The effect of experience sampling on the attractiveness of structured products: an experimental analysis

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The psychological literature documents a considerable gap between decisions from description and decisions from experience (see, for example, Hertwig et al. 2004). Haisley at el. (2010) demonstrate that this effect has important implications also for financial decision making. In this context we conduct an experiment in which subjects are confronted with different financial (structured) products twice: First, we describe the relevant underlying return distributions graphically, then, subjects additionally "experience" the previously described distribution by random sampling. Our results show that many subjects change their product preference after experience sampling although there is no new information generated by random sampling. Subjects choose on average riskier products after they were able to make some experience and they are more satisfied with their decision. Furthermore, our analysis reveals that self-reported risk attitudes (as typically assessed by financial institutions) are more consistent with actual decision making when subjects have experienced the investment problem.