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Editor's Note

Welcome to the 2007 AFCPE Conference Proceedings! The program committees have selected an outstanding array of presentations for this year's meeting. Every member should find useful, thought-provoking, and even challenging topics. I *greatly* appreciate the assistance of my graduate assistant, Chris Balas-Spence, a Virginia Tech master's student, and Cara Defibaugh, AFCPE Member Services Coordinator, in the completion of the 2007 AFCPE Conference Proceedings.

Whether you are a practitioner, an academic, a student, a vendor, or another supporter of financial counseling and planning education and service, please take the time to peruse these presentations by our colleagues. They have been reviewed by committees of peers and are presented here as a written record.

Posters and workshops have abstracts that are only one page long. They are easy to read quickly. However, don't let the length of the research papers discourage you. If you aren't into the technicalities of the statistical analysis, skim over that and focus on the findings and recommendations. Use the author contact information to ask the authors to help you apply their findings to your work. Even the references may give you solutions to problems you face or ideas for future work. If you aren't a grass-roots program provider and don't care about how programs are presented, seek to understand the theoretical basis of that education and use the author contact information to gain deeper understanding or to launch a mutually beneficial program evaluation/research project. Benefit from your colleague's knowledge and experience!

Don't just focus on topics and processes that are familiar – push yourself to really understand a new research finding or a highly successful practical application. If you are an academic, especially pay attention to the practitioner work presented here. If you are a practitioner, take time to learn what researchers are doing. Each role supports and informs the other. From the beginning, our organization was designed to provide true communication among and support of each segment of our membership. If we fail to view AFCPE as a broad organization and segment ourselves into narrow interest groups who only seek their own specific current needs, we will fail as an organization and a profession.

As we continue to discuss our profession, its name, the theories we use, and the unique niche our work represents in today's world, and seek to position ourselves to grow and meet the needs of our members and society, consider the work included here. What are we truly doing? Are we doing everything that is needed by our membership and society both now and into the future? Are we developing and supporting the necessary research base, professional preparation programs, and professional support systems? Where are there gaps that we need to address? How can we best prepare for a productive, useful future? How can we document the impact of our work so that those outside our profession understand and value it?

I believe that AFCPE has an important role for all who care about influencing the well-being of families, individuals and society through providing financial education, counseling, and planning. I hope that each of us will contribute positively to the future of our profession. These proceedings offer each of us the opportunity to take stock of where we are individually, as an organization, and as a profession. Take advantage of them! Use them to launch your work in the coming year.

Please consider submitting your work for publication in the 2008 AFCPE *Proceedings* and for presentation at the conference to be held in Orange County, California. Visit the AFCPE website (www.afcpe.org) for conference details and submission guidelines.

Irene E. Leech, Virginia Tech 2007 Proceedings Editor ileech@vt.edu Proceedings of the Association for Financial Counseling and Planning Education, 2007

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Application of the Transtheoretical Model of Change to Saving Behaviors of College Students

Benjamin F. Cummings, and Jean M. Lown¹, Ph.D., Utah State University

Key Words: transtheoretical model of change, TTM, savings, behaviors, attitudes, college students

The Transtheoretical Model of Change (TTM) (Prochaska, 1979) is a psychological theory appropriate for the study of personal financial behavior (Xiao, 2001). By using the TTM, we can better understand the process involved in developing saving behaviors and how to help individuals at the various stages within the model.

Methods

Adapting questions from other studies analyzing the TTM (Cancer Prevention and Research Center, 1991) and questions from The Retirement Personality Profiler (EBRI, 2000), combined with additional questions, we created the Savings Attitudes and Behaviors Survey (SABS). Volunteer survey participants were recruited in undergraduate courses. Utah Saves brochures, with the survey website included on the front, were distributed to the classes.

We hypothesized that most college students will be in the precontemplation stage, due to the dissavings that occurs at this stage in the life cycle. We also predicted that most students will have a saving account, but only a small amount would contribute to long-term savings. We hypothesized that most students would like to receive advice from a financial professional, yet most will seek free parental advice instead (Lyons & Hunt, 2003).

Results and Implications

The survey was completed by 112 students (33 male, 74 female, 5 missing). The participants were self-selected and are not representative of all students. Surprisingly, 71.2% reported contributing to some sort of savings account at least monthly. In addition, 92.8% reported having a savings account; however, only 10.8% reported owning a mutual fund, and 9.9% reported have a retirement plan at work. Contrary to our hypothesis, 11.1% were in the Precontemplation stage and 44.4% were in the Termination stage of the TTM.

Consistent with our hypothesis, 83.3% reported talking with their parents about saving money and 41.7% said that it was likely or very likely that they would visit with a financial professional in the future. One-third felt they should pay down debts before saving, but 87% felt that they could be saving more, with 24.1% reporting that they could be saving at least \$25 more a month. Most importantly, 65.7% wanted more information about savings options.

Because mutual funds are a pivotal part of a long-term savings plan, and only 10.8% reported owning one, it is important to educate young adults on their benefits. Since many students in this study are in the Termination stage of saving and the majority reported a desire to learn more about saving options, financial education is essential. Also, because many consulted their parents about saving (83.3%), it is important to provide educational programs for parents so that they can provide accurate information to their children. Students who are likely to visit with a financial professional (41.7%) would do so sooner if they were able to afford it. The findings support the goal of The Financial Planning Student Association (FPSA) to allow undergraduate students studying financial planning to offer advice to students. Overall, it is encouraging that many college students are on the right track and that they are interested in learning more about saving options.

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Personality Type and the Preference for Qualitative vs. Quantitative Information From a Mutual Fund Prospectus

Mike Smith¹, Roanoke College; Irene Leech, Virginia Tech; Julia Beamish, Virginia Tech; Alex White, Virginia Tech; and Kevin Baker, Roanoke College

Key Words: personality, investments, Myers-Briggs, mutual funds

Today, more and more consumers are purchasing mutual funds for their savings and investments. There is debate as to the usefulness of the current point-of-sale mutual fund disclosure document, the prospectus. Some argue that the mutual fund prospectus contains too much information, thereby inducing "information-overload" from prospective mutual fund buyers. In essence, by trying to insure that potential investors have access to all the relevant mutual fund information, the sheer volume of the information provided causes potential investors to become overwhelmed, and the decision is made by the potential investor to "satisfy" or to settle on a purchase decision that is "good enough."

However, there are others who believe that the current level of information is necessary, and attempts to decrease the amount of information included in point-of-sale mutual fund prospectuses are irresponsible as the current information is needed so that potential investors can choose to be as informed as possible. Therefore, there is debate as to the best course of action and governing bodies have a dilemma as to the best course when it comes to mutual fund information disclosure. It was the goal of this study to provide the governing bodies of the mutual fund industry with this information to assist in the efforts to improve mutual fund disclosure.

This study looked at preferences for mutual fund information using the Myers-Briggs Type Indicator (MBTI®). According to Myers in the 2003 MBTI® Manuel, every individual has a preference for either "thinking" or "feeling." Myers describes "thinkers" as those who prefer to base conclusions on logical analysis with a focus on objectivity and detachment. At the opposite end of the dichotomous relationship lies "feelers," whom Myers describes as those who prefer to base conclusions on personal or social values with a focus on understanding and harmony. Another study (Shiflett, 1989) actually shows evidence that ties these preferences to brain activity, with "thinkers" utilizing the left hemisphere more actively, while a "feeling" preference seems to correlate with the brain's right hemisphere.

Given these differences, a survey was given to 101 upper-class college students that provided descriptions of fifteen mutual fund characteristics. Six characteristics involved qualitative information, while the other nine characteristics were primarily quantitative in nature. The MBTI® was also provided to each student. It was hypothesized that those students with a "thinking" preference would label quantitative information as more important than qualitative information, and that those with a "feeling" preference would provide the opposite result. It was also hypothesized that given the nature of mutual funds that quantitative information would be preferred overall.

The results indicated that "thinkers" and "feelers" did not differ in their preferences for quantitative or qualitative information, but overall, both groups labeled quantitative information as significantly more important than qualitative information.

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Should I Purchase Long-Term Care Insurance?

Lyle Hansen¹, University of Idaho Extension

Key Words: long-term care insurance (LTCI)

Description

Last year, the first baby-boomers turned 60. An estimated 77 million will follow in their footsteps. The baby boomers represent a large target market for long-term care insurance. With aggressive marketing of long-term care insurance (LTCI) by companies and highly-commissioned sales agents, many consumers are pressured to purchase coverage. Consumers are buying LTCI before fully assessing their need and financial situation or comparing alternative options. Consumers need a source for unbiased information.

Should I Purchase Long-Term Care Insurance? is a presentation that has been taught in cooperation with AARP Idaho, to over 800 people throughout Idaho during the past two years. The presentation, designed by a University of Idaho Extension Educator, provides participants with up-to-date information they need to determine if LTCI fits their situation, and, if so, information to make an informed purchasing decision. The presentation utilizes a set of 30 PowerPoint slides with supporting speaker notes; a *Comparing Long-Term Care Insurance* worksheet to compare and select a LTCI that is affordable, competitive, and right for the participant; and a user-friendly evaluation form.

Through use of the *Should I Purchase Long-Term Care Insurance*? presentation, adult consumers will increase their knowledge, confidence, and skills with regard to LTCI. Participants will learn:

- 1. What Long-Term Care Insurance is
- 2. When it should and should not be considered
- 3. Where you can purchase LTCI and how much it costs
- 4. How to customize a policy that is right for you
- 5. Possible federal and state tax deductions
- 6. If you choose to purchase LTCI, steps to follow in evaluating a policy
- 7. How insurance companies determine eligibility to receive LTCI benefits
- 8. How to use the *Comparing Long-Term Care Insurance* worksheet when considering the purchase of LTCI

Impacts

Evaluations returned at the conclusion of seminars indicate:

- 95% agreed or strongly agreed they increased knowledge of what LTCI is and how it works.
- 97% agreed or strongly agreed they better understand steps to take when considering the purchase of LTCI.
- **95%** agreed or strongly agreed they increased knowledge if LTCI is right for them.
- 94% agreed or strongly agreed they are better prepared to compare and shop for LTCI.
- 97% agreed or strongly agreed they have a better understanding of what to look for in a LTCI insurance policy.

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Tricks of the Trade for Luring Consumers into Money Traps

Irene E. Leech¹, Sophia T. Anong, Patricia J. Fisher, and Celia Ray Hayhoe Virginia Tech

Key Words: payday loans, predatory lending, consumer fraud

Predatory lending is growing across the United States. Consumers in the U.S. marketplace use credit to have things now rather than saving or investing until they can pay cash. For some consumers, spending is addictive behavior and access to easy money is as harmful as giving beer to an alcoholic. Most consumers have little or no educational preparation or experience with many of the tools promoted in today's financial marketplace and thus are not prepared to effectively protect themselves.

Many decision makers believe that the marketplace should provide any financial product that anyone wants to provide. Today, many states have no usury limit and products such as pay day loans, car title loans, refund anticipation loans, and alternative mortgages are proliferating. Decision makers argue for complete consumer responsibility rather than a balance between consumer and seller responsibility that is overseen and enforced by government. Regulators say that an unregulated marketplace is ideal and consumers have the responsibility to make sure that they fully understand any product they use and to assure that they can meet all of the related obligations. Many view consumer education as the solution, but it is not broadly available or funded at a level that would adequately prepare consumers.

Unfortunately, many marketing strategies are designed to, at a minimum, de-emphasize the costs and negative aspects of these financial products. Many of the products are quite complicated and consumers do not understand how they work or their obligations as they use the product. For example, some payday lenders say that they will allow a consumer to enter a partial repayment plan if they are unable to repay the entire amount on time. Consumers are unlikely to have prior experience with a product that removes a repayment opportunity on the day the money is due. As a result, few consumers use the partial repayment option, even when it exists.

Problems are exacerbated by the fact that consumer finance contracts are typically written in legalistic language that the average consumer does not understand. Many consumers assume they will not understand them even if they try. Lender explanations are often incomplete and misleading. One car title lender explained the APR on her product saying "It just costs one percent per day," rather than saying "the APR is 365%."

Marketers of predatory financial products are skilled promoters. Like all marketers, they lure consumers by creating a need for their product. For example, after a series of weather and other disasters requiring emergency rescues, a recent television advertisement for payday loans targeted emergency rescue personnel. It praised their work, and offered help for their financial emergencies, saying that just like rescue workers help the community, the payday lender will help them. Another example is that many payday lenders are categorized as check cashers rather than as payday lenders in the yellow pages or business listings of telephone books.

Regardless of legislated or regulated attempts to limit the availability of their products, predatory lenders continue to skillfully evade such obstacles. Consumers, financial counselors, and educators need to be vigilant to ensure that they fully understand today's financial products and the vulnerabilities of consumers so they can help consumers protect themselves.

Some of the things that consumers need to beware of that are currently happening in the marketplace include:

- Pressing those who take out payday loans to take out the largest loan available, regardless of need.
- Strongly encouraging consumers to re-loan when they come in to pay a loan off (staff are penalized when consumers do not re-loan).
- Strong-armed collection techniques, including posing as local police and threatening consumers with service of a warrant for arrest if payment is not made by a certain time
- Sale of internet, or computer, or other contract that is really a disguised payday loan

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Investment Education for Spanish-Speaking Audiences

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Key Words: investment education, Spanish, internet, retirement planning

To make the jump from surviving financially on a day-to-day basis to effectively investing money towards retirement, people need to know how to make informed decisions about investments. Unfortunately, many people do not. Research shows that certain populations are unlikely to have the knowledge needed to invest. This project aims to provide Latino/Hispanic audiences with investment and retirement planning education.

Target Audience

Latinos/Hispanics are the least likely of any United States race or ethnic group to invest in stocks or bonds. They tend to be conservative investors (when they do invest) and are often most comfortable investing in "brick and mortar" investments such as housing. As concluded by Choudhury, ¹ not participating in riskier, higher-yielding financial assets may account for some of the large disparity in wealth between households that cannot be explained by income and demographic factors. Research shows that people with higher investment knowledge are more likely to participate in investment practices such as owning mutual funds, stocks and bonds.²

Latinos/Hispanics have embraced using the Internet as a source of information, even more than other population groups. Hispanic families identified the Internet as the second most preferred information source to learn about managing money.³ Even people who are bilingual often prefer content in their first language. A Roper Survey found that 71% of online Hispanics who speak at least some Spanish say that online Spanish content is important.⁴

Project Description

The *Plan Well, Retire Well: Your how-to guide* web site (www.RetireWell.uiuc.edu) helps young adults to plan for their retirement and to make informed decisions. Using the established web site as a starting point, University of Illinois Extension is expanding the program to reach Spanish-speaking audiences. *Plan Well, Retire Well* sections are being translated into Spanish, starting with "Choosing Your Investments Wisely." Monthly news releases, which focus on investor education and are in Spanish, will be distributed throughout Illinois and will be available nationwide through the Spanish-version of *Plan Well, Retire Well* web site: *Planee Bien, Jubílese Bien, Su guía de cómo hacerlo* at www.retirewell.uiuc.edu/espanol. Social marketing theory is being used to develop appropriate promotional materials to attract Spanish-speakers to the *Planee Bien, Jubílese Bien* web site. With investment education in Spanish, and through targeted marketing to Latino/Hispanic individuals and families, this project will help Spanish-speaking people learn about investments and feel confident to make investment decisions.

Implications for Educators

As the Spanish-speaking population continues to increase in the United States, more demand for financial education materials in Spanish will arise. The *Planee Bien, Jubílese Bien* web site and related educational articles will be available to financial educators and their clients nationwide. Now is the time to learn about these resources.

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The Plan Well, Retire Well project is funded in part by a grant from the Investor Protection Trust (IPT). The IPT is a nonprofit organization devoted to investor education. Since 1993 the IPT has worked with the States to provide the independent, objective investor education needed by all Americans to make informed investment decisions. www.investorprotection.org

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Workshop Demonstration of a Consortium of Colleges and Universities to Promote Financial Education in the Workplace

Alan Gappinger¹, Heartland Institute of Financial Education

"Financial Literacy" is not another trendy catch phrase. It reflects a serious concern among government, private and public sector organizations deeply concerned with disturbing trends in the fiscal behavior of Americans. The movement for a financially literate society is based on the overriding belief that Americans can't do better if they don't know better. But what do they need to know and how can it best be taught?

Definition

The Government Accountability Office (GAO) has defined financial literacy as "The ability to understand financial choices, plan for the future, spend wisely, and manage the challenges that come with life events such as job loss, saving for retirement, or a child's education."

Delivery Method

The workplace seems to be an effective location for providing employees with financial education. In support of this concept, employers are increasingly aware of the effect of *financial illiteracy* on the wellness and productivity of their organization. But as we'll see, method does matter. Traditional methodologies for providing financial education to employees, includes educational literature, websites and advice/information from retirement plan providers (fiduciary advisors under the Pension Protection Act haven't yet had an impact). While these methodologies have helped some employees, their success has been limited to a small and often only well educated group of employees. At the same time, employers sometimes find themselves caught between becoming liable for not providing financial education versus getting into trouble for "how" financial education is provided and "who" does the providing. And finally they are concerned about the cost of providing the financial education, no matter how appropriate or effective.

So how do we solve these concerns and still deliver the GAO's definition of financial literacy?

On-site financial education courses may be one of the most effective answers. This workshop will discuss studies that indicate the positive effect of financial education in the workplace. In addition, data will be offered that supports improvements in various employees' financial lives, due to financial education courses and financial counseling. Financial education courses taught on-site at the employer location is the first step. But that's not enough. To solve the employer concerns about what to teach and who does the teaching, it seems reasonable that instructors should be required to be certified, agree to a code of teaching ethics and only enlisted on a non-solicitous basis. In addition, employers will be more comfortable with and open to financial education on-site, if instructors are monitored and provided with effective, non-biased teaching materials. This is where a non-profit Institute, supported by a Consortium of colleges and universities has already entered the picture. Financial education courses are provided by the Institute and reviewed through the Consortium. By providing qualified instructors and overseeing their conduct and effectiveness, the Institute helps employers feel confident about course material and the quality level of instructors.

This workshop will discuss results from courses and financial counseling that has been offered in over 200 companies across the United States. Comments from human resource directors and employees will be shared, along with the data.

We have a long way to go, but results to date indicate that effective partnering to provide financial education is positively changing financial behavior.

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Long-Term Care: Planning for Quality of Life in Later Life

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Key Words: long-term care, long-term care insurance, seminars, Medicaid, long-term care resources

Description

Most Americans will encounter the need for long-term care, either for themselves or a loved one. Long-term care (LTC) refers to a broad range of supportive medical, personal and social services for people who are unable to provide for their own needs for an extended period of time. This need for care from others may be caused by accident, illness, dementia, stroke, depression or frailty. The costs of a rapidly growing generation of elderly people needing care are placing significant pressure on care-giving family members and government programs. One year in an Idaho nursing home is reaching \$60,000 or more; the average stay is 2.4 years. Individuals and families need to understand long-term care options, costs and plan for a 'later life' of health and dignity. University of Idaho (UI) Extension faculty partnered with AARP-Idaho, local agencies and businesses to offer *Long-Term Care: For You and Your Loved Ones* seminars for Idaho residents. In 2006 AARP-Idaho provided more than \$155,000 of grant and in-kind support. AARP's contributions enabled Extension to offer the seminars at no cost to participants. University of Idaho educators planned, implemented, and evaluated 10 four-hour seminars in 2006 and five in 2007.

Seminar participants learned how to plan for LTC, manage its risks, and protect their financial security despite LTC's high costs. Topics explained during the workshop and presenters include:

- Local Resources for Long-Term Care Area Agencies on Aging
- Should I Purchase Long-Term Care Insurance? University of Idaho Extension Educator or Idaho State Department of Insurance
- Can I Get Medicaid Assistance for My Care Costs? Idaho Department of Health & Welfare, Idaho Attorney General's Office, Idaho Legal Aid or elder law attorneys

Impacts

Since 2003 University of Idaho Extension and AARP-Idaho have co-sponsored thirty seminars reaching over 2,200 Idaho residents. During 2006, more than 730 Idahoans attended Long-Term Care seminars. Forty-six percent of participants were age 65 or younger. Evaluations returned at the conclusion of the 2006 seminars indicate:

- 95% of participants have a better understanding of long-term care issues than before the workshops
- 93% increased their knowledge of long-term care options
- 91% agreed that information provided will help them make long-term care decisions
- 71% learned ways to pay for long-term care

Participants commented that as a result of this workshop they would:

- Help parents with long-term care decisions
- Set up a guardianship for a disabled child
- Consider purchasing long-term care insurance
- Review my current long-term care insurance for adequate coverage

The need and demand for long-term care is expected to rise dramatically as baby boomers age. Therefore, University of Idaho Extension plans to continue offering Long-Term Care seminars in partnership with AARP-Idaho and our cooperators. Since some adults are unable to attend seminars, copies of a video filmed by AARP at the Boise Long-Term Care seminar were provided to community libraries throughout Idaho, thus educating thousands of additional Idaho residents about this important topic.

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Reducing Identity Theft Risk Exposure: Has FACTA Made a Difference?

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Identity theft is the stealing of a victim's personal information to commit a crime such as fraudulent credit card purchases. Checking a credit report regularly for evidence of identity theft recommended to reduce the risk of loss. The Fair and Accurate Credit Transactions Act of 2003 (FACTA), directed credit reporting agencies to provide consumers with one free credit report annually, upon request, through a centralized source (<u>www.annualcreditreport.com</u>) that was rolled out nationwide in four regional stages between December 1, 2004 and September 1, 2005.

Data were collected from an online *Identity Theft Risk Assessment Quiz* to determine the frequency of credit report monitoring as an identity theft risk reduction strategy following the provision of free credit reports and whether a statistically significant increase in the frequency of credit report requests had occurred. Findings from a previous study (O'Neill & Xiao, 2005), conducted before the provision for free credit reports nationwide was implemented, are updated and comparisons of credit file requests by pre- and post- FACTA sample respondents are reported.

Data came from responses to 20 questions, each weighted between 1 to 5 points apiece so that total quiz scores can range from 20 to 100. The higher the total score, the more frequently a respondent is practicing recommended identity theft risk reduction strategies. A Likert-type scale uses the following responses for each question about identity theft risk reduction strategies: 1. I never do this, 2. I rarely (every once in a while) do this, 3. I do this about 50 percent of the time, 4. I usually (almost always) do this, and 5. I always do this. The quiz also includes seven demographic questions.

The data set for this study consists of 1,042 subjects who took the *Identity Theft Risk Assessment Quiz* after the implementation date for free credit reports in their state through December 31, 2006. The quiz URL is http://njaes.rutgers.edu/money/identitytheft/. The convenience sample was 54% female with 40% of respondents under age 35 and 42% between age 35 and 54. About a third (32%) had attended trade school, had some college, or an associate's degree and 52% had a bachelor's degree or higher. Caucasians comprised 69% of the sample, which was equally split between married and single respondents; 30% had minor children.

As with a previous study using data from this online quiz (O'Neill & Xiao, 2005), the three identity theft risk reduction practices that were performed the least frequently by respondents were checking a credit report annually for errors, having a post office box or locked mailbox for incoming mail, and avoiding the carrying of a Social Security card and any type of identification with a Social Security number on it. Mean scores for these items were of 2.52, 2.56, and 3.21, respectively. Thus, checking a credit report continued to be the least frequently reported risk reduction practice, despite implementation of free credit reports under FACTA.

ANOVA tests were used to explore differences in frequency of identity theft risk reduction practices by demographic variables. Age differences were found, but patterns were mixed, and consumers with middle incomes had a higher mean quiz score than others. ANOVA tests were also used to test for differences in frequency scores for requesting credit reports before and after the regional free credit report starting dates. The post-FACTA sample of 1,042 was compared to over 19,000 pre-FACTA implementation date quiz respondents. The mean score for the quiz item about checking credit reports was significantly higher after free reports were available than before (F = 60.94, p < .0001).

Findings of this study appear to compliment Consumer Action's recent study where 27% of Americans were found to have never reviewed their credit report and 47% did not know they could get a copy for free (2006 America's Financial IQ Survey, 2006). Nevertheless, the finding of a significant post-FACTA improvement in quiz scores is encouraging. Continued education about this law and the use of credit reports as an important identity theft risk reduction strategy is required to increase the frequency of this practice.

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Assisting Families in Poverty: The Creation of a Holistic Approach

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Key Words: poverty, financial counseling, family therapy, and locus of control

Families living in poverty face many challenges such as insufficient employment or income and even limited knowledge on parenting skills, proper diet and nutrition, and basic home maintenance skills. A lack of knowledge in such areas could affect the overall well-being of the family. Health is important for a family's economic well being such as the ability to hold a job, attend school, and care for the needs of the family. Persons with poor health have a significantly higher probability of experiencing financial stressors (Lyons, 2005). Experiencing economic strain has a negative affect on a family's mental and emotional health (Mills, Grasmick, Morgan & Wenk, 1992). O'Neill (2005) suggests that holistic programs be developed to address the areas of finance and health. Locus of control has also been found to be related to health as well as goal achievement. Lower income households have a lower sense of control and level of health compared to higher income households (Lachman and Weaver, 1998).

This research proposes to examine four primary areas believed to affect a family's locus of control and thus their ability to meet goals for improvement. The four areas are family relations, financial and housing issues, nutrition, and overall health. The goal of this project is to help families enhance their internal locus of control, see improvement in their situation, and perhaps one day exit poverty. A total of 30 households registered with the Georgia Department of Family and Child Services will be examined. Home consultations will be given by a marriage family therapist, financial counselor, housing counselor, and nutritionist². Each family will also receive an environmental health assessment³. The service providers will work together to teach each family the necessary skills to improve their sense of control and eventually reach a position where they are able to get out of poverty.

The service providers (marriage family therapist, financial and housing counselor, and nutritionist) will be receiving a rare opportunity to work closely together. When such services are received separately the providers may recognize that additional help is needed, but may not have the skills to provide it. This project will give the service providers the opportunity to work together to improve each participating family's locus of control. The service providers will meet regularly to discuss the needs of the families and their progress. This holistic approach to counseling will allow participating families the opportunity to learn skills that may help them move out of poverty or at least more positively address the challenges they face.

