

**Thaler, R. H., Tversky, A., Kahneman, D., & Schwartz, A. (1997). The effect of myopia and loss aversion on risk taking: An experimental test. The Quarterly Journal of Economics**

*What follows is the instructions that each subject received in the “monthly” condition, and [in brackets] the variations for the “yearly” condition. The additional sentence for the “inflated monthly” condition appears {in curly brackets}.*

This experiment simulates a series of investment decisions.

In this experiment, imagine that you are the investment manager for a small college’s endowment. In every financial period [Every eight financial periods] you must decide how you wish to split the college’s assets between two investments, which we label “Fund A” and “Fund B.” You will be asked how much you wish to allocate to Fund A, an integer from 0 (allocate nothing to Fund A) to 100 (allocate all assets to Fund A). Whatever you do not allocate to Fund A is allocated to Fund B.

After each decision you will receive information about the performance of Fund A, Fund B, and your split between them since your decision. The information will be displayed on the screen as three bars showing the percentage return of Fund A, Fund B, and your decision. {There is a high rate of inflation, so both funds will always have a positive return.} You will then be asked to make the decision for the next period [for the next eight periods].

At the end of the experiment, you will be asked to make one final investment decision for a large number of future periods.

Your final payment will be determined from the overall return of all your investment decisions, including the final one.

Your responses in this experiment are very important to us. Please consider your decisions carefully. Please do not write anything down during this experiment. If you have any questions, please feel free to ask the experimenter at any time.

Thank you for your help!