

# The Ticket to Easy Street? The Financial Consequences of Winning the Lottery\*

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## Abstract

This paper addresses whether receiving large cash prizes of up to \$150,000 reduces financial distress. While one might hope that additional resources enhance the financial security of indebted individuals, there are reasons why this may not be the case. For example, if recipients have high discount rates, engage in mental accounting, or become accustomed to a more expensive lifestyle, then receipt of large lump sums may either have no effect or even increase individuals' financial distress. To address this question, this paper exploits a unique data set of Florida lottery winners from 1988 – 2002 linked to bankruptcy records. Under the identifying assumption that the magnitude of the cash prize is random conditional on winning one time, we isolate the effect of large lump sum payments from the effects of potential confounding factors by comparing the bankruptcy rates of large winners to those of small winners. Results show that although recipients of \$50,000 to \$150,000 are less likely to file for bankruptcy in the two years after winning than are recipients of less than \$2,500, this represents a postponement of bankruptcy rather than an overall reduction. Furthermore, among those who filed for bankruptcy we find that there is no difference in the amount of secured or unsecured debt owed by large winners relative to small winners. This suggests that policymakers ought to use considerable caution in offering cash assistance to heavily indebted individuals with the hope of increasing their longer-term financial security.

JEL Codes: D14 (Personal Finance), K35 (Personal Bankruptcy Law), D12 (Consumer Economics: Empirical Analysis)

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# 1 Introduction

Despite the prevalence and popularity of state lotteries nationwide, little is known about the short- and long-term impact of the cash prizes on recipients' financial security. While one would hope that giving heavily-indebted people large unexpected cash transfers would make them more financially stable, there are reasons to be doubtful. For example, the permanent income hypothesis would predict that a recipient of \$50,000 would barely change her consumption pattern at all. Perhaps more importantly, there are several well-documented departures from rationality in decision making that could result in large lump sums failing to increase financial security. For example, individuals may lack the knowledge to handle large lump sum payments wisely; surveys have consistently shown that U.S. adults have relatively low levels of financial literacy (e.g., Higer, Hogarth, and Beverly, 2003; Lusardi and Mitchell, 2007). In addition, individuals may engage in mental accounting (Thaler, 1990). By treating the lottery prizes as "found" money, recipients may be less likely to use it to pay down debt or to make other decisions that will enhance future financial stability. Similarly, people may treat the winnings as "house money" and use it to take on risks in an effort to get out of their current debt. Lottery winners may also develop a taste for luxury goods and may be unable to adjust that preference once the money runs out. Finally, even if individuals were financially literate and did not engage in mental accounting, hyperbolic discounting and the time-inconsistency of preferences may prevent them from behaving in such a way as to increase their future financial stability. (See, for example DellaVigna, forthcoming; Frederick et. al, 2002; O'Donoghue and Rabin, 1999).

The significance of these behavioral considerations may well be even higher for lottery players than they are for the general public. Given that payout rates in state lotteries average only 55% (Cook et al, 1999), the act of buying lottery tickets itself is not a wise decision if done solely on financial grounds. Furthermore, other researchers have challenged the rationality of lottery players based on patterns in lottery sales data. For example, Guryan and Kearney (2008) argue that the increase in sales of tickets sold at retailers that previously issued a large winning ticket is due to consumers erroneously predicting an increase in the probability that a ticket sold by the winning store will itself be a winner. If lottery players incorrectly assume non-randomness in the lottery, it raises serious questions with respect to the wisdom with which those individuals might make financial decisions after receiving a large income shock. Collectively, this suggests significant ambiguity in how individuals might respond to receiving a financial windfall through the lottery.

The extent to which individuals use lump sum payments to enhance their short- and long-term financial security is relevant well outside of state lotteries, however. Legal scholars have long expressed concern that recipients of lump-sum cash settlements may either be unable or unwilling to smooth their consumption over time. This concern is reflected in the words of Judge Joseph Weiss of the United States Court of Appeals for the Third Circuit, who stated that “Lump sum payments all too often are improvidently invested or squandered by unsophisticated recipients and so fail to provide for the lifetime of medical bills and unemployment faced by victims of serious injury” and calls the reliance on lump sum awards one of the “enduring weaknesses of the common law tort system” (*Jacquette v. Continental*, 1999). At least in part as a response to these concerns, there has been a shift from one-time lump-sum payments to structured settlements paid out over years, a trend that Pryor (2002) states is “perhaps the most striking development in the tort payment structure over the last 25 years.” While this trend is consistent with economic research showing that individuals may not smooth consumption over foreseeable income shocks (Shapiro, 2005; Stephens, 2003), the only evidence on this topic to our knowledge consists of informal surveys of lump-sum settlement recipients.

There are two primary reasons for the lack of careful empirical research on this issue. The first is the lack of data necessary for addressing this question; we know of no other data set that links recipients of large lump sum payments to measures of financial distress over the short- and long-term. More fundamentally, it is difficult to distinguish the effect of the income shock from other confounding factors. For example, individuals who receive large legal settlements typically do so because they suffered an injury that itself likely will affect future financial security. Similarly, lottery players may well make different financial choices than non-lottery players even in the absence of the income shock. Consequently, estimates arising from comparisons of lump-sum recipients to non-recipients will likely suffer from omitted variable bias.

To overcome those problems, we apply a straightforward research design to a unique data set. By linking winners of the Florida lottery during 1988 to 2002 to public bankruptcy records, we compare the bankruptcy rates of those who won \$10,000 to \$50,000 (“moderate winners”) and \$50,000 to \$150,000 (“large winners”) to those of individuals who won less than \$2,500 (“small winners”). The identifying assumption is that conditional on winning at least \$600 one time, the amount won is uncorrelated with underlying propensity for bankruptcy. Tests support this identifying assumption: we find no difference in either the demographic characteristics or the bankruptcy rates

of large winners versus small winners in the years *prior* to winning the lottery.