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 $^{^{2}}$ The marriage family therapist will be the primary contact and will be present at each home visit (a total of 25). All services will be provided by graduate students who are certified or licensed in their respective professions.

³ Mold, fungi, and allergens samples will be collected by the service providers and will be tested by professionals in the environmental health lab in the college of Family and Consumer Sciences at the University of Georgia

Usefulness of a Debt Management Program to Reduce Financial Stressor Events and Lower Financial Distress

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Key Words: financial distress, debt management program, financial stressor events

Purpose

The purpose was to determine whether debt management program (DMP) clients whose incidence of paying late fees and contacts from creditors about overdue bills changed also reported changes in financial distress.

Methodology

Survey questionnaires were mailed to a random sample of 8,000 DMP clients. Incentives (\$2 cash or charity donation) and follow-up postcards were used to increase participation, producing a delivered sample of 2,042. The dependent variable, financial distress/financial well-being, was measured using the InCharge Financial Distress/Financial Well-Being scale (Prawitz et al., 2006), although this data collection had substantial variations in the item response terms and scaling from the original instrument. The eight-item instrument produced scores to measure individuals' perceptions of and reactions to their financial distress/highest financial well-being. Factor analysis with the indicators making up the InCharge Financial Distress/Financial Well-Being scale produced one factor that explained 62% of the variance. The Cronbach's alpha of 0.91 indicated excellent internal consistency.

A four-item index with summed scores measured incidence of financial stressor events. Items measured events that included payment of late fees, receipt of overdue notices, letters, and/or phone calls from creditors, and receipt of calls from collection agencies. Scores could range from 4 to 8, with lower scores indicating fewer incidences of financial stressor events. For this study, a factor analysis on the items produced a single item that explained 65% of the variance. The Cronbach's alpha of 0.81 indicated good internal consistency for the items included in the index. The independent variable, progress made toward getting finances under control after joining the debt management program, was measured on a semantic differential from 1 = no progress to 10 = excellent progress.

Hypothesis

H: Those who had made more progress toward getting finances under control and reported fewer incidences of financial stressor events after joining the DMP would report less financial distress/more financial well-being.

Data Analyses and Results

A regression model tested the hypothesis, regressing financial distress/financial well-being on both progress toward getting finances under control and incidence of financial stressor events. The hypothesis was supported (p < .001); those who had made more progress toward getting finances under control and who reported fewer incidences of financial stressor events experienced less financial distress/more financial well-being.

Conclusions

Participation in a DMP includes access to financial education, intended to initiate positive changes in financial behaviors (e.g., paying bills on time). Financial education promotes better financial management practices, enabling clients to make progress toward getting their finances under control. For clients in this study, those whose financial progress resulted in fewer incidences of financial stressor events also experienced less financial distress/more financial well-being. While not all DMP clients made progress by reducing their negative financial activities, for those ready to make changes, the DMP was an important source of motivation, education, and support.

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Exploring Perceived Norms, Financial Education and College Student Financial Behavior

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Key Words: credit cards, college students, social norms, socialization

Background

Credit card debt has become a serious problem for some college students. In 2004, the average credit card debt among undergraduates was \$2,169 (Nellie Mae, 2005). Certain imprudent credit-related behaviors, such as making late payments, carrying a balance and "maxing out" may be an even greater cause for concern than the amount of debt, since they could negatively impact one's credit rating and signal that debt has become unmanageable.

Health promotion researchers have linked peer norms with college students' imprudent behaviors, such as excessive alcohol use (Clapp & McDonnell, 2000; Perkins & Wechsler, 1996). However, there is a paucity of research exploring a potential link between perceived peer norms and imprudent financial behaviors. Financial socialization literature does suggest that parental prudence influences responsible financial behaviors of college-age offspring (Hibbert, Beutler, & Martin, 2004). This study extends the current body of literature by exploring a relationship between perceived norms (of parents and peers) and imprudent credit-related behaviors. It also explores whether or not having pre-college financial education influences the relationship between norms and behavior. This project was made possible through the generous support of Great Lakes Higher Education Guaranty Corporation.

Methods

An online survey was administered to 270 students in a personal finance course at the University of Wisconsin, Madison, in fall 2006. Students reported the frequency of credit-related behaviors for themselves, parents, close friends, and typical students, ranging from 1 (Never) to 5 (Always). If students or parents did not have credit cards, they chose "N/A"; this resulted in a sample of 147 cases. Behaviors of interest included making late payments, carrying a balance, and maxing out. Correlations were used to examine the relationship between perceived norms and personal behavior. This was done, first for the entire sample, and then split between those who had and had not taken a pre-college personal finance class. ANOVAS were used to test for main and interaction effects of perceived norms and financial education on personal behavior.

Results

Positive correlations between perceived norms and personal behavior were observed among the entire sample for carrying a balance and maxing out. When the sample was split, most correlations were preserved, but primarily among those students who did not have pre-college financial education. Main effects were observed for perceived norms and pre-college financial education for carrying a balance and maxing out. Interaction effects were observed for all three behaviors of interest.

Conclusions

The results of this study support a relationship between perceived norms and imprudent credit behaviors. They also suggest that a personal finance class may help mitigate the influence of imprudent norms. Additional questions are raised, such as: are certain behaviors more influenced by norms than others? Are certain reference groups more influential than others? How does financial education affect the relationship between norms and personal behavior?

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Impacts of Race and Ethnicity on Retirement Adequacy, Life Insurance Adequacy, and Dual Adequacy

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Key Words: retirement wealth adequacy, life insurance adequacy, minority financial planning

Introduction

One might define financial security as the ability for a household to meet both current and future consumption needs. Two major considerations in financial management that affect a household's financial security are retirement and having sufficient resources in the event of the death of a breadwinner. Current trends in the US show a lack of adequacy in both life insurance and retirement planning for many Americans. Yuh, Montalto, & Hanna (1998) found that only 52% of U.S. households were adequately prepared to meet retirement needs, however, race was not a significant determinant. Bernheim, Carman, Gokhale, & Kotlikoff (2003) found that actual life insurance did not seem to fully address the need estimated for the households; there was greater vulnerability among nonwhites compared to whites.

One reason for examining these issues together is that blacks tend to have greater life insurance ownership than whites, but, less of corporate securities (Stevenson & Plath 2002). However, the intuitive follow-up question is whether this results in overall financial vulnerability. The purpose of this poster is to look at retirement wealth adequacy and life insurance adequacy and then by combining the measures - examining those who are adequate in one but not the other; adequate in neither, or adequate in both. This publication is made possible by a generous grant from the FINRA Investor Education Foundation.

Methodology

This study uses data from 2004 Consumer Expenditure Survey and the 2004 Survey of Consumer Finances. The sample is limited to households that consist of a couple, currently working with income above the poverty level, and have a determined retirement age. Retirement wealth is determined adequate if a household is able to maintain preretirement levels of consumption from accumulated financial assets and pension income including Social Security at planned retirement age. Similarly, resources needed if a spouse were to die tomorrow is projected using a financial need based approach that considers lump sum needs at death as well as ongoing income needs. The resources that are considered include surviving spouse's income, social security survivor benefits, financial resources, and existing life insurance. A household will be adequate if their resources match or exceed their needs.

Results

The results shown in Table 1 indicate the percent of households meeting the adequacy measurements. White households are better prepared financially for both retirement and spousal death regardless of it is the primary wage earner or secondary wage earner. Regardless of race or ethnicity, households appear to better prepare themselves for death of a spouse than they do for retirement. Less than half of all households are prepared for both retirement and for the death of a spouse with slightly over a third of Black households prepared while less than a fifth of Hispanic households are prepared.

| Table 1. Adequacy Measures by Race and Ethnicity | | | | | | |
|--|------------|----------------------|------------------------|--------|--|--|
| Categories | Retirement | Primary ¹ | Secondary ² | Total | | |
| White | 60.10% | 66.20% | 68.20% | 49.20% | | |
| Black | 42.10% | 46.90% | 49.60% | 34.00% | | |
| Hispanic | 32.90% | 37.00% | 42.80% | 19.30% | | |

Note: ¹Indicates Primary wage earner dies.

² Indicates secondary wage earner dies.

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Advice from the Experienced: Analysis of Open-Ended Responses on a Student Credit Card Survey

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Key Words: college students, credit attitude, credit use

In 2007, 6,520 students at a large Midwestern University responded to a survey on various aspects of credit card use. As part of that survey, students were given an opportunity to respond to the following question:

We are very interested in learning as much as possible about issues facing college students related to money management, credit card use, and paying for their college education. Also we are interested in any advice you might give to incoming freshmen. Please use this space below to tell us anything else you think might be important for us to know.

Qualitative analysis of their responses to this question give financial educators, financial counselors, and financial planners offer a unique opportunity to learn what college students think about credit cards – obtaining them, using them, or avoiding them.

Several themes emerged from their responses.

- *Strings or Wings.* Some students were clueless about financial management...and knew it: "I just make my dad pay all my bills... I know nothing about my finances.... which is probably stupid." Whereas for others, home-taught lessons made a deep impression about financial responsibility: "I grew up on a farm where we worked our butts off for every dollar. I know the value of money."
- *Experience is a Hard Teacher.* Some students responded out of bitter experience: "Avoid use of credit cards except for emergencies!!!! We are currently enrolled in a non profit credit card consolidation program to get out of debt." Others wrote about learning the full cost of credit only when the bills came in and complained about being misled at the 'sign up tables.'
- *Credit Cautions.* Given the chance, numerous survey respondents would admonish freshmen to avoid credit card use altogether or use it very sparingly, for example, just for emergencies.
- *Knowledge is Essential*. Several students were adamant that college students need to learn financial management skills. Some insisted that all students should take a course in Personal Finance, whereas others pointed to opportunities such as freshman orientation as a place where financial instruction could be given.
- *Structural Barriers*. Interestingly, several students placed credit card use in the context of larger financial constraints on college students: parental income too low to help pay expenses but too high for the student to qualify for financial aid, low pay of work on and off campus, limited availability of grants and scholarships.

Study findings confirm that much work remains to be done to increase the level of financial literacy among college students, but in some unexpected ways. The students voicing the pressure of structural barriers made it clear that addressing financial literacy is only one part of the financial issues faced by college students. More work is needed to better understand the broader context of college student's financial lives. This research also revealed a wide difference in attitude toward and experience with credit among college students, challenging the simplistic notion that college students can be broadly classified as either quite naïve about financial matters or given to prodigal spending. Indeed, it became clear that the financial education needs among college students was quite diverse, suggesting a more targeted approach to financial education on campus could be beneficial.

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Housing Expenditures of Older Americans

Deanna L. Sharpe¹, University of Missouri-Columbia

Homeownership has long been part of the American Dream. For most Americans, their home is both their largest asset and their largest expense. When financial educators, financial counselors and financial planners help individuals estimate the amount of retirement savings that they will need, it is important to have accurate and current information regarding potential expenses during retirement. This study examines the largest component of those potential expenses – housing.

This study uses the 2002 Consumer Expenditure Survey, a nationally representative survey of consumer spending patterns, to take a closer look at housing expenditures for the non-institutionalized population near and in retirement. Differences in average annual housing expenditures for renters and homeowners are listed in Table 1 by age group. All differences in expenditures except for shelter for renters and homeowners aged 65 to 74 were significant at p < .0001.

| | Age 55-64 | | Age 65-74 | | Age 75-84 | |
|----------------------|-----------|-----------------|-----------|-----------------|-----------|-----------------|
| | Renters | Home- owners | Renters | Home- owners | Renters | Home- owners |
| Shelter | 7288.70 | 8145.80 | 5514.00 | 5372.50 | 6507.30 | 4148.70 |
| Utilities | | | | | | |
| Natural gas | 208.56 | 455.21 | 150.74 | 396.47 | 188.91 | 424.27 |
| Electric | 736.33 | 1191.1 | 493.87 | 1089.40 | 444.35 | 966.96 |
| Water | 145.99 | 455.70 | 89.45 | 435.43 | 54.04 | 419.17 |
| Household operations | 274.04 | 667.84 | 110.77 | 570.38 | 155.46 | 661.40 |

Table 1. Housing Expenditures of Older Americans by Age Group and Housing Tenure

The findings presented in Table 1 should be useful for financial counselors and educators who are helping individuals and families plan for retirement. Clearly, there are significant differences in housing expenditures by housing tenure. Renters, on average, pay less than half of the amount on utilities than homeowners pay, most likely due to differences in size and structure of rented versus owned dwellings. Shelter costs decline for all three age groups. Interestingly, homeowners aged 55 to 64 pay significantly more for shelter than renters. Shelter costs for those aged 65 to 74 are not significantly different, whereas homeowners aged 75 to 84 pay significantly less.

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"Financial and Economic Issues" Are the Number One Problem Facing the American Family: A Five Year Study of College Students

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Key Words: family finance, financial problems, college students

The goal of this poster was to report on data collected over a five-year period from college students enrolled in a course in family relations at a Mid-South university. Because this class was part of the University Social Science Core Curriculum, students from all over the campus were enrolled. The class was taught in a large auditorium with an average enrollment of more than 160 students every semester for a total of about 1600 students. Although the majority of the students were of the female gender from the School of Human Environmental Sciences, usually 20% of the class was male.

Starting in the Fall Semester of 2002 and concluding with the Spring Semester of 2007, the same assignment was given to all students prior to the first class lecture. After a faculty member started the class, all students were given an assignment called, "Vote Your Opinion." For the first six semesters, data which had been placed on WebCT was printed onto a paper form and collected during the following class period. The results of the printed forms were entered into an Excel file by a student assistant. For the last four semesters, the data has been collected from a survey located on SurveyMonkey.com. E-mails with a link to the web address of the survey were sent to all student enrolled in the class. The students responded to the survey on line and the data was compiled in an Excel file.

Essentially, the items on the survey were the same for each of the 10 semesters. There were twelve to thirteen issues on each of the surveys. The instructions given to the respondents were to rank order the major issues facing American families today. The most important issue was given a value of one (1) and the least important issue was ranked thirteen (13). Eleven issues were taken from the student's text book. The "threat of terrorism" was added and later the "war in Iraq" was also placed on the survey. The location of the items on the survey was randomly assigned each semester in order to avoid questionnaire design bias.

The same issue was determined to be the number one issue facing the American family in each of the 10 semesters. It was "Financial and Economic Issues Faced by the Family." For example, in the Spring of 2007, the mean ranking of this issue was 4.43, which was closely followed by the "Instability of Couple and Family Relationships" with a mean rank of 4.48 (the lower the score, the higher the raking. These two issues have had the same ranking for all 10 semesters. In the Spring of 2007, of the 158 responses, 38 (24.1%) rated the financial issue as the number one while 32 (20.3%) rated family instability as number two. The profile of the average student who ranked finances as the number one issue was female, white, more than 20 years of age, a sophomore, and described themselves politically as "moderately conservative."

Each student was to state the reason why they selected the issue they did as number one. For example, one student made a very personal observation, "Financial issues seem to be the number one reason for conflict within the family and divorce. I know financial issues were one of the main reasons for my parents' divorce."

The implications of this research strongly suggest that college students are aware of the financial stresses and strains the current economic situation places on the American family. The results of this study may also reflect the fact that the university is located in a low income state which normally ranks at 47^{th} or 48^{th} per capita income.

This study suggests that students are aware of financial problems facing American families. It may also be the case that they are concerned with their own future financial well being.

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Happy Money: Integrating Happiness Research in Middle and High School Financial Education

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Key Words: positive psychology and money, behavioral economics, financial education outcomes

Objectives/Purpose

The purpose of this poster is to both deconstruct and expand ideas about what the outcomes of financial education could be through incorporating research in positive psychology and behavioral economics.

Description

Ellen Swallow Richards, the founder of home economics (now called family and consumer sciences), believed that home economics stood for creating an ideal home life by using the research of modern science to inform best practices in food preparation, money management and so forth, with the goal of improving overall home life (Sklar & Beecher, 1973). The very word, "economics," in home economics meant the application of scarce resources to desired ends. Classical economics also theorizes that consumers apply scarce resources to purchasing a market basket of goods that allow maximum utility, or happiness. In classical economics, it is assumed that more income means more utility because more money allows the consumption of more goods and services which creates more utility or happiness. Research from the positive psychology arena indicates a somewhat different story than classical economics, in that an increase in income and thus goods at one's disposal, does not necessarily bring with it a lasting increase in happiness because of the negative effect on utility of hedonic adaptation and social comparison (Easterlin, 1995). Since World War II in the United States, happiness responses have been flat in the face of considerable increases in average income (Tella & MacCulloch, 2006).

Historically, personal and family finance education has focused on topic areas such as career decision-making, budgeting, credit, insurance, saving and investment planning, and retirement planning, with the implicit assumption that life could be made better if people created more wealth, borrowed less money and managed money wisely. While traditional curricula may not explicitly say, "more money is better," it is a clear message from most textbooks. Only wealthier families can afford to have full insurance coverage, have minimal debt, and still have enough to save and invest for retirement and other future goals. While financial educators would agree that it is better to have money, positive psychology and behavioral economics research shows that human happiness is not merely a function of money; in fact, money plays only a partial role in happiness. Higher subjective happiness scores are associated with finding meaning in life. Meaningful lives are defined as those with social connection, religious participation, marriage, finding work that allows flow experiences, and an emphasis on giving back to one's community and family (Diener & Seligman, 2004; Easterlin, 1995). Financial educators may add complexity to the idea of what constitutes financial well-being by expanding the old "more is better" model with findings indicating where and when money enters into human life to increase happiness.

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Financial Management Practices of Couples with Great Marriages

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Abstract

This qualitative study focused on financial management practices of self-selected couples willing to participate in a study about great marriages. Almost two-thirds of the couples stated that one of the spouses handles day-to-day money management. Trust and communication were important factors discussed by many couples. It did not seem to matter if the wife or the husband handled the finances, or if they had joint accounts or separate accounts. Over half of the participating couples said they had little or no debt or were trying to get out of debt. They tended to be frugal and live within their means, and there were no real spending problems among the participants. Couples reported that they face, or had in the past faced, financial challenges but they work together to get through those challenges.

Key Words: great marriages, finances, debt, money management

Introduction

Counselors, educators, therapists, and clergy working with married couples often encounter situations in which finances are a major contributing factor to marital dissatisfaction. Some family professionals focus primarily on finances within marriage. It is a challenge for those who work with couples to understand the many problems facing couples, and to help motivate them to improve their situations. Financial researchers can increase the knowledge base of professionals who work with couples, and help professionals find ways to motivate couples to make positive behavior changes.

This study looked at how self-selected couples participating in the Great Marriage Research Study managed their finances. The study explored couple responses to determine if there were themes involving money management. The inquiry focused on strong marriages, using participating couples as experts in the area of good marriage practices. By examining couple responses we can learn what helps them have good marriage relationships.

Recent literature has addressed the role of financial practices in marital satisfaction and also in divorce. Professionals working with couples find that money issues impact the quality of marital relationships. Olson (2003) reported that debt was one of the top five financial stumbling blocks in marriage. Stanley, Markman, and Whitton (2002) reported that money was the most frequently reported area about which couples argued.

Arguments over money and other financial issues can lead to divorce. Terling-Watt (2001) stated that disagreements over money were significant predictors of desired divorce for both married males and females. Another study focusing on divorce issues reported that financial problems were the fifth most common reason cited for divorce (Schramm, Marshall, Harris & George, 2003).

For those that continue in the marriage relationship, money matters can significantly impact that relationship. The Center for Marriage and Family (2000) stated that debt brought into marriage was the primary problem area for newlyweds. Another study focusing on newlyweds (Johnson, Schramm, Marshall, Skogrand, & Lee, 2004) found that three of the eleven most problematic areas for newlyweds were finance related. Those who reported bringing debt into the marriage had significantly lower marital satisfaction and adjustment scores than those with no debt.

A study that looked at older couples (Henry, Miller & Giarrusso, 2005) with an average age of 69 found that family finances was third on a list of challenges (11%), with leisure being first (23%) and intimacy being second (13%). In regards to financial challenges, complaints about spending and investing were the most common.

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Given that divorce is costly to individuals and society in many ways (Schramm, 2006), research findings about financial issues relating to marriage should be incorporated into marriage education. This education can help couples increase marital satisfaction and decrease the divorce rate (Stanley, Markman, & Blumberg, 2000).

Methods

Using a strength-based framework, this study looked at strengths and positive qualities of couples and families instead of focusing on the problems within marriage and families (Olsen & DeFrain, 2006). Couples in this study were considered the experts, and researchers extracted themes expressed by the couples. Questions were open-ended so couples could express their thoughts without being constrained to multiple choice answers or scales.

Participants

Participants were self-selected and were not randomly selected from a larger group. This study is not meant to be generalized to all married couples; it is meant to be exploratory and to contribute to the literature of strong marriages and good money management practices.

Instrument

The 31-page questionnaire consisted of 123 items that were divided into three sections. The first section collected demographic information. Section two was the qualitative part of the questionnaire, and section three was a quantitative marital strength inventory.

Section two, the qualitative section, was the longest of the three sections. It consisted of 46 open-ended questions that allowed couples to express themselves freely. Most questions had several parts to help participants think through each issue, and each question had a place for the husband and wife to answer separately. One question asked about money issues specifically and consisted of the following:

Talk about money. Disagreements over money are perhaps the most common type of disagreements couples have. How do you manage money? How do you deal with debt? Who is in charge? What conflicts do you have over money, if any, and how do you resolve them?

Survey Sample

Of the 64 surveys collected the ages of wives ranged from 23 to 88 years, and from 25 to 89 for the husbands. The mean age of the wives was 57 years, and 61 for husbands. One hundred thirteen wives and husbands were currently in their first marriage. Twelve wives and husbands were in their second marriage and two husbands were in their third. Participants were asked to state how long they had been in this current marriage. The answers ranged from three to 67 with the mean being 35.

The survey asked couples to state in their own words what ethnic/cultural group they belonged to and almost all were European American. Education categories were assigned as "high school degree," "some college or other training," "bachelor's degree," "some graduate school," and "graduate degree." Forty percent of the wives had received some college or other training and 23% had bachelor's degrees. Forty-three percent of the husbands had graduate degrees and 25% had some college or other training.

Forty-eight percent of the wives were currently employed and 60% of the husbands were currently employed. For those reporting income, the combined income ranged from \$14,086 to \$250,000 with the median being \$65,500.

Procedure

Letters were sent to 214 small and large, rural and urban newspapers in 23 states. The letter asked willing editors to publish information about the Great Marriage Research Study in the family life section of their newspapers. An example of what could be published was sent with the letter. The printed information asked those who felt they had strong, satisfying, happy, great marriages to volunteer for the study. Contact information was listed so participants could learn more about the study if they were willing to participate.

In addition to newspapers, other forms of advertising included a family strength website through the University of Nebraska (http://unlforfamilies.unl.edu), flyers distributed through personal contacts, word of mouth, and emails sent to people asking them to spread the word.

Couples willing to participate in the study were sent a two-page consent letter, a copy of the survey, and a postagepaid, self-addressed envelope to return the completed survey. Sixty-four questionnaires were completed and received.

This qualitative study is a smaller study that comes from a larger study titled the Great Marriage Research Study . Each couple in this study was assigned a number (1-64) and referred in the data by number (i.e., as husband #3 or wife #27). Quotes in this paper reference the assigned numbers.

As researchers read completed surveys for the first time they noted general ideas and themes. They also highlighted answers that referred to finances. During the second reading of financial-specific answers, themes were clarified and refined, and sub-themes were identified. Each financial answer was analyzed to determine if it fit within any of the themes or sub-themes. Stories and quotes were used to support the themes and will be discussed in this paper.

Results

Participants responded to specific questions about financial matters, but they also discussed financial matters throughout the questionnaire. They talked about how they manage their money, trusting each other, communicating about money, having little or no debt, and living within their means. Some participants also brought up financial challenges they have had, or are now having, and described how they work through them. They also talked about other couples who have financial problems, and some gave financial advice to other couples.

One Spouse Handles the Finances, Budgets, or Pays the Bills

Nearly two-thirds of the couples in this study (41 out of 64) stated that one of the spouses handles the day-to-day finances. This may include tasks such as paying the bills, keeping track of spending, and creating and using a budget. Participants listed various reasons for this money handling arrangement, and some said that one spouse had more experience or expertise in the area of finances. One husband (#27) said:

I have the expertise, so I manage all our finances. We have been through good times and tough times. I handle finances always, but I keep my wife informed. If we need to "cut back" or economize, I simply explain the situation, suggest how she can assist, and she follows through.

Other couples stated that time was the largest factor in determining who handled day-to-day finances. Sometimes roles were switched, depending upon who had more available time. Another husband (#1) said:

For some years she looked after expenses; now I do it because I have more time. We assumed roles based upon who had the most time (or made better used of it) or was most inclined, for whatever reason, to take it on. My wife does everything well.

For other couples, one spouse handled the finances just because they enjoyed it more than the other. Wife #17 said, "I keep the books and pay the bills because I enjoy doing it." One couple reported that the husband had the experience, but the wife still handled the family finances. That husband (#28) stated:

My wife loves to manage our money. Even though I am the only one who has had a money making career since we got married, I am more than happy to have her take care of all the finances. I work every day with multi-million dollar budgets and am excited about how she has our future finances all worked out. We hope to retire early and have some special time together that we did not have on the front end of our marriage.

It did not seem to make much difference which spouse handled the money. Of those that talked about one spouse taking care of financial matters, 25 wives handled finances and 16 husbands handled finances. As stated previously it was more important to the couples that one person had the time, expertise, or desire.

Trust

Participants frequently talked about the need for trust in managing finances. It was important for both the person managing the finances and the non-managing spouse to have trust in the other. One wife (#8) said, "I would trust Jim with my life and I know he feels the same way. He has let me handle our finances since we got married, what trust he must have in me!" When asked how they learned about what it takes to have a strong marriage, wife #5 said, "Letting only one person handle finances is a major factor, but the partner should be aware of them at all times. TRUST cannot be replaced by anything."

However, this trust must be earned. One wife (#28) stated that she enjoyed working with numbers, including budgeting, balancing the check book, and basically managing money. When she had earned his trust, her husband turned it all over to her:

The first year of our marriage I was pretty much left in the dark about the bills, etc., because my husband's first wife was terrible with money. Once my husband realized I could be trusted, he started to trust me.

