

# The Age of Reason? It's 53

## IMPROVING WITH AGE | The days of frequent bad decisions are past

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**BY MARK J. MILLER**

If you're like most middle-aged Americans, there are things you did better when you were 25 than today.

Enough said?

Before you sink into a melancholic reverie about days gone by, consider this: There probably are one or two things you do better now than you did as a kid. And one of them is managing your money.

That's the good news emerging from a recent study by a quartet of economists who decided to study the financial decision-making by American consumers of varying age. They looked at interest rates paid for nine different financial products, including mortgages, home-equity loans, auto loans, personal credit cards and small-business credit cards.

The results show the largest number of bad decisions -- those that cost consumers money in the form of higher fees and interest rates -- clustered in the youngest and oldest age segments.

The sweet spot? Age 53.

That's where the highest concentration of smart financial decisions was made. The economists dub it "The Age of Reason."

"We propose that this is the result of cognitive aging," said Sumit Agarwal, an economist with the Federal Reserve Bank of Chicago and one of the study's co-authors. "Young people don't have much life experience, but they have very good cognitive skills. By middle age, you have experience *and* decent cognitive skills. By the time old age arrives, you have experience but declining cognitive skills."

The differences in cost can be sizeable. The economists found that middle-age consumers saved an average of 0.75 points on home-equity loans compared with younger and older borrowers. On a loan of \$60,000, that's a difference in interest cost of \$3,000 over a five-year-period, Agarwal noted.

The study points to the need for better financial education for young and old consumers, Agarwal said.

Or, maybe we should just leave things as they are, and let all those 53-year-olds keep their bragging rights... for something.

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