Our results show that while recipients of \$50,000 to \$150,000 are less likely to file for bankruptcy immediately following the receipt of the cash prize, this reduction represents a mere postponing of bankruptcy as it is followed by an increase in bankruptcy rates 2 to 6 years after winning. Consequently, we find no difference between the overall bankruptcy rates of small winners versus large winners in the 6 years after winning the lottery. This is true despite the fact that bankruptcy cases filed prior to winning show that most financially distressed lottery winners owed an average of \$60,000 in unsecured debt. Furthermore, bankruptcy cases filed in the 6 years after winning show no difference in the amount of unsecured debt owed by winners of \$50,000 to \$150,000 relative to that owed by recipients of less than \$2,500. This indicates that even though the median winner of a large cash prize could have paid off all of his unsecured debt with his winnings, he chose not to. Consequently, the behavior of past lottery winners suggests that winning the lottery does not yield longer-term benefits with respect to avoiding financial disaster. The results also suggest policymakers ought to use considerable caution when deciding whether to offer cash assistance to heavily indebted individuals with the hope of increasing their longer-term financial security.

## 2 Data

Data on lottery winners were obtained from the Florida Lottery. The data include every winner of the Fantasy 5 lottery game in Florida from 1988 through 2002. These winners represent all individuals who won more than \$600, the minimum amount for which federal law mandates that records be kept and reported to the Internal Revenue Service. For each lottery winner, we observe the individual's name and home zip code, the amount won (which we adjust for inflation), and the date of the drawing.

Because we ultimately link bankruptcy records to winners using their first and last names and county of residence, it is necessary to identify the set of unique names so as to minimize the number of individuals falsely linked to a bankruptcy case. Toward that end, we excluded all names that appeared more than once in 2008 phone records for that county. In addition, if lottery records indicated that an individual with a unique name from a given county won more than once, then we used only the first time that individual won.<sup>1</sup> As shown in Table 1, this limits the sample to

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<sup>1</sup>Results are unchanged when these individuals are excluded from the analysis.

42,791 individuals.

Bankruptcy records were obtained from the electronic PACER database maintained by the Administrative Office of the US Courts. In total, there were 1,433,243 personal bankruptcy records filed in Florida from 1985 to 2008. These records represent all of the Chapter 7 and Chapter 13 personal bankruptcy cases filed in the three district US bankruptcy courts in Florida. Included in these data are the first and last name of the filer along with his or her residential address, the date filed, and the chapter under which the bankruptcy case was filed.

The lottery winners were linked to bankruptcy filings on the basis of first and last name and county of residence. Each winner was linked to any bankruptcy case filed up to 6 years prior to winning the lottery and within 6 years after winning the lottery. In all, 2,486 Fantasy 5 winners were linked to a bankruptcy in the 6 years after winning.

While it is possible that type I or type II errors were made in linking lottery winners to bankruptcy records, neither type of error will invalidate the research design. Due to the randomness with which amount won is determined (which is discussed in the next section), we should be no more or less likely to match winners of large sums than winners of small sums except for the causal effect of winning amount on bankruptcy filing rates. However, while we are unable to determine with certainty the magnitude of the matching errors, we do note that we estimate one-year bankruptcy rates among lottery players at just less than 1% per year, which is somewhat higher than the 0.50% bankruptcy rate for all adults in Florida (including those who do not play the lottery) over the same time period. In light of evidence that people who play the lottery most frequently (and thus are most likely to win at least \$600) are disproportionately low-income (Cook et al, 1999), we find it unsurprising that the bankruptcy rate in our sample is higher than for the state as a whole.

### **3 Fantasy 5 and Identification Strategy**

Fantasy 5 is a pari-mutuel lottery game in which amount won depends on the number of people who played and the number of winning tickets. The largest prizes are given for matching 5 of 5 numbers and range from less than \$10,000 to more than \$200,000.<sup>2</sup> The smallest prizes recorded

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<sup>2</sup>This depended in part on the structure of the game. From inception on April 28, 1989 through April 28, 1993 and after July 16, 2001, the median amount won by someone who matched 5 of 5 numbers was \$90,000. In contrast, from April 29 through July 15, 2001, matching 5 of 5 numbers was worth an average of \$20,000. Because no individuals who matched 4 of 5 numbers from 1993 through 2001 won at least \$600, we are unable to identify the effects by comparing individuals who matched 5 numbers to those who matched 4 numbers.

in the data come from matching 4 of 5 numbers and range from \$600 (the threshold above which the IRS mandates reporting) to around \$5,000.

Our identification strategy relies on the assumption that conditional on winning at least \$600 one time, the amount won is uncorrelated with underlying propensity for bankruptcy. Consequently, we compare the bankruptcy rates of winners of large cash prizes to those of small cash prizes. An important advantage of this approach is that the identification strategy can be empirically tested in two ways. First, in results available upon request, we show that amount won is not explained by winner’s neighborhood characteristics. Second, and more importantly, we show that that amount won is uncorrelated with bankruptcy rates prior to winning. Collectively these tests suggest that any difference in the bankruptcy rates of large winners versus small winners is properly interpreted as the causal effect of the lottery winnings.

## 4 Methodology

Given the intuitive research design applied, the simplest way to determine the effect of receiving large cash transfers on bankruptcy is to compare the bankruptcy rates of recipients of large cash prizes to those of recipients of small cash prizes. In addition to comparing the bankruptcy rates of these groups graphically before and after winning the lottery, we also do so using ordinary least squares regression. Specifically, we estimate:

$$\begin{aligned}
 & \textit{Bankruptcy}_i = \\
 & \theta_i + \beta_0 \textit{Time} + \beta_1 (\$2,500 \leq \textit{Amount} < \$10,000) + \beta_2 (\$10,000 \leq \textit{Amount} < \$50,000) + \\
 & \beta_3 (\$50,000 \leq \textit{Amount} < \$150,000) + \epsilon_i
 \end{aligned}$$

where  $\textit{Bankruptcy}_i$  is a dummy variable equal to one if individual  $i$  filed for bankruptcy within a given number of years after winning,  $\theta_i$  is a set of fixed effects for the year in which the individual won,  $\textit{Time}$  is a linear time trend, and the remaining variables are dummy variables for various ranges of amounts won where the excluded group are those individuals who won less than \$2,500. For ease of exposition, we will hereafter refer to recipients of less than \$2,500 as “small winners”, winners of \$25,000 to \$50,000 as “moderate winners”, and winners of \$50,000 to \$150,000 as “large winners”.

