Lottery Winners: The Myth And Reality

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This paper is based on a study of 576 lottery winners from 12 states. Respondents to a mailed questionnaire included winners of sums ranging from $50,000 to millions. The data indicate that popular myths and stereotypes about winners were inaccurate. Specifically, winners came from various education and employment backgrounds and they were clustered in the higher income categories than the general population indicating that lotteries might not be as regressive as popularly believed. Winners were older than the general population and more often male (60 versus 40%). There was significant association between the amount a person won and his or her work behavior. Individuals with psychologically and financially rewarding jobs continued working regardless of the amount they won, while people who worked in low paying semi-skilled and unskilled jobs were far more likely to quit the labor force. Contrary to popular beliefs, winners did not engage in lavish spending sprees and instead gave large amounts of their winnings to their children and their churches. The most common expenditures were for houses, automobiles and trips. It was found that overall, winners were well-adjusterd, secure and generally happy from the experience.

The dream of wealth and the financial security it brings is a widespread fantasy shared by many Americans. It is nurtured by the mass media through radio and television shows, movies, books and articles about the lifestyles of rich and famous people. But there are different paths to obtaining the money that brings with it the "good life." Some people are fortunate and inherit their wealth and sociological literature on elites abounds (Mills, 1959; Lundberg, 1968; Domhoff, 1970). Others

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pursue wealth and fame through work. Indeed, as Weber (1958) demonstrated, the Protestant Ethic with its emphasis on industriousness, achievement, and capital accumulation, has had an enormous influence on the West. Subsequent research (Morse and Weiss, 1955; Kohn, 1969; Work in America, 1972; Kaplan, 1977) indicates that the basic tenets of the Protestant Ethic have been incorporated into American society giving work various social and moral meanings and designating it as the preferred method for obtaining economic security and success.

But there is a group of people who come by their wealth through a third and much less traditional path. Their numbers are not great, about 2,000, but their ranks are growing by more than 200 a year. They are the objects of widespread media and public interest, for their path to wealth and fame has been through luck. These are America's instant rich—lottery winners. There is frequently more interest in them than in some of the more established and self-made millionaires, or so it would seem as the media bombard us with an endless succession of stories about them. The interest in lottery winners stems partly from the public's fantasized indentification with them. There is a certain empathy, a commonness of kind, that many people share with these winners who have managed to defy improbably high odds and obtain economic security—even celebrity status. Our curiosity may even be piqued because they have managed to achieve a measure of success with a minimum amount of work. The suddenness with which their lives have been transformed, thrusting them out of obscurity into the limelight by the luck of the draw, creates considerable public interest in them.

But what is it really like to win a lot of money in the lottery, and how does it affect people's lives? To answer these questions the author has studied lottery winners for the past 15 years in the United States and Canada. (Kaplan, 1978, 1979). There is a lot of mythology surrounding lottery winners and this paper will be devoted to exploding some of these myths, substituting factual information for stereotypes and misconceptions.[1]

The Present Analysis

Some of the information for this paper is derived from data collected from questionnaires sent to 2,319 lottery winners in 12 states between July and September 1984.[2] Slightly over half the respondents won before 1980. The focus was on people who won their money in installments ranging from $5,000 to $10,000 a year, but all levels of winners were included for comparative purposes, e.g. 139 respondents won a million dollars or more. In addition to demographic data, the questionnaires elicited information on the work behavior of respondents before and after winning. Data on leisure activities, voluntary associations and spending behavior were also obtained. Two open-ended questions also obtained information on the effects of winning on respondents' life styles. Table 1 presents a distribution of winners by the amount they won.