Communication

Another theme was the importance of communicating about finances. Some participants said it was important for the spouse who handled finances to keep the other spouse informed. Communication in general was asked about and commented on throughout the questionnaire. Some individuals commented on communicating about finances specifically. One wife (#35) said that:

I feel our communication patterns are better now than they were when we were first married. We are generally positive with each other. When we have a conflict we talk about it together and try to come to an understanding. We sit down together and work out our budget and discuss how we will spend our money.

Over one third of participating couples (26) said discussing major purchases was important. Even if one person handled the finances, these couples stated that they always discussed major purchases. Husband #17 said they have a general rule. "We bring potential large purchases (over \$100) to the other's attention and we generally must get the other's approval before purchasing." Another husband (#14) said, "If a large purchase becomes necessary we discuss it and decide together what to spend and what not to spend."

Some couples stated that each person could spend money no matter who was taking care of the finances. One wife (#19) said, "We manage money now by being open about our financial status. We use one checkbook and both can spend money knowing the other will not spend large amounts without discussing it."

Joint Account or Separate Accounts

There was not a trend to either have joint accounts or separate accounts. However, a few couples seemed to feel strongly about one method or the other. One husband (#23) said, "No separate accounts. We don't have 'my money' and 'your money." Another husband (#49) said:

We have had separate checking accounts and have had them since realizing two people writing checks from one account doesn't work. She pays the household bills from her account and I pay all the farm expenses from mine.

Arguments about Money

Some couples stated they had never argued about money. Others said they had argued or still do have arguments about money. This may be due to lack of income as one husband (#36) reported, "Our retirement income is small and becomes less each year. For this reason we must watch our pennies and we occasionally will disagree on financial matters." On a more humorous note, one husband (#33) said, "I handle the money which usually goes well. Unless she smiles and bats her eyes! Then she sometimes gets her way. Then she says 'I win, I win!"

We might speculate good money management reduces arguments about money. One wife (#7) said, "We have never had disagreements about money. Early on we decided not to buy on credit—to stay within our means—now in our old age we don't have to worry about money, we are self sufficient."

Little or No Debt

Besides having one spouse handle the finances, another strong theme was that of having little or no debt, or at least trying to pay off debt quickly. Over half of the couples (38 of 64) specifically talked about having little or no debt or paying the debt off quickly. Wife #51 said:

We have never purchased a vehicle unless we had the money to pay cash for it. The same is true for all household appliances and furnishings. We use a credit card only for convenience and the bill is paid in full each month.

Another wife (#55) said, "We paid off our mortgage as fast as we could and always pay our credit card bill in full each month. We even paid cash for a new car."

Lived Within Means

Many couples stated that they did not buy what they could not pay for, were frugal, or lived within their means. Wife #5 said:

We are two of the most frugal and conservative people you would know, long before the words were familiar. Money was hard to come by so we really worked at saving, sharing and spending. We even to this day cut each others hair and share everything we possibly can. We managed to save and pay cash for our home when we retired in 1994. We do not own a credit card. Paying our tithe has helped considerably.

Husband #20 talked quite a bit about how they have managed to be frugal over the years. The couple wanted the wife to be able to stay home with the children, and they had to work hard to make ends meet. He said:

Our finances were always challenging as we lived for much of our childrearing years on my income alone. But we each found ways to stretch our budget dollars. My wife bought food on sale, comparison shopped, made quantity purchases, and crafted many things that otherwise would have been purchased such as clothing and holiday gifts. I did most of the maintenance on our vehicle, saved us thousands of dollars by painting the house twice, and we planned vacations where we camped rather than staying in motels. In all, we managed just fine and have always prided ourselves in being thrifty consumers and savvy shoppers. For us, this challenge brought us even closer by living within our income without sacrificing our lifestyle.

One survey question asked couples to rate, on a scale of one to five, one being "very low" and five being "very high," the enjoyable time they spent together and asked them to specify how they felt about several items. One of the enjoyable times together was "simple, inexpensive good times." On three fourths (48) of the surveys, the husband and the wife both marked five.

Financial Challenges

Even though these couples generally had little or no debt or tried to live within their means, they were not without financial challenges ranging from low to extreme in severity. One couple (#26) recently lost over 20 million dollars. However, the husband expressed that the problem was not within their marriage. He said:

All of our challenges are outside our marriage. We have lost over \$20 million recently because of terrible legal advice. We have had our professional designations and ability to continue in our professions taken from us. We have lost all of our worldly possessions. We have had to start in new occupations at the age of 60 with no retirement funds. There are still many lawsuits we are defendants in because of the bad legal advice. There is the very real possibility that we will have to go bankrupt. Our kids have also had their jobs and assets taken from them because of this.

When asked to describe a high point and a low point in their marriage, one husband (#27) included financial issues in both. The low point involved coming close to bankruptcy due to a business relationship with a "dishonest partner." He stated that there was a lot of worry, anger, and other emotion they had to work through together. However, he called these "external factors." For the high point he said:

In 1981 we were at a low point because of the above. We were in debt, had an expensive house in one community we had to sell because I had taken a job in another, and it took over two years to sell. We had no financial strength at all—flat broke—and we were growing older. I was about 50 years old and we worried about retirement. Through hard work and serious and committed savings and investing, 15 years later we were out of debt, had a very substantial investment portfolio, and were able to retire comfortably and move back to the west, a lifelong dream. The nine years since then have been a high point.

Financial challenges were mentioned in both older and younger couples. One younger couple (#29) talked about having financial stress due to school expenses. Another couple (#33) talked about having "huge challenges" such as a pregnancy before marriage, no college, little money, children with bad health, lost jobs, premature babies, car accidents, etc., but also stated that they "never give up" and are "in it together."

Some older couples currently have financial stress because of limited income and are worried about retirement. Other older couples reported having financial challenges when they were younger but worked through them. Husband #48 said:

In the early years there was never quite enough money to go around. We often had to go without a lot of things but in these later years we are affluent enough to meet our desires. We never went in debt to get unneeded things.

View of Couples Having Problems

One survey question asked couples if they knew other couples having difficulties, and if so, what they thought caused these difficulties. Answers to this question were quite varied: selfishness, lack of communication, no appreciation, etc. Twenty-nine of the surveys mentioned finances specifically. Some talked about it in passing with a group of other problems, while others stated finances as the main cause of other couples' problems. One husband (#35) said that "Most, if not all, of their difficulties have to do with the financial area. I feel all marriages should begin with a good understanding of finances." A wife (#28) said the financial problems were because one or both of the spouses "don't have the discipline to manage money."

The last open-ended question on the survey asks what would be most useful in helping couples prepare for and continue to have good marriages. Some husbands and wives gave financial advice in response to this question. Wife #5 said:

In no way should you go into debt, just to have it all—having it all does in no way make for a happy marriage. Struggling and limiting your spending will help to give you strength. If you had it all you would have no place to put it.

One question in the survey asks what preparation the couples wish they had for marriage. A few couples wished they had some financial preparation before they got married. One husband (#2) said he wished he had some financial counseling and said he did not "have a clue" where the money went the first few years. Wife #16 said:

I wish I would have been prepared a little more on managing finances. I don't feel like I am very good. We could have saved ourselves from getting a student loan our first year together if I had known how to manage money better.

Discussion

This study focused on couples who self-selected themselves to be in a study about great marriages. The goal of this study was to learn how couples with great marriages manage their finances. The findings from this study can help financial counselors, planners, and educators work with married or about-to-be-married couples in the financial area.

Although nearly two-thirds of the couples reported that one spouse handled day-to-day finances, one-third of the couples did not manage their finances in that way. This latter group still participated in the study because they felt they had great marriages. Those that divided up financial tasks seemed to have a plan for handling finances as did the couples where one spouse handled the finances. The conclusion can be drawn that it is not a requirement in having a good marriage to have only one spouse handle the finances. Having a plan on how to manage money is more likely the important aspect.

It was important for each couple to make plans for money management based on what worked for their marriage. Issues such as who had the most time, expertise, or desire were important concepts when just one person handled the money. Couples who split tasks between spouses needed to have a clear plan. Both strategies worked well as long as the couples had plans.

Of the couples who decided to have just one spouse handle finances it did not seem to matter whether the wife or the husband did this task. It also did not seem to matter if they had joint accounts or separate accounts. It was more important that they did what worked for them and had a plan for handling finances.

Trust was an important trait, especially if just one spouse handled the finances. There was trust to not overspend, trust to pay the bills on time, or trust to talk about large purchases before making them. The trust was earned, not just given.

Another related component was communication. Although communication was asked about and mentioned in responses in many different areas, communicating specifically about finances was brought out in many questionnaires. Couples stated that it was necessary for both spouses to be informed about the finances and to talk about major purchases.

None of the answers disclosed any major spending problems. In fact, over half of respondents related that they tried to avoid debt or at least to pay it off quickly when they had debt. Having little or no debt could certainly help those couples have less stress, and could increase their ability to have great marriages.

While some couples talked about their enjoyment in spending money traveling, eating out, and doing hobbies, many talked about how they were not spendthrifts. Almost half of the couples talked about being frugal, conservative, and living within their means. They did talk about some little "indulgences" at times, but they did not say that those indulgences got them into financial trouble. They tended to buy only what they could pay for.

From this study we cannot say that having a lack of financial challenges is a requirement for a great marriage. Many of these couples stated they had financial struggles, and some had what could be considered severe financial challenges. Although we can see from the literature that financial problems are often associated with marital dissatisfaction, this study shows that couples can have financial struggles and still have a great marriage. It is most likely how they deal with the challenges and what they think about them that makes the difference.

One husband talked about their financial problems being "outside their marriage." Many couples talked about working together and pulling together during rough times. A few admitted arguing about money but stated that they were able to work through the problems.

It also cannot be said that these couples had great marriages because they had high incomes. Of the 59 couples that reported their combined income, 24 were \$50,000 or below. The lowest reported combined income was \$14,086. Among respondents, having a high income did not seem to be a requirement for having a great marriage.

This study adds to the knowledge base that financial counselors, educators, and planners need in order to help couples learn to communicate about finances and work together when financial challenges arise. Key points learned from participants with great marriages in this study are: Have a plan for money management; conduct spending so that trust is earned and therefore given; communicate about finances, especially major purchases; reduce or eliminate debt; live within means and do not overspend; and when financial challenges arise, work together on these problems and avoid letting the problem be part of the marriage.

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Money and Marriage

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Key Words: money and marriage, finances and relationships, money psychology

Target Audience

Financial educators, counselors and planners working with couples or married individuals.

Objectives/Purpose

To help couples or married individuals get beyond the numbers to the real challenges of sticking to a financial plan.

Description

Financial professionals can help couples discover the challenging emotional issues influencing the way they manage their money. The best financial plan is doomed to failure if it is only about balancing numbers and not about bringing a healthy balance to the relationship. Money issues are intricately linked to strong emotional issues related to security, control, power, independence, acceptance, freedom and self worth. In fact, money is such a charged emotional topic that it is always named as one of the top three causes of conflict in relationships. In a recent CNN study, 84% of couples surveyed said money causes tension in their marriage and 13% said they fight about money several times a month. However, it's really <u>not</u> about money. "If you scratch the surface of almost any money issue, you'll find a relationship issue complicating if not actually driving the problem" according to Jenkins, Stanley, Bailey and Markman in their book *You Paid How Much for That?! How to win at money without losing at love*.

More often than not, by the time a couple comes to a financial advisor for help they are already in serious trouble, and one person is apt to blame the other. Even when the necessary steps are obvious—like tracking their expenses or switching to no-cost or low-cost options for some activities—actually implementing those steps means the couple needs to work together and communicate. Since communicating and collaborating may be new territory for them, providing a safe, non-threatening opportunity to talk openly can set the stage for success.

Taking the time to ask positive, non-financial, open-ended questions in a non-threatening way can help people relax, begin with a more positive frame of mind and reveal important insights. Examples of questions are... *Looking back at this past year, what stands out as a particularly good purchase or use of your money? Who lives the life that you would like to have? When are you most likely to splurge and not worry about money? Growing up, how did you get money?* In addition to these types of questions, an educational tool like Money HabitudesTM cards can give couples a non-confrontational, common vocabulary to have productive, non-judgmental conversations and help them understand the hidden emotional needs influencing their financial behaviors.

Another way to approach the emotional aspects of money management is to have each person share what influenced the development of their habits and attitudes about money. *How did their personal characteristics and experiences help them feel confident or incompetent about managing money? What messages did they get from the way their parents managed money and how they talked about it? How did their extended family, community and culture influence their definitions of wealthy, poor, successful, independent, generous and other powerful concepts related to money? What religious or spiritual teachings affected their beliefs about giving, receiving, living simply or acquiring wealth? How has advertising and the media influenced their choices? These conversations help uncover what's behind the problems and can be the key to understanding how to develop the best plan. For example, if one person spends too much and hides the bills to take control when the spouse is tightfisted and controlling, a plan to cut back spending which recognizes and provides for this person's need for some control will be more successful. Another example would be someone who spends a lot on clothes as a reaction to being teased as a child for wearing hand-me-downs will be more likely to follow the plan which teaches smart shopping not sacrificing quality clothes.*

The bottom line is that financial professionals can have a higher success rate when working with couples if they go beyond the numbers and take the time to talk about the non-financial issues that motivate their financial behaviors.

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Financial Education Learning Preferences of Rural Minnesota Spanish Speakers^{1,2}

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Abstract

The purpose of this study was to determine the financial education learning preferences of rural Spanish-speaking Minnesota residents through a secondary analysis of qualitative data. Nine men and 22 women who participated in four focus groups indicated they wanted classes taught in Spanish, by someone whom they trusted, and wanted to be taught through home visits or in small groups. Implications for financial practitioners are suggested.

Key Words: best practices, financial education, Hispanic, learning preferences

Introduction

Minnesota is a state with a small but growing proportion of residents that speak Spanish. According to the 2000 U.S. Census, there were 132,066 Minnesota residents that spoke Spanish at home, accounting for 2.9% of the state's population. While this represents a small percentage of the overall state population, it continues to rise. Spanish speakers represented 3.5% of Minnesota's population in 2004 (U.S. Census Bureau, 2004). Many of these Spanish-speaking residents are immigrants and the majority live in rural southern Minnesota. Observing the growing number of Spanish speakers, University of Minnesota Extension has been teaching financial education classes in Spanish to Minnesota Spanish speakers for a number of years.

A report published in 2004 by the National Council of La Raza (NCLR), a non-profit Latino advocacy and civil rights organization, reported that basic financial educational needs were not being met for Spanish-speaking immigrants (National Council of La Raza [NCLR], 2004). Information reported by Braunstein and Welch (2002) provide additional insight as to why this may occur. They reported that increased financial information may not always lead to improved financial behavior. They identified other elements that play a role in how well the learner understands concepts such as the manner in which the financial education is delivered. Spanish speakers may have unique needs concerning effective delivery methods of financial education to which educators must pay attention.

A study was conducted to determine the unique learning preferences of rural Minnesota Spanish speakers regarding financial education. This paper first identifies related literature, describes the method of data collection and analysis, then presents the results, and concludes with implications for financial practitioners.

Literature Review

Relevant literature regarding learning preferences for Spanish speakers is presented, as well as information about data sources and the populations that were studied. The unique focus of the current study is then presented.

Studies show that people of different cultural backgrounds prefer different learning strategies and environments (Rhine & Toussaint-Comeau, 2002). Prior research demonstrates that Spanish-speaking consumers prefer learning about finances through personal experience, the internet, formal courses, and informal seminars (Braunstein & Welch, 2002; Hilgert & Hogarth, 2006; Rhine & Toussaint-Comeau, 2002). Additionally, low income consumers report preferences for learning through media, trusted peers, and community leaders (Hilgert, Hogarth & Beverly, 2003; Rhine & Toussaint-Comeau, 2002).

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 $^{^{2}}$ The term 'Spanish speaker' was chosen rather than 'Hispanic' or 'Latino', which do appear a few times in this paper. The terms could be used interchangeably.

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These studies utilized nationally representative data of which Spanish speakers are a minority (Hilgert & Hogarth, 2006; Hilgert et al., 2003), or were conducted in a metropolitan area (Rhine & Toussaint-Comeau, 2002). This limited their ability to provide data on consumer preferences for rural Spanish speakers. Learning preferences may vary depending on whether one lives in a rural or urban setting.

The unique aspects of this study are that it addresses the specific learning preferences of rural Spanish speakers and uses qualitative data. The current study focused solely on the learning preferences of rural Spanish speakers, not comparing their preferences with any other group. Another unique aspect is the use of qualitative data. Using qualitative data allowed participants to speak for themselves and researchers to hear the voices of those they intend to serve. Qualitative data provides the opportunity to understand the lived experiences and perceptions of the participants, allowing them to explain why they preferred one learning style over another (Kvale, 1996).

Methods

The purpose of this study was to determine the learning preferences of Spanish-speaking Minnesota residents. This was performed through a secondary analysis of textual data. The original data were obtained as part of a program evaluation of Dollar Works en Español, a financial education curriculum taught in southern Minnesota in Spanish by two native Spanish-speaking educators. The original program evaluation is beyond the scope of this paper, but the data allow the research question to be answered.

Participants

Participants consisted of a volunteer sample of nine men and 22 women who were Spanish-speaking Minnesota residents. Each participated in one of four focus groups, each lasting approximately 90 minutes. No other demographic data were obtained other than by observation or self-disclosure during the discussions. In order to obtain approval from the University of Minnesota's Internal Review Board (IRB), no demographic data were recorded, participants were informed they could use an alias or pseudonym if they wished, and they were not asked to sign their consent forms. They were instructed to simply take them home. The IRB wanted to ensure the safety and anonymity of the participants of this vulnerable population and eliminate any possibility that participants could be tracked or traced.

Data Collection

Four focus groups were held for the original study which was a program evaluation. A qualitative methodology was appropriate for the type of evaluation to be conducted (Ansay, Perkins, & Nelson, 2004; Krueger & Casey, 2000), and focus groups incorporated Spanish-speakers' preference for learning in group settings and from trusted peers (Hilgert et al., 2003; Krueger & Casey, 2000; Rhine & Toussaint-Comeau, 2002).

Specific methodological adaptations for working with Spanish speakers were implemented, as suggested by Skaff, Chesla, Mycue and Fisher (2002), and Umaña-Taylor and Bámaca (2004). Adaptations included using a person known to participants for recruitment, reading the consent form aloud together (in order to not embarrass any participant with limited reading skills), and recruiting slightly higher numbers of participants to make allowances if anyone chose not to attend at the last minute.

The two educators who taught the financial education classes in Spanish were asked if they would recruit participants and serve as moderators for the focus groups and program evaluation. The educators agreed and were trained in recruitment, how to conduct a focus group, and how to obtain informed consent.

The educators identified potential participants that had attended four or more of the nine teaching units of the Dollar Works en Español curriculum. These people were contacted by the educators who explained the study and invited them to participate in the program evaluation. There is no information about how many persons were contacted or declined to participate. Bias is introduced by having the educators select, recruit, and moderate the focus groups, but this was considered a necessary strategy in order to obtain participants (Skaff et al., 2002; Umaña-Taylor & Bámaca, 2004). The socio-cultural context of southern Minnesota was that a recent raid by the Immigration and Customs Enforcement Agency resulted in 230 immigrants being deported or shipped to a detention center in another state (Aynte, 2006). This may have dissuaded some persons from participating.

Locations for the focus groups were decided by the educators. They selected cities where the classes had been taught and in which the majority of participants lived. The focus groups were held from mid-January to mid-March

in 2007. Focus groups were held in the following four locations and consisted of five to eleven participants. They are listed in the order in which they occurred.

The first focus group was held in Le Center with four women and one man in attendance. It was held in a conference room in the basement of a local bank. Second, in Mankato eight women and two men participated in a focus group held at the Blue Earth County Extension office. Third, in Rochester four women and one man met for a focus group in a University of Minnesota Extension office. Fourth, in Albert Lea seven women and four men participated in a focus group held at a Catholic church after Mass (which was the same time and location where the classes had originally been taught).

Informed consent was obtained before beginning the focus groups. Focus groups and instruction were conducted in Spanish and tape recorded. Participants each received a \$35 gift card as compensation for being in the study.

The focus group tapes were translated directly from Spanish into English by a native Spanish-speaking graduate student. Due to the multiple meanings of words in Spanish, a more literal translation was made in order to prevent the translator from interpreting what he thought the participants meant.

Analysis

A secondary data analysis was performed. The purpose of this study was to listen to the voices of participants concerning their preferred learning methods of financial education. One of the questions in the focus group asked participants, "How do you best like to learn about money management?" Most of the data for this analysis was provided in response to this question, but the entire focus group transcripts were analyzed for comments related to this topic.

A thematic analysis was deemed appropriate for translated textual data and was conducted in three separate steps. First, unique themes were identified within each focus group transcript. Second, themes found across focus groups were identified. Third, themes found across focus groups were refined. During the analysis process, the transcripts were read repeatedly; the focus group tapes were also listened to repeatedly to listen for emphasis and emotionality. Notation for the transcript quotations consist of a letter or letters designating the location in which the focus group was held, followed by the transcript page number, the line numbers, and then an "m" or a "w" to indicate whether the participant speaking was a man or a woman. Only the findings from step three relating to the research question are presented here.

Results

This paper presents the preferred learning methods for financial education of Spanish-speaking Minnesota residents. Four findings are presented. Rural Minnesota Spanish speakers wanted (a) classes to be taught in Spanish, (b) classes taught by someone whom they trusted and with whom they had a relationship, (c) to be taught through home visits, and (d) to be taught in small groups.

First, participants wanted classes taught in Spanish. Language was seen as the most important element of financial education. A man in the Mankato group said:

I[*t*] would be great[,] classes in Spanish, for people [who] do not speak English. Like the majority are Hispanics and many of them do not speak English. [It] is important it is in Spanish. So people will know what they are talking about and will understand better. (M16. 20-22m)

This man stated that classes taught in Spanish would maximize comprehension. Financial education will do little good if one cannot understand it.

Sharing a common language was one way of establishing a relationship with someone. Participants wanted a relationship with their educator, someone they felt they could trust. A woman in the Rochester group spoke about protecting herself from those she didn't trust. She talked of the need to "... avoid giving [out] our information because most of us are susceptible and there are people that abuse. And [we should] not believe that everything that has been offered to us is good." (R3.26-28w). It seems that this woman had had a negative experience and learned to be cautious about whom she consults for financial advice. After a comment expressing the feeling that a bank representative only wants to sell their products, not provide advice, a man in the Albert Lea group spoke of the trust he felt towards his financial educator. Speaking directly to and about her, he said:
You came without any payment, without any particular interest, you are here trying to help us.... We do not know many things; you are helping us to see to do what is right and [know what is] wrong. (AL 3.25-29m)

This participant expressed gratitude that he could trust his educator and didn't feel that the educator was selling a product or trying to push an agenda. Trust was important for participants to be open to learning financial principles.

Trust would be needed if an educator were to teach through home visits, as a woman in the Mankato group requested. She wanted her family to learn together. When asked how she would prefer to receive financial education she replied:

For me a home visit, I need and I want to learn more, and involve my family, and receive a home visit, and be with the forms filled [out] when the person comes, and not lose time when the person comes, but to involve all the family members. And the only way is when someone comes in my house. (M17.6-9w) This woman felt the only way for her whole family to be taught was in her home. It would be convenient and allow

her oversight in ensuring that all family members were instructed accurately about financial matters.

Learning in small groups was another requested method for learning about finances. Participants explained why. They wanted to learn from one another's experiences, as a woman in the Le Center group said, "... all together, giving our opinions, learning from others as they learn from us. In small groups it works best. And one learns from the others." (LC12.6-8w). Everyone was perceived as having something to contribute. Small group classes were seen as a place where Spanish-speakers could gather and learn from experts and one another. A woman from the Albert Lea group suggested that, "I think in a small group like now, is where we learn better. Because we listen [to] everybody, everyone's problems. Their needs and between us." (AL8.18-19w). Small group classes were a place where participants could connect with other Spanish speakers and feel a sense of belonging and concern for others similar to themselves.

Discussion

This may be one of the few qualitative studies conducted with Spanish speakers in a rural context to determine their preferred learning methods. Findings in this study provide insights about the desired delivery methods of financial education for such Spanish speakers. The results of this study demonstrate that rural Minnesota Spanish-speaking residents preferred to learn about finances in their primary language, from an educator with whom they felt they had a relationship and trusted, by way of home visits and small group classes.

Desiring financial education taught in Spanish is understandable in the light that many immigrant Spanish speakers may have limited English language skills. Financial education in one's primary language may facilitate the understanding of complex financial concepts. Spanish-speaking immigrants may have had negative experiences in regards to their finances, which may be why a relationship of trust was important for a financial educator. A personal relationship with the practitioner would enable Spanish speakers to be more receptive to the financial information presented.

Participants in this study appreciated that their educators did not represent any specific financial institution, which made the educators appear more trustworthy. Those representing financial institutions were perceived as wanting to sell their financial products and services rather than provide unbiased advice. NCLR suggested that successful financial curricula provide learners access to financial tools such as a checking or savings account (NCLR, 2004). Yet according to this study, if the educators themselves represent a financial institution a sense of mistrust may undermine the success of the program.

Minnesota Spanish-speaking residents wanted to receive financial education through the medium of home visits and small group classes. This agrees with prior research demonstrating that low income Spanish speakers preferred to learn in small informal groups (Braunstein & Welch, 2002; Rhine, & Toussaint-Comeau, 2002) and from peers and community leaders (Hilgert et al., 2003). This study extends this research by providing qualitative data that suggest that learning from peers is one of the reasons *why* Spanish speakers prefer small group learning, as well as the opportunity to connect with others like themselves. It served an educational and social function. The desire to learn through home visits was new information, and as of yet it is unknown if this is specific to those living in rural areas. Home visits could prove to be an effective form of education, connecting educators with the daily realities Spanish speakers face and building trust within the Spanish-speaking community. Unfortunately, some other educational methods were not specifically brought up and discussed (i.e. use of internet, radio, interactive CDs, etc).

