

Got a stingy friend? Spending may cause them pain

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NEW YORK (Reuters Life!) - Everyone's got a friend who can be a bit tight with their money but a newly released study says don't be too hard on them -- it may actually cause them pain to part with their cash.

U.S. researchers set out to look at why people behaved differently when it came to spending money, polling 13,327 respondents over 31 months from late 2004.

The researchers were surprised to find that despite perceptions that people always overspend, chronic under-spending was far more widespread than thought with tightwads outnumbering spendthrifts by a 3 to 2 ratio.

But researcher Scott Rick from the University of Pennsylvania said they found it wasn't the cost of an item or someone's income level that impacted their spending. Tightwads reported feeling an emotional pain when handing over their money.

"Tightwads save, not because they care more about the future than spendthrifts, but because forking out the money is too painful of an emotional experience," Rick said in a statement.

Rick, with colleagues Cynthia Cryder and George Loewenstein from Carnegie Mellon University, found females were no more likely to be tightwads than spendthrifts but males were nearly three times more likely to be tightwads than spendthrifts.

Age did play a part too. People aged under 30 were only slightly more likely to be tightwads than spendthrifts, but respondents over 70 were five times more likely to be tightwads than spendthrifts.

The report, which will be published in the Journal of Consumer Research, found that spendthrifts typically experience minimal pain when spending money and tend to spend more than they would ideally like to spend.

"The evidence suggests that frugality is driven by a pleasure of saving, as compared with tightwaddism, which is driven by a pain of paying," said the researchers.

But it is possible to get money out of tightwads.

Tightwads will use credit cards although they are less likely to run up debts and were also found to be most sensitive to marketing ploys designed to

reduce spending pain.

For example in one experiment, participants were asked if they would be willing to pay \$5 to have DVDs shipped overnight. The cost was framed as either a "\$5 fee" or a "small \$5 fee." Spendthrifts were insensitive to the manipulation, but tightwads were 20 percent more likely to pay the fee if called "small."

"Whereas traditional economic theory assumes that the propensity to spend or save is largely determined by the degree to which one cares about the future, this research suggests that spending and saving are driven, at least in part, by more immediate emotional concerns," concluded researchers.

(Writing by Belinda Goldsmith, Editing by Patricia Reaney)

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