Table 1
Number of Winners by Amount Won

Amount Won	#	%
Less than $50,000	10	2
$ 50,000 to 99,999	37	6
$100,000 to 199,999	270	38
$200,000 to 299,999	67	11
$300,000 to 399,999	35	6
$400,000 to 499,999	29	4
$500,000 to 599,999	29	4
$600,000 to 699,999	12	2
$700,000 to 799,999	9	1
$800,000 to 899,999	6	1
$900,000 to 999,999	1	-
$1 to 1.4 million	85	15
$1.5 to 1.9 million	25	4
$2 million and over	29	5
TOTAL	576	99*
Amount Won (Grouped)		
Less than $50,000	10	2
$50,000 to 199,999	257	45
$200,000 to 499,999	122	21
$500,000 to 999,999	48	8
$1 million and over	139	24
TOTAL	576	100

*Does not total 100 due to rounding

A total of 576 useable questionnaires were returned. Another 280 questionnaires were returned undelivered by the United States Postal Service because of faulty addresses, and an additional 20 potential respondents were found to be deceased, making the response rate about 25%. This figure probably underestimates the actual response rate, since there is no way of knowing how many other winners were deceased and their mail discarded. The completed questionnnaires also contained information on 400 spouses, thereby yielding data on 976 people who were directly affected by winning the lottery.[3]

Myths and Realities

Since the reintroduction of legalized state lotteries in the United States in New Hampshire in 1963, thousands of people have won varying amounts of money ranging from a few dollars to the $40 million jackpot won by a 26 year old printer in Chicago. Much public attention has been focused on the effects of winning on these people, and the remainder of this paper will be devoted to examining some misconceptions about them.

Myth: Lottery winners are predominantly working class and poor.

Many people wonder how widespread lottery ticket buying is. A survey conducted for the National Commission on Gambling in the mid 1970s revealed that over 50% of the people in states having lotteries purchased tickets (*Gambling in America*, 1976). Since that time lotteries have proliferated in the country, with 22 states and the District of Columbia now having them, and bills to legalize lotteries being considered in nearly all the nonlottery states.[4] The combined gross revenues of these lotteries will exceed $13 billion by the end of 1987. Marketing studies conducted by states indicate that between 60–80% of adults 18 or over purchase tickets at one time or another (Weinstein and Deitch, 1974; Bruskin, 1984). This figure swells when jackpots accumulate as a mania seems to grip the population which precipitates long queues at vendors.

What we have is an apparent broad-based phenomenon of lottery ticket purchasing, and with winners being selected at random from such a group, their experiences may be indicative of how nonwinners might behave.

The first myth that can be challenged is that the poor comprise the majority of ticket purchasers, for a look at the demographic characteristics of the respondents reveals many similarities with the general population. Winners come from all types of socioeconomic backgrounds. Table 2 presents information on the household income of winners in the year before they won, compared to households in the United States population. Winners were more heavily clustered in the higher income categories than the general population (57 to 41%). The national median household income in 1983 was $20,885, indicating our sample was overrepresented among the high income groups. This finding also suggests that lotteries are not as regressive as popularly believed.

Table 3 presents a comparison between lottery winners and the 1983 population of the United States, by age and education. Looking at the age of respondents, we can discern that lottery winners (whose average age in the national survey was 54) are older than people in the general population. Additionally, 60% of the winners were males. These two demographic characteristics distinguish lottery winners from the general public. However, it can also be seen from Table 3 that, contrary to the stereotype which depicts winners as being uneducated, a significantly higher proportion of them had completed high school than the general population, and similar proportions of winners had attended or completed college as people in the general population.

Table 2
Household Income of Winners Compared to U.S. Households in Year Before Winning (1983 dollars)
N = 575

Income	Lottery Winners	United States*
Under $5,000	9%	9%
$ 5,000 – $ 9,999	4	14
$10,000 – $14,999	12	13
$15,000 – $19,999	7	12
$20,000 – $24,999	11	11
$25,000 and over	57	41
TOTAL	100%	100%

*Source: Statistical Abstract of the U.S., 1985, p. 442.

The similarities between winners and the general public is further demonstrated in Table 4 which shows the occupational distribution of winners compared to the United States population by sex. It is apparent that they were employed in a variety of jobs, including physicians, accountants, attorneys, executives, teachers, nurses and social workers, as well as police officers, firefighters, machinists and laborers. It is evident that winners are a diverse group of people who come from a variety of social and economic backgrounds; however, the curvilinear distribution may account for the emphasis on the nature of the uneducated end of the continuum.

Myth: Lottery winners quit their jobs.