## 5 Results

### 5.1 Tests of the Identification Strategy

To demonstrate that the size of the income shock is random and thus uncorrelated with underlying financial well-being, we examine the extent to which filing for bankruptcy prior to winning the lottery is correlated with the amount later won. So long as the amount won is uncorrelated with underlying propensity to file for bankruptcy conditional on winning, there should be no difference between the bankruptcy rates of individuals who later win large amounts and those of individuals who later win small amounts.

This is shown graphically in Figure 1, which shows flows into bankruptcy before and after winning for both small winners and large winners. As shown there, the bankruptcy rates of individuals who later win the lottery are similar regardless of amount later won.

This is shown more formally in Table 3 in which the first column shows differences in unconditional means, the second column includes linear time trends, and the third column includes year fixed effects. Results there show that although unconditional means indicate that those who won between \$2,500 and \$50,000 were less likely to file for bankruptcy than were small winners in the period before winning suggesting that recipients of large prizes were in better financial health than recipients of small prizes,<sup>3</sup> this difference is diminished and is no longer statistically significant once either linear time trends or year fixed effects are included. Consequently, once accounting for the time effects due to the changes in the structure of the Fantasy 5 game over time, there appears to be little correlation between the amount won and the underlying propensity to file for bankruptcy.

This is also shown graphically in Figures A.1 – A.3 in the Appendix.

### 5.2 The Effect of Lottery Winnings on Bankruptcy Rates

We now turn to estimating the impact of receiving large cash prizes on financial distress. Figure 1 shows the flows into bankruptcy for large and small winners after winning the lottery. While as discussed previously the bankruptcy rates of individuals who later win less than \$2,500 are approximately the same as those of individuals who later win between \$50,000 and \$150,000, the bankruptcy rates appear to diverge after winning. In the year after winning, large winners appear

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<sup>3</sup>Interestingly, this is the opposite of what we find after winning. This suggests that if anything, our estimates understate how winning larger cash prizes increases propensity for bankruptcy.

considerably less likely to file for bankruptcy than small winners. This pattern reverses from years 2 through 6, however, during which time large winners are more likely to file for bankruptcy than are small winners.

To investigate this pattern more rigorously, we estimate the impact of winning large lump sums on bankruptcy rates within 2 years, from 2 to 6 years, and within 6 years after winning. Results are shown in Table 4. Consistent with Figure 1, we find statistically significant decreases between 1 and 1.4 percentage points for moderate and large winners in the first two years, respectively, which represents relative declines of 50% to 70%. However, this decline is offset by statistically significant increases between 1.9 and 2.3 percentage points 2 to 6 years after winning. The net result is that within 6 years after winning, moderate and large winners are if anything more likely to file for bankruptcy than are small winners. This is true despite the fact that the median large winner won a cash prize that was sufficient to pay off all of the unsecured debt owed by the most financially distressed lottery players at the time of winning.

In order to show that this pattern is not driven by the admittedly arbitrary definitions of large versus moderate versus small winners, we also show how bankruptcy rates over these time periods vary across the full distribution of earnings. Figures 2, 3, and 4 show the bankruptcy rates of all individuals within 2 years, from 2 to 6 years, and within 6 years of winning the lottery. While Figure 2 confirms that the likelihood of filing for bankruptcy within the first two years after winning is smaller for winners of large cash prizes, Figure 3 shows that this trend reverses 2 to 6 years after winning. Finally, Figure 4 shows evidence that that if anything winning larger cash prizes appears to increase bankruptcy rates in the 6 years after winning.

### **5.3 The Effect of Lottery Winnings on Debt and Expenditures at Bankruptcy**

Given the similarity in the bankruptcy rates between large and small winners in the 6 years after winning, we also investigate whether the amount owed by large winners who filed for bankruptcy was similar to that owed by small winners. For example, even if winning \$10,000 to \$50,000 or \$50,000 to \$150,000 does not affect one's likelihood of filing for bankruptcy, it may be that those individuals who file for bankruptcy are less in debt than those who won less than \$2,500. Consequently, we obtained data on cases filed after 2002 for which the details of the bankruptcy were available electronically.

While the sample is relatively small due to the fact the only cases filed after 2002 were available

electronically, results in Table 5 indicate that the recipients of large cash prizes who do not manage to postpone bankruptcy owe approximately \$50,000 (37%) more than do winners of small cash prizes who filed for bankruptcy. In addition, those individuals are spending nearly \$900 more per month (35%) than small winners who filed for bankruptcy. This suggests that those who were unable to avoid bankruptcy were those who spent the most and were in debt the most. Conversely, those moderate and large winners who postponed bankruptcy following the lottery win were unsurprisingly those who were in debt the least.

As noted earlier, however, the initial reduction in bankruptcy rate was followed by an increase 2 to 6 years afterward. This suggests that even those moderate and large winners with lower-than-average debt (as shown in Panel C) who postpone bankruptcy eventually file later on anyway. Furthermore, Panel D of Table 5 shows that the unsecured debt of moderate and large winners who file for bankruptcy in the 6 years following their lottery win owe a statistically insignificant \$1,151 less in unsecured debt than their counterparts who won less than \$2,500. This suggests that whatever the recipients did with their cash prize, it did not reduce the amount of debt that they ultimately set out to clear in bankruptcy court.

#### **5.4 Attrition**

As noted earlier, individuals were linked to bankruptcy based on first and last name as well as county of residence. This will only cause a problem for identification under two conditions: 1) the amount won is correlated with propensity to move out of the county, and 2) at least some of the individuals who selected out of the county on the basis of amount won filed for bankruptcy in the next 6 years. That is, if migration is orthogonal to amount won, then there will be no bias. Similarly, if none of the individuals who select out of the county file for bankruptcy, then there is no error in the matching.

