Popular Personal Financial Advice versus the Professors

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I survey the advice given by the fifty most popular personal finance books and compare it to the prescriptions of normative academic economic models. Popular advice frequently departs from normative principles derived from economic theory, which should motivate new hypotheses about why households make the financial choices they do, as well as what financial choices households should make. Popular advice is sometimes driven by fallacies, but it tries to take into account the limited willpower individuals have to stick to a financial plan, and its recommended actions are often easily computable by ordinary individuals. I cover advice on savings rates, the advisability of being a wealthy hand-to-mouth consumer, asset allocation, non-mortgage debt management, simultaneous holding of high-interest debt and low-interest savings, and mortgage choices.