

Future You Gets Risky: Future Self More Risk-Seeking to Avoid Interpersonal Losses

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Introduction

Loss Aversion

• Loss aversion is the tendency for individuals to **anticipate negative feelings** as a result of experiencing a loss (Kahneman & Tversky, 1979).

• Typically, loss aversion results in two types of behavioral patterns:

- Individuals prefer **risk-seeking** options in response to **loss-framed** situations.
- Individuals prefer **risk-averse** options in response to **gain-framed** situations.

Self-Other Differences in Loss Aversion

• When asked to make decisions for a stranger, individuals choose more risk-seeking options in gain-framed situations than they do for the self (Zhang et al., 2017).

• Individuals also choose more risk-averse options in loss-framed situations when asked to make decisions for a stranger than they do for the self (Zhang et al., 2017).

Differences Between the Present and Future Self

• Previous research indicates that people make different decisions for their present self than they do for their future self. Individuals choose for their future self to:

- Drink more of a disgusting liquid (Pronin, Olivola, & Kennedy, 2008)
- Volunteer more time to tutor a peer (Pronin, Olivola, & Kennedy, 2008)
- Pay less to receive a gift card (Kassam et al., 2008)

• Individuals also predict that they will be happier to receive a gift card in the future (Kassam et al., 2008), ascribe more traits to their future selves (Pronin & Ross, 2006), and make more ethical business decisions when they feel similar to their future selves (Hershfield, Cohen, & Thompson, 2012).

Current Study

• The **Construal-Level Theory of Psychological Distance** posits that events are construed differently depending on how close that event is to the here-and-now (Trope & Liberman, 2010).

• This theory maintains that the difference in construals results in different actions, preferences, and decisions.

• In an attempt to expand upon the Construal-Level Theory, previous research that has documented self-other differences in loss aversion, and previous research on differences between the present and future self, the current study sought to determine if there would be any differences in loss aversion between the present and future self.

Hypothesis

• It was hypothesized that making decisions for the future self would result in less loss aversion and more risk-neutrality than would making decisions for the present self.

Method

• The participants included 117 individuals (88 female, 27 male, 2 non-binary) ages 18-35 from Arcadia University and the surrounding community.

• Each participant made a decision between a **sure option** and a **risky option** following each of **10 different relationship-themed scenarios**.

• Participants were randomly assigned to receive one of two manipulations (future/present self and gain/loss) for each of two **between-group** independent variables (psychological distance and frame):

◦ Psychological Distance

- **Future Self:** Participants were asked to make each decision as if they were in each scenario **5 years from now**.
- **Present Self:** Participants were asked to make each decision as if they were in each scenario **right now**.

◦ Frame

- **Gain:** Participants were given the option between a sure gain and a **35% chance** of a reasonably greater gain.
- **Loss:** Participants were given the option between a sure loss and a **65% chance** of a reasonably greater loss.

• The dependent variable in this study was each participant's tendency towards risk.

Example Scenario

Instructions: Please read the scenario below and circle **one** of the decisions that follows.

Scenario

Imagine that **in 5 years from now** you have a close family member who has been making some poor life choices. You are concerned about them, but you are unsure how they will react if you try to talk to them about it.

Please write down how old you will be **in 5 years from now**: _____

Please read both decisions listed below and choose the decision that **you would make for yourself** if you were in this scenario **5 years from now**.

Decision A:

Keep your concerns to yourself, and you will become increasingly uncomfortable around your family member as they continue to make poor choices.

Decision B:

Share your concerns with your family member, and there is a 65% chance that they will stop speaking to you.

Please **circle** your decision:

Decision A

OR

Decision B

Results

• Risk-averse answers were coded with a "1" and risk-seeking answers were coded with a "2." The coded answers for all 10 scenarios were added up to create a **tendency towards risk score** with a scale that ranged from 10-20.

Primary Analysis

• A **two-way ANOVA** was conducted using a 2 (psychological distance: future vs. present) x 2 (frame: gain vs. loss) factorial design to identify differences in risk between the present and future self in loss-framed and gain-framed situations.

• Results from this analysis indicated a **significant interaction**, such that participants making decisions for the future self choose more risk-seeking options in response to loss- than gain-framed situations, $F(1, 113) = 5.00, p = .027$.

• A **significant main effect** was also found, such that participants overall make more risk-seeking decisions in loss-framed situations, $F(1, 113) = 8.66, p = .004$.

Secondary Analysis

• A **three-way ANOVA** was run using a 2 (psychological distance: future vs. present) x 2 (frame: gain vs. loss) x 2 (relationship type: Work/Romantic vs. Family/Friend) design to identify if the type of relationship scenario had an effect on differences in risk between the present and future self in loss- and gain-framed situations.

• Results from this analysis indicated **two significant interactions**:

- In Work/Romantic relationship scenarios, participants make more risk-seeking decisions for their future self than their present self, $F(1, 113) = 6.45, p = .012$.
- In Family/Friend relationship scenarios, participants make more risk-seeking decisions in loss- than gain-framed situations, $F(1, 113) = 4.13, p = .044$.

