn on your sound or speakers and press PLAY or the
||| arrow in the middle of the screen. You will be asked questions about it later. Please
||| click next when the video is done playing.

|||
||| **seeriskvideo** saw risk video
||| Before we continue, please indicate whether you were able to see the video clip.
||| 1 I saw the video clip
||| 2 I did not see the video clip
||| 3 I saw part of the video clip

|||
||| ELSEIF (risk_treatment = (BROCHURE) Online brochure) THEN

|||
||| **riskbrochure** Brochure display goes here
||| Please read the two-page brochure about risk diversification below. Note that it may take a
||| moment to load depending on the speed of your Internet connection. Should it not display,
||| please just click here to download the brochure instead. Once you are done, please click
||| next.

|||
||| **seeriskbrochure** able to read brochure
||| Before we continue, please indicate whether you were able to read the brochure.
||| 1 I was able to read the brochure
||| 2 I was not able to read the brochure
||| 3 I was able to read part of the brochure

|||
||| ELSE

|||
||| **risktool** Tool display goes here
||| Please use the interactive tutorial below to learn more about risk diversification. Note
||| that it may take a moment for the tutorial to start, and you should make sure your sound is
||| on. You will be able to see your progress in the top of the display as you go through the
||| tutorial. Once you have completed the tutorial, just click the 'Next' button below the
||| tutorial to continue with the survey.

|||
||| **seerisktool** able to use tutorial
||| Before we continue, please indicate whether you were able to use the interactive tutorial.
||| 1 I was able to use the interactive tutorial
||| 2 I was not able to use the interactive tutorial
||| 3 I was able to use part of the interactive tutorial

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||| ENDF
|||
|| ENDF
||
|| RD6 can select mix in line with how much risk want to take
|| If I need to make an investment decision, I can select a mix of investments that are in line
|| with how much risk I want to take on.
|| 1 Not at all true
|| 2 Hardly true
|| 3 Moderately true
|| 4 Exactly true
||
|| RD2 knowledge of relationship between risk and return
|| In general, investments that are riskier tend to provide higher returns over time than
|| investments with less risk.
|| 1 True
|| 2 False
|| 3 Don't know
||
|| RD3 knowledge of risk diversification
|| Which of the following is an accurate statement about investment returns?
|| 1 Usually, investing $5,000 in shares of a single company is safer than investing $5,000 in a fund which invests
|| in shares of many companies in different industries.
|| 2 Usually, investing $5,000 in shares of a single company is less safe than investing $5,000 in a fund which
|| invests in shares of many companies in different industries.
|| 3 Usually, investing $5,000 in shares of a single company is equally as safe as investing $5,000 in a fund
|| which invests in shares of many companies in different industries.
|| 4 Don't know
||
|| RD4 behavior regarding risk diversification
|| Suppose you are a member of a stock investment club. This year, the club has about $200,000 to
|| invest in stocks and the members prefer not to take a lot of risk. Which of the following
|| strategies would you recommend to your fellow members?
|| 1 Put all of the money in one stock
|| 2 Put all of the money in two stocks
|| 3 Put all of the money in a stock indexed fund that tracks the behavior of 500 large firms in the United States
|| 4 Don't know
||
|| RD5 gaps of how risk changes
|| How confident are you that you have a grasp of how risk changes when choosing a different mix
|| of investments?
|| 1 Extremely confident
|| 2 Very confident
|| 3 Somewhat confident
|| 4 Not very confident
|| 5 Not at all confident
||
| ELSE
||
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risknarrative narrative Don't Put All Your Eggs in One Basket