This study confirms results of prior research, but limitations need to be addressed. Having the financial educators select, recruit, and lead the focus group discussions of a volunteer sample may lead to a bias favoring the learning environment in which participants were originally taught. Those who disliked or were uncomfortable with small group classes may have chosen to not participate in the study. The recent raid on undocumented immigrants may have influenced who chose to participate in the study. Also important to note is that participants of this study were taught through a state University Extension program; Spanish speakers taught in a different educational situation may provide different results and respond favorably to whatever educational situation they were in, out of gratitude for the opportunity to learn more about how financial systems operate in the United States.

This study was conducted in a rural setting where a small proportion of the state's population speaks Spanish. Some married couples participated in the same focus groups, as well as intergenerational families of parents with their adult children, which mirrored those who attended the financial education classes. While not ideal for focus groups, (Krueger & Casey, 2000), this multi-family member participation displayed the importance Spanish speakers placed on financial education and learning as a family. Another incentive for multiple family members to participate was that each person who participated received a gift card, not just each family. Ultimately, because the focus groups were conducted in and translated from Spanish into English, certain meanings may have been lost.

Implications for Practitioners

The following suggestions are directed toward practitioners who interact with Spanish speakers in predominately English-speaking rural areas. Implications are discussed in terms of (a) skills needed for practitioners, (b) ways to build trust and facilitate group learning, and (c) suggestions for teaching through home visits.

First, an important skill financial practitioners can develop is the ability to communicate with their Spanish-speaking audience. Practitioners can learn to speak Spanish or hire personnel that do. Even learning conversational phrases may demonstrate that a practitioner is willing to extend himself or herself to help Spanish speakers. Efforts made to learn Spanish and communicate in a practitioner's non-primary language will provide the practitioner insights into the challenges that Spanish speakers face as they navigate life in a world that doesn't speak their primary language. If hiring personnel that speak Spanish, seek respected community members, or find a bilingual student who has taken the classes and train him or her.

A shared language may be the first step towards building trust. A practitioner may want to keep the classroom or learning environment open slightly before and after classes are held to allow for relationship building among and with learners. This will provide learners the opportunity to socialize with other Spanish speakers and get to know the practitioner outside of the class setting. It is important to remember that another reason that the Spanish speakers said they preferred learning in small groups was to be able to learn from one another. Successfully facilitating group discussions around topics will enable students to take an active role in their education, offering insight and wisdom to others. The practitioner must be aware that as different experiences are shared, some disagreements and misconceptions may arise. The practitioner may need to assist learners in distinguishing what is accurate from what is false, and provide specific answers when possible. Good practitioners listen to the experiences of learners and relate the teaching materials to the needs of their group members.

Language skills and relationships with the Spanish speakers will be important for practitioners who teach through home visits. The ability to engage all family members of various ages at the same time may be very challenging. Creativity may be necessary to find effective ways to teach financial principles in a manner that is understandable and engaging for family members of various ages. Curricula may need to be developed to incorporate a family, rather than individual, approach to learning.

In summary, rural Spanish-speaking Minnesota residents wanted a financial educator whom they perceived as a friend—someone they could talk to and trust—to help them learn about finances.

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Financial Education at the Worksite

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Key Words: worksite education, financial education, workplace education, fee-based programming

Target Audience

The target audience for this presentation is Extension and other financial educators interested in worksite programming.

Objective/Purpose

Participants will

- become aware of the research indicating that there is indeed a business case for providing financial education for employees
- learn how to market financial education to employers
- determine different ways educators and employers can work together to implement worksite financial education
- identify ways that employers can support the delivery of financial education content by creating a culture of support at the workplace for good financial decision-making
- learn the specific topics identified by human resource personnel as those most needed by their employees
- become aware of ways to fund worksite education through both fee-based programming and grants and contracts

Description

Increasingly, the worksite is becoming one of the premiere venues for education, not just for training directly related to production of the good or service at hand, but for education on topics that effect the workers' well-being and commitment to productivity. This presentation will focus on the demand for financial education at the worksite and on Extension programming implemented by one state to meet that need.

Before initiating worksite financial education programming across the state, developers held a series of focus groups with human resource managers to identify critical topics and content and to package programs in a format appropriate to the worksite venue. Local Extension educators also work with employers to do additional needs assessment at plant sites and to develop company-specific educational plans. Since initially offering fee-based programs in basic financial education to employers, presenters have continued to develop worksite programs in a variety of formats. These include both single and multi-state projects to identify content, develop worksite curricula, test marketing and delivery methods and evaluate learning for worksite financial education. Programs implemented have included

- fee-based lesson series delivered by Extension educators between shifts or during lunch breaks at the worksite
- fee-based train the trainer programs delivered by Extension specialists to human resource personnel from the company's headquarters and branch locations
- grant funded programs that target specific worker groups by age, occupation or occupational cluster
- training to strengthen the skills and capacity of Extension educators to partner with employers in worksite financial education

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Financial Behavior and Quality of Life of College Students: Implications for College Financial Education

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Abstract: This paper reports preliminary findings from a study on financial behaviors of college students. Objectives of the study are to identify factors associated with financial behaviors and to examine associations between financial behavior and quality of life of the students surveyed. Results of bivariate analyses show that frequencies of performing positive financial behaviors are associated with many factors, such as attitude toward performing the behavior, perceived control, parental influence, peer influence, class standing, etc. In addition, performing desirable financial behaviors is positively associated with financial satisfaction, physical health, mental health, academic performance and satisfaction, and life satisfaction.

Introduction

Young people age 18-25 are in a life-cycle stage distinct from other periods of development (Petersen & Leffert, 1998), which is labeled emerging adulthood (Arnett, 2000). In the U.S., about 60% of emerging adults are college students. A student's first-year year in college marks the beginning of this developmental period and is characterized by a host of major life-changing experiences, as these individuals make the transition out of adolescence. In the midst of these transitional life events, money, and in particular the credit system they have gained access to, plays a central role in shaping the attitudes they form and behaviors they adopt, not only toward financial management but also toward life in general.

As financial educators, we provide college students with the knowledge and skills needed to manage their finances. We also encourage them to form positive financial behaviors, since we believe positive financial behaviors will help them to improve their quality of life. From a research perspective, college students may be the best population to study how positive financial behaviors are formed, since they are experiencing a unique transitional period, from financial dependence to independence. Understanding the formation of their financial behaviors and the association between financial behaviors and quality of life can help educators better serve their students by developing and implementing effective, behavior-change oriented education programs for them.

In this paper, we report the findings from an exploratory study, which was implemented to examine the factors associated with college students' financial behaviors and to explore whether these financial behaviors were associated with students' quality of life. In the following paper, we briefly review previous studies, which have looked at the financial behaviors of college students. We then describe our conceptual model and research objectives. The methodology and findings follow. The last two sections conclude the paper and provide implications for financial educators who work with college students.

Previous Studies on Financial Behaviors of College Students

As the use of credit cards has proliferated on college campuses (U. S. General Accountability Office, 2001; Manning 2000; Nellie Mae, 2005; Education Resources Institute & The Institute for Higher Education Policy, 1998), researchers in disciplines such as economics, sociology, psychology, and higher education administration have become increasingly interested in the financial behaviors of college students. Some researchers have focused on college students' attitudes about and behavior with money in general (Danes & Hira, 1987, Fan & Xiao, 1998; Markovich & DeVaney, 1997, Masuo, Malroutu, Hanashiro, & Kim, 2004; Rindfleisch, Burroughs, & Denton, 1997). Others have specifically focused on the ways students use credit cards and the attitudes they have toward credit cards (Armstrong & Craven, 1993; Xiao, Noring, & Anderson, 1995, 1997; Education Resources Institute and the Institute for Higher Education Policy, 1998; Hayhoe, Leach, & Turner, 1999; Hayhoe, Leach, Turner, Bruin, & Lawrence, 2000; Joo, Grable, & Bagwell, 2001; U. S. General Accountability Office, 2001; Hayhoe, 2002; Lyons, 2004, 2007; Staten and Barron, 2002; Baum and O'Malley, 2003). In particular, earlier studies focused on factors that influence credit card selection behaviors (Kara, Kaynak, & Kucukemirouglu, 1994) and relationships between

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students' characteristics and the tripartite (affective, cognitive and behavioral) components of their attitudes (Xiao et al., 1995, 1997).

A few researchers have also attempted to develop a causal model that can predict a college student's attitudes and behavioral tendencies when acquiring a new credit card (Kidwell & Turrisi, 2000) and also describe the role that money attitudes and credit-card use plays in the development of compulsive buying behavior (Roberts, 1998; Roberts & Jones, 2001). Also, a group of researchers (Pinto, Parente, & Palmer, 2001a; 2001b) conducted a study to determine whether school solicitation policies or student academic performance caused differences in the ways students used credit cards, and they found no evidence of any differences.

With the recent increase in the number of reports regarding college students' misuse or overuse of credit cards, researchers have begun to investigate the personal factors associated with credit card use, specifically the number of credit cards, on average, that a student possesses as well as the extent to which the average student typically carries a credit card balance (Hayhoe et al., 1999; Hayhoe, et al., 2000; Hayhoe, 2002, Hayhoe, Leach, & Allen, 2005). Other research has looked at the extent to which different promotional mechanisms used by credit card firms influence students' balance and delinquency status on their accounts (Staten & Barron, 2002). Lyons (2004, 2007) reported a demographic profile of college students (female, Black, and Hispanic) who were more likely to be financially atrisk. Researchers also examined the ways in which college students' credit card attitudes and behaviors were related to psychological and social factors such as locus of control (Joo et al., 2003), impulsivity, life satisfaction, and stress (Norvilitis & Maria, 2002; Norvilitis, Szablicki, & Wilson, 2003), parental socialization (Palmer et al., 2001; Lawrence et al., 2005; Lawrence et al., 2006), and materialism (Pinto et al., 2000).

Compared to previous studies on financial behaviors of college students, our study has three unique features. First, we propose a conceptual model that integrates several social-psychological theories to understand how college students form positive financial behaviors and how these behaviors affect their quality of life. Second, we examine financial behaviors in a more comprehensive manner that covers not only cash and credit but also saving behaviors. Third, we examine the association between financial behavior and students' quality of life.

Theoretical Framework and Research Objectives

We identified several theories that were relevant to the purpose of our study: the theory of human development (Arnett, 2000; Baltes, 1987; Havighurst, 1972; Shanahan & Hood, 1999), consumer socialization (John, 1999; Moschis, 1987; Ward, 1974), and planned behavior (Ajzen, 1991; Ajzen & Fishbein, 1980). Using these theories as a foundation, we developed a conceptual framework for analyzing the formation of financial behaviors and the impact that these behaviors have on the well-being of young adults. Integrating these theories, we propose that socialization processes – family, peers, and financial education – combined with demographic factors– influence a young adult's attitudes, values, and knowledge about finances. We further hypothesize that these attitudes and values, along with subjective norms and perceived control, influence an individual's behavioral intentions and financial identity, in turn, influencing their actual financial behaviors. In our model, we posit that financial behaviors ultimately affect one's overall well-being, not only with respect to his or her personal finances but also with respect to physical/mental health, school achievements, and life satisfaction. The conceptual framework is presented in Figure 1. For a more detailed discussion of this conceptual model, see Xiao, Shim, Barber, and Lyons (2006).





In this exploratory study, we have two research objectives: 1) to identify potential factors that affect performances of financial behaviors among college students; and 2) to examine potential effects of financial behaviors on the quality of life of college students.

Methodology

In spring 2006, a survey was developed and pre-tested based on the literature review and information gathered from college students using focus group techniques. Upon receiving approval from the University of Arizona's Internal Review Board (IRB), the survey was finalized and put online. In fall 2006, we partnered with the university's Financial Aid Office and administrated the survey. The online survey was sent to two consecutive random samples of students (4,000 each) at the University of Arizona in November 2006. For each random sampling, one follow-up reminder was sent. Overall, 1,197 students responded to the survey, with a return rate of 15%. Thirty-five scholarships ranging from \$100-\$500 were given as incentives for participation through a random drawing.

Among the 1,197 students who responded, 976 completed the survey. Of these, 11% were graduate students and 89% were undergraduate students. We conducted ANOVA on major demographic variables and tested them to determine if there were any differences between the two samples. The only difference found was related to student status. The first sample had more graduate students than the second one (106 graduate students in the first sample compared to 5 in the second sample). In this study, we focus on the financial behaviors of 781 undergraduate students and report statistics based on this group of students. For more details about the study, see Xiao, Shim, Barber, and Lyons (2007).

Descriptive Statistics of the Sample

The sample was evenly distributed across sophomore, junior, and senior classes; however, a higher proportion of students were freshmen. Most of the students were non-business majors, female, white, and in-state residents. Hispanic and Asian students were over-represented while blacks were underrepresented, which is typical in southwestern states. The distribution of GPAs was skewed towards the higher end. Noticeably, 20% of students reported that their GPA was "not available," possibly because this was their first semester in college. Most of the students were not financially independent. Forty percent of them did not have income. The distribution of parental incomes was evenly distributed from the low to the high end; however, 23% of students were not sure about their parents' income level.

Financial Behaviors

In this study, the students were asked how frequently they performed ten financial behaviors. Of which, six were about cash management, one was about credit management, and three focused on saving behaviors. The question was worded as follows: "Indicate how often you have engaged in the following activities within the past six months: never, seldom, sometime, often, always, and not applicable."

In the sample, most students indicated that they always or often performed desirable cash management behaviors. However, they were less likely to perform credit management and saving behaviors. In addition, a significant percent of students reported not performing credit management and saving behaviors (answered "never" or "not applicable"). For example, 43% reported "never" (or "not applicable") paying off credit card debts and 67% reported "never" (or "not applicable") contributing to savings/investing accounts. In the category of cash management, 14-18% of students did not perform bill paying related behaviors. Figure 2 presents the percentage of students who reported performing the behaviors "always" or "often."



Figure 2: Financial Behaviors Always/Often Performed

Potential Factors Associated with Financial Behaviors

In the following, we focus on potential factors that may be associated with three financial behaviors, cash management, credit management, and saving. The behavior of cash management was measured by adding the scores of the six cash management behaviors and then dividing the total score by six. The saving behavior was measured by adding the scores of the three saving behaviors and then dividing the total score by three. The single item, related to paying off credit card balances, was used to measure credit management behavior.

Cash management behavior

To examine potential factors that may affect cash management behavior, we excluded students who reported "not applicable" to any of the six cash management questions. The resulting sample size was 624. Based on results from the ANOVA, gender, race/ethnics, credit hours, perceived control, values, financial knowledge, financial education, parental advice, parental approval, parental approval compliance, and friend approval were associated with cash management behavior. (Because of the space limit, most tables could not be presented but are available from the authors upon request).

Because the above findings are based on a sub-sample of the undergraduate students, we would like to explore the same research question by using the full undergraduate student sample. According to the theory of planned behavior, behavior intention is a major predictor of actual behavior (Ajzen, 1991). We conducted ANOVA between the

behavior intention regarding cash management and potential influential variables available from the survey. Since all students provided answers to the behavior intention questions, the sample size used in the analyses was 781. Six variables that showed associations with the behavior intention also showed associations with the actual behavior. In addition, four new variables showed associations with the intention: first generation college student, time for school work, time for financial management, and parent ownership. Summarizing the findings of the cash management behavior and its behavior intention, the following factors showed associations in both: perceived control, selfactualization value, three parent-related variables (advice, approval, and compliance), and friend approval.

Credit management behavior

Using the same approach, we conducted ANOVA on the credit management behavior and its behavior intention against potential influential variables. Since 36% of the sample reported "not applicable" for this question, they were excluded from the analyses, resulting in a sample size of 503 students. The characteristics of students who were more likely to perform the positive credit management behavior were as follows: male (vs. female); Asian, white (vs. Hispanic); lower class standing; non-first generation college student; those who were not financially independent; lower student income; with more credit hours; higher intention to perform the behavior; more favorable attitudes toward the behavior; higher levels of perceived control; longer planning horizons; more time spent on school work; less time spent on paid work; less time spent on financial management; living on campus (vs. off campus); higher levels of parental financial advice; higher levels of parental approval of the behavior; higher levels of following parental advice; parents being married; higher parental income; parents being a home owner; higher father's education; higher mother's education; and greater approval of the behavior from friends.

Variables associated with the behavior intention were very similar to those associated with the actual behavior with two exceptions. First, gender did not show an association with the behavior intention. Second, students who did not receive financial aid were more likely to express the intention to perform the behavior, but this variable was not associated with the behavior.

Comparing these findings to those for the cash management behavior and its behavior intention, more potential variables showed associations with the credit management behavior, which suggests that this age group may be at a stage where they are developing credit management behaviors and may need more education and advice.

Saving behavior

The same approaches also were used to explore potential influencers of saving behavior. After excluding students who reported "not applicable" to any of the three saving variables, the sample size in the analyses was 643. Considering the sample as a whole, students were less likely to report performing saving behavior. On a scale of 1 to 5 (1-never to 5-always), the average score of cash management behavior was 4.14, credit management was 3.78, while saving was only 2.67. Findings from the ANOVA indicated that the following students were more likely to engage in saving behavior: students with lower class standing; business majors (vs. other majors); transfer students; students who were not first-generation college students; those with higher intentions to perform the behavior; those with more favorable attitudes toward the behavior; and those with higher levels of perceived control of the behavior. Students with the following characteristics were also more likely to perform saving behaviors: those with longer planning horizon; spending more time on school work; spending more time on paid work; living on campus; higher levels of parental financial advice; higher levels of parental approval of the behavior; higher levels of following parental advice; parents being married; parents being a home owner; higher father's education; higher mother's education; and greater approval of the behavior from friends.

Potential factors influencing saving intention were similar to those found for saving behavior with three exceptions. (1) Two variables, first-generation college student and parental marital status, showed association with the saving behavior but did not show association with the saving behavior intention. (2) Two variables did not show association with the saving behavior intention. A higher level of risk taking and less time spent on financial management were associated with a higher level of intention to perform the saving behavior. (3) One variable showed an opposite effect. Compared to others, transfer students were more likely to perform the saving behavior but less likely to express the intention to perform the behavior.

| | Never/Seldom | Sometimes | Often/Always |
|---------------------------|--------------|-----------|--------------|
| Cash Management (n=624) | | | • |
| Financial satisfaction | 2.56 | 2.58 | 2.99 |
| Health | 3.34 | 3.35 | 3.73 |
| Mental health | | | |
| Depression | 4.36 | 4.03 | 3.66 |
| self-esteem | 4.11 | 4.83 | 5.18 |
| Coping | 4.77 | 5.04 | 5.31 |
| Worry | 4.69 | 4.48 | 4.01 |
| Impulsivity | 4.21 | 3.82 | 3.26 |
| GPA group | 3.35 | 3.86 | 4.10 |
| Academic satisfaction | 3.00 | 3.46 | 3.74 |
| Life satisfaction | 3.06 | 3.34 | 3.51 |
| Credit Management (n=503) | | | |
| Financial satisfaction | 2.41 | 2.44 | 3.11 |
| Health | 3.36 | 3.43 | 3.66 |
| Mental health | | | |
| Depression | 4.06 | 4.06 | 3.69 |
| self-esteem | - | - | - |
| Coping | - | - | - |
| Worry | 4.71 | 4.42 | 3.92 |
| Impulsivity | - | - | - |
| GPA group | 3.63 | 4.00 | 4.19 |
| Academic satisfaction | 3.50 | 3.47 | 3.76 |
| Life satisfaction | 3.27 | 3.36 | 3.51 |
| Saving (n=643) | | | |
| Financial satisfaction | 2.60 | 3.12 | 3.45 |
| Health | 3.46 | 3.74 | 3.83 |
| Mental health | | | |
| depression | 4.02 | 3.55 | 3.60 |
| self-esteem | 4.92 | 5.29 | 5.12 |
| coping | - | - | - |
| worry | 4.35 | 3.90 | 3.69 |
| impulsivity | - | - | - |
| GPA group | 3.96 | 4.08 | 4.28 |
| Academic satisfaction | 3.59 | 3.78 | 3.83 |
| Life satisfaction | 3.35 | 3.58 | 3.64 |

Potential Effects of Financial Behaviors on Quality of Life

Table 1: Financial Behaviors and Life Outcomes: Results of ANOVA (N=781)

Notes:

1. All findings presented in the table were statistically significant at 5% or better. In several cells, "-" means no statistical difference was found.

2. The values for the life outcome variables are all based on scales:

- Financial satisfaction: 1-very unsatisfied, 5-very satisfied.
- Health: 1-poor, 5-excellent.
- Mental health: 1-never, 7-daily.
- GPA group: 1-GPA <2.0, 2-GPA 2.0~2.5, 3-GPA 2.6~2.9, 4-GPA 3.0~3.5, 5-GPA 3.6~4.0.
- Academic satisfaction: 1-very unsatisfied, 7-very satisfied.
- Life satisfaction: 1-strongly disagree, 5-strongly agree.

3. The values reported for each category are based on the average scale values for each life outcome variable. For example, students who reported "never/seldom" performing cash management behaviors were least financially satisfied (2.56), while those who "often/always" performed the behaviors were more financially satisfied (2.99).

Findings from the bivariate analyses indicate that performing positive financial behaviors is positively related with financial satisfaction, physical health, mental health, academic success and satisfaction, and overall life satisfaction (see Table 1).

Financial satisfaction. A 5-point Likert scale was used to measure financial satisfaction. The students were asked "How satisfied are you with your current financial status: 1-very unsatisfied, 2-unsatisfied, 3-neutral, 4-satisfited, 5-very satisfied." Students who reported performing money management, credit management, and saving "often/always" were more likely to report a higher level of financial satisfaction. For example, students who "never/seldom" performed cash management behavior reported the lowest level of financial satisfaction (2.56 out of 5), while those who "often/always" performed the behavior reported the highest level of financial satisfaction (2.99). The same pattern was also found for the credit management and saving behaviors.

Health. Health was measured using a 5-point Likert scale: "How would you rate your overall health? 1-poor, 2-fair, 3-good, 4-very good, 5-excellent." Those performing positive financial behaviors also reported better health. For example, students reporting "never/seldom" perform the cash management behavior reported the worst health (3.34 out 5), while those who "often/always" performed the behavior reported the best health (3.73). The same pattern was also found for the credit management and saving behaviors.

Mental health. Mental health was measured using 18 items with 5 dimensions: depression, self-esteem, coping, worry, and impulsivity. For each item, scores range from 1 to 7 (1-never, 7-daily). Two dimensions, depression and worry, showed negative associations with performing all three financial behaviors. For example, students who "never/seldom" performed the cash management behavior tended to be depressed the most (4.36 out of 7), while those who "often/always" performed the behavior appeared to be depressed the least (3.66). The same pattern was found for the credit management and saving behaviors. For example, students who "never/seldom" performed the lowest self-esteem (4.11 out of 7), while those who "often/always" performed the lowest self-esteem (4.11 out of 7), while those who "often/always" performed the highest self-esteem (5.18). Two dimensions, coping and impulsivity, showed associations with only the cash management behavior. Coping was positively associated with the frequency of performing the cash management behavior while impulsivity was negatively associated.

GPA group. GPA was used to construct a measure of academic success based on 5 GPA groups: 1-GPA lower than 2.0, 2-GPA 2.0~2.5, 3-GPA 2.6~2.9, 4-GPA 3.0~3.5, and 5-GPA 3.6~4.0. GPA was positively associated with all three financial behaviors. For example, students who "never/seldom" performed the cash management behavior reported the lowest GPA group index (3.35 out of 5), while those who performed the behavior "often/always" had the highest GPA group index (4.10).

Academic satisfaction. A 5-point Likert scale was used to measure academic satisfaction. The students were asked "How satisfied are you with your current academic progress: 1-very unsatisfied, 2-unsatisfied, 3-neutral, 4-satisfited, 5-very satisfied." Students who reported performing cash and credit management behaviors "often/always" were more likely to report a higher level of academic satisfaction. For example, students who "never/seldom" performed cash management behavior reported the lowest level of academic satisfaction (3.00 out of 5), while those who "often/always" performed the behavior reported the highest level of academic satisfaction (3.74). The same pattern was also found for credit management and saving behaviors.

Life satisfaction. A 5-item measure was used for measuring life satisfaction (Diener, Emmons, Larsen, & Griffin, 1985), which is a major measure of the subjective well-being (Diener 1985). The five items of the scale included: In most ways my life is close to my ideal; The conditions of my life are excellent; I am satisfied with my life; So far I have gotten the important things I want in life; If I could live my life over, I would change almost nothing. For each item, scores ranged from 1 to 5: 1-strongly disagree, 2-disagree, 3-neutral, 4-agree, 5-strongly agree. In the analyses, scores of the five items were added and then divided by 5, with scores for the new composite measure ranging from 1 to 5. Positive financial behaviors were positively associated with life satisfaction. For example, those who reported "never/seldom" performing cash management behavior reported the lowest level of life satisfaction (3.06 out of 5), while those who "often/always" performed the behavior reported the highest level of life satisfaction (3.51). The same behavioral patterns were found for the credit and saving behaviors as well.

Summary of the Findings

This report documents preliminary findings from a study that collected data regarding financial behavior and life outcome information from 781 undergraduate students at a southwest university in fall 2006. The main objectives of the study were to identify potential factors that affected performance of financial behaviors and the potential effects of these behaviors on the life outcomes of college students.

Before the findings are summarized, limitations of this study need to be acknowledged. First, this study only collected and analyzed cross-sectional data. The findings need support from future longitudinal research. Second, the findings presented in this report were only from bivariate statistical analyses. More advanced analyses, such as structural equation modeling have been conducted and presented in another paper (Shim, Xiao, Barber, & Lyons, 2007). In addition, more advanced analyses focusing on specific topics are underway. Thus, the following findings should be considered preliminary and suggestive.

In general, undergraduate students in the sample are more likely to perform desirable cash management behaviors and less likely to perform desirable credit management and saving behaviors. This is consistent with the theory and previous studies, which suggest that this age group has completed the process of socialization with cash management and are starting the process of learning about credit management for their current lives and long-term saving options for their futures.

Several psychological variables are associated with students' cash management behaviors. If students have a more positive attitude towards the behavior, perceive it as easy to perform the behavior, and have a self-actualization value, they are more likely to perform positive cash management behaviors.