• A **significant main effect** was also found, such that participants make more risk-seeking decisions in Family/Friend scenarios, $F(1, 113) = 23.09, p < .001$.

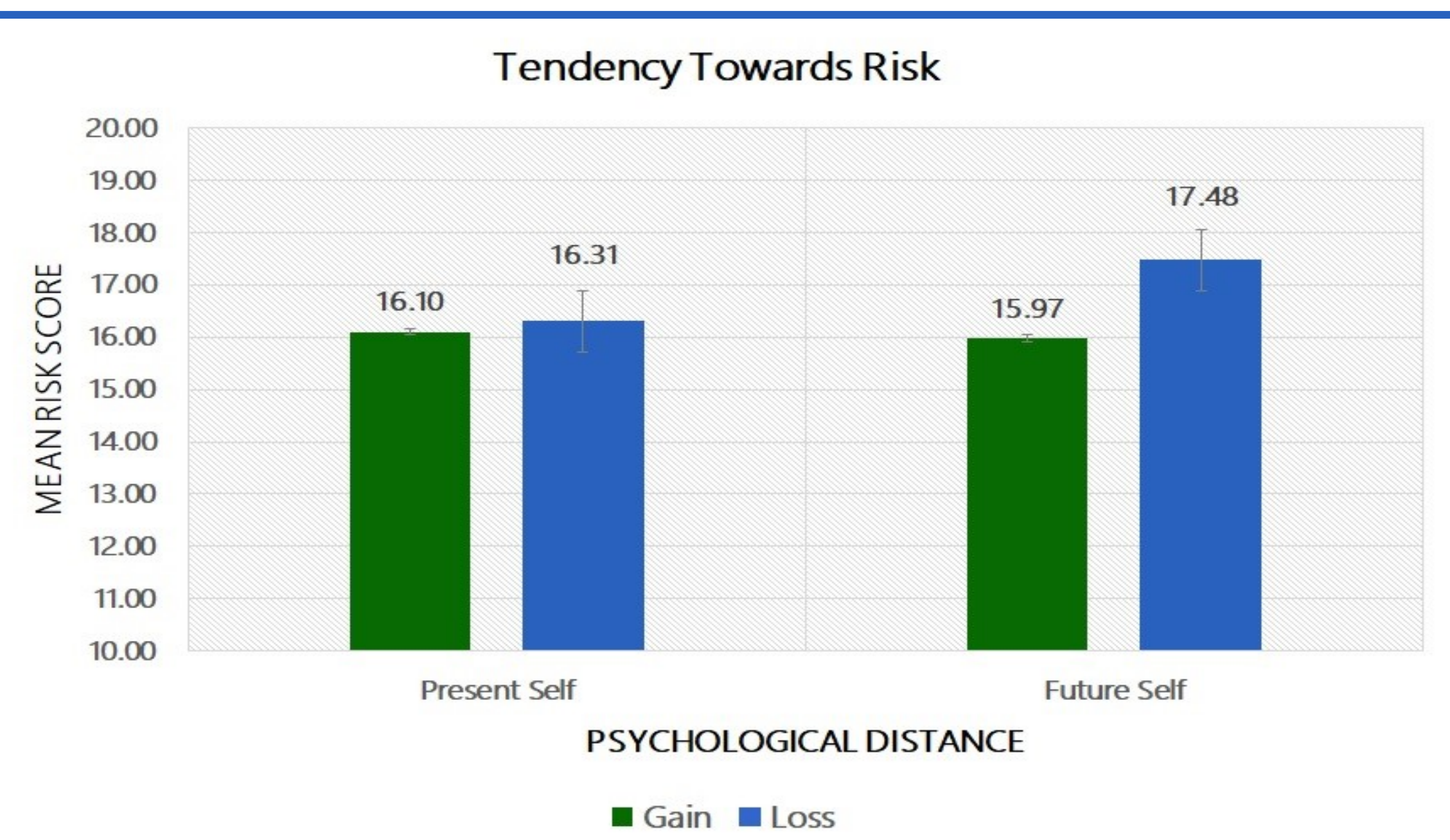


Figure 1. Mean risk score in response to both gain- and loss-framed situations for participants making decisions for both the present and future self.