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"Eggs. That 's one of Grandma's favorite words." And he imitated his grandmother's voice: "Sam, you listen to your Grandparents and don't put all your eggs in one basket. We didn't and you and your parents have all been given a good start in life." "You may laugh", Said Kate, " but we had a Planning for your Future seminar in my senior year, and they also told us about not putting all our eggs in one basket. I'm going to spread the money around." They both began emptying the highest kitchen shelf. Their grandmother had so many plates. What could she possibly have wanted with them all? "But Kate, " said Sam, "Why not just put it somewhere you know is safe? Some really really safe stock." Kate shook her head: "Well, what is really really safe, Sam? Did you know that some really famous firms have ended up going bust? Anyway, if you want to make your money grow over time, they said that you have to take some risk." "But what's one have to do with the other?" protested Sam. Kate put down a plate, and thought for a moment. "Well, um, let me get this right. They said that the average amount of money an investment earns over the long run is related to the riskiness of the investment. Riskier investments tend to make more money, less risky investments tend to make less money. There you go," she said, packing the last plate into a box. Sam looked puzzled. "So Kate, you're saying that riskier investments are better?" "No, not necessarily. With riskier investments, there's a higher chance of making money but also a higher chance of losing money higher chance you'll lose money, instead of making more money." Sam took a sip of water. "I get it. Yes, that makes sense. What you're saying is that there's a trade-off between risk and return." Kate nodded. "Yes, that's a good way of putting it. Each asset in your portfolio, every investment you own, will have some degree of risk. Everything can go up and down. But what no one wants to happen is they have a total wipeout and lose everything they own all at once. That's why you don't want to put everything into one single asset." "You mean like if you only own stock from one company?" "Yes, that was an example they gave. It's because then you're counting on the performance of just one company." "And if it were to get totally destroyed by a hurricane or something, then..." As the thought sunk in, Sam let out a low whistle. "Well then, you're screwed in deep, deep troubles." They both laughed. Kate began stacking a few boxes in a corner. "Well, they were talking about something less dramatic. You see, Sam, that's why I want to put the gift I got in a mix of things, and not put all my money in one place." Sam still wasn't convinced. "I feel like investing in the company I'm working for now. They're growing. I know they're doing well." "No, but companies can change over the years, can't they? What if your company tanks? Then your job is in trouble. And if your job's in trouble, is that when you want your investments to be doing badly?" Sam wrapped up a couple of stray bowls and stretched. "OK, then, that's decided: I'm going to spread my \$12,000 around. In fact, maybe it's not even a good idea to invest in a whole bunch of companies that manufacture the same thing, say, um -- But Kate was into a dusty blue object she'd found by the window. "Hey, Sam, look. Remember this umbrella?" Sam seized on the word: "Yeah, imagine if we had all our money invested in companies that make umbrellas. After all, it's always going to be raining. But then, what if, all of a sudden, the value of umbrellas plummeted? No but seriously, Kate, I was reading about when the tech

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|| | **riskvideo** risk video

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|| | arrow in the middle of the screen. You will be asked questions about it later. Please
|| | click next when the video is done playing.

|| | **seeriskvideo** saw risk video

|| | Before we continue, please indicate whether you were able to see the video clip.

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|| | 2 I did not see the video clip

|| | 3 I saw part of the video clip

|| | ELSEIF (risk_treatment = (BROCHURE) Online brochure) THEN

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|| | next.

|| | **seeriskbrochure** able to read brochure

|| | Before we continue, please indicate whether you were able to read the brochure.

|| | 1 I was able to read the brochure

|| | 2 I was not able to read the brochure

|| | 3 I was able to read part of the brochure

|| | ELSE

|| | **risktool** Tool display goes here

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|| | tutorial to continue with the survey.

|| | **seerisktool** able to use tutorial

|| | Before we continue, please indicate whether you were able to use the interactive tutorial.