Many people fantasize about quitting their jobs if they won the lottery and assume winners quit, perhaps projecting their own desires and intentions onto them. This myth is partly attributed to earlier research which revealed nearly 80% of the million dollar winners interviewed

Table 3
A Comparison Between Lottery Winners and the 1983 U.S. Population by Age and Education

Age (Years)	Lottery Winners	U.S.*
19 – 39	20%	50%
40 – 49	16	14
50 – 59	24	13
60 – 64	12	6
65 and over	28	16
Educational Attainment (Years)		
0 – 8	9.4%	15.1%
9 – 11	14.1	12.8
High school graduate	50.0	37.7
1 – 3 years of college	13.0	15.6
4 years of college	13.4	18.8

*Source: Statistical Abstract of the U.S., 1985, pp. 24, 136.

quit their jobs (Kaplan, 1978). This research received national newspaper coverage through the Associated Press Wire Service, a popular magazine article (Kaplan, 1978) and was featured on national television shows including "Donahue" and the "CBS TV Morning News." But what was overlooked in the rush to stereotype all winners as quitters was the nature of the group interviewed. The research took place in the early 1970s and focused on New Jersey because it was the first state to have a regular million dollar prize. These instant "millionaires" were novel, since lotteries were only beginning to emerge. Although nearly all (34 of 37) of New Jersey's "millionaires" were interviewed, they were a very uniform group of people. No one had graduated from college, most families were earning in the lower income ranges, and nearly all worked in semiskilled or skilled blue collar jobs.

Table 4
Occupation of Winners at Time of Win
by Sex Compared to U.S. Labor Force (1980)*

	Winners		U.S.	
Occupation	Male %	Female %	Male %	Female %
Professionals, Managers, Proprietors	27.5	15.7	23	21
Clerical, Sales	9.3	27.2	18	45
Crafts	17.0	1.4	20	2
Service	11.7	7.1	9	18
Farm	.3	—	4	1
Operatives, Laborers	18.5	16.2	25	12
Subtotal	84.3	67.6	100**	100**
Retired	11.7	16.2		
Unemployed	1.2	—		
Housewife	—	14.3		
Student	1.2	1.0		
TOTAL	100**	100**		

*Source: Statistical Abstract of the United States, 1985, p. 400.

**Does not sum because of rounding errors.

The diversity of winners today reveals the changing nature and acceptance of lotteries in our society—their institutionalization in our culture. And with this has come a more diverse group of winners and behavior. In the area of postwinning work behavior, the recent national survey reveals there was a significant association between the amount a person won and his or her behavior. As the size of winnings increased, so too did the number of changes in peoples' working lives. But in contrast to the earlier study, only 23% of the million dollar winners quit their jobs. And none of the winners who won less than $50,000 quit. A similar pattern existed among their spouses. In all, only 11% of winners and 13% of their spouses quit their jobs as Table 5 shows.

Age was an important variable affecting people's decision to remain in or leave the labor force, with 39% of working winners 65 or older opting to retire—something they may have done eventually. What was interesting was the fact that half of the people who quit their jobs were under 49 years of age. But many of these people later returned to work after gaining additional training or education, indicating that the commitment to their jobs at the time of winning was low but their commitment to work of a meaningful, satisfying nature was high.

Table 5
Type of Change in Work Behavior
of Winners and Spouses after Winning

	Winners		Spouses	
Type of Change	#	%	#	%
Quit	49	11	34	13
Retire	59	13	35	14
Quit Second Job	10	2	3	1
Work with Reduced Hours	37	8	11	4
Increase Hours	15	3	5	2
Stayed Same	249	56	157	62
Other	4	1	—	—
TOTALS	446*	100**	253*	100**

*Not all respondents answered every question.

**May not total to 100 due to rounding errors.

Generally, the lower the educational level of winners, the higher the number of quits and retires, and the greater the reduction in work hours. Likewise, those people who had been working in their jobs less than four years when they won, and who worked less than 20 hours a week exhibited the greatest amount of job quitting. And workers earning less than $10,000 a year had the highest amounts of quits and retires. On the other hand, people who had college educations, had been working in their jobs 15 years or more, 40 or more hours a week, and who earned $30,000 or more a year, stayed in their jobs in greater numbers than any other group of winners. So it is apparent that postwinning work behavior is a complex phenomenon, with the majority of winners remaining in the labor force.[5]

Myth: Many lottery winners become spendthrifts and lose their money.