Credit behaviors are associated with a number of student characteristics, psychological variables, and time-use patterns. Upper class students are less likely to perform the desirable credit behavior, as are first-generation college students, those who are financially independent, those with higher personal income, those enrolling in fewer credit hours, and those living off campus. In addition, students who have a less positive attitude toward the desirable credit behavior, perceive it is difficult to perform the behavior, and have a shorter time-planning horizon are also less likely to perform the positive credit behavior. Time-use seemingly affects the behavior. Students who spend less time for school work but more time for paid work and money management are less likely to perform the positive credit behavior.

Saving behaviors are associated with several student characteristics, psychological variables, and time-use factors. Upper class students are less likely to perform saving behaviors. Other characteristics of students who are less likely to perform saving behaviors include students who are non-business majors, those living off campus, and those receiving financial aid. Students, who have a less favorable attitude toward desirable saving behaviors, perceive it is difficult to perform the behaviors, and perceive a lower level of financial knowledge, are less likely to perform the saving behaviors. Students who spend less time doing school work but more time engaging in paid work are less likely to perform the positive saving behaviors.

Strong evidence from this study indicates that parents are important in determining whether a student performs desirable financial behaviors. Students whose parents provide more financial advice are more likely to perform positive financial behaviors. If students believe these behaviors are approved by their parents, they are more likely to perform these behaviors. If students usually follow their parents' advice on money issues, they are more likely to engage in these behaviors. In addition, several parental characteristics show associations with these positive financial behaviors. For example, parents who are married, own a home, and who have a higher level of education, are more likely to have children who perform positive credit and saving behaviors.

Peers in college may play an important role in determining students' financial behaviors. Evidence from this study shows that if students perceive that the desirable cash, credit, or saving behaviors are approved by their peers, they are more likely to engage in these behaviors.

Positive financial behaviors are associated with positive life outcomes. Specifically, students performing positive financial behaviors more frequently are more likely to have higher financial satisfaction, better physical health, better mental health, better grades, higher academic satisfaction, and higher satisfaction for life as a whole.

Implications for Financial Educators

Although the findings reported here are preliminary and suggestive, they provide helpful insight to financial professionals, educators, and college administrators who care about the well-being of college students. These findings could be used to promote effective financial education programs that not only assist students in forming positive financial behaviors but also improve their quality of life. The following are ways in which positive financial behaviors could be promoted on college campuses

Positive financial behaviors could be promoted through financial education on campuses since they may improve the well-being of students directly. Financial educators could encourage college and university administrators to be aware of this fact and thus encourage them to provide more support for financial education course offerings.

Financial education related to credit management and saving is needed for undergraduate students, especially for upper division students. Evidence from this study shows that upper class students are less likely to perform desirable credit and saving behaviors, which should be a concern to educators, administrators, and parents. These students will face independent decisions about credit and saving now and in their immediate futures. To make their lives better, they need to understand the importance of credit management and saving, to avoid risky credit behaviors, to start saving early for long-term goals, and to learn practical skills and strategies to do so.

Financial educators and university administrators could encourage parents to inspire, support, and encourage the development of positive financial behaviors of their children since they may be the most effective socialization agent in this regard. This study shows that many parent-related variables are associated with students' positive financial behaviors, which implies that parents have important influence on students' financial behavior formation. Financial educators need to develop programs to connect parents and their children to make financial education more effective and beneficial.

Peer education should be encouraged to let college students interact with each other to develop positive credit and saving behaviors. Some evidence shows that peers also influence financial behaviors of college students. Many universities have student-run financial education initiatives, and these efforts should be encouraged, expanded, and formalized.

Financial education programs for college students may want to pay special attention to financially at-risk students. Students with certain characteristics are less likely to perform positive financial behaviors, and therefore they need special attention in financial education. Special classes should be offered for these students to address specific financial issues relevant to them.

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Get Financially Fit: A Financial Education Toolkit for College Campuses

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Key Words: student financial management, financial education, financial counseling

Target Audience

The target audience for this practitioners' forum was professionals on college campuses or those who might partner with on-campus professionals to develop, deliver, and evaluate a financial management education or service program for college students. A secondary audience was researchers interested in evaluating the outcomes of financial education and service programs.

Objectives

The objective was to encourage participants to realistically identify and assess opportunities for financial management education and services on college campuses. The presentation included ideas about partnerships both on campus and in the community and evaluation of programs. A secondary objective was to increase awareness of the publication, *Get Financially Fit! A Financial Education Toolkit for College Campuses* (available at www.consumerinterests.org), on which this presentation was predominantly based.

Description

The consequences of students' financial decisions are greater now as one's credit history affects not only opportunities to acquire credit but also to find employment, buy insurance, and rent a home. College administrators are concerned about the effects of college students' financial decisions on academic performance, student loan default rates, and graduation rates (Cooke et al., 2004; Lyons, 2003).

This practitioners' forum described various models to deliver financial management education and services on college campuses. One model, single-event activities and programs, is most appropriate for campuses with limited time and resources. Models seeking to increase knowledge or change behaviors assume delivery of financial management education on an *ongoing* basis, either formally in the classroom or informally through a center offering financial planning and counseling services, a peer-to-peer education program, and/or distance learning.

The presenters discussed opportunities and challenges associated with each model. Peer-to-peer programs and financial counseling centers were the focus. The emphasis for the peer-to-peer program model was organization, funding resources, evaluation techniques, and challenges associated with a student-based program. Opportunities and challenges associated with the implementation and operation of various models of financial planning and counseling centers also were discussed. More specifically, the development of a financial planning and counseling center as both an individualized service to members of the campus community, as well as a pedagogical tool for students majoring in financial planning, consumer economics, and related academic areas, was addressed.

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The Effect of Religiosity on Financial Risk Taking

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Abstract

A conceptual framework of financial risk taking that included direct and indirect effects of religiosity and other variables was studied. Using data from individuals living in a Midwestern state (n = 500), it was determined that financial risk taking was associated with being older, having a college education, high household income, and high risk tolerance. Religiosity did not have a significant direct effect on risk taking; however, direct, indirect, and total effects of religiosity on risk taking were negative. Results suggest that religiosity may have a mediating effect on financial risk taking. As a mediating variable, religiosity was found to dampen the effect of demographic factors known to influence risk taking.

Key Words: religiosity, risk tolerance, risk taking, path analysis

Introduction

It is well established in the literature that general risk-taking behaviors – (e.g., smoking, drinking, criminal activity) are related to risk tolerance (i.e., "the willingness to engage in behaviors in which the outcomes remain uncertain with the possibility of an identifiable negative outcome" [Irwin, 1993, p. 11]) and certain demographic and socioeconomic factors (e.g., gender, age, income) (Garrison, Marks, Lawrence, & Braun, 2004). Risk-taking behaviors have also been linked to religiosity, which is defined to include commitment to a religion, strength of religious beliefs, and participation in religious activities (Lehrer, 2004). In general, those who are religious tend to be conservative in political orientation, gender roles, and socioeconomic profile (Siegel, 2005; Saroglou, 2002). Religiosity has also been found to cause a predisposition in people to avoid risk taking (Miller & Hoffmann, 1995). Whether or not religiosity is related to *financial* risk taking, as it is with general risk-taking proclivities, is a question that has not been thoroughly addressed in the literature.

The study of religiosity as a factor influencing financial risk-taking behavior is not unimportant. According to Iannaccone (1998), "Studies of religion promise to enhance economics at several levels: generating information about a neglected area of "nonmarket" behavior; showing how economic models can be modified to address questions about belief, norms, and values; and exploring how religion (and, by extension, morals and culture) affects economic attitudes and activities of individuals, groups, and societies" (p. 1465). The purpose of this paper is to present and test a conceptual framework of financial risk taking that includes the direct and indirect effects of religiosity and other variables. An anticipated outcome from the study is to determine if patterns of religiosity found in the daily lives of individuals also appear in the context of financial risk taking.

Factors Influencing Financial Risk Taking

There is a growing body of knowledge devoted to the examination of demographic, socioeconomic, and psychosocial factors associated with financial risk tolerance and risk taking. However, very little of the financial counseling and planning or consumer economics literature has focused on the role of religiosity as a factor related to either financial risk tolerance or financial risk taking. This is not to say, however, that the study of religiosity itself is new. Weber (1930) was among the first 20th Century researchers to demonstrate the role religion plays in society. Even before Weber's time religiosity had been as issue of study. Working in the 17th Century, Blaise Pascal was among the first to view religiosity within a socioeconomic perspective. The now famous *Pascal's Wager* scenario illustrates the logic linking risk tolerance and religiosity. The wager is a simple one. Pascal stated in his treatises *Pensées* that:

God is, or He is not. But to which side shall we incline? Reason can decide nothing here. There is an infinite chaos which separated us. A game is being played at the extremity of this infinite distance where heads or tails will turn up ... Which will you choose then? Let us see. Since you must choose, let us see which interests you least. You have two things to lose, the true and the good; and two things to stake, your reason and your will, your knowledge and your happiness; and your nature has two things to shun, error

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and misery. Your reason is no more shocked in choosing one rather than the other, since you must of necessity choose. This is one point settled. But your happiness? Let us weigh the gain and the loss in wagering that God is. Let us estimate these two chances. If you gain, you gain all; if you lose, you lose nothing. Wager, then, without hesitation that He is.

In effect, Pascal argued that people should wager that there is a God because the negative payoff associated with disbelief far outweighs the outcomes associated with belief. There are four outcomes associated with the wager.

- (a) Someone may believe in God, and if God exists, they will go to heaven: their gain is infinite (i.e., maximization of after-life utility).
- (b) Someone may believe in God, and if God doesn't exist, their loss is nothing.
- (c) Someone may not believe in God, and if God doesn't exist, their gain is nothing.
- (d) Someone may not believe in God, but if God exists, they will lose (i.e., go to hell); their loss is infinite (i.e., minimization of after-life utility).

Effectively, Pascal's argument is based on the notion that is better to wager (i.e., believe) that there is a God because the payoff or expected value of the bet outcome is higher for those who believe. Using this logic, only a highly risk tolerant individual would wager against there being a God.

While many philosophers have argued against the Pascal's wager scenario, the notion derived from the exercise that risk tolerance and religiosity are somehow related has been confirmed in the literature. According to Lehrer (2004), religiosity has important effects on different socioeconomic and financial-economic behaviors, including the accumulation of wealth and the amount of risk taken in given situations. Siegel (2005) hypothesized that religiosity could cause individuals to be more risk averse in their daily activities. A similar direct relationship has also been noted between religiosity and self-esteem (Bahr & Martin, 1983; Willits & Crider, 1988).

Conceptual causal models of religiosity and risk taking have shown that religiosity is often a mediating factor in the amount of risk people take in their daily lives. According to Sullivan (2001), religiosity may compensate for personal vulnerabilities and help individuals remain or attain satisfaction. The mediating effect of religiosity is frequently associated with demographic and socioeconomic factors as they relate to risk tolerance and risk taking. Bettendorf and Dijkgraaf (2005) noted that income has a negative affect on a personal religious commitment. Neuman (2003) showed that (a) women are more religious than men, (b) religious activity increases with age, (c) education is somewhat positively related to religiosity expect at the highest educational levels, and (d) being married positively effects religiosity. Similar relationships have been reported by Arehart-Treichel (2003), Garrison et al. (2004), Miller and Hoffmann (1995), and Stark and Bainbridge (1987). As will be discussed below, these same variables have been shown to both influence risk tolerance and risk taking, which further supports the hypothesis that religiosity may be a mediating factor in the lives of individuals who make everyday financial decisions.

It is widely acknowledged that there is a high level of association among the factors that influence financial risk tolerance and those that are associated with risk-taking behaviors. The link between financial risk tolerance and taking financial risks is direct and positive. In general, those who are more risk tolerant tend to be willing to engage in risk taking that offers greater potential for gains and losses. The relationship between financial risk taking and risk tolerance was summarized by Finke and Huston (2004) as follows: "Investors who accept a greater degree of financial risk expect to benefit from higher returns and greater wealth over time" (p. 233), with those who are willing to take financial risks accumulating greater personal and family wealth over time. On a personal level, Jacobs-Lawson and Hershey (2005) concluded that "there are significant relationships between risk tolerance and savings tendencies" (p. 339). Those with a low risk tolerance tend to hold a greater fraction of their wealth in low risk investments, such as cash and cash equivalents.

As suggested above, a person's financial risk tolerance and their engagement in risk-taking behaviors that involve potential financial gains and losses are intimately connected. There are a number of demographic, socioeconomic, and psychosocial factors, such as gender, marital status, education, household income, age, and self-esteem that are known to be associated with the way people assess risky situations as a mechanism for making a risk choice. As such, the literature related to financial risk taking, even when addressing determinants of risk attitudes, assumes a causal link from a person's willingness to engage in a risk taking behavior (i.e., risk tolerance) to risk behavior. In the review that follows the difference between risk tolerance and risk behavior is minimized. The term risk is used to define both risk tolerance and risk taking.

Probably the most studied determinant of risk tolerance, and by extension risk taking, is gender. Gender issues have received a great deal of attention in the risk literature (e.g., Bajtelsmit, Bernasek, & Jianakoplos, 1999; Coleman, 2003; Embry & Fox, 1997; Roszkowski, Davey, & Grable, 2004; Yao, Hanna, & Lindamood, 2004; Yao & Hanna, 2005). The consensus findings suggest that men are more willing to engage in activities that involve risk. Men are specifically more likely to take financial risks (Byrnes, Miller, & Schafer, 1999; Karakowsky & Elangovan, 2001; Kohler, 1996). An explanation for gender risk differences was offered by Olsen and Cox (2001). They hypothesized that women place a greater weight on downside protection when investing compared to men, and that women tend to be "more sensitive to ambiguity or uncertainty associated with investment in financial assets" (p. 34).

The role that a person's marital status has on the amount of risk they are willing to take on when dealing with everyday money matters has also been examined. Research findings have been mixed (Chang, DeVaney, & Chremba, 2004; Chaulk, Johnson, & Bulcroft, 2003). Some have noted a strong relationship between being married and not only the willingness to take on risk but also the ability to take risk. Yao and Hanna (2005) noted that risk attitudes tend to be lowest for married individuals, but when married women are compared to single women or men, married women have a propensity to take on less risk. Yao and her associates (2005) noted a similar finding.

A person's educational status is known to be associated with the way in which people deal with financial risk. Chang et al. (2004), Huston, Chang, and Metzen (1997), and Sung and Hanna (1996) found that education is positively associated with risk attitudes. It is also generally accepted that the higher the risk attitude, when accounting for educational status, the more likely the person will engage in a risk behavior. As a general rule, those with a college degree tend to act differently when thinking about and engaging in a risky behavior than individuals with a lower education level. Having a college degree is generally thought to be positively related to a willingness to take greater financial risks (Grable & Lytton, 1998).

A positive association between a person's risk propensity and household income has also been reported in the literature. Chang and her associates (2004), Chaulk et al. (2003), Grable and Joo (2004), and Yao et al. (2005), each using different data and methodologies, found that as a household's income increases so does the probability of the household head's willingness to engage in financial risk-taking behaviors.

Age is another factor generally thought to be associated with the way in which individuals deal with daily financial situations, including decisions that involve risk. Although the literature is split on the direction of the association, a majority of researchers report that age is inversely related to one's willingness to take on risk. While there is some evidence to suggest otherwise (e.g., Wang & Hanna, 1997), older individuals are assumed to eschew situations that involve financial risk (Coleman, 2003; Chang et al., 2004; Yao, Gutter, & Hanna, 2005). One reason this assumption by and large holds true is the relationship between human capital and wealth. As human capital (i.e., a person's ability to generate wealth over time) diminishes with age, the ability to recapture losses in wealth becomes economically taxing. It is not surprising then that older people tend to avoid situations in which their wealth may be subject to undue risk.

There is a growing body of evidence to suggest that psychosocial factors, such as self-esteem, may be associated with how much risk someone is willing to accept when making a financial decision. Didato (2003) defined self-esteem as "a personal, subjective evaluation we develop in childhood as we receive feedback from others concerning our behavior, school performance, appearance, and the like. From these appraisals we draw conclusions about our overall worth and value" (p. 185). Judge, Thoresen, Pucik, and Welbourne (1999) found that self concept predicts how well a person deals with changing (e.g., risky) situations. Individuals who are proud of their achievements tend to have high self-esteem, whereas those who are critical of their own abilities tend to have low self-esteem. Those with low self-esteem tend to avoid situations that have unduly high levels of financial risk (Grable & Joo, 2004; Johansson, 2000). On the other hand, high self-esteem tends to be positively associated with savings motives – a decision to engage in a financial behavior that involves risk (Canova, Rattazzi, & Webley, 2005).

Conceptual Framework

The study of religiosity was first examined within an economic framework by Azzi and Ehrenberg (1975). They hypothesized that personal religious activity is motivated by rational choice. Some of their work was based on Becker's (1965) New Home Economics theory. Azzi and Ehrenberg developed a model that showed the amount of time someone devotes to religious activities is an investment in both social utility and after-life utility (i.e., salvation motive). This desire to maximize utility has been tied back to risk tolerance. Less risk tolerant and older individuals

are assumed to be more religious primarily as a way to maximize benefits in the after-life. Those that do not believe in an after-life or feel the probabilities of an after-life are low are assumed to be more risk tolerant.

According to Miller and Hoffmann (1995) and Osoba (n.d.), religiosity can be seen as a risk management strategy. Sullivan (2001) described a compensation model where religiosity moderates relationships between personal vulnerabilities and attitudes and behaviors. Within the compensation model religiosity is mediated by other factors, such as attitudes and behaviors (e.g., help seeking). Religiosity is also a mediating factor between exogenous personal variables (e.g., age) and individual attitudes and behaviors. For example, being female, married, and older often results in greater religiosity. These same factors have often been shown to be negatively associated with peoples' decisions to take on increasing levels of risk when making financial decisions.

Siegel (2005) hypothesized that certain factors, such as wealth and religiosity, might change a person's proclivity to take risks. She summarized the hypothesis this way: "It is possible that in addition to discouraging particular risky behaviors, religion, by emphasizing responsibility and planning, for instance, could change a person's overall level of risk aversion," (p. 5) where risk aversion is assumed to be the reverse of the economic concept of risk tolerance (Hanna, Gutter, & Fan, 2001).

The conceptual framework examined in this paper is shown in Figure 1. The variable relationships within the framework are based on a review of the previous literature showing direct and indirect associations between and among certain variables and financial risk taking. As shown in the framework, financial risk taking is represented with a proxy variable – the fraction of cash holdings within household portfolios held by respondents. Those with high levels of cash in proportion to total investment assets are assumed to be exhibiting conservative risk-taking behavior.

In the framework, risk taking is conceptualized to be *directly* influenced by a person's financial risk tolerance, selfesteem, religiosity, gender, marital status, education, household income, and age. Financial risk taking is also shown to be *indirectly* influenced by gender, marital status, education, household income, age, and religiosity. Within the framework, financial risk tolerance is show to be directly influenced by gender, marital status, education, household income, age, religiosity, and self-esteem. As illustrated, risk tolerance is influenced indirectly by gender, marital status, education, household income, age, and religiosity. Self-esteem is shown in the framework to be directly and indirectly associated with gender, marital status, education, household income, and age. Religiosity is hypothesized to be directly related to self-esteem. As hypothesized in the compensation model (Sullivan, 2001), religiosity is a key mediating variable within the framework. The majority of the exogenous variables are also shown to be related within the framework.

Methodology

Data for this study were collected from a convenience sample in 2005. Data were gathered from respondents (n = 500) in one Midwestern state. Thirteen-hundred surveys were mailed using the U.S. postal service. The survey was designed to assess attitudinal and behavioral aspects of respondents' situations. Respondents were given an opportunity to participate in a drawing for one of three \$50 *Visa* gift cards and/or to receive a brief synopsis of the findings. No follow up mailing or reminders were used. The useable response rate was estimated to be 38%.



Figure 1. Conceptual Framework of Factors Influencing Financial Risk Taking

Sample Characteristics

The majority of respondents (71%) were women. The mean age of respondents was 44 years (SD = 12 years). Thirteen percent of respondents were never married or not married but living with a significant other; 4% were in a significant relationship; 63% were married; 8% were remarried; and 12% were separated, divorced, or widowed or other. Ten percent had a high school degree; 28% had some college or vocational training; 6% held an Associate's degree; 34% held a bachelor's degree; and 22% had a graduate or professional degree. About five percent of respondents had household incomes of \$20,000 or less; 12% had incomes between \$20,001 and \$30,000; 11% had incomes between \$30,001 and \$40,000; 15% had incomes between \$40,001 and \$50,000; 14% had incomes between \$50,001 and \$60,000; 14% had incomes between \$60,001 and \$70,000; 12% had incomes between \$70,001 and \$80,000; 7% had incomes between \$80,001 and \$90,000; 4% had incomes between \$90,001 and \$100,000; and 7% had incomes greater than \$100,000. The median range of income fell between \$50,001 and \$60,000. Respondents differed significantly from national averages in terms of gender, education, household income, and age. In general, respondents were better educated, wealthier, and younger than the typical U.S. citizen.

Outcome Variable

The outcome variable was the fraction of investment assets held in cash by a respondent. Information about portfolio allocations was obtained from respondents during the survey process. Categories representing cash, fixed-income securities, business interests, real estate, equities and stock, and other assets were presented to respondents who were then asked to provide percent estimates of their current holdings in each category. The value of a principal residence was excluded from the fraction of assets held in equities. On average, respondents held 48% of assets in cash and 22% of investment assets in equities. Respondents also held 10% in bonds and 20% in other assets including investment real estate, collectibles, and hard assets.

Independent Variables

Religiosity was measured by asking respondents, "In general, how much would you say your religious beliefs influence your daily life?" Five response categories were provided. Respondents could choose (a) very much, (b) quite a bit, (c) some, (d) little, or (e) none. The item was scored as follows: a = 5; b = 4; c = 3; d = 2; and e = 1. Eight percent of respondents indicated that religion very much influenced their daily life. Thirteen percent said 'quite a bit;' 26% indicated 'some;' 23% noted 'little;' and 30% said 'none.' The median response category was 'b,' quite a bit.

Financial risk tolerance was assessed by having respondents complete a 13-item financial risk-tolerance scale (Grable & Lytton, 1999). Scale scores were determined by summing respondent answers to questions. The reliability of the scale was .67, as measured by Cronbach's alpha. Risk scores ranged from 14 to 36, with lower scores representing low risk tolerance. The average score was 24 (SD = 4). Previous studies using the scale have shown the measure to be positively associated with risk taking (Grable & Joo, 2004; Grable & Lytton, 2001; Yang, 2004).

Self-esteem was measured using a 10-item four-point scale (Didato, 2003; Rosenberg, 1965). The Cronbach's alpha for the scale was estimated to be .65 for the sample. Examples of items asked include, "I am usually comfortable and poised among strangers," and "I judge my worth by comparing myself to others." Response categories included (a) 1 = not at all; (b) 2 = somewhat; (c) 3 = fairly well; and (d) 4 = very well. The average score for the scale was 31 (*SD* = 4).

Gender was coded dichotomously, with men coded 1 and women coded 0. Marital status was also coded dichotomously. Those who were married (71%) were coded 1, otherwise 0. Education was measured using two levels. Those with a Bachelor's degree or higher education were coded 1, otherwise 0. Household income was measured using 10 equally separated categories starting at less than \$20,000 and increasing in \$10,000 increments. The average and median household income fell in a range of \$50,000 to \$59,999. Age (M = 44; SD = 12) was measured at the interval level.

Method of Analysis

A path analysis test of the conceptual framework (Figure 1) was performed. Path analysis is a method for estimating the magnitude of linkages between variables. The method is used to identify logical and theoretical linking relationships based on correlations between variables (Pedhazur, 1982). Path analysis utilizes multiple linear

regression analyses. In this study, a recursive model was conceptualized. As Mugenda, Hira, and Fanslow (1990) explained, "There was a hypothesized path from each exogenous variable to each endogenous variable and also among the endogenous variables. Direct and indirect effects were also calculated to determine the influence of intervening variables" (p. 351). However, no correlation was assumed between gender and age. All analyses were conducted using AMOS® for SPSS. In this study, nested models were compared using specification search functions as a way to identify non-significant chi-square values. A specified model based on a non-significant chi-square was developed (Figure 2).

Results

An initial estimation of the path model's significance was determined. Goodness-of-fit statistics showed that the model was non-significant in its initial recursive state. This means that the recursive model shown in Figure 1 significantly reproduced the sample variance-covariance relationships in the matrix. Goodness-of-fit statistics are shown in Table 1.

| Table 1 | Goodness- | of-Fit Stati | istics for | Full Rec | ursive Model |
|----------|-------------|--------------|------------|----------|--------------|
| rable r. | . Ooouness- | or-r n Stan | istics for | I un Kee | |

| Goodness-of-Fit Statistics | Specified Model |
|----------------------------|-----------------|
| Chi-square | .223 |
| p-value | .637 |
| Degrees of freedom | 1 |

Specification search functions with AMOS® allowed for a specified model to be identified. The goodness-of-fit statistics for the specified model showed an improvement over the original recursive model (Table 2).

| Table 2. Goodness-of-Fit Statist | ics for Specified | Full Recursive Model |
|----------------------------------|-------------------|----------------------|
|----------------------------------|-------------------|----------------------|

| Goodness-of-Fit Statistics | Specified Model |
|----------------------------|-----------------|
| Chi-square | .507 |
| p-value | .992 |
| Degrees of freedom | 5 |

Figure 2 illustrates the final specified path model showing the direct and indirect effects of each independent variable on the fraction of cash holdings of respondents.

Variable Effects in the Specified Model

The specified model differed from the conceptual model in four ways. First, marital status was not found to have a significant direct effect on cash holdings. Second, no direct association between marital status and self-esteem was noted. Third, household income had no direct effect on religiosity, and fourth, no direct effect was noted between household income and self-esteem. As such, these paths are not shown in Figure 2.