|| | 1 I was able to use the interactive tutorial

|| | 2 I was not able to use the interactive tutorial

|| | 3 I was able to use part of the interactive tutorial

|| | ENDIF

|| | ENDIF

||

|| **RD6** can select mix in line with how much risk want to take
 || If I need to make an investment decision, I can select a mix of investments that are in line
 || with how much risk I want to take on.
 || 1 Not at all true
 || 2 Hardly true
 || 3 Moderately true
 || 4 Exactly true
 ||
 || **RD2** knowledge of relationship between risk and return
 || In general, investments that are riskier tend to provide higher returns over time than
 || investments with less risk.
 || 1 True
 || 2 False
 || 3 Don't know
 ||
 || **RD3** knowledge of risk diversification
 || Which of the following is an accurate statement about investment returns?
 || 1 Usually, investing \$5,000 in shares of a single company is **safer** than investing \$5,000 in a fund which invests
 || in shares of many companies in different industries.
 || 2 Usually, investing \$5,000 in shares of a single company is **less safe** than investing \$5,000 in a fund which
 || invests in shares of many companies in different industries.
 || 3 Usually, investing \$5,000 in shares of a single company is **equally as safe** as investing \$5,000 in a fund
 || which invests in shares of many companies in different industries.
 || 4 Don't know
 ||
 || **RD4** behavior regarding risk diversification
 || Suppose you are a member of a stock investment club. This year, the club has about \$200,000 to
 || invest in stocks and the members prefer not to take a lot of risk. Which of the following
 || strategies would you recommend to your fellow members?
 || 1 Put all of the money in one stock
 || 2 Put all of the money in two stocks
 || 3 Put all of the money in a stock indexed fund that tracks the behavior of 500 large firms in the United States
 || 4 Don't know
 ||
 || **RD5** graphs of how risk changes
 || How confident are you that you have a grasp of how risk changes when choosing a different mix
 || of investments?
 || 1 Extremely confident
 || 2 Very confident
 || 3 Somewhat confident
 || 4 Not very confident
 || 5 Not at all confident
 ||
 || IF (interventions > Control: new respondent who did not participate in MS143-MS145) THEN
 ||
 || IF (inflation_video_narrative_order = (FIRSTNARRATIVE) Narrative first) THEN
 ||
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||| apologetically. "Thanks for remembering. I'd tell you to just pay me back later, but these
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||| "Good thing I moved enough money into my checking account to cover it." Stacy looked
||| puzzled. "If you know you write checks and use your ATM card, why don't you just keep
||| all your money in your checking account then? That way, you don't have to think so much
||| about balancing your checkbook." Lauren laughed. "Don't think I haven't been tempted!
||| But I barely earn any interest on my checking account." She took out her iPhone to check
||| on the rsvps. Stacy meanwhile tried to digest the point her friend was making: "OK,
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||| over time, because of inflation, not only is it not growing, it won't even buy as much as
||| it used to. So I keep some money in my savings account and also put money I save for the
||| future in investments that should keep pace with inflation." "But hang on," Stacy said,
||| taking a bill out of her pocketbook. "You don't mean that this \$100 bill all of a sudden
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||| nickelodeons because seeing a movie cost a nickel. A nickel wouldn't buy much of anything
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||| of groceries. Let's say all the items in the bag add up to \$100 to start with. But then
||| say inflation is 3% per year. In other words, prices, overall, go up 3% each year." " Ok,
||| tell me more," Stacy added, gaining even more interest in the subject. "Right. So you
||| might not think it would have such a big impact on the cost of things." Stacy nodded.
||| "Let's see: after the first year, at 3% inflation the bag of groceries would go from \$100 to
||| \$103." She shrugged. That didn't feel like such a huge difference. "That's true," said
||| Lauren, "but here's the kicker: That 3% increase each year starts to add up and after 20
||| years, the same bag of groceries costs \$181 instead of \$100. I swear I remember, that's the
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||| been lots of fun. Then she thought back to inflation. "Yeah, we definitely have to make
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|| |

|| | ENDIF

|| |

|| | **inflationvideo** inflation video

|| | Here is a short video clip. Please turn on your sound or speakers and press PLAY or the arrow

|| | in the middle of the screen. You will be asked questions about it later. Please click next

|| | when the video is done playing.

|| |

|| | **seeinflationvideo** saw inflation video

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|| | 3 I saw part of the video clip

|| |

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|| |

|| | **inflationnarrative** narrative Inflation and the Plaid Shirt

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|| | over time, because of inflation, not only is it not growing, it won't even buy as much as

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ENDIF
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I6 take into account effects of prices changing
I can make decisions about my money that take into account the effects of prices changing over time.

- 1 Not at all true
- 2 Hardly true
- 3 Moderately true
- 4 Exactly true

I2 knowledge of inflation
Suppose that by the year 2020 your income has doubled and prices of all goods have doubled too.
In 2020, how much will you be able to buy with your 2020 income?

- 1 More than today
- 2 The same amount as today
- 3 Less than today
- 4 Don't know

I3 behavior regarding inflation
Rita must choose between two job offers. She wants to select the job with a salary that will afford her the higher standard of living for the next few years. Job A offers a 3% raise every year, while Job B will not provide a raise for the next few years. If Rita chooses Job A, she will live in City A. If Rita chooses Job B, she will live in City B. Rita finds that the price of goods and services today are about the same in both areas. Prices are expected to rise, however, by 4% in City A every year, and stay the same in City B. Based on her concerns about standard of living, what should Rita do?