It is worth noting that counties in Florida represent relatively large geographic areas. For example, the average (by population) county in Florida is 1,866 square miles, or more than 6 times the size of New York City. In addition, Florida is a net in-migration state over the time period in question. Consequently, exiting the county after winning \$50,000 to \$150,000 is less likely in Florida than it would be in other states.

Although we are unaware of a method of tracking people who move out of a county, we can address the attrition issue by examining whether amount won is correlated with the likelihood that

the individual will be found in the 2008 phone book 1, 2, 3, 4, 5, and 6 years after winning. While this is clearly an imperfect test due to the fact that some households no longer have landlines, some individuals in a household with a landline are not listed in the phone book, and winning the lottery could potentially allow individuals to afford a landline, this exercise may be instructive nonetheless. One might especially be concerned if large winners were much less likely to show up in the phone book in the first two years after winning the lottery, but then were much more likely to show up in the phonebook from 2 to 6 years after winning. In that case, one might worry that the results were being driven by selective migration out of the county.

Results show no evidence of such a pattern. Specifically, we find that large winners were a statistically insignificant 3.0 percentage points more likely to show up in the phone book within 2 years of winning the lottery than were small winners, of whom 30.4% were listed in the county phone book. The difference in years 3 through 6 is a similarly insignificant 3.1 percentage points. Collectively, this provides suggestive evidence that the pattern seen in the data is not driven by selective migration out of the county.

## 6 Conclusion

In this paper, we investigate the extent to which receiving large lump sums of cash affect the likelihood of bankruptcy in the short- and long-term. To distinguish the effect of the unexpected income shocks from other confounding factors, we compare the bankruptcy rates of lottery players who won between \$10,000 and \$50,000 or between \$50,000 and \$150,000 to those of individuals who won less than \$2,500. Consistent with the identifying assumption that the magnitude of the prize won is randomly assigned conditional on winning, we find no statistical difference between the bankruptcy rates of the large and small winners in the years prior to winning the lottery.

The results indicate that while the lump sum payments significantly reduce the probability of bankruptcy in the first year after winning, this reduction is followed by increases in the bankruptcy rates 2 to 6 years after winning. The net result is that winning \$50,000 to \$150,000 does not affect overall bankruptcy rates in the 6 years after winning, despite the fact that the size of the cash prize was sufficient to pay off nearly all of the unsecured debt owed by the most financially distressed lottery players. Furthermore, an examination of the bankruptcy filings shows that not only are the rates of bankruptcy not different overall, but recipients of \$50,000 to \$150,000 who later filed for bankruptcy did so with similar levels of secured and unsecured debt. This provides compelling

evidence that winning the lottery does not reduce the long-term financial distress. Additionally, the results imply caution when trying to help heavily indebted individuals by offering them additional resources.

## 7 References

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Figure 1: Flows into Bankruptcy Before and After Winning the Lottery

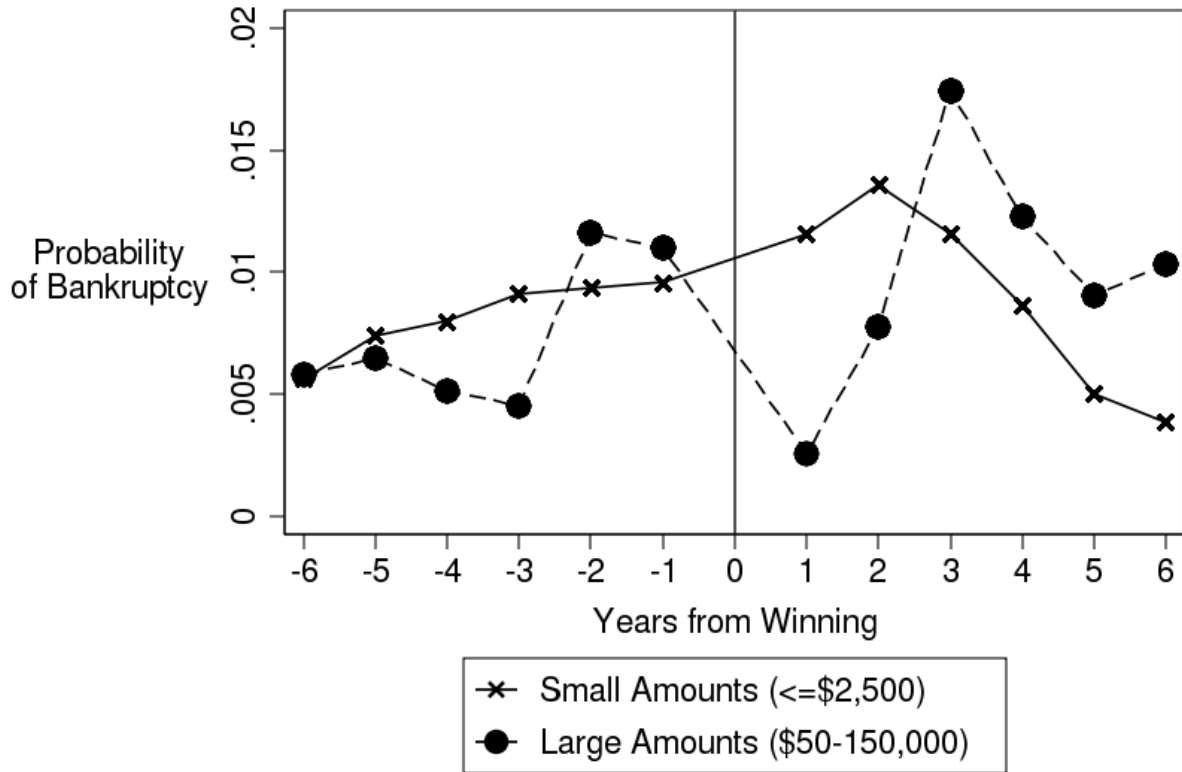


Figure 2: Bankruptcy Rates in the First Two Years after Winning the Lottery

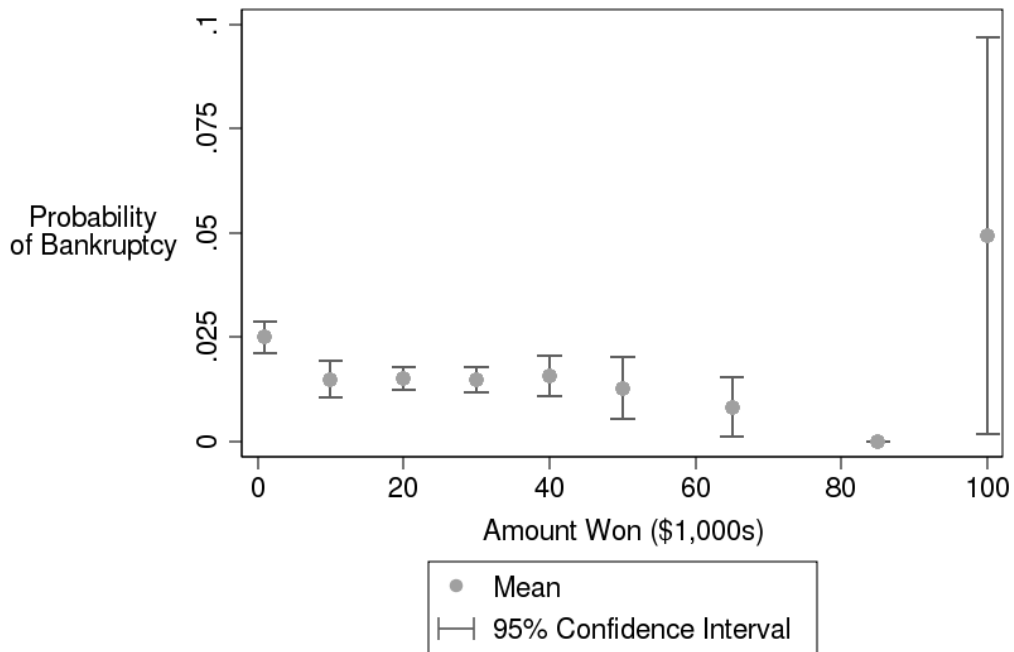


Figure 3: Bankruptcy Rates 2 to 6 Years After Winning the Lottery

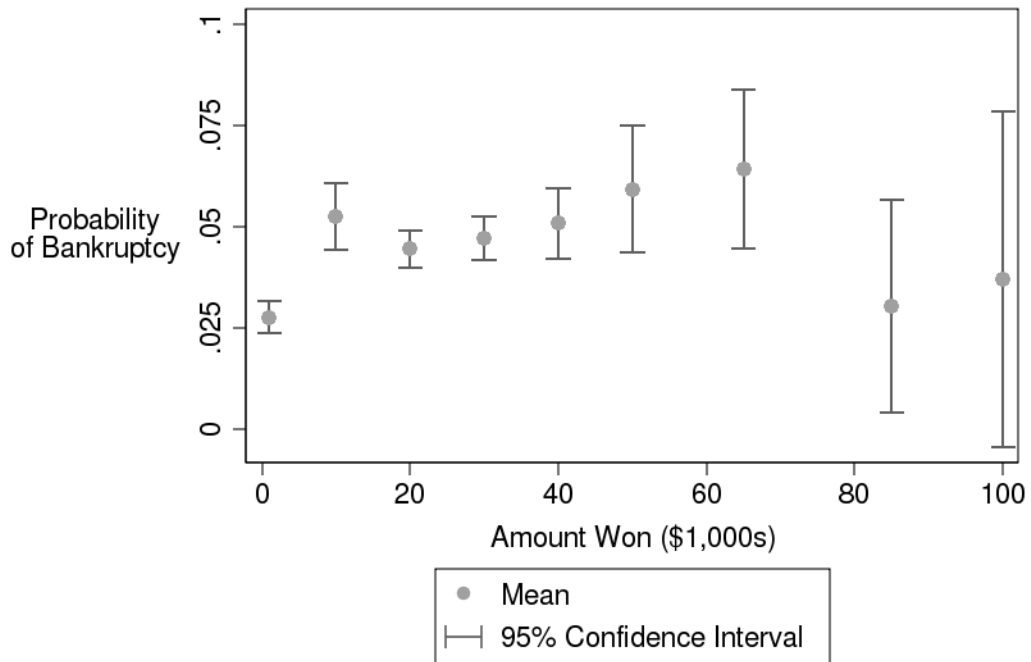
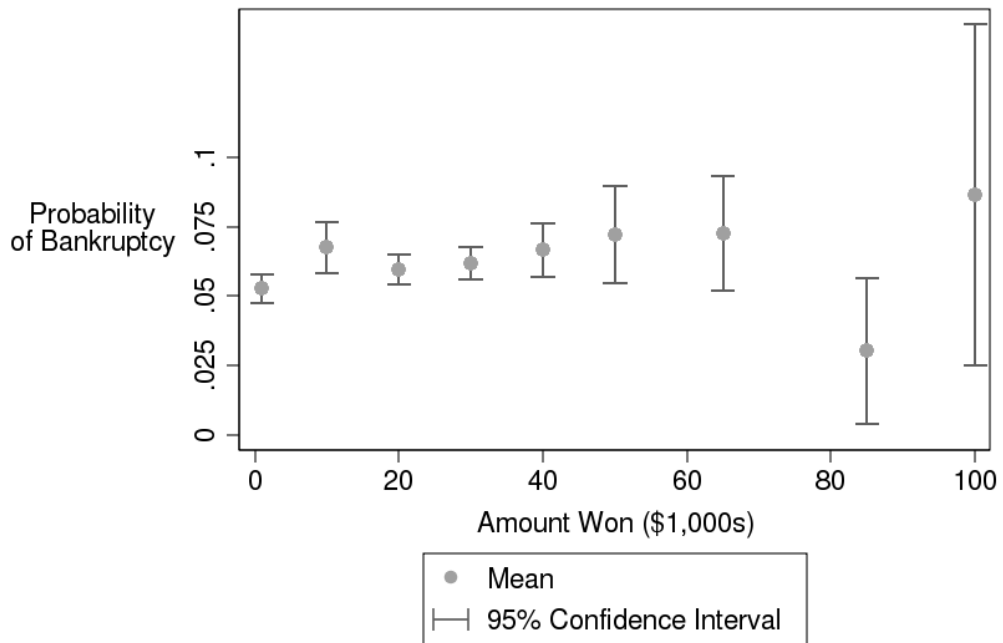


Figure 4: Bankruptcy Rates in the 6 Years After Winning the Lottery



## Appendix

Figure A.1: Bankruptcy Rates in the 2 Years *Before* Winning the Lottery

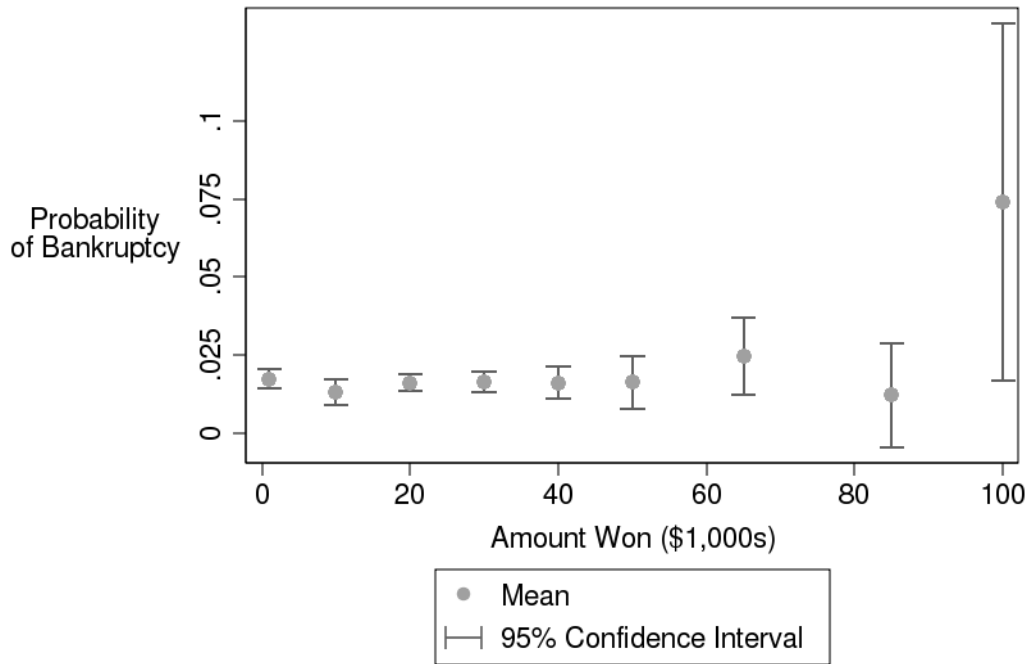


Figure A.2: Bankruptcy Rates 3 to 6 Years *Before* Winning the Lottery

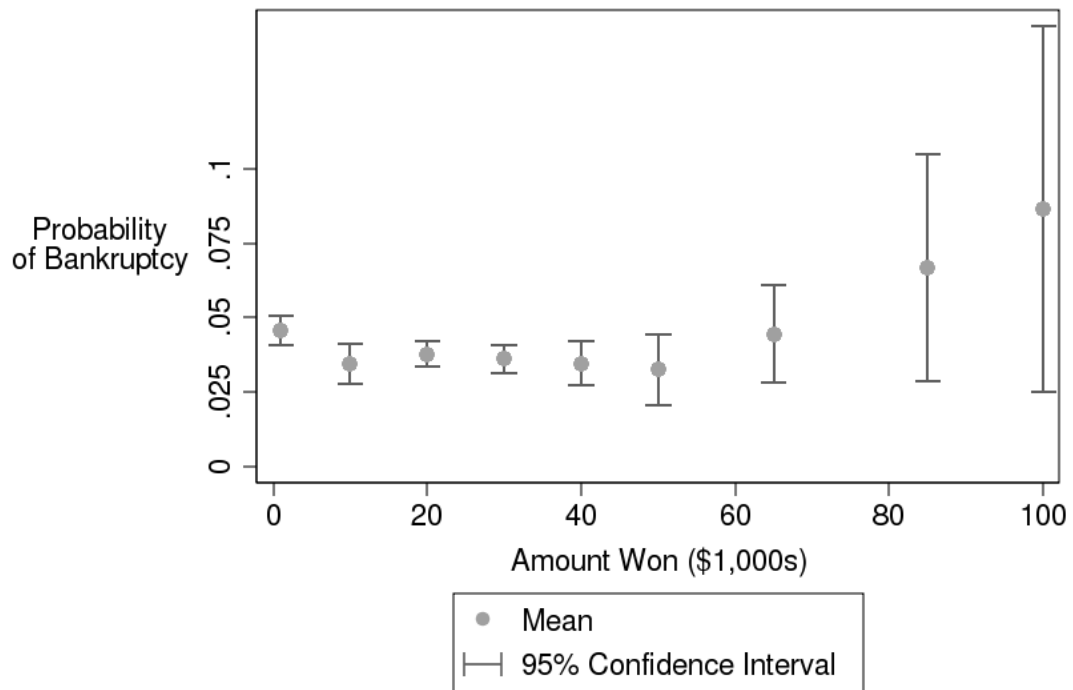


Figure A.3: Bankruptcy Rates in the 6 Years *Before* Winning the Lottery

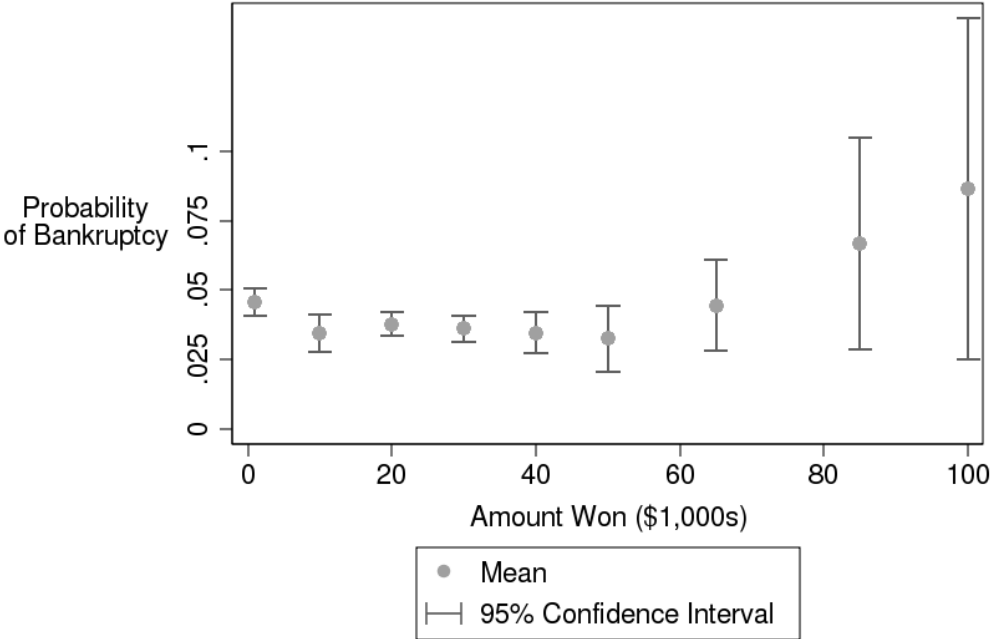


Table 1: The Sample of Unique Lottery Winners in Florida from 1988-2007

Amount	All Fantasy 5 Winners		Unique in Phone Book		First Time Winners	
	Freq.	Percent	Freq.	Percent	Freq.	Percent
<\$1,000	11,052	16.42	7,551	16.08	6,724	15.71
\$1,000 - \$2,500	21,121	31.39	14,447	30.77	12,704	29.69
\$2,500 - \$5,000	416	0.62	298	0.63	276	0.64
\$5,000 - \$7,500	577	0.86	404	0.86	373	0.87
\$7,500 - \$10,000	730	1.08	515	1.10	478	1.12
\$10,000 - \$15,000	3,030	4.50	2,145	4.57	1,965	4.59
\$15,000 - \$20,000	5,682	8.44	4,038	8.60	3,760	8.79
\$20,000 - \$25,000	6,298	9.36	4,460	9.50	4,177	9.76
\$25,000 - \$30,000	5,418	8.05	3,836	8.17	3,610	8.44
\$30,000 - \$35,000	3,911	5.81	2,764	5.89	2,583	6.04
\$35,000 - \$40,000	2,183	3.24	1,582	3.37	1,499	3.50
\$40,000 - \$45,000	1,458	2.17	1,050	2.24	980	2.29
\$45,000 - \$50,000	802	1.19	574	1.22	539	1.26
\$50,000 - \$60,000	875	1.30	579	1.23	537	1.25
\$60,000 - \$70,000	399	0.59	293	0.62	273	0.64
\$70,000 - \$80,000	236	0.35	171	0.36	154	0.36
\$80,000 - \$90,000	143	0.21	94	0.20	85	0.20
\$90,000 - \$100,000	193	0.29	139	0.30	125	0.29