Four significant direct effects on the fraction of cash holdings of respondents were noted at the p < .001 level. Those with a college degree were less likely to hold cash. Household income was negatively associated with cash holdings, as was age. As expected, risk tolerance was inversely related to cash holdings. Gender, marital status, self-esteem and religiosity did not have a significant direct effect on risk taking. Direct effects are shown in column four of Table 3.

Indirect effects are important factors to consider when assessing the total effect of variables within a path model. Gender, education, household income, self-esteem, and religiosity had negative indirect effects on the fraction of cash holdings of respondents. The negative effect of self-esteem through financial risk tolerance was approximately half of the direct effect of self-esteem on risk taking. Marital status and age were found to have positive indirect effects on risk taking, although neither effect was large. Indirect effects are shown in the third column of Table 3.



Figure 2. Specified Path Model of the Factors Influencing Financial Risk Taking

The combined impacts of the indirect and direct effects of the independent variables are shown in the last column of Table 3. The total effect of six of the eight variables on the fraction of cash holdings of respondents was negative. Men were less likely to hold cash. Those with a college degree were also less likely to hold cash. High household income, being older, and having high financial risk tolerance resulted in holding less cash as well. Cash holdings were found to be lower for those who had high religiosity. Marital status and self-esteem were found to have a positive total effect of risk taking, although the effects were not large, and in the case of marital status, not meaningful. The second column in Table 3 summarizes the total effect of each variable on the fraction of cash holding by respondents.

| Variable | Direct | | Effects | |
|---|----------------|----------|---------|-------|
| | Relationship | | | |
| | | Indirect | Direct | Total |
| Gender $(1 = Male)$ | Negative | 027 | 071 | 098 |
| Marital Status (1 = Married) | Not Meaningful | .003 | .000 | .003 |
| Education $(1 = \text{College Degree})$ | Negative | 030 | 145* | 175 |
| Household Income | Negative | 048 | 202* | 250 |
| Age | Negative | .010 | 296* | 286 |
| Self-Esteem (Range: 10 – 40) | Positive | 028 | .045 | .017 |
| Risk Tolerance | Negative | .000 | 228* | 228 |
| Religiosity | Negative | 012 | 071 | 083 |
| * <i>p</i> < .001 | | | | |

Table 3. Standardized Independent Variable Effects on Cash Held by Respondents

Discussion

The results from this study provide an insight into the effect of religiosity on financial risk taking. Previous studies have reported that religiosity sometimes causes a predisposition in people to avoid risks (Miller & Hoffmann, 1995). This is particularly true of personal risks, such as smoking, drinking, and criminal activity. Few studies have examined the specific relationship between religiosity and risk associated with *financial* decisions. Results from the path analysis indicate that religiosity does not lead to a decrease in financial risk taking. The opposite is true. The direct, indirect, and total effects of religiosity on the fraction of assets held in cash by respondents were found to be negative. Those who were more religious held less cash, although it should be noted that the overall effects of religiosity were modest.

Other results from the analysis indicated that commonly assumed relationships between and among religiosity and other variables held true for the most part. It was determined that age and being married was positively associated with religiosity (Neuman, 2003). Women were found to be more religious than men (Arehart-Treichel, 2003), while those with a college degree were found to be less religious. Results diverted from the literature in one significant way. No effect on religiosity from household income was noted.

The effects of other variables on financial risk taking were as expected. Findings generally support reports in the literature. Education (Grable & Lytton, 1998; Huston et al., 1997), household income (Chang et al., 2004; Yao et al., 2005), and financial risk tolerance (Finke & Huston, 2004) were negatively associated with financial risk taking, as measured by the fraction of assets held in cash by respondents. The finding related to age differed from general reports in the literature but supported findings described by Wang and Hanna (1997). In this study, as age increased the proportion of assets held in cash decreased. This hints at the potentiality that age and risk taking are not always related in such a way that people transition smoothly to cash assets as they age. It might be that as human capital decreases and wealth increases, a person's need to hold cash assets actually decreases over time – they substitute other assets for cash. It may also be that older people have market experience that young individuals lack, which results in increased risk propensity over time. A more traditional finding was noted in terms of gender differences. Although not directly statistically significant, men tended to hold less cash than women, while those with high self-esteem held more cash. No meaningful effects were noted for marital status.

The effect of religiosity on financial risk taking adds support to the concept that religiosity works as a mediating factor in the amount of risk individuals are willing to take in their daily lives (Sullivan, 2001). Support for the mediating effect of religiosity can be found in the data. Four exogenous variables were found to have a direct effect on religiosity [age ($\beta = .16$); education ($\beta = -.05$); marital status ($\beta = .20$); gender ($\beta = -.04$)]. The direct effect of religiosity on risk taking was negative ($\beta = -.07$). Religiosity appreciably mediated the effect of age, education, marital status, and gender on risk taking by reducing the indirect effect of these variables. The mediated effects of age ($\beta = -.01$), education ($\beta = .00$), marital status ($\beta = -.01$), and gender ($\beta = .00$) were small to non-existent.

When seen as a mediating factor, religiosity takes on an important role as a risk management strategy (Miller & Hoffmann, 1995). Using language from the compensation model of religion, as described by Sullivan (2001), religiosity moderates relationships between personal characteristics, such as age and gender, and attitudes and behaviors. By itself, religiosity appears to have a small negative effect on the fraction of cash held by respondents, but as a mediating variable religiosity works to either dampen or exasperate the effects of demographic factors known to influence the amount of risk someone is willing to take when making a financial decision. How might this finding be used in practice? It may be possible to predict risk behavior. For example, after accounting for religiosity, men are even less likely to hold cash than one might expect. This is the result of the negative relationship between being male and being religious. The same relationship holds true in relation to education. Those holding a college degree are less likely to hold cash in their portfolios; this is further complicated when religion is accounted for. Those with a college degree are less risk tolerant, and as such, one would predict a propensity to take more risk. On the other hand, religiosity dampens risk taking for older people.

As suggested by Iannaccone (1998), this and other studies of religion, add to researchers' understanding of how religiosity affects economic attitudes and activities of individuals. While the findings are potentially useful from a research perspective, the results must be considered within the studies limitations. As Garrison et al. (2004) point out, studies that involve the assessment of religiosity are sometimes hampered by limited assessments. This study relied on one item to assess respondent's religiosity. While the question was similar to items used in other research, it is nonetheless important that more complete assessments be developed and used in future studies. Future studies ought to also include other important non-religious variables such as personality factors. Readers should additionally note the inherent limitations of the sample. Respondents tended to be, on average, wealthier and better educated than the average American. The sample was also relatively religious to begin with - more so than what one might expect if a national sample had been used. Finally, although it is unlikely that the addition of survey incentives influenced the completion of the survey by religious or non-religious respondents, there is the possibility that some highly religious persons may have failed to complete the survey because a perception of gambling implied by the survey incentives. Even when accounting for these limitations, however, the findings from this study suggest that religiosity may be used by individuals as a risk management technique. It appears that religiosity works as a mediating for in the amount of risk someone is willing to take when making a financial decision. This, in and of itself, is worthy of additional research. As economists and policy makers grapple with the integration of nonmarket behavior and attitudes in conceptual models and frameworks, studies that explore the role of religiosity will be of even more value.

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Helping Your Clients and Students Become Financially Fit

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Key Words: sociology of money, personal finances, financial fitness education, money philosophy, financial planning

Target Audience

Practitioners and educators in all consumer financial fields will enjoy learning about, and benefit from knowing, some new teaching strategies and underlying cultural factors that drive everyone's financial decisions.

Objectives

Workshop participants will take away new approaches and decision tools that will help their clients and students make smarter financial choices that significantly lower their financial stresses. The workshop will focus on three issues.

First, a diagnostic Life Values Profile will be provided that participants can use to help students and clients understand how cultural and personal values impact their financial decision-making.

Second, we counter "information overload" by focusing on the smaller ways to get clients and students interested and motivated! Our goal is to help you inspire them to become positive and active participants in their own financial future, so that they *want* to become competent financial managers, confident communicators, savvy consumers, and dedicated savers.

Third, participants will learn strategies to help their students and clients overcome anxiety, inexperience, and even that villain, overconfidence! We will deal with clearing roadblocks that typically sabotage everyone's best intentions and learn creative ways to help students and clients take charge of their future.

Description

Your clients and students might already be (or be in the process of becoming) competent nurses, computer technicians, detectives, teachers, or hospital workers. But as we all know, if they aren't good at handling personal finances, they risk everything they are working to achieve.

To overcome the inertia spawned by confusion and years-long financial dependence on outside sources, consumers need motivation to recognize the societal red flags all around them.

So, together, let's help your students and clients wake up to the realities that confront them!

Learn new ways to motivate your students and clients become better money managers, pro-active consumers and citizens. Anyone can – and everyone *should* – be poised to gain the knowledge and skills required to control their own destiny and achieve financial security during rapidly changing times.

We model the four traits of financially savvy people: a positive attitude; being active in personal financial affairs; reaching out to others to build a financial support system; and planning ahead to cope with inevitable change and periodic loss.

Reference

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Assessing the Use and Usefulness of Current Financial Resources for Civilian Military Spouses

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Abstract

Most military installations have the resources available to operate as an independent community. However, immediate access to these resources tends to promote societal disconnection for the civilian military spouse (CMS). This disconnection leaves the CMS with many misconceptions when it comes to certain life skills. The Department of Defense (DoD) has attempted to answer these concerns with the introduction of well being plans to open the door for the CMS to seek financial assistance. However, this study found that CMSs prefer seeking financial assistance from formal, nonmilitary resources (professional financial planner/counselor) and informal financial resources (family and other military spouses).

Key Words: civilian military spouses, financial help-seeking

Introduction

Personal financial management is one life skill that has become a concern for military and government officials (DoD, 2003; Keane, 2001; Tiemeyer, Wardynski, & Buddin, 1999; Varcoe, Lees, Wright, & Emper, 2003). This personal problem is not only costing the military financially but also costing the military its integrity and reputation (GAO, 2005). In an effort to address these concerns, the Department of Defense (DoD) has initiated three well being programs that encompass various aspects of well being in order to enhance military living. These areas include life skills, community development, childcare, deployment readiness, and transition assistance in addition to a financial management component. The first initiative introduced was the Strategic Well being Plan in 1999. The goal of this plan was to reduce the economic and emotional strains on the family (Keane, 2001). The personal financial management component in this plan was to provide assistance to military families that would ensure successful management of their financial responsibilities and maintenance of financial stability (Keane, 2001). The second initiative was the Social Compact in 2002 as a partnership between the DoD and its military families. The financial management component of this initiative was an improvement from the original Strategic well being Plan because it implemented a Personal Financial Management (PFM) requirement (Deputy Assistant Secretary of Defense, 2002). This requirement stated that all military members must attend a financial education course at the member's first duty station assignment. The third initiative was the Financial Readiness Campaign in 2003 with the Department of Treasury (DoT). Its objective was to target the junior enlisted personnel and provide their families a chance to learn more about managing personal finances. The third initiative focused more on financially preparing military members for deployment, reassignment, and separation (Chu, 2003).

Even though financial readiness programs (DoD, 2003) and pre-deployment services are available, the effectiveness of such programs is unclear. As such, knowledge of the financial literacy level of military members and their spouses is lacking (Military Family Resource Center, n. d.). The critical questions are do these CMSs seek help from financial service organizations when they have financial problems and what is the availability and effectiveness of that help? For married military members, their families' financial well being is directly related to the military member's level of financial literacy (Burrell, Durand, & Fortado, 2003). However, there is limited research that exists on the financial literacy level of the CMS or on the relationship between the CMS's financial literacy and the family's financial well being.

Problems may be associated with reaching the CMS through these three initiatives. First, the introduction of more than one initiative, literally back-to-back, sends a message of policy inconsistency. Furthermore, the different branches are adopting one or a combination of the three initiatives and adapting it to meet the needs of their military personnel. This not only leads to conflicting information on guidelines and financial management techniques, but also lends to over-saturation in communication channels with misinformation, particularly for those spouses who depend on external resources (e.g., websites) to address their financial questions. Second, all three initiatives are targeting the primary service member (Chu, 2003; Deputy Assistant Secretary of Defense, 2002; Keane, 2001), leaving the CMS out of the loop. This may leave the spouse with an unmet need and possibly an inconsistent

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message with each service branch (Varcoe et al., 2003). Third, while traditional military culture and negative stigmas associated with help-seeking at military bases have not previously been introduced in the literature as factors that may prohibit the efficacy of personal financial education on military personnel and their families, they have been found to be an issue (Varcoe et al., 2003).

Two factors served as the justification for the current research. First, personal financial difficulties affect the everyday lives of military personnel and their families (Knox & Price, 1995; Tiemeyer et al., 1999). Financial stress can cause poor physical and emotional health (Bower, 2003; Skinner, Zautra, & Reich, 2004; Taffel, 1997) and social difficulties (Crocker & Luhtanen, 2003; Szostak, 1998). Military families are no different. Studies have also shown that worker productivity (Cunningham & Hyman, 1996; Garman, Leech, & Grable, 1996; Joo & Grable, 2000) and job satisfaction (Leung, Siu, & Spector, 2000; Szostak, 1998) are influenced by personal financial management. Both the CMS and military member can experience a decrease in work productivity and job satisfaction when they are burdened with financial strain.

Second, the U.S. government pays the bill to recruit and train new military personnel. The need for recruits and the expense of compensating for failed recruitment and nonretention could increase military spending (GAO, 1998). Family life satisfaction has great bearing on whether or not the military member will continue employment with the military or separate from it (GAO). Because the cost to train and recruit the employee is a substantial cost to the government (GAO), military officials have a vested interest in determining if the CMS's help-seeking behavior might impact these financial losses. The GAO (2005) announced that the excessive financial mismanagement by military personnel is an expense accrued by the US government.

By surveying CMSs on their financial help-seeking behaviors, more effective information channels could be introduced to satisfy the financial literacy needs of the CMS and the expense to the U. S. government could be minimized. Therefore, the purpose of this study was to address the delivery method of financial literacy programs to accommodate the CMS based on financial help-seeking theory.

Military members with access to a computer may search the Internet for personal financial tools. Therefore, CMSs from the four major military branches were surveyed to profile their financial help-seeking behaviors in an effort to simplify the delivery channels for financial information and tools. Financial help-seeking was defined as an action initiated by an individual to seek advice from a secondary source on a personal financial issue (Grable & Joo, 2003). CMSs have numerous resources available to them for seeking information and assistance on personal financial issues. These include the personal financial management counseling offices available on large military installations, Internet websites, civilian personal financial planners and financial counselors, ombudsmen, family, and friends. Yet, with all the resources available, CMSs may not be seeking assistance with personal financial issues. Information provided by results of this research will allow military and government officials to identify possible steps to improve financial literacy of the CMS, including suggesting more effective financial education delivery channels.

Research Method

This study utilized a cross-sectional survey design to assess financial help-seeking behaviors of CMSs. The research question posed was to what extent are CMSs utilizing the current financial education services provided by military installations. To accomplish this, a web based survey was sent to CMSs to determine financial help-seeking behaviors reflective of the DOD's three well being initiatives.

Population and Sample

The population consisted of CMSs assigned to military installations throughout the U.S. As of February 2006, the total DoD workforce consisted of 1,379,203 active duty personnel (Statistical Information Analysis Division, 2005). Active duty spousal information was lacking but this population was calculated to be 823,384 based on a 2000 statistic of 59.7% married active duty members (GAO, 2002). The GAO (2002) also separated married joint service (5.7%) and married to civilian (47.2%). Because joint military spouses are active duty military personnel, they fall under the requirements for receiving a certain number of Personal Financial Management (PFM) training sessions upon reaching their first duty station (based on service branch adoptions). Therefore, the population of interest for this study consisted of those who are married to the military member, which was approximately 388,637 CMSs.

Military installations are naturally clustered based on their service type. Military City (n. d.) lists information for 201 domestic U.S. military installations: 67 Air Force, 51 Army, 16 Marine, and 67 Naval. The target population for this step was further narrowed to all domestic U.S. bases within this population who have family member populations greater than 1,000. Bases that house more than 1,000 family units generally provide family support services such as personal financial management (PFM). By narrowing the sample by this criterion, there was a greater chance of sampling individuals who may have used the PFM services on-base.

Due to the difference in base numbers per service branch, the sample was initially selected based on its probability proportionate to size (PPS) (Babbie, 2004). A set proportion of 25% generated the following number of bases systematically chosen from a list of 156 bases established to have a family member population greater than 1,000: 15 Air Force, 11 Army, 3 Marine, and 10 Naval. The list of bases was categorized by service branch and in alphabetical order by state and installation name. The number three was randomly selected to systematically determine the base sample.

After selecting these bases, two ombudsmen from each base were selected and contacted by email for their assistance in sending the survey. The ombudsman email addresses were obtained from published web pages on official base websites. Seventy-eight ombudsmen were contacted using a WebsurveyorTM mailing campaign. Between September 15, 2006 and October 25, 2006, data were collected from CMSs stationed at select military installations using a web based survey. These CMSs were from the four primary service branches: Air Force, Army, Navy, and Marines. Seventy-seven military Ombudsmen (Navy and Air Force), Family Liaisons (Army), and Key Volunteers (Marines) from the selected bases were contacted via an email letter submitted through WebsurveyorTM software. This would have resulted in a sampling frame of 780 CMSs. However, 10 email addresses bounced back as unknown resulting in a sampling frame of 680.

Procedure

After completing the survey themselves, the Ombudsmen, Family Liaisons, and Key Volunteers were asked to email the letter with the link to nine other military spouses within their units resulting in a sampling frame of 680. The sample returned N = 206. Seven respondents were eliminated because they did not meet the requirements of the targeted study. This left the study with N = 199 viable respondents.

A pilot study was used to assess the effectiveness of a questionnaire adapted from a study by Grable and Joo (2003). The pilot target included CMSs whose military member was stationed at Fort Drum. Fort Drum was not one of the military bases originally selected for the study and the population met the minimum 1,000 family unit requirement established. The pilot study was conducted using the on-line WebsurveyorTM questionnaire to test the mechanics of the instrument. The minimum required number of respondents (N = 190) was based on the number of variables established within each research question. The sampling frame was designed to obtain responses from 680 CMSs which provided a buffer for nonresponses. Demographic breakdown of the sample characteristics included: gender (female 98%, male 2%); service branch (Navy 44.2%, Army 31.7%, Air Force 17.6%, Marines 6.5%); military rate (E1 to E6 57.3%, E7 to E9 22.1%, W1 to W5 1.5%, O1 to O10 15.6%, Other 1.5%, Don't know 2%); housing status (home owner 25.6%, house or apartment renter 30.2%, on-base military sponsored housing 20.1%, off-base military sponsored housing 23.1%, other 1%); children in household (none 24.6%, one 35.2%, two 24.1%, three 13.1%, four 3%); Age (18 to 20 years 3%, 21 to 24 years 20.1%, 25 to 29 years 26.6%, 30 to 34 years 25.6%, 35 to 39 years 16.6%, 40 to 44 years 5%, 45 to 49 years .5%, 50 years or better 2.5%); ethnicity (Caucasian 71.9%, African American 12.1%, Hispanic 6.5%, Asian/Pacific Islander 4.5%, other 1%, rather not say 4%); education (high school graduate or less 22.6%, currently attending or have attended one to three years of college 45.7%, graduated from a four year institution 19.6%, post graduate study or degree 12.1%); employment status (full-time 44.7%, part-time 12.6%, not employed outside the home 42.7%); and household income (under \$25,000 2.5%, \$25,000 to \$29,000 9%, \$30,000 to \$39,000 14.6%, \$40 to \$49,000 19.6% \$50,000 to \$59,000 17.1%, \$60,000 to \$74,000 18.1%, \$75,000 to \$99,000 10.6% \$100,000 to \$124,000 6.5%, \$125,000 to \$149,000 1.5% %150,000 and greater .5%).

A one-sample chi square test was conducted to assess the difference in the observed and expected sample data. As demonstrated by the chi square, χ^2 (3, N = 199) = 64.46, the observed sample of service branch differed slightly from the hypothesized proportion of 25% from each branch. The effect of .11 indicated that the observed frequencies deviated moderately from the expected frequency. Therefore, the survey returns per service branch represent the size of each service branch. WebsurveyorTM software maintains a count of the number of times

respondents view the survey and the number who submit them. According to this count, 379 respondents viewed the survey while only 206 submitted them. The return rate was 31%, just short of the expected return rate of 40%. Of those who viewed the online survey, 54% submitted.

To assess the help-seeking behaviors of the CMS, the researcher utilized WebsurveyorTM software. Because email surveys are seen to be intrusive and are often considered spam, a disadvantage was the possibility of a small rate of return. It is possible that the respondent to the email may not have been the intended recipient of the email message and this posed a limitation. In order to minimize this limitation, the survey asked if the respondent was a military member. If the respondent responded affirmatively to this question, the survey was considered invalid and filtered out of the study.

Data

All data were analyzed using SPSS for Windows. To answer to what extent are CMSs utilizing the current financial education services provided by military installations, the question was divided into two analyses: 1) formal financial resources versus informal financial resources and 2) military financial resources versus nonmilitary financial resources are resources staffed with financially trained personnel who are available to assist the CMS with personal financial management questions, educational tools, counseling, and/or planning. These resources include insurance agent, professional financial planner/counselor, tax preparer, accountant, banker, private attorney, Judge Advocate General, military employer (personnel office), nonmilitary employer (personnel office), base Morale, Welfare, & Recreation (MWR) or Family Services Center. Informal financial resources are noncertified or professional resources where CMSs can receive informal information to satisfy questions regarding personal financial management issues. These resources include ombudsman, friend, family or other relative, military installation website, other websites, and another military spouse.

Military financial resources include both formal and informal information venues and have a direct connection to the military. These include ombudsman, military installation website, another military spouse, Judge Advocate General, military employer (personnel office), and base sponsored MWR or Family Service Center. Nonmilitary financial resources include both formal and informal informational venues but have no direct connection to the military. These resources include friends, family or other relatives, nonmilitary websites, insurance agent, professional financial planner/counselor, tax preparer, accountant, banker, private attorney, and nonmilitary employer (personnel office). Targeted return based on the variables required a minimum N = 170.

Reliability and Validity

Grable and Joo (2003) developed the help-seeking scale used in this study to profile the help-seeking behaviors of university faculty and staff. The study utilized their scale on profiling financial well being with a few modifications. The responses of each interest area were modified slightly to accommodate military installation delivery channels. An internal consistency reliability was computed for both extent of use of the resources and usefulness of the resources for CMSs. Cronbach's Alpha was reported as .78 (adequate for confirmatory purposes for exploratory) and .80 (good for confirmatory purposes for exploratory), respectively.

Utilization of the Current Financial Resources

The research question addressed whether or not CMSs utilize the current financial resources available on military installations as well as the usefulness of these resources. In order to address this topic, a repeated measures ANOVA was first conducted on the extent of use of 1) formal resources; 2) informal resources; 3) military resources; and 4) nonmilitary resources. A one-way within-subjects ANOVA was conducted for each category of financial resource and the dependent variable being the extent of use over the past 12 months. Each resource variable was measured on the extent of use over the last 12 months: 0 times = 0; 1 to 2 times = 1; 3 to 5 times = 2; 6 to 10 times = 3; 11 or more times = 4. Pairwise comparisons were also conducted among the means for each resource group. A repeated measures ANOVA was also conducted on the usefulness of: 1) formal resources; 2) informal resources; 3) military resources; and 4) nonmilitary resources. Each formal resource variable was measured on the reported usefulness by the CMS: 0 = does not apply; 1 = not useful at all; 2 = somewhat useful; 3 = fairly/moderately useful; and 4 = very useful. In order to adequately measure the usefulness of these resources, those who responded with "does not apply" was recoded as system missing. Again, pairwise comparisons were conducted among the means for each resource group. Sphericity refers to the equality of the variances of the differences between levels of the repeated measures factor. The ANOVAs were interpreted using multivariate tests to avoid the controversy surrounding the sphericity assumption because violations of this assumption can affect the conclusions drawn from an analysis.

| - | | | Extent of | | | | Usefulness | |
|-------------------------------------|-----|-------|------------|-----|----|-------|------------|------|
| | | | Use | | | | | |
| Pair | Ν | t | Holm's | d | Ν | t | Holm's | d |
| | | | sequential | | | | sequential | |
| | | | Bonferroni | | | | Bonferroni | |
| Accountant – JAG | 199 | 6.08 | .001* | .43 | 33 | 3.04 | .002 | |
| Accountant – Military Employer | 199 | 3.88 | .002* | .28 | 34 | 3.86 | .002* | .66 |
| Accountant – MWR | 199 | .42 | .016 | | 43 | 2.74 | .002 | |
| Accountant – Nonmilitary Employer | 199 | 4.43 | .001* | .31 | 32 | 4.45 | .001* | .79 |
| Accountant – Private Attorney | 199 | 5.03 | .001* | .36 | 35 | 3.24 | .002 | |
| Banker – JAG | 199 | 4.99 | .001* | .35 | 33 | 3.00 | .002 | |
| Banker – Military Employer | 199 | 2.69 | .003 | | 37 | 4.00 | .001* | .66 |
| Banker – Nonmilitary Employer | 199 | 3.25 | .003* | .23 | 36 | 4.59 | .001* | .77 |
| Banker – Private Attorney | 199 | 3.95 | .002* | .28 | 34 | 2.49 | .003 | |
| Ins Agent – JAG | 199 | 5.55 | .001* | .39 | 32 | 1.61 | .005 | |
| Ins Agent – Military Employer | 199 | 3.47 | .002* | .25 | 35 | 1.89 | .004 | |
| Ins Agent – Nonmilitary Employer | 199 | 4.66 | .001* | .33 | 33 | 2.62 | .003 | |
| Ins Agent – PFPC | 199 | -3.75 | .002* | 27 | 54 | -6.23 | .002* | 85 |
| Ins Agent – Private Attorney | 199 | 4.33 | .001* | 31 | 34 | .14 | .050 | |
| Ins Agent – Tax Preparer | 199 | -4.47 | .002* | 32 | 49 | -3.39 | .002* | 48 |
| JAG – MWR | 199 | -5.29 | .002* | 37 | 30 | -2.48 | .003 | |
| JAG – Nonmilitary Employer | 199 | -1.22 | .004 | | 30 | 1.28 | .007 | 61 |
| Military Employer – MWR | 199 | -3.88 | .002* | 28 | 39 | -3.14 | .002 | |
| Nonmilitary Employer - MWR | 199 | -3.98 | .002* | 28 | 34 | -3.53 | .002* | |
| PFPC – Accountant | 199 | 4.33 | .001* | .31 | 69 | 1.93 | .003 | |
| PFPC – Banker | 199 | 4.60 | .001* | .33 | 49 | 4.16 | .001* | .59 |
| PFPC – JAG | 199 | 9.10 | .001* | .65 | 35 | 4.89 | .001* | .83 |
| PFPC – Military Employer | 199 | 7.12 | .001* | .50 | 36 | 7.05 | .001* | 1.18 |
| PFPC – MWR | 199 | 3.35 | .003* | .24 | 49 | 5.90 | .001* | .84 |
| PFPC – Nonmilitary Employer | 199 | 7.22 | .001* | .51 | 33 | 6.82 | .001* | 1.19 |
| PFPC – Private Attorney | 199 | 7.76 | .001* | .55 | 36 | 4.26 | .001* | .71 |
| PFPC – Tax Preparer | 199 | 54 | .012 | | 78 | 3.89 | .002* | .44 |
| Private Attorney – MWR | 199 | -4.61 | .002* | 33 | 33 | -1.68 | .004 | |
| Tax Preparer – Accountant | 199 | 5.93 | .001* | .42 | 69 | -1.00 | .010 | |
| Tax Preparer – Banker | 199 | 5.66 | .001* | .40 | 51 | 2.12 | .003 | |
| Tax Preparer – JAG | 199 | 10.36 | .001* | .74 | 33 | 3.14 | .002 | |
| Tax Preparer – Military Employer | 199 | 7.63 | .001* | .54 | 35 | 4.03 | .001* | .68 |
| Tax Preparer – MWR | 199 | 4.18 | .001* | .30 | 55 | 4.17 | .001* | .56 |
| Tax Preparer – Nonmilitary Employer | 199 | 8.18 | .001* | .58 | 34 | 4.34 | .001* | .74 |
| Tax Preparer – Private Attorney | 199 | 9.10 | .001* | .65 | 34 | 3.16 | .002 | |

Table 1. Pairwise Results of Significant Formal Pairs

* Significant at the .05 level based on Holm's sequential Bonferroni procedure.