One of the most common stereotypes about lottery winners is that they immediately spend all of their winnings in a hedonistic, often alcoholic spree. But this is a rare phenomenon. The author has identified less than 10 such cases out of 900 subjects in 15 years. In contrast to popular conceptions which depict winners as wasting their money or spending it frivolously, the largest portion of it in the national survey went to their children (187 or 33% of the winners in the national study said they gave varying amounts to their children, and relatives were given money by 96 or 17% of the respondents). Another 56 people (10%) gave substantial sums to charity, often their churches. An additional 209 (37%) of the winners said they invested the money in stocks and bonds and real estate. Additionally, 14 people (2%) opened new businesses or expanded their old ones, and 97 (17%) of the winners used the money to liquidate debts.

As for purchases, 166 automobiles were reportedly bought by the group, but the largest expenditure was for homes (131 or 23%). An additional 114 people (20%) used some winnings to remodel their present living quarters.

Some people (15 or 3%) used winnings to further their education, and 207 winners (37%) took trips to places around the nation and the world (favorites being Hawaii, Florida, and California). There were, of course, purchases of all sorts of appliances as well as nine boats and four airplanes. But few people lived extravagantly and this is probably because of another myth that surrounds lottery winners.

Myth: Lottery winners are millionaires.

Lottery winners get their money in annual installments, with the typical million dollar win averaging $50,000 a year for 20 years, before taxes. Some winners are taxed at three levels: city, state and federal. This often leaves a so-called million dollar winner with less than $35,000 a year—hardly enough to qualify for millionaire status. Since the money is paid in installments, and these payments cannot be escalated, there is a built-in impediment against spendthrift behavior. And while some people manage to spend their annual installments without any difficulty (in some cases exceeding their stipends by thousands of dollars either from loans or on credit), it is difficult to go through the entire sum before the remaining installments have been paid out over the 20 year period. The author knows of instances where winners have made poor investments that have forced them into backruptcy, but the amount lost usually did not exceed two or three installments. On the other hand, in Canada, where people receive their winnings in a lump sum tax free, it is possible that someone might through a combination of poor judgment, circumstances or plain bad luck, lose much or even all of their winnings, and such a case involving a 42 year old bachelor occurred several years ago in the province of Ontario.

The experiences winners have are, for the most part, related to their own personalities. People who are extroverted and open-minded tend to have fewer problems of adjustment to their new financial status than people who are introverted, anxious and suspicious of others' intentions. Winning the lottery frequently heightens their anxiety and may even cause them to become hostile. (See Kaplan, 1978: 45-67). While winning large sums of money can catapult people overnight from one economic status to another, their lifetime behavior patterns change much more slowly.

Over the years there have been many stories in the popular press depicting winners as forlorn, dispirited and unhappy. But the data in this study indicate winners are quite happy with their lives and families. Winning even enhanced their marriages by relieving financial stress and affording them the opportunity to spend more time together. There were very few instances of divorce among them. While some winners may have problems investing their money, adjusting to their temporary celebrity status, or experience occasional disjunctures among friends and relatives, most contend that having the financial burden lifted off their backs has brought them a sense of security and confidence they never knew before.

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NOTES

1. Two recent television series, "Sweepstakes" on NBC and "Lottery" on ABC helped to create many myths about winners.
2. Participating states were: Maine, Vermont, Massachusetts, Connecticut, New York, New Hampshire, New Jersey, Maryland, Ohio, Illinois, Colorado, Washington.
3. The data may not be representative of all winners since mailed surveys may result in underreporting by individuals with low education. Recent estimates of illiteracy in the United States would seem to confirm this.
4. In addition to the states mentioned in footnote one, other lottery states are: Pennsylvania, Michigan, California, Iowa, Oregon, Missouri, West Virginia, Arizona, Rhode Island, and Delaware.
5. For further information about the work behavior of winners see Kaplan, 1985.