>\$100,000	2,772	4.12	2,012	4.29	1,949	4.55
Total	67,296	100	46,952	100	42,791	100

Table 2: Lottery Players Linked to Bankruptcy Cases

Amount Won	Within 2 Years			Between 2 & 6 Years			Within 6 Years		
	No Bankruptcy	Bankruptcy	% Bankruptcy	No Bankruptcy	Bankruptcy	% Bankruptcy	No Bankruptcy	Bankruptcy	% Bankruptcy
<\$1,000	6,556	168	2.50	6,538	186	2.77	6,370	354	5.26
\$1,000 - \$2,500	12,383	321	2.53	12,324	380	2.99	12,003	701	5.52
\$2,500 - \$5,000	266	10	3.62	263	13	4.71	253	23	8.33
\$5,000 - \$7,500	367	6	1.61	352	21	5.63	346	27	7.24
\$7,500 - \$10,000	469	9	1.88	453	25	5.23	444	34	7.11
\$10,000 - \$15,000	1,938	27	1.37	1,863	102	5.19	1,836	129	6.56
\$15,000 - \$20,000	3,705	55	1.46	3,600	160	4.26	3,545	215	5.72
\$20,000 - \$25,000	4,112	65	1.56	3,984	193	4.62	3,919	258	6.18
\$25,000 - \$30,000	3,554	56	1.55	3,434	176	4.88	3,378	232	6.43
\$30,000 - \$35,000	2,548	35	1.36	2,467	116	4.49	2,432	151	5.85
\$35,000 - \$40,000	1,476	23	1.53	1,415	84	5.60	1,392	107	7.14
\$40,000 - \$45,000	964	16	1.63	938	42	4.29	922	58	5.92
\$45,000 - \$50,000	532	7	1.30	502	37	6.86	495	44	8.16
\$50,000 - \$60,000	532	5	0.93	510	27	5.03	505	32	5.96
\$60,000 - \$70,000	271	2	0.73	253	20	7.33	251	22	8.06
\$70,000 - \$80,000	152	2	1.30	148	6	3.90	146	8	5.19
\$80,000 - \$90,000	85	0	0.00	81	4	4.71	81	4	4.71
\$90,000 - \$100,000	121	4	3.20	121	4	3.20	117	8	6.40
>\$100,000	1,935	14	0.72	1,884	65	3.34	1,870	79	4.05
Total	41,966	825	1.93	41,130	1661	3.88	40,305	2486	5.81

