

Table 1
Risk Preference Survey: Gambles

Response i		Downside Risk: Fraction of Income λ		Relative Risk Tolerance θ	
Wave 1	Wave 2	Accept	Reject	Lower Bound	Upper Bound
I	Ia	none	9/10	0	0.13
	Ib	9/10	4/5	0.13	0.27
II	II	4/5	2/3	0.27	0.5
III	III	2/3	1/2	0.5	1.0
IV	IVa	1/2	1/4	1.0	3.27
	IVb	1/4	none	3.27	∞

Note: Respondents were offered 50-50 gambles of doubling their original lifetime income or cutting it to fraction λ . The "Accept" column shows the least adverse downside fraction λ the respondent was willing to take. The "Reject" column shows the most adverse downside fraction λ the respondent declined. The last two columns show the lower bound on θ consistent with taking the gamble and the upper bound consistent with declining it. Wave 1 of the HRS divides respondents into categories I, II, III, and IV. Wave 2 further subdivides I into Ia and Ib and IV into IVa and IVb.

Table 2
Distribution of Responses to Risk Tolerance Questions

2-A. Wave 1

Frequency of Response (Percent)				Number of Responses
I	II	III	IV	
64.6	11.6	10.9	12.8	11,707

2-B. Wave 2

Frequency of Response (Percent)						Number of Responses
Ia	Ib	II	III	IVa	IVb	
44.5	17.4	12.9	14.2	7.1	3.8	788

2-C. Both Wave 1 and Wave 2

Wave 2	Frequency of Response (Percent)				Number of Responses
	Wave 1				
	I	II	III	IV	
Ia	32.5	4.0	3.6	3.2	311
Ib	11.0	3.1	2.1	1.3	125
II	8.1	2.2	1.3	1.8	96
III	7.5	2.2	2.5	2.4	105
IVa	2.8	0.8	1.5	2.4	54
IVb	1.7	0.0	0.8	1.1	26
Number of Observations	456	89	85	87	717

2-D. Both Wave 1 and Wave 2

Wave 2	Frequency of Response (Column Percent)				Number of Responses
	Wave 1				
	I	II	III	IV	
Ia or Ib	68.4	57.3	48.2	36.8	436
II	12.7	18.0	10.6	14.9	96
III	11.8	18.0	21.2	19.5	105
IVa or IVb	7.0	6.7	20.0	28.7	80
Number of Observations	456	89	85	87	717

Note: Tables 2-A and 2-B show the distribution of responses to the risk tolerance questions on Wave 1 or Wave 2. Tables 2-C and 2-D show the distribution of the subset of those responding to both waves. See Table 1 for definitions of the categories.

Table 3
Maximum Likelihood Estimates

	(i)	(ii)	(iii)	(iv)
μ	-1.96 (0.02)		-1.96 (0.02)	
μ_1		-1.96 (0.02)		-1.96 (0.03)
μ_2		-1.96 (0.07)		-1.90 (0.09)
σ_x	1.03 (0.07)	1.03 (0.07)	1.01 (0.07)	1.00 (0.07)
σ_e	1.39 (0.05)	1.37 (0.05)		
σ_{ε_1}			1.41 (0.06)	1.43 (0.06)
σ_{ε_2}			1.31 (0.09)	1.27 (0.10)
Log likelihood	-13345.0	-13345.0	-13344.5	-13344.2
LR statistic: $\chi^2(q)$ q [p-value]		<0.01 1 [>0.99]	1.01 1 [0.31]	1.56 2 [0.46]

Note: Standard errors of parameter estimates are shown in parentheses. The likelihood ratio statistic given in the last row is for the specification in the given column versus that in column (i).

Table 4
Relative Risk Tolerance and Relative Risk Aversion:
Selected Statistics

		Relative Risk Tolerance (θ)	Relative Risk Aversion ($1/\theta$)
Mean		0.241 (0.017)	12.1 (1.0)
Median		0.141 (0.003)	7.1 (0.2)
Mode		0.048 (0.007)	2.4 (0.3)
Standard Deviation		0.334 (0.059)	16.7 (3.1)
Fractile	1	0.013	0.6
	5	0.026	1.3
	10	0.038	1.9
	25	0.070	3.5
	50	0.141	7.1
	75	0.284	14.2
	90	0.532	26.7
	95	0.774	38.9
	99	1.568	78.7

Note: These statistics are based on the estimates in Table 3, column (i). Standard errors are shown in parentheses.

Table 5
Expectation of Relative Risk Tolerance
Conditional on the Survey Responses

5-A. Conditional on Wave 1 Responses

I	II	III	IV
0.150	0.279	0.353	0.569

5-B. Conditional on Wave 2 Responses

Ia	Ib	II	III	IVa	IVb
0.127	0.221	0.279	0.353	0.482	0.804

5-C. Conditional on Wave 1 and Wave 2 Responses

Wave 2 Response	Wave 1 Response			
	I	II	III	IV
Ia	0.098	0.173	0.209	0.291
Ib	0.162	0.252	0.299	0.415
II	0.197	0.299	0.356	0.499
III	0.238	0.356	0.423	0.602
IVa	0.306	0.448	0.533	0.779
IVb	0.451	0.645	0.774	1.205