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you might think.

**Isaac M. O'Bannon** • Jul. 17, 2014



What do personal finances and personal physical health have in common? More than you might think.

According to a new study by the Association for Psychological Science, the two

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improvements are highly correlated,” the researchers write. “Those who save for the future by contributing to a 401(k) improved abnormal health test results and poor health behaviors approximately 27 percent more than non-contributors.”

The researchers determined that having inadequate retirement savings and chronic health problems are both driven, at least in part, by a cognitive bias known as “time discounting,” which can lead people to prefer small and immediately tangible rewards over larger future rewards.

**“Are poor physical and financial health driven by the same underlying psychological factors? We found that the decision to contribute to a 401(k) retirement plan predicted whether an individual acted to correct poor physical-health indicators revealed during an employer-sponsored health examination. Using this examination as a quasi-exogenous shock to employees’ personal-health knowledge, we examined which employees were more likely to improve their health, controlling for differences in initial health, demographics, job type, and income.**

“We found that existing retirement-contribution patterns and future health improvements were highly correlated. Employees who saved for the future by contributing to a 401(k) showed improvements in their abnormal blood-test results and health behaviors approximately 27% more often than non-contributors did. These findings are consistent with an underlying individual time-discounting trait that is both

difficult to change and domain interdependent, and that predicts long-

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In other words, as Gail Perry, CPA, put it, “People who take care of themselves physically are more likely to take care of themselves financially.”

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