The results for the ANOVA indicated a significant extent of use effect, Wilkes's $\Lambda = .51$, F(5, 194) = 37.90, *p* <.001, multivariate $\eta^2 = .49$ for informal financial resources. It should be noted that there were limited visits with informal sources over the past 12 months. The pairwise comparisons are significant controlling for familywise error rate across the 15 tests at the .05 level, using Holm's sequential Bonferroni procedure. Table 2 presents the significant comparisons of informal sources. The significant results of the pairwise comparisons resulted in 11 out of 15 pairs tested, based on the Holm's sequential Bonferroni procedure. The results indicated that the mean extent of use for family (M = 1.11, SD = 1.09) was significantly greater than the mean extent use of military website, another military spouse, and nonmilitary website. Friend (M = .60, SD = .92) was significantly greater than another military spouse and military website but was significantly less than family. The results also indicated that ombudsman (M = .06, SD = .29) was significantly less than another military spouse, family, friend, military website, and other financial website.

| | Extent of | | | | | | Usefulness | |
|-------------------------------------|-----------|--------|------------|-----|-----|-------|------------|-----|
| | | | Use | | | | | |
| Pair | Ν | t | Holm's | d | Ν | t | Holm's | d |
| | | | sequential | | | | sequential | |
| | | | Bonferroni | | | | Bonferroni | |
| Family – Another Military Spouse | 199 | 9.26 | .003* | .66 | 79 | 2.34 | .006 | |
| Family – Military Website | 199 | 9.07 | .003* | .64 | 79 | 4.70 | .003* | .53 |
| Family – Other Financial Website | 199 | 7.85 | .003* | .56 | 67 | 26 | .030 | |
| Friend – Another Military Spouse | 199 | 2.69 | .010* | .19 | 76 | 14 | .050 | |
| Friend – Family | 199 | -8.10 | .005* | 57 | 104 | -3.93 | .004* | 39 |
| Friend – Military Website | 199 | 3.13 | .008* | .22 | 67 | 1.90 | .008 | |
| Friend – Other Financial Website | 199 | 1.89 | .012 | | 59 | -5.26 | .004* | 68 |
| Military Website – Other Financial | 199 | -1.06 | .025 | | 59 | -5.26 | .004* | 68 |
| Website | | | | | | | | |
| Ombudsman – Another Military Spouse | 199 | -6.45 | .004* | 46 | 45 | -3.11 | .005* | 46 |
| Ombudsman – Family | 199 | -13.57 | .007* | 96 | 45 | -4.03 | .004* | 60 |
| Ombudsman – Friend | 199 | -8.18 | .006* | 58 | 45 | -3.04 | .006* | 45 |
| Ombudsman – Military Website | 199 | -6.56 | .005* | 47 | 44 | -1.42 | .020 | |
| Ombudsman – Other Financial Website | 199 | -6.14 | .004* | 44 | 38 | -3.71 | .005* | 60 |

Table 2. Pairwise Results of Significant Informal Pairs

* Significant at the .05 level based on Holm's sequential Bonferroni procedure.

The results for the ANOVA indicated a significant extent of use effect, Wilkes's $\Lambda = .73$, F(5, 194) = 14.09, *p* <.001, multivariate $\eta^2 = .27$ for military financial resources. It should be noted that there were limited visits (less than two reported for each) with military sources over the past 12 months. Table 3 presents the significant mean extent of use and standard deviations for military resources. The pairwise comparisons are significant controlling for familywise error rate across the 15 tests at the .05 level, using Holm's sequential Bonferroni procedure. The significant results of the pairwise comparisons resulted in 11 out of 15 pair tested, based on the Holm's sequential Bonferroni procedure. The results indicated that the mean extent of use for another military spouse (M = .48, SD = .91) was significantly greater than the mean extent use of JAG, military employer, and MWR. JAG (M = .03, SD = .17) was significantly less than MWR. Military employer (M = .09, SD = .41) was significantly less than MWR. Military employer (M = .09, SD = .41) was significantly less than MWR. Military website (M = .42, SD = .79) was significantly greater than JAG, military employer, and MWR. Finally, ombudsman (M = .06, SD = .29) was significantly less than another military spouse, military employer, military website, and MWR but was significantly greater than JAG.

| | | | Extent of Use | |
|---|-----|-------|------------------------------------|-----|
| Pair | Ν | t | Holm's sequential Bonferroni | d |
| Another Military Spouse – JAG | 199 | 7.08 | .003* | .50 |
| Another Military Spouse – Military Employer | 199 | 6.54 | .003* | .46 |
| Another Military Spouse – MWR | 199 | 3.22 | .008* | .23 |
| JAG – MWR | 199 | -5.29 | .005* | 37 |
| Military Employer – MWR | 199 | -3.88 | .004* | 28 |
| Military Website – JAG | 199 | 6.98 | .003* | .49 |
| Military Website – Mil Employer | 199 | 6.06 | .004* | .43 |
| Military Website – MWR | 199 | 2.92 | .010* | .21 |
| Ombudsman – Another Military Spouse | 199 | -6.45 | .006* | 46 |
| Ombudsman – Military Website | 199 | -6.56 | .007* | 47 |
| Ombudsman – MWR | 199 | -4.67 | .005* | 33 |

Table 3. Pairwise Results of Significant Military Pairs

* Significant at the .05 level based on Holm's sequential Bonferroni procedure.

Extent of use of resource

The results for the ANOVA indicated a significant extent of use effect, Wilkes's $\Lambda = .51$, F(9, 190) = 20.11, p <.001, multivariate $\eta^2 = .49$ for formal financial resources. Based on the confidence intervals, there were limited visits with formal sources over the past 12 months. The most utilized formal financial resource was a tax preparer. Table 1 presents the significant comparisons of formal sources. The significant results of the pairwise comparisons resulted in 31 out of 45 pairs tested, based on the Holm's sequential Bonferroni procedure. The results of the mean extent of use for accountant (M = .29, SD = .58) was significantly greater than the mean extent use of JAG, military employer, nonmilitary employer, and private attorney. Banker (M = .21, SD = .49) was significantly greater than JAG, nonmilitary employer, and private attorney. Professional financial planner/counselor (M = .48, SD = .69) was significantly greater than accountant, banker, JAG, military employer, MWR, nonmilitary employer, and private attorney. Insurance agent (M = .25, SD = .58) was significantly less than the mean extent use of professional financial planner/counselor, and tax preparer and significantly greater than the use of JAG, military employer, nonmilitary employer, and private attorney. JAG (M = .03, SD = .17) was significantly less than the mean extent use of MWR. The results also indicated military employer (M = .09, SD = .41) was significantly less than MWR. Nonmilitary employer (M = .07, SD = .38) was also significantly less than MWR. Private attorney (M = .06, SD = .06, .31) was significantly less than the mean extent use of MWR. Finally, tax preparer (M = 51, SD = .63) was significantly greater than accountant, banker, JAG, military employer, and private attorney for the mean extent of use.

The results for the ANOVA indicated a significant extent of use effect, Wilkes's $\Lambda = .42$, F(9, 190) = 29.69, p <.001, multivariate $\eta^2 = .58$ for nonmilitary financial resources. It should be noted that there were limited visits with nonmilitary resources over the past 12 months. The pairwise comparisons are significant controlling for familywise error rate across the 45 tests at the .05 level, using Holm's sequential Bonferroni procedure. Table 4 presents the significant comparisons of nonmilitary resources. The significant results of the pairwise comparisons resulted in 34 out of 45 pair tested, based on the Holm's sequential Bonferroni procedure. The results indicated that the mean extent of use for accountant (M = .29, SD = .58) was significantly greater than the mean extent use of nonmilitary employer and private attorney. Banker (M = .21, SD = .49) was significantly greater than nonmilitary employer and private attorney. Family (M = 1.11, SD = 1.09) was significantly greater than accountant, banker, professional financial planner/counselor, insurance agent, nonmilitary employer, other financial website, private attorney, and tax preparer. Professional financial planner/counselor (M = .48, SD = .69) was significantly greater than accountant, banker, nonmilitary employer, and private attorney. Friend (M = .60, SD = .92) was significantly greater than accountant, banker, insurance agent, nonmilitary employer, and private attorney. The results also indicated that friend was significantly less than family. Insurance agent (M = .25, SD = .58) was significantly greater than professional financial planner/counselor and tax preparer but was significantly greater than nonmilitary employer and private attorney. Other website (M = .48, SD = .97) was significantly greater banker, insurance agent, nonmilitary employer, and private attorney. Finally, tax preparer (M = .51, SD = .63) was significantly greater than accountant, banker, nonmilitary employer, and private attorney.

Usefulness of resource

A one-way within-subjects ANOVA was conducted with the factor being the same formal financial resources with the dependent variable being the usefulness of the resources. The results for the ANOVA indicated a significant usefulness effect, Wilkes's $\Lambda = .32$, F(9, 16) = 3.73, p = .01, multivariate $\eta^2 = .68$ for formal financial resources. The pairwise comparisons are significant controlling for familywise error rate across the 45 tests at the .05 level, using Holm's sequential Bonferroni procedure. Table 1 presents the significant comparisons of formal sources. The significant results of the pairwise comparisons resulted in 17 out of 45 pair tested, based on the Holm's sequential Bonferroni procedure. The results indicated that the mean usefulness for accountant (M = 2.32, SD = 1.36) was significantly greater than the mean usefulness of military employer and nonmilitary employer. Banker (M = 2.11, SD = 1.17) was significantly greater military employer and nonmilitary employer. Professional financial planner/counselor (M = 3.00, SD = 1.22) was significantly greater than banker, JAG, military employer, MWR, nonmilitary employer, private attorney, and tax preparer. Nonmilitary employer (M = 1.35, SD = .73) was significantly less than MWR. Finally, tax preparer (M = 2.34, SD = 1.28) was significantly greater military employer.

| | | | Extent of | | | | Usefulness | |
|---------------------------------------|-----|-------|------------|-----|-----|-------|------------|------|
| | | | Use | | | | | |
| Pair | Ν | t | Holm's | d | Ν | t | Holm's | d |
| | | | sequential | | | | sequential | |
| | | | Bonferroni | | | | Bonferroni | |
| Accountant – Nonmilitary Employer | 199 | 4.43 | .002* | .31 | 32 | 4.45 | .001* | .79 |
| Accountant – Private Attorney | 199 | 5.03 | .002* | .36 | 35 | 3.24 | .002 | |
| Banker – Nonmilitary Employer | 199 | 3.25 | .004* | .23 | 36 | 4.59 | .001* | .77 |
| Banker – Private Attorney | 199 | 3.95 | .002* | .28 | 34 | 2.49 | .003 | |
| Family – Accountant | 199 | 9.25 | .001* | .66 | 60 | -2.95 | .002 | |
| Family – Banker | 199 | 11.71 | .001* | .83 | 56 | .88 | .007 | |
| Family – PFPC | 199 | 7.11 | .001* | .50 | 83 | -5.15 | .002* | 57 |
| Family – Ins Agent | 199 | 10.91 | .001* | .77 | 63 | 3.18 | .002* | .40 |
| Family – Nonmilitary Employer | 199 | 13.32 | .001* | .94 | 37 | 4.66 | .001* | .77 |
| Family – Another Financial Website | 199 | 7.85 | .001* | .56 | 67 | 26 | .030 | |
| Family – Private Attorney | 199 | 13.51 | .001* | .96 | 37 | 1.17 | .005 | |
| Family – Tax Preparer | 199 | 7.06 | .001* | .50 | 94 | -3.93 | .001* | 41 |
| PFPC – Accountant | 199 | 4.33 | .002* | .31 | 69 | 1.93 | .003 | |
| PFPC – Banker | 199 | 4.60 | .002* | .33 | 49 | 4.16 | .001* | .59 |
| PFPC – Nonmilitary Employer | 199 | 7.22 | .001* | .51 | 33 | 6.82 | .001* | 1.19 |
| PFPC – Private Attorney | 199 | 7.76 | .001* | .55 | 36 | 4.26 | .001* | .71 |
| PFPC – Tax Preparer | 199 | 54 | .012 | | 78 | 3.89 | .001* | .44 |
| Friend – Accountant | 199 | 3.97 | .002* | .28 | 47 | -3.46 | .002* | 50 |
| Friend – Banker | 199 | 5.91 | .001* | .42 | 50 | 67 | .008 | |
| Friend – Family | 199 | -8.10 | .003* | 57 | 104 | -3.93 | .001* | 39 |
| Friend – PFPC | 199 | 1.52 | .006 | | 62 | -6.53 | .002* | 83 |
| Friend – Ins Agent | 199 | 5.07 | .001* | .36 | 52 | 1.82 | .004 | |
| Friend – Nonmilitary Employer | 199 | 8.27 | .001* | .59 | 37 | 4.57 | .001* | .75 |
| Friend – Private Attorney | 199 | 8.23 | .001* | .58 | 35 | .64 | .010 | |
| Friend – Tax Preparer | 199 | 1.13 | .007 | | 62 | -4.61 | .002* | 59 |
| Ins Agent – PFPC | 199 | -3.75 | .003* | 27 | 54 | -6.23 | .002* | 85 |
| Ins Agent – Nonmilitary Employer | 199 | 4.66 | .002* | .33 | 33 | 2.62 | .002 | |
| Ins Agent – Private Attorney | 199 | 4.33 | .002* | .31 | 34 | .14 | .050 | |
| Ins Agent – Tax Preparer | 199 | -4.47 | .003* | 32 | 49 | -3.39 | .002* | 48 |
| Other Financial Website – Banker | 199 | 3.85 | .002* | .27 | 45 | 1.16 | .006 | |
| Other Financial Website – Insurance | 199 | 3.51 | .003* | .25 | 47 | 3.58 | .005* | .52 |
| Agent | | | | | | | | |
| Other Financial Website – Nonmilitary | 199 | 6.46 | .001* | .46 | 35 | 5.27 | .001* | .89 |
| Employer | | | | | | | | |
| Other Financial Website – Private | 199 | 6.07 | .001* | .43 | 33 | 2.26 | .003 | |
| Attorney | | | | | | | | |
| Tax Preparer – Accountant | 199 | 5.09 | .001* | .36 | 69 | -1.00 | .006 | |
| Tax Preparer – Banker | 199 | 5.66 | .001* | .40 | 51 | 2.12 | .003 | |
| Tax Preparer – Nonmilitary Employer | 199 | 8.18 | .001* | .58 | 34 | 4.94 | .001* | .85 |
| Tax Preparer – Private Attorney | 199 | 9.10 | .001* | .65 | 34 | 3.16 | .002 | |

Table 4. Pairwise Results of Significant Nonmilitary Pairs

* Significant at the .05 level based on Holm's sequential Bonferroni procedure.

A one-way within-subjects ANOVA was conducted with the factor being the same informal financial resources with the dependent variable being the usefulness of the resources. The results for the ANOVA indicated a significant usefulness effect, Wilkes's $\Lambda = .57$, F(5, 31) = 4.75, p = .002, multivariate $\eta^2 = .43$. The pairwise comparisons are significant controlling for familywise error rate across the 15 tests at the .05 level, using Holm's sequential Bonferroni procedure. Table 2 presents the significant comparisons of informal sources. The significant results of the pairwise comparisons resulted in 7 out of 15 pairs tested, based on the Holm's sequential Bonferroni procedure. The results indicated that the mean usefulness for family (M = 2.44, SD = 1.00) was significantly greater than the

mean usefulness of military website. Friend (M = 2.13, SD = .97) was significantly less than family. Also, military website (M = 1.76, SD = 1.04) was significantly less than other financial website. Finally, ombudsman (M = 1.67, SD = .98) was significantly less than family, friend, another military spouse, and other financial website.

A one-way within-subjects ANOVA was conducted with the factor being the same military resources with the dependent variable being the usefulness of the resources. The results for the ANOVA did not indicate a significant usefulness effect, Wilkes's $\Lambda = .69$, F(5, 19) = 1.72, p = .179, multivariate $\eta^2 = .31$.

A one-way within-subjects ANOVA was conducted with the factor being nonmilitary financial resources and the dependent variable being the usefulness of the nonmilitary resource. The results for the ANOVA indicated a significant extent of use effect, Wilkes's $\Lambda = .23$, F(9, 16) = 5.92, p = .001, multivariate $\eta^2 = .77$. The pairwise comparisons are significant controlling for familywise error rate across the 45 tests at the .05 level, using Holm's sequential Bonferroni procedure. Table 4 presents the significant comparisons of nonmilitary sources. The significant results of the pairwise comparisons resulted in 20 out of 45 pair tested, based on the Holm's sequential Bonferroni procedure. The results indicated that the mean usefulness for accountant (M = 2.28, SD = .58) was significantly greater than the mean usefulness of nonmilitary employer. Banker (M = 2.06, SD = 1.15) was significantly greater than nonmilitary employer. Family (M = 2.27, SD = .95) was significantly less than professional financial planner/counselor and tax preparer but was significantly greater than insurance agent and nonmilitary employer. Professional financial planner/counselor (M = 3.00, SD = 1.22) was significantly greater than the mean usefulness of banker, nonmilitary employer, private attorney, and tax preparer. Friend (M = 1.89, SD =1.32) was significantly less than the mean usefulness of accountant, family, professional financial planner/counselor, and tax preparer but significantly greater than other employer. Insurance agent (M = 1.93, SD = .82) was significantly less than professional financial planner/counselor and tax preparer. Other website (M = 2.38, SD =1.11) was significantly greater than insurance agent and other employer. Finally, the mean usefulness for tax preparer (M = 2.35, SD = 1.30) was significantly greater than the mean usefulness of other employer.

Discussion

Although Grable and Joo (2003) addressed the population of university faculty and staff, similar findings occurred with the sample of CMSs. The repeated measures ANOVAs showed that CMSs had fewer than two visits on average in the last 12 months for any formal resource. The most used formal resource was a tax preparer. Professional financial planning / counseling had few respondents who consulted them three to five times over the past 12 months. This study also analyzed the perceived usefulness of each. Financial planner/counselor and tax preparer were reported to be the most useful formal resource for CMSs. Those who selected the "does not apply" when rating a resource's usefulness were eliminated from the assessment for this question. It should also be noted that Grable and Joo assessed their targeted sample in a similar manner but did not address the coding or inclusion of this category in their assessment. CMSs were found to have low usefulness scores on all formal resources. The financial planner/counselor, tax preparer, and certified public accountant were perceived to be the most useful resources.

According to the study, CMSs utilized informal resources more often. These informal resources were family members, friends, nonmilitary installation financial web pages, and other military spouses on average of zero to five times in the last 12 months. The informal resources were also assessed on their perceived usefulness with the exclusion of the "does not apply" category. These resources were also found to be somewhat useful to very useful with the highest perceived useful resources being family, other financial website, another military spouse, and friend.

When tested based on military versus nonmilitary resource use over the past 12 months, the CMSs sought financial information less than twice, on average, for any military resource. Ranking by the highest average of use for military resources showed that CMSs sought financial information from another military spouse, the military installation financial web pages, and MWR more often. Ranking by the highest average use for nonmilitary resources showed that CMSs sought financial information from family, friend, tax preparer, other financial web pages, and financial planner/counselor more often. The military and nonmilitary resources were also assessed on their perceived usefulness with the exclusion of the "does not apply" category. The military resources were found to be not useful at all with the highest perceived useful resources being another military spouse, MWR, and military installation financial web pages. The nonmilitary resources that were perceived to have the highest useful rankings, while rated somewhat useful, were family, tax preparer, financial planner/counselor, and friend. The results for formal, informal,
military and nonmilitary extent of use confirm the finding by Orthner and Rose (2003) that while many military resources are available, CMSs are not utilizing them.

Implications of the Study

This study presents implications that impact various areas of study. First, the results show that the military spousal segment of the US population is willing to seek the counseling of a professional financial planner/counselor. This opens the field to a new market that may have been overlooked. Another implication that impacts the financial planning discipline is the potential to empower CMSs with the opportunity to assist in the financial education of other military spouses. The Military Spouse Fellowship for the Accredited Financial Counselor Program (Wiggins, 2006) appears to be a viable program that may reach these CMSs. However, this program needs to be advertised to this market for penetration and needs to be monitored for its effectiveness. Further, such a peer learning program needs to be consistent across all military installations. If the cost is an issue, then perhaps the military could assist by offering a voucher system. This voucher system would allow CMSs of those members ranked in the junior enlisted ranks to seek outside assistance from professional financial planners/counselors at little or no out-of-pocket expense.

Marketing implications also come from the results. Respondents noted that they were unaware of the military programs that were available to the CMS as well as the expectations of the programs at the service branch levels. The channels of communication extending from the DoD (who encodes an intended message) transmits a financial Well being initiative to the intended audience (each party involved – service branch, installation, command, and finally, the military member and CMS) must be received and successfully decoded. These channels seem to include so much noise (large number of financial resources, the inconsistent curriculum, and the lack of clarity of the Well being campaign goals), that the intended recipient is unable to accurately decode and utilize the information. The DoD should refine specifically what their goals, objectives, and measurements are for the financial literacy initiatives and then communicate these clearly to the end user.

Finally, the DoD can minimize, and possibly eliminate, the financial burden that occurs when the military family mismanages their personal finances. These financial burdens include the revocation of security clearances and the retention of military personnel (GAO, 2005; Luther et al., 1997). However, a win-win situation exists for both the DoD and the military family upon refining the DoD financial educational goals to include the financial education of CMSs and utilizing a consistent communication channel of personal financial literacy and services to the CMS. Another DoD implication rests on the services provided by Judge Advocate General (JAG). The study found that CMSs of the US Navy are less likely to discuss financial problems with JAG. Currently, CMSs can consult JAG personnel for certain financial related areas, such as wills, powers of attorney, landlord/tenant services, and family law, but their knowledge and skills are limited to military law (Judge Advocate General's Corps, n. d.). The expansion of JAG's legal work from their paralegal work could incorporate laws associated with financial and consumer issues arising outside the military. Examples could include consumer credit laws, predatory lending, consumer fraud and protection, real estate disclosure, and securities fraud.

Recommendations for Further Research

This study has opened the door for further research in an underserved market that needs financial literacy attention. The study assessed the usefulness of resource in an attempt to determine what resources (formal, informal, military, and nonmilitary) satisfy the needs of this market. Although assessment of financial satisfaction was beyond the scope of this study, examination of the financial satisfaction and financial literacy of CMSs could lead to a more refined financial education resource that best meets their needs. Therefore, further studies on long term financial goals, savings, and financial emergencies, for example, based on demographic variables could lend insight as to what focus each resource could have.

In addition, military and nonmilitary financial web pages were reported as one type of resource that was not only used but also useful to the CMS. Literature (Aleven & Koedinger, 2001; Aleven et al., 2003; Mercier & Fredericksen, n. d.; Nelson-LeGall, 1981) supports further research on financial websites (military versus nonmilitary) with respect to financial help-seeking and technology utilization by the civilian military spousal market. This medium should be studied to determine if military financial installations should include these pages on their official military website. Also, the interconnectivity that a CMS could have with regard to immediate response and engagement included in this type of resource should be studied as a medium for financial literacy.

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How Do You Know Financial Education Works?

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Key Words: program evaluation, logic model, web metrics, financial education

Target Audience

AFCPE members interested in improving and tracking program effectiveness, providing accountability to stakeholders, and using program results to support funding requests for their programming.

Objectives/Purpose

Counting program participants, web site hits, and media reach no longer answers the "so what?" question for the organizations supporting financial education. Today, the focus is on changing behavior at individual, societal, institutional, and policy levels. The purpose of this workshop was to give financial educators the motivation and evaluation tools needed to prove beyond anecdotal evidence that programs make a significant difference.

Description

Panelists introduced logic modeling, evaluating on-line educational options, and choosing the right indicators and methods to prove results. Significant time throughout the session allowed for audience interaction. Handouts included a logic model template, and details about the specific tools and programs highlighted.