Table 3

## Falsification Test: The Effect of Later Winning the Lottery on Bankruptcy Rates

<b>Panel 1</b>			
<b>Bankruptcy Rate in the 2 Years <i>prior</i> to Winning</b>			
Won \$2,500 - \$10,000	-0.0047 (0.0040)	-0.0026 (0.0040)	-0.0064 (0.0056)
Won \$10,000 - \$50,000	-0.0029* (0.0013)	-0.0005 (0.0014)	-0.0041 (0.0041)
Won \$50,000 - \$150,000	0.0049 (0.0039)	0.0065 (0.0040)	0.0042 (0.0048)
<b>Panel 2</b>			
<b>Bankruptcy Rate 3 to 6 Years <i>prior</i> to Winning</b>			
Won \$2,500 - \$10,000	-0.0124** (0.0048)	-0.0068 (0.0048)	0.0043 (0.0067)
Won \$10,000 - \$50,000	-0.0095** (0.0016)	-0.0032 (0.0016)	0.0079 (0.0049)
Won \$50,000 - \$150,000	-0.0063 (0.0047)	-0.0021 (0.0047)	0.0060 (0.0057)
<b>Panel 3</b>			
<b>Bankruptcy Rate in the 6 Years <i>prior</i> to Winning</b>			
Won \$2,500 - \$10,000	-0.0171** (0.0062)	-0.0094 (0.0062)	-0.0021 (0.0086)
Won \$10,000 - \$50,000	-0.0125** (0.0021)	-0.0037 (0.0021)	0.0038 (0.0063)
Won \$50,000 - \$150,000	-0.0014 (0.0061)	0.0044 (0.0061)	0.0102 (0.0074)
Includes linear time trends?	No	Yes	No
Includes year fixed effects?	No	No	Yes

Effects reported are relative to winning less than \$2,500. Asterisks \*, \*\*, and \*\*\* denote statistical significance at the 10%, 5%, and 1% levels, respectively.

Table 4: The Effect of Winning the Lottery on Bankruptcy Rates

<b>Panel 1</b>	<b>Bankruptcy Rate within 2 Years of Winning</b>		
Won \$2,500 - \$10,000	-0.003 (0.0043)	-0.0047 (0.0059)	-0.0047 (0.0059)
Won \$10,000 - \$50,000	-0.0103** (0.0014)	-0.0065** (0.0015)	-0.0121** (0.0043)
Won \$50,000 - \$150,000	-0.0141** (0.0042)	-0.0116** (0.0042)	-0.0161** (0.0051)
<b>Panel 2</b>	<b>Bankruptcy Rate 3 to 6 Years after Winning</b>		
Won \$2,500 - \$10,000	0.0232** (0.0059)	0.0243** (0.0059)	0.0162* (0.0083)
Won \$10,000 - \$50,000	0.0185** (0.0020)	0.0197** (0.0020)	0.0114 (0.0060)
Won \$50,000 - \$150,000	0.0228** (0.0058)	0.0236** (0.0058)	0.0177* (0.0071)
<b>Panel 3</b>	<b>Bankruptcy Rate within 6 Years of Winning</b>		
Won \$2,500 - \$10,000	0.0202** (0.0072)	0.0247** (0.0072)	0.0116 (0.0101)
Won \$10,000 - \$50,000	0.0082** (0.0024)	0.0132** (0.0025)	-0.0007 (0.0073)
Won \$50,000 - \$150,000	0.0087 (0.0071)	0.0121 (0.0071)	0.0016 (0.0087)
Includes linear time trends?	No	Yes	No
Includes year fixed effects?	No	No	Yes

Effects reported are relative to winning less than \$2,500. Asterisks \*, \*\*, and \*\*\* denote statistical significance at the 10%, 5%, and 1% levels, respectively.

**Table 5: Debt, Assets, Expenditures, Income  
of Lottery Winners who Filed for Bankruptcy**

<b>Panel A: Filed pre-win</b>			
	Prize <\$2500	Prize \$25,000-150,000	Difference
Unsecured Debt (\$)	57,801	61,676	3,875
Secured Debt (\$)	77,395	41,218	-36,176
Monthly Income (\$)	2,170	2,026	-143
Monthly Expenditures (\$)	2,464	2,259	-206
Total Debt (\$)	132,679	112,316	-20,363
Total Assets (\$)	104,196	98,964	-5,232
N	47	15	

<b>Panel B: Filed 0-2 years post win</b>			
	Prize <\$2500	Prize \$25,000-150,000	Difference
Unsecured Debt	75,358	104,091	28,733*
Secured Debt	68,388	113,003	44,614*
Monthly Income	2,395	2,558	163
Monthly Expenditures	2,622	3,509	887**
Total Debt	142,854	196,795	53,941*
Total Assets	110,759	146,710	35,951
N	56	14	

<b>Panel C: Filed 3-6 years post win</b>			
	Prize <\$2500	Prize \$25,000-150,000	Difference
Unsecured Debt	42,293	48,347	6,054
Secured Debt	81,144	47,619	-33,535**
Monthly Income	2,479	2,087	-392
Monthly Expenditures	2,868	2,354	-515*
Total Debt	126,142	97,512	-28,630*
Total Assets	123,809	83,565	-40,244*
N	40	46	

<b>Panel D: Filed 0-6 years post win</b>			
	Prize <\$2500	Prize \$25,000-150,000	Difference
Unsecured Debt	62,286	60,735	-1,551
Secured Debt	73,431	62,149	-11,283
Monthly Income	2,428	2,192	-236
Monthly Expenditures	2,719	2,610	-109
Total Debt	135,790	120,678	-15,112
Total Assets	116,197	98,299	-17,898
N	96	60	

Notes: Each Panel shows average dollar amounts of unsecured debt, secured debt, current monthly income, current monthly expenditures, total debt and total assets at the time of bankruptcy filing for winners in Florida's Fantasy 5 lottery game. \* and \*\* represent significant difference in means of large and small winners at the 10% and 5% level, respectively. Source: PACER.