- 1 Take Job A

```

|| 2 Take Job B
|| 3 Take either one: she will be able to afford the same future standard of living in both places
|| 4 Don't know
||
|| I4 behavior regarding inflation
|| If the interest rate on your savings account is 1% per year and inflation is 2% per year, after one
|| year, you will be able to buy less with the money in this account than you are able to buy today.
|| 1 Yes
|| 2 No
||
|| I5 how confident grasp of prices
|| How confident are you that you have a grasp of how prices change over time and its effect on
|| how much you can buy?
|| 1 Extremely confident
|| 2 Very confident
|| 3 Somewhat confident
|| 4 Not very confident
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| year, you will be able to buy less with the money in this account than you are able to buy today.
| 1 Yes
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| 1 Extremely confident
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|
| IF ( interventions > Control: new respondent who did not participate in MS143-MS145 ) THEN
|| |
|| | IF ( risk_treatment = (NARRATIVE) Narrative ) THEN
|| |
|| |

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|| **risknarrative** narrative Don't Put All Your Eggs in One Basket
|| Please read the following. You will be asked questions about it later: "I hope Grandma and
|| Grandpa like their new apartment in Florida -- and find room for all this stuff!" Kate said to
|| her brother Sam as they packed up their grandparents' china. Sam turned to his older
|| sister: "Yeah, but they're also giving away a bunch of their things, like that tea set Grandma
|| gave you. So hopefully what's left will fit ok." "Good point," replied Kate, "and it's
|| super nice that they even gave us a little slice of the proceeds from selling their house."
|| Sam nodded. "Yeah, that part's definitely pretty awesome. But it also feels a little
|| overwhelming. I'm just not used to getting a chunk of cash like this." He reflected for a
|| moment. "Kate, what are you planning to do with it all? \$12,000 each..." "I'm going to
|| invest mine," said Kate -- and she lowered her voice. "Grandma told me last night that she
|| wants each of us to have a little "nest egg" for the future ." Sam chuckled. "Eggs.
|| That 's one of Grandma's favorite words." And he imitated his grandmother's voice: "Sam, you
|| listen to your Grandparents and don't put all your eggs in one basket. We didn't and you and
|| your parents have all been given a good start in life." "You may laugh", Said Kate, " but
|| we had a Planning for your Future seminar in my senior year, and they also told us about not
|| putting all our eggs in one basket. I'm going to spread the money around." They both
|| began emptying the highest kitchen shelf. Their grandmother had so many plates. What could
|| she possibly have wanted with them all? "But Kate, " said Sam, "Why not just put it
|| somewhere you know is safe? Some really really safe stock." Kate shook her head: "Well,
|| what is really really safe, Sam? Did you know that some really famous firms have ended up
|| going bust? Anyway, if you want to make your money grow over time, they said that you have to
|| take some risk." "But what's one have to do with the other?" protested Sam. Kate put
|| down a plate, and thought for a moment. "Well, um, let me get this right. They said that the
|| average amount of money an investment earns over the long run is related to the riskiness of
|| the investment. Riskier investments tend to make more money, less risky investments tend to
|| make less money. There you go," she said, packing the last plate into a box. Sam looked
|| puzzled. "So Kate, you're saying that riskier investments are better?" "No, not
|| necessarily. With riskier investments, there's a higher chance of making money but also a
|| higher chance of losing money higher chance you'll lose money, instead of making more money."
|| Sam took a sip of water. "I get it. Yes, that makes sense. What you're saying is that
|| there's a trade-off between risk and return." Kate nodded. "Yes, that's a good way of
|| putting it. Each asset in your portfolio, every investment you own, will have some degree of
|| risk. Everything can go up and down. But what no one wants to happen is they have a total
|| wipeout and lose everything they own all at once. That's why you don't want to put everything
|| into one single asset." "You mean like if you only own stock from one company?" "Yes,
|| that was an example they gave. It's because then you're counting on the performance of just
|| one company." "And if it were to get totally destroyed by a hurricane or something,
|| then..." As the thought sunk in, Sam let out a low whistle. "Well then, you're screwed in
|| deep, deep troubles." They both laughed. Kate began stacking a few boxes in a corner.
|| "Well, they were talking about something less dramatic. You see, Sam, that's why I want to
|| put the gift I got in a mix of things, and not put all my money in one place." Sam still
|| wasn't convinced. "I feel like investing in the company I'm working for now. They're
|| growing. I know they're doing well." "No, but companies can change over the years, can't
|| they? What if your company tanks? Then your job is in trouble. And if your job's in trouble,
|| is that when you want your investments to be doing badly?" Sam wrapped up a couple of stray
