Can Psychological Integration Manipulations Affect Portfolio Risk-Taking?
Evidence from a Framed Field Experiment

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ABSTRACT

Consistent with loss aversion and narrow framing, previous laboratory experiments have found that subjects are more willing to invest in risky assets if they are given less frequent feedback about their ongoing returns, only see aggregated portfolio-level (rather than asset-by-asset) ongoing returns, or are shown long-horizon (rather than one-year) historical return distributions. In this paper, we find that these manipulations are not effective when subjects are recruited from a broad swath of the population and have hundreds of dollars at stake which must be invested in real mutual funds over a one-year horizon. We do find that relative to when no historical return information is shown, subjects invest more in equities when they see either one-year or long-horizon historical return distributions, suggesting that many individual investors are unaware of how large the historical equity premium is.