Tendency Towards Risk, Based on Relationship Type

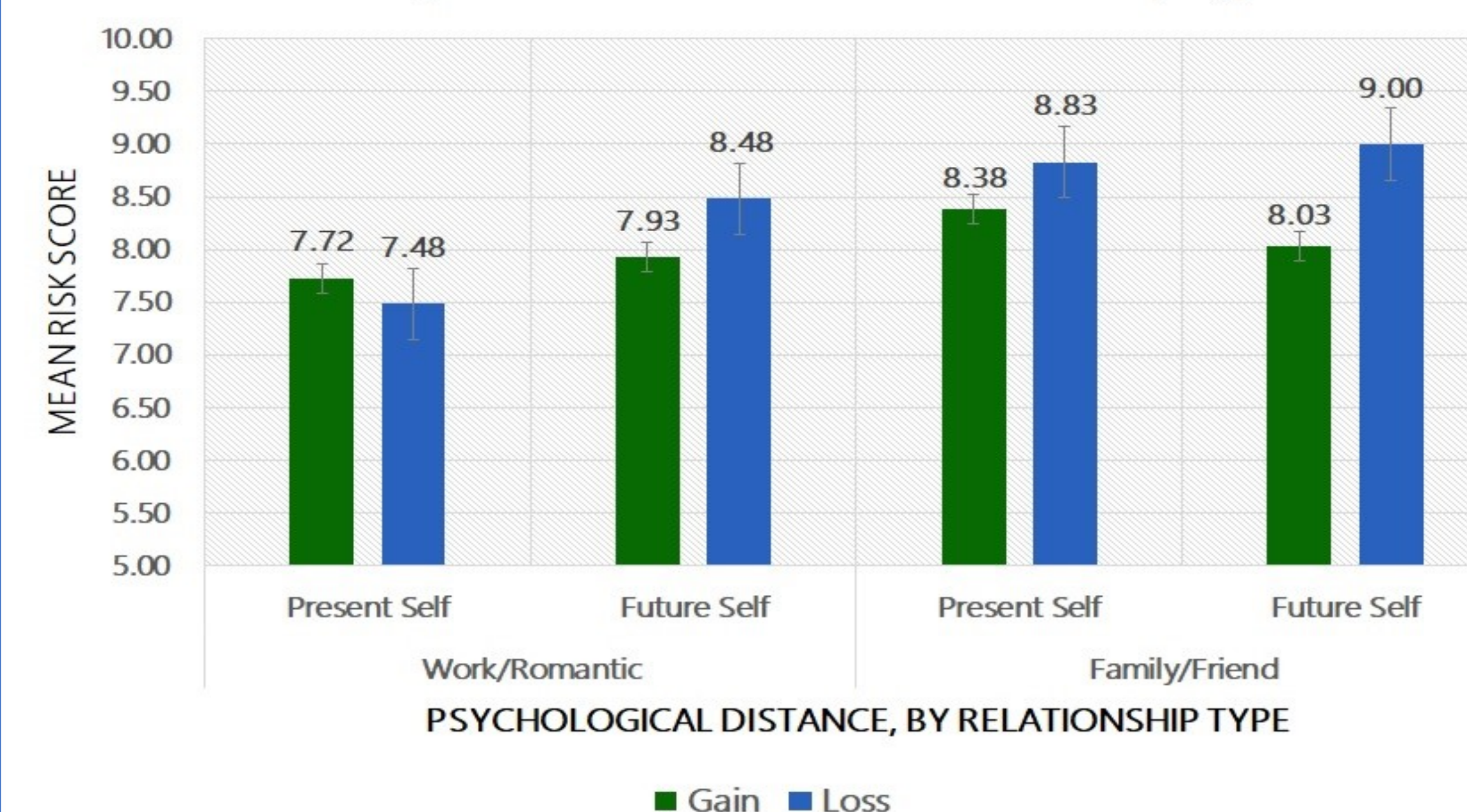


Figure 2. Mean risk score in both gain- and loss-framed situations for participants making decisions for both the present and future self and divided into Work/Romantic and Family/Friend relationships.

Discussion

Possible Interpretations

• This sample may be generally **future-oriented**, thus making the future more salient to them and in turn making future interpersonal losses a greater concern.

• It is also possible that **interpersonal outcomes are more salient in the future** than they are in the present, resulting in stronger loss aversion for the future self.

Implications

• Given that decisions made for the present self exhibit different levels of risk-seeking than decisions made for the future self, individuals should be aware of how making a decision for the present or future self can affect the outcome of their decision.

• Research on loss aversion (that is not specifically comparing present vs. future decisions) should **specify a time frame** for decisions to avoid unwanted variability.

Limitations

• Due to the nature of the relationship scenarios, an expected value for each decision outcome cannot be computed since **each decision lacks a numerical outcome**. Thus, tendency towards risk in this study cannot be modeled exactly according to Prospect Theory and raises the question of where exactly the boundaries of risk-aversion, risk-neutrality, and risk-seeking lie.

◦ However, the realistic nature of the scenarios in the study provide **high external validity** because they more closely resemble actual situations that people face in their everyday life. As a result, it is possible that the findings from this study more accurately describe how individuals make decisions involving uncertainty.

• Additional limitations include the use of a **convenience sample** not representative of the population of interest and the use of **different locations** to run participants.

Future Research

• Future research could adapt the scenarios in this study to make them relevant to individuals of different ages. The adapted scenarios could then be used to test whether or not the same pattern of decision-making is found for **other age groups**.

• Additional studies could also examine how individuals in **different cultures** respond to these scenarios. Some cultures have different views on relationships (e.g., individuals with an interdependent construal of self view their roles in relationships as central to their identity) and might make different decisions in these scenarios.

References

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