|| bowls and stretched. "OK, then, that's decided: I'm going to spread my \$12,000 around. In
|| fact, maybe it's not even a good idea to invest in a whole bunch of companies that manufacture
|| the same thing, say, um -- But Kate was into a dusty blue object she'd found by the window.
|| "Hey, Sam, look. Remember this umbrella?" Sam seized on the word: "Yeah, imagine if we
|| had all our money invested in companies that make umbrellas. After all, it's always going to
|| be raining. But then, what if, all of a sudden, the value of umbrellas plummeted? No but
|| seriously, Kate, I was reading about when the tech bubble burst and now of course the real

|| | estate market is in trouble." Kate thought about this for a moment. "Yes, basically, I
|| | guess you want the ups and downs of your investments to be as unrelated to each other as
|| | possible, so that if some do badly, others will offset those losses." With that, she put
|| | on her jacket and Sam closed the lights. Then he paused: "Hmm, we're going to need quite a few
|| | baskets, Kate..." "But by the time we're finished, Sam, I think we'll have quite a few
|| | eggs...."

|| | ELSEIF (risk_treatment = (VIDEO) Video) THEN

|| | **riskvideo** risk video

|| | Here is a short video clip. Please turn on your sound or speakers and press PLAY or the arrow
|| | in the middle of the screen. You will be asked questions about it later. Please click next
|| | when the video is done playing.

|| | **seeriskvideo** saw risk video

|| | Before we continue, please indicate whether you were able to see the video clip.

|| | 1 I saw the video clip

|| | 2 I did not see the video clip

|| | 3 I saw part of the video clip

|| | ELSEIF (risk_treatment = (BROCHURE) Online brochure) THEN

|| | **riskbrochure** Brochure display goes here

|| | Please read the two-page brochure about risk diversification below. Note that it may take a
|| | moment to load depending on the speed of your Internet connection. Should it not display,
|| | please just click here to download the brochure instead. Once you are done, please click next.

|| | **seeriskbrochure** able to read brochure

|| | Before we continue, please indicate whether you were able to read the brochure.

|| | 1 I was able to read the brochure

|| | 2 I was not able to read the brochure

|| | 3 I was able to read part of the brochure

|| | ELSE

|| | **risktool** Tool display goes here

|| | Please use the interactive tutorial below to learn more about risk diversification. Note that
|| | it may take a moment for the tutorial to start, and you should make sure your sound is on. You
|| | will be able to see your progress in the top of the display as you go through the tutorial.
|| | Once you have completed the tutorial, just click the 'Next' button below the tutorial to
|| | continue with the survey.

|| | **seerisktool** able to use tutorial

|| | Before we continue, please indicate whether you were able to use the interactive tutorial.

|| | 1 I was able to use the interactive tutorial

|| | 2 I was not able to use the interactive tutorial

|| | 3 I was able to use part of the interactive tutorial

|| | ENDIF

|| | ENDIF

|

| **RD6** can select mix in line with how much risk want to take

| If I need to make an investment decision, I can select a mix of investments that are in line with how much risk I want to take on.

| 1 Not at all true

| 2 Hardly true

| 3 Moderately true

| 4 Exactly true

|

| **RD2** knowledge of relationship between risk and return

| In general, investments that are riskier tend to provide higher returns over time than investments with less risk.

| 1 True

| 2 False

| 3 Don't know

|

| **RD3** knowledge of risk diversification

| Which of the following is an accurate statement about investment returns?

| 1 Usually, investing \$5,000 in shares of a single company is **safer** than investing \$5,000 in a fund which invests in shares of many companies in different industries.

| 2 Usually, investing \$5,000 in shares of a single company is **less safe** than investing \$5,000 in a fund which invests in shares of many companies in different industries.

| 3 Usually, investing \$5,000 in shares of a single company is **equally as safe** as investing \$5,000 in a fund which invests in shares of many companies in different industries.

| 4 Don't know

|

| **RD4** behavior regarding risk diversification

| Suppose you are a member of a stock investment club. This year, the club has about \$200,000 to invest in stocks and the members prefer not to take a lot of risk. Which of the following strategies would you recommend to your fellow members?

| 1 Put all of the money in one stock

| 2 Put all of the money in two stocks

| 3 Put all of the money in a stock indexed fund that tracks the behavior of 500 large firms in the United States

| 4 Don't know

|

| **RD5** graps of how risk changes

| How confident are you that you have a grasp of how risk changes when choosing a different mix of investments?

| 1 Extremely confident

| 2 Very confident

| 3 Somewhat confident

| 4 Not very confident

| 5 Not at all confident

|

ENDIF

CS_001 HOW PLEASANT INTERVIEW

Could you tell us how interesting or uninteresting you found the questions in this interview?

1 Very interesting

2 Interesting

3 Neither interesting nor uninteresting

4 Uninteresting

5 Very uninteresting