The three complementary components of the workshop were:

Using the logic model as a program evaluation tool – Relying on work by the University of Wisconsin Extension, the logic model was used to visualize the sequence of actions linking program investments with results. Workshop participants learned how to effectively use this tool, understand the difference between outputs and outcomes, and develop appropriate impact indicators. Significant emphasis was placed on program outcomes.

Evaluating web-based education – Using the all new Internet-based eXtension (pronounced ee-Extension) as a model, the discussion centered on web metrics (e.g., number of unique visitors, number of pages viewed) plus documenting satisfaction, awareness, knowledge, and behavior change through online surveys of users. Using the web-based survey application InstantSurvey, participants were introduced to a survey template. Questions included topics such as how users discover a web site, how often they access the web site, usefulness of the information, other sources of information used, how they would rate the ease of use, and self-reported knowledge and behavior change in a one or two-question format.

Free evaluation resource – The two components of the new NEFE® Financial Education Evaluation ToolkitSM were outlined. The database allows users to quickly and conveniently customize an evaluation tailored to their financial education program. A supplemental manual assists educators in designing a measurement tool and collecting and analyzing the resulting data. The toolkit is based on a study involving eight focus group sessions and a national online survey of financial professionals and educators.

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Effect of Health and Wealth Changes on Portfolio Allocation of Older Americans

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Key Words: portfolio changes, health, wealth, psychological investment behavior

Abstract

As the large Baby Boom generation nears retirement, it becomes both useful and important to examine the relationship between the wealth and health of older individuals and their portfolio choices. This exploratory study uses longitudinal data from the 1992-2004 Health and Retirement Survey to evaluate the extent to which health and wealth changes in prior years affect current portfolio allocations.

The literature suggests there are several different vantage points for examining investment behavior of older persons. Economic models of optimal portfolio choice view the investor as trying to maximizing utility while minimizing risk. Although it is reasonable to expect that risk aversion would increase with age, empirical studies have not established a consistent link between age and portfolio choice. Most recent work has considers conditional and unconditional asset ownership separately when measuring the share of risky assets in a portfolio. To examine the effect of effect of prior financial status on present financial decisions, researchers have used time lagged variables when assessing portfolio choice.

Research on the relationship between health and portfolio choice is a recent development. Current literature suggests that there is a negative relationship between health risk or health status and taking on investment risk when older. Risk of losing health status or being unhealthy could amplify consumption risk, making investors more risk averse and decreasing the optimal amount of risky assets in their portfolio.

Wealth has a significant and positive effect on the ownership and share of risky assets. Wealthier people will invest more in risky assets than less wealthy people and will hold investments in risky assets for long periods of time, if able to do so. Research suggests that wealthier people are relatively less risk averse.

Investor characteristics are also important factors in portfolio choice. In the investment experimental behavior literature, three main investor behavior theories have been proposed: loss aversion theory, the house-money theory, and the mental accounting or narrow framing theory. These theories describe how prior gains and losses can influence portfolio allocation. Loss aversion theory hypothesizes that prior losses encourage future risk taking while prior gains discourage it, indicating a negative correlation between future investment and prior gains/loss investments. In contrast, the alternative house-money effect suggests that prior gains increase wealth, providing a buffer that could encourage the investor to be risk taking in the future. This theory points to a positive correlation between previous investment outcomes and future investment decision. The mental accounting theory suggests that investors mentally compartmentalize their investments. Thus, a decline in housing value would be perceived and acted upon differently than a decline in value of a stock. In general terms, investors may react differently to the gains and losses in different asset categories.

Literature Review

Portfolio Choice

Empirical studies of investor behavior confirm there is an inverse relationship between risk aversion and the demand for risky assets (Guiso, Haliassos, & Jappelli, 2002). Recent studies of optimal portfolio choice have incorporated additional factors into the investor's utility function. These factors include, for example, investment time horizon, uncertain or varying labor income, consumption habits, liquidity constraints, transaction costs, and effect of taxation. (See Guiso, Haliassos, and Jappelli 2002 for an excellent review of these models). Although these efforts have increased understanding of determinants of portfolio choice, more remains to be learned, especially when considering investor behavior in a longitudinal context.

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The relationship between age and risky asset ownership is not straightforward. Guiso, et. al (2002) note that ownership of risky assets is low among the young, relatively high in mid-life, and low again in old age. But, the share of risky assets that are held conditional on owning a risky portfolio is rather flat, varying little with age. Given this relationship between age and risky asset ownership

To evaluate the An early study by Cragg and Uhler (1971) used a multinomial logit model to explain portfolio choice given five alternative portfolios. They found that net worth, income flows in the preceding three years, age and family size were significant determinants of the level of diversification. Ioannides (1992) considered the impact of several different exogenous changes occurring in any one previous period of a three year interval on portfolio choice. The changes he considered included a change in net worth, job status, or employment status (working vs. retired), or moving. He also considered the effect of lagged variables such as value of an asset share three years prior and last year's labor income.

Health Status

Research on the relationship between health and portfolio choice is a recent development (Berkowitz & Qiu, 2006; Edward, 2005; Rosen & Wu, 2004). In general, results from these studies suggest that health status is an important influence on investor financial decision making. Research on the interplay of health and wealth suggests that there is a negative relationship between health risk or health status and taking on investment risk when older. Risk of losing health status or being unhealthy could amplify consumption risk, making investors more risk averse and decreasing the optimal amount of risky assets in their portfolio. Indeed, health risk may account for 60% of the observed decline in average risk taking after retirement.

Analyzing data from the Health and Retirement Survey (HRS), Rosen and Wu (2004) found that having a selfreported health status of fair or poor had a significant and negative relationship with ownership of retirement assets, bonds, and risky assets for both single and married households (except for bond holdings of married couples). Rosen and Wu note that health status can be related to an individual's risk aversion attitudes, planning horizon, or health insurance status and can thus influence portfolio allocation.

Berkowitz and Qiu (2006) also use HRS data to test the effect of health status on portfolio choice. They included in their analysis an indicator variable for having been diagnosed with a new severe health condition (heart problem, stoke, cancer or malignant tumor, lung disease or diabetes) during the previous two years. They found that a new severe health condition was significantly and negatively related to the log of financial assets for single households. Among married couples, wives' new severe health condition was significantly and negatively related to the log of financial assets for single households. Among married couples, wives' new severe health condition was significantly and negatively related to the log of financial assets and log of non-financial assets. Interestingly, however, a husband's new severe health condition was not a significant factor in portfolio choice. Similar results were found when they used self-reported health status instead of serious new health condition. They conclude that a new illness of a household member has asymmetric effects on financial and non-financial wealth and leads to a large decline in financial wealth. They propose possible indirect channels through which health status may affect household financial asset allocation and lead households to restructure the composition of their financial assets.

Using the Study of Assets and Health Dynamics Among the Oldest Old (AHEAD), Edward (2005) investigated the relationship between health and risk taking behavior after retirement. He proposed a theoretical model that indicated how the share of risky assets in an investor's portfolio would respond to health risk, as measured by the self-assessed probability that medical expenses will use up all household savings in the next five years. Wealth

Research indicates that wealth has a significant and positive effect on the ownership and share of risky assets. Wealthier people will invest more in risky assets than less wealthy people and will hold investments in risky assets for long periods of time, if able to do so. Given this fact, Gollier (2002) concluded that wealthier people are relatively less risk averse. King and Leape (1987) reason that wealth effects explain lack of portfolio diversification because transaction costs reduce wealth.

Investor Psychological Behavior Theory

Early studies of household portfolio choice focused on the influence of socioeconomic variables such as age, gender, net wealth, education, races, number of children or age of the youngest child, marital status, and occupation types on

asset allocation (Cragg & Uhler, 1971; King & Dicks-Mireaux, 1982; King and Leape, 1987). Lack of data regarding other investor characteristics limited the research that could be done.

Recent studies of individual portfolio composition have used newer data collections such as the Health and Retirement Survey to evaluate the influence of other investor characteristics. These other characteristics include investor's cognitive abilities (Christelis, et al 2006), measurement or perception of investor's mental or physical health or health risks (Berkowitz & Qiu, 2006; Edwards, 2005; Rosen & Wu, 2004), bequest motives (Cocco, et al 2005; Hurd, 2002), and social interactions (Hong, et al 2004). Investment behavior is complex. It is important to understand the psychology of investors. It is reasonable that investor behavior could be affected by such things as prior investment experiences or future expectations regarding losses or gains, realized or expected changes in wealth, or degree of optimism about the future.

In the investment experimental behavior literature, three main investor behavior theories have been proposed: loss aversion theory, the house-money theory, and the mental accounting or narrow framing theory. These theories describe how prior gains and losses can influence portfolio allocation. Loss aversion theory hypothesizes that prior losses encourage future risk taking while prior gains discourage it, indicating a negative correlation between future investment and prior gains/loss investments. In contrast, the alternative house-money effect suggests that prior gains increase wealth, providing a buffer that could encourage the investor to be risk taking in the future. This theory points to a positive correlation between previous investment outcomes and future investment decision. The mental accounting theory suggests that investors mentally compartmentalize their investments. Thus, a decline in housing value would be perceived and acted upon differently than a decline in value of a stock. In general terms, investors may react differently to the gains and losses in different asset categories.

Massa and Simonov (2002) use a new Swedish panel dataset from 1995-2001 to distinguish the effects of the three theories simultaneously using one equation. They used the effects of prior positive and negative changes in two wealth variables – financial/capital and non-financial asset/real estate to test the loss aversion and house-money theory. Previous change in a specific asset was used to test the mental accounting theory. Portfolio choice was represented by the share of total wealth devoted to specific assets. The influence of profit, income, borrowing constraint, demographic and geographic characteristics, and macro-economic variables was controlled.

Conceptual Framework

The purpose of this exploratory study is to examine the extent to which prior changes in health status and wealth status may influence change in portfolio allocation. Following the example set in prior research (Berkowitz & Qiu, 2006; Christelis, et al, 2006; Edwards, 2005; Guiso, et al, 2002; Hong, et al, 2004; Rosen & Wu, 2004; Vissing-Jorgensen, 2002), factors affecting asset allocation in a portfolio are considered in two ways. Probit analysis is used to examine the factors influencing presence or absence of a change in the share of net wealth invested in a given assets comparing share in 2002 with share in 2004. The dependent variable is a dichotomous variable that indicates change or no change. Ordinary least squares regression is used to examine the factors influencing the percentage change in a given asset class' portfolio share over time.

The concept of mental accounting suggests that investors mentally categorize various investment vehicles according to their common properties and value the investments in each category differently. Consequently, our study evaluates portfolio behavior relative to two major asset categories: stocks/bonds and housing. These two investment vehicles were chosen because they have quite different characteristics. Stocks and bonds are considered risky assets. Their value can fluctuate widely in response to market and economic conditions. Typically, housing is a more stable investment. It is also generally the largest store of wealth for older individuals. A decline in health in one period could precipitate a change in the proportion of either asset in a subsequent period.

A variety of factors other than health and wealth could influence portfolio allocations. In this study respondent's age, education, race and reported level risk aversion are used as control variables along with expectation of receiving an inheritance, having a bequest motive, number of children, home ownership, and total household income.

Empirical Model and Variable Measurement

The main purpose of this study is to observe how changes in respondent's health and wealth that take place in prior time periods affect household portfolio choice. The affect of respondent psychological factors on household portfolio choice are also considered. Changes in health and wealth are typically a long-term process. To capture

potential effects of this process, in this study ten years of health and wealth data are divided into five consecutive two-year periods. Breaking down a relatively longer time period into shorter segments can help identify the nature of the lagged effect of health and wealth changes on portfolio choice. For example, do changes that are closer to the current time have a greater or lesser impact than changes that have occurred farther in the past?

This study focuses on two asset classes: stock and bonds and housing. Stocks/bonds include stocks, mutual funds, and bonds. Housing assets include primary/secondary residences and all other real estate investments. Two analyses are considered for each asset of interest. First, probit analysis is used to assess the influence of prior changes in health and wealth and of investor psychological factors on presence or absence of change in the share of net wealth invested in either stocks and bonds or housing from 2002-2004 (the most recent wave of data collection), controlling for various investor characteristics. Then, OLS is used to evaluate the influence of the same set of independent variables on the amount of the percentage change in either stocks and bonds or housing during 2002-2004, again controlling for various investor characteristics. The percentage change in the share of the portfolio allocated to stocks and bonds is calculated as: % change in stocks/bonds share = [(stocks/bonds) / net wealth]₂₀₀₄ - [(stocks/bonds) / net wealth]₂₀₀₂. The calculation for housing is similar. Because changes in portfolio share may be the result of price changes, change in an asset value at t-1 is entered into the analysis as indicated in Gollier (2002).

Control variables include changes in other assets, current status of investor characteristics – respondent mental and physical health, respondent age, education level, race, level of risk aversion, expectation of inheritance, bequest motive, number of children, housing tenure, and net value of total wealth.

Although there are some arguments about the recursive effects of wealth and health, in this study, correlation analysis failed to identify any relationship between changes of health and wealth at each time interval. Following the practice in recent research, the static effects of health and wealth at the start of the study are controlled because they are an important influence on investment portfolio ownership and share choice.

Method

Data and Sample

This study uses the Rand version of the public data 1992-2002 waves of the Health and Retirement Survey (HRS). The HRS study is a longitudinal household survey data set focusing on the elderly in the United States. The HRS has an abundance of individual and household level data for respondents and their spouses, including demographics, detailed health, insurance and activities information, financial, housing, income, employment and retirement information. Two prior studies of health and portfolio choice have also used HRS data (Berkowitz & Qiu, 2006; Rosen & Wu, 2004).

This study selects the HRS cohort born during 1931-1941 because these households most likely already accumulated their maximum lifetime wealth. Cohort members have either already retired or will retire soon. Given the complexity of this study, only single headed households were selected for analysis. This selection rule avoids complications introduced when two decision makers with differing characteristics are making choices that influence household portfolio allocation. Also, bargaining and power relationships and heath status of a spouse need not be considered.

Variable Measurement

Availability of seven waves of data makes it possible to examine the effect of several time lagged variables. The first wave is in 1992 and the last wave is in 2004. Each wave of data collection is two years apart. Each time lag variable is the difference in a given variable between two consecutive waves. Questions regarding prior health status were collected in the initial wave. Consequently, this study includes indicator variables for six lagged health changes. Data on net worth change in the two years prior to the inception of the study was not collected. Consequently, this study includes only five lagged net worth changes. Following previous research (Massa & Simonov, 2002), this study also includes only one period of time lag variables for changes in previous investment outcomes. To avoid the entanglement of the endogenous effects of labor income, price changes, and investment horizon differences with investment gains/losses for continuous periods, only one measurement of change in the value of the dependent variable, lagged by one time period, is used to evaluate psychological investment theories.

Health is measured in several ways. Controls for current mental and physical health status are included in the analyses. Status of mental health in 2002 is assessed using respondent report of depression. Status of physical health

in 2002 is coded 1 if respondent says that it is "poor," 0 otherwise (fair, very good, or excellent). Change in physical health status is measured as the respondent's self-reported change in health since last interview or in the last two years. It is a categorical variable. Possible responses are: much better, somewhat better, same, somewhat worse, much worse. From this categorical variable, a dummy variable was created that was coded 1 if health status worsened over the time period under consideration.

The change in net wealth was obtained by subtracting the previous net wealth from the current wealth. Initial net wealth is included in the analysis as a control. Net wealth is the net value of current total asset value minus current total debt. Total asset value includes financial and housing (non-financial) assets and other asset values. Following Massa & Simonov (2002), the analysis includes a set of dichotomous variables that indicate, for t-1, an increase or decrease in the dependent variable, an increase or decrease in overall financial resources, and an increase or decrease in housing. These changes were calculated as: Change stocks/bonds value at t-1 = $\frac{1}{2} = \frac{1}{2} = \frac{1}{$

Results and Discussion

In 2002, the average age of respondents in this study was 64.7 years. In general, respondents had less than a high school education (11.9 years). Average household income was \$32,826. Most respondents were white 70.1%. One in five (20%) expected to receive an inheritance. Somewhat more than a third 36.1% expected to leave a bequest. Close to three-quarters of the sample (68.9%) owned a home.

Respondents were given four options, ranging from least to most, to describe their level of risk aversion. Over twothirds (67%) reported having the highest level of risk aversion, 14.1% reported having the second highest, 8.2% had the third highest, with 10.6% indicating he or she was the least risk averse. Additional selected summary statistics are reported in Table 1.

A little over a fourth of the sample (26.81%) had stocks/bonds. Although only 9.78% of the sample reported poor health in 2001, approximately 3 in 4 respondents reported a decline in heath in each of the six two year time periods. In the prior year, a larger percentage of the sample experienced a decline in stock/bond value (20.13%) as compared with an increase (11.35%). A somewhat larger proportion of the sample experienced a rise in housing value (38.34%) as compared with a decline (31.70%).

Results for the probit and OLS regression for both stocks and bonds and housing are given in Table 2. Note that coefficients for control variables are not reported. In general, lagged values of wealth appear to be relatively more important factors in the presence or absence of change in an asset class and in the share of an asset in a household's portfolio. Both current and lagged measures of mental and physical health were not significant factors for either measure of stock and bond portfolio holding. A worsening of self-reported health in t-6 was marginally significant for housing.

For stocks and bonds, a lagged change in net wealth was significantly and negatively associated with the proportion of stock and bonds subsequently held, implying that market declines might incline investors to be more risk averse. Relatively little support was found for the psychological theories of investing.

Conclusion

This study extends existing portfolio allocation literature by examining the lagged effects of changes in both health and wealth on holdings of stock/bonds and housing wealth. In this exploratory study, some wealth effects were significant while most health effects were not, implying that investor reaction to wealth changes, at least for respondents in this study, relatively more important.

The lack of relationship between mental and physical health and portfolio change was rather surprising. It may be that lack of significance for these variables is due to limitations in variable measurement rather than the lack of importance of these variables in financial decision making. Future research should explore the use of more objective measures of health as well.

| Percentage of | | | | | | |
|---|-------------------------|----------------|--------|--|--|--|
| sample holding | | | | | | |
| Asset Category | | | | | | |
| Stocks/bonds | 26.81 | | | | | |
| Housing assets | 68.91 | | | | | |
| | _ | | | | | |
| | Percentage of | | | | | |
| | sample | | | | | |
| XX 11 | experiencing | | | | | |
| Health at 2002 | <u>Respondent</u> | | | | | |
| Health Status Poor | 9.78% | | | | | |
| Felt depressed | 22.83% | | | | | |
| Health changed for worse | | | | | | |
| t-1: 2000 - 2002 | 82.58% | | | | | |
| t-2: 1998 - 2000 | 77.07% | | | | | |
| t-3 : 1996 - 1998 | 77.86% | | | | | |
| t-4· 1994 - 1996 | 77 99% | | | | | |
| t-5: 1992 – 1994 | 76.9% | | | | | |
| t-6: 1990 – 1992 | 79.43% | | | | | |
| <u>Change in asset value at t-1</u> Stocks/bonds | | | | | | |
| increases | 11.35% | | | | | |
| decreases | 20.13% | | | | | |
| Housing assets | | | | | | |
| increase | 38.34% | | | | | |
| decrease | 31.7% | | | | | |
| Share of net wealth change at t (2002-2004) | <u>Mean</u> N= 2.290 | Std. deviation | Median | | | |
| Stocks/bonds | .0028 | .1385 | 0 | | | |
| Housing assets | 0057 | .4249 | Ő | | | |
| Net wealth at 2002 in\$1,000s | 185 | 653 | 59 | | | |
| Change in net wealth in \$1,000s | | | | | | |
| t-1 | -9 | 653 | 0.1 | | | |
| t-2 | 24 | 890 | 0.2 | | | |
| t-3 | 20 | 318 | 0.7 | | | |
| t-4 | 5 | 275 | 0.7 | | | |
| t-5 | 19 | 263 | 1.5 | | | |

Table 1. Descriptive Statistics Summary for Single Investors (N= 2,290)

| | Stocks a | and Bonds | Housing | | |
|-----------------------------------|---------------|------------------|---------------|------------------|--|
| | Change / No | % of Portfolio | Change / No | % of Portfolio | |
| | Change | | Change | | |
| Health at 2002 | | | | | |
| Health Poor | .29/.489 | .004/.025 | .436/.325 | 071/.072 | |
| Felt depressed | .169/.217 | .015/.015 | .284/.197 | .007/.043 | |
| Health worsened | | | | | |
| t-1 2000 - 2002 | 187/.241 | .008/.017 | 136/.235 | .065/.049 | |
| t-2 1998 – 2000 | .102/.24 | .011/.017 | 072/.259 | 042/.05 | |
| t-3 1996 – 1998 | 06/.246 | 0005/.017 | .717/.258*** | 068/.049 | |
| t-4 1994 – 1996 | .186/.227 | .005/.016 | 002/.254 | .01/.048 | |
| t-5 1992 – 1994 | 242/.243 | .018/.016 | 547/.223*** | 021/.048 | |
| t-6 1990 – 1992 | 118/.236 | .004/.016 | 17/.237 | .079/.047* | |
| Net wealth at 2002 in \$1,000,000 | -1.50/.497*** | .022/.03 | -2.988/.94*** | .044/.084 | |
| Change in net worth in \$1.0 | 00.000s | | | | |
| t-1 | .813/.559 | 04/.03 | .854/1.173 | .155/.097 | |
| t-2 | .944/.498** | 079/.032*** | .25/1.25 | .06/.091 | |
| t-3 | 176/.49 | 122/.034*** | 646/1.005 | .095/.099 | |
| t-4 | .17/.489 | 059/.038 | 332/.924 | .161/.111 | |
| t-5 | .486/.293* | 013/.028 | 018/.357 | .025/.08 | |
| Changes in asset value at t-1 | | | | | |
| Stock/bond | -9.079/12,881 | 131/.019*** | -3.06/.284*** | 173/.044*** | |
| increases | | | | | |
| decreases | -1.82/.197*** | .032/.018* | -1.82/.186*** | 07/.047 | |
| All Financial | -6.75/15,386 | .001/.023 | 334/.279 | 022/.066 | |
| Assets | | | | | |
| increases | | | | | |
| decreases | -6.96/15,386 | .008/.023 | 258/.278 | 12/.066* | |
| Housing increases | .074/.33 | .0006/.023 | | | |
| decreases | .244/.329 | 018/.021 | | | |
| | | | | | |
| | | $F = 3.39^{***}$ | | $F = 2.16^{***}$ | |

Table 2. Selected Results for Stocks and Bonds and Housing (N=2,290)

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Financial Fitness for the Best Rest of Your Life: What Older Adults (Age 50+) Need to Know About Money

Barbara O'Neill¹, Rutgers University

In 2006, the oldest members of the large baby boom generation (persons born between 1946 and 1964) started turning 60, a process that will continue through 2024. Perhaps at no other time in the life cycle do people have as many financial issues to address as they do in later life. Examples include making minimum required distributions from tax-deferred retirement savings plans (e.g., traditional IRAs and 401(k) plans); purchasing Medigap, Medicare Part D, and long-term care insurance; drafting estate planning documents (if not previously done); and creating a "retirement paycheck" with properly calculated withdrawals from invested assets so as not to outlive one's savings.

Other later life financial issues include catch-up retirement-planning strategies (e.g., delaying retirement, working after retirement, or moving to a less expensive home or geographic location); decisions about the timing of one's retirement age; receipt, and possible taxation of, Social Security benefits; Social Security earnings limit restrictions; pension plan distribution decisions (e.g., annuity payments versus a lump sum distribution); retirement housing decisions; reverse mortgages; retiree health insurance; and more. In addition, later life is also a time that many people reflect on previous life accomplishments, including their financial status, life goals that are still left to achieve, and ways to leave a legacy to others through charitable gifting and other strategies (Schwab, 2001).

Objective/Purpose

1. Participants will increase their knowledge of later life financial planning topics.

- 2. Participants will learn about financial planning terminology and available resources.
- 3. Participants will be encouraged to consider implementing action steps to improve their finances.
- 4. Over 50,000 persons will be reached through print and online distribution of project materials.

Program Description

Financial Fitness for the Best Rest of Your Life: What Older Adults Need to Know About Money is a comprehensive packaged program that was developed to increase the financial knowledge of older adults (age 50+) and their capacity to make informed later life financial planning decisions. Written by two co-authors with over 60 years of combined professional experience, it was funded with a \$20,000 grant for content development from the Calvin K. Kazanjian Economics Foundation, Inc. and a \$5,000 grant for graphic design and printing from BNY Mortgage. The program has five components: a 20-page newspaper tabloid, an accompanying 24-slide PowerPoint presentation, an interactive PowerPoint game, a BINGO game, and a follow-up evaluation.

The newspaper tab, PowerPoint presentation, and games are divided into sections that cover the following topics of interest to older adults: *Social Security, Health and Long-Term Care Insurance, Later-Life Investment Decisions, Creating a Retirement "Paycheck", and Wills and Estate Planning.* There are also another half-dozen "sidebar" topics including Go Direct (a national campaign to encourage direct deposit for federal benefit payments), continuing care retirement communities (CCRCs), investment fraud, reverse mortgages, and mandatory withdrawals from tax-deferred retirement savings accounts.

Colorful icons are used throughout the newspaper tabloid to clearly identify the same sections under each main topic. These sections include a six-question quiz with answers, a section titled "What You Absolutely Need to Know" (key points), action steps, a glossary, a worksheet, and a list of resources. Print copies were distributed to consumers through a state financial education advocacy group, county Area Agencies on Aging, and Cooperative Extension offices. An evaluation form was placed on the last page with incentives to return it by September 1, 2007. Impact data will be collected and analyzed to assess what readers learned and actions planned or taken to improve their finances.

Target Audience

Older adults (age 50+) with an interest in increasing their financial knowledge and retirement preparedness.

Reference

Schwab, C.R. (2001). You're fifty – now what? Investing for the second half of your life. New York: Crown Business.

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How to Conduct a Client's Initial Financial Assessment

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Key Words: assessment, case study, financial health, beginning counselor

Target Audience

This forum is for beginning practitioners of financial counseling, although more experienced counselors may want to compare this approach with their own. Attendees should bring calculators.

Objective/Purpose

This forum provides a road map for financial counselors who will learn how to conduct a financial assessment with clients. