

# Household Income Changes and the Evolution of Child Psychological Well-being and Personality Traits

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## **Abstract**

We examine how positive changes to household income affect children's psychological well-being and the evolution of their personality traits into young adulthood. We find strong effects of early mental problems and personality traits on long-run outcomes such as crime, educational attainment, employment and incomes. These estimates are in line with similar correlations reported in the existing related literature. This study shows that children from households that experienced a positive unearned income shock experience an improvement in mental health and in personality traits along several dimensions. Previous studies suggest that these changes play an important role in boosting young adult socio-economic outcomes. We explore potential channels through which extra income receipt may affect these outcomes such as changes in parental time, involvement with children, parental psychological well-being and health investments.