

# Cognitive Abilities and Behavioral Choices

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## Abstract

One important empirical question in behavioral finance is whether people with higher cognitive ability differ in preference of risk and time than those with lower cognitive ability. We study on risk attitude and time preference, and other behavioral decision making, with a simple and popular cognitive reflection test(hereafter CRT) where people easily make impulsive answers. We find that people with higher scores on the test are correlated with patience and risk aversion, i.e., inter-temporal preference is weakly related to the CRT scores and risk preference is more consistently related to them. Furthermore we find some evidence that support prospect theory and behavioral decisions such as anchoring, conservatism, and conjunction fallacy.

**Keywords:** Cognitive ability, time preference, risk attitude

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