Economic studies show that low emotional stability is negatively related to socioeconomic outcomes, while conscientiousness predicts desirable results. Possible mechanisms behind these relations are far less explored. The dissertation addresses this research gap both theoretically and empirically by including psychological insights into an economic model. Differences in expectations and the individual problem-solving ability are investigated as one important channel for the observed relations between personality and socioeconomic outcomes. The results suggest that particularly both low emotionally stable and low conscientious individuals have a higher risk to be trapped in a disadvantageous circle of negative expectations and experiences throughout life. Intervention already in school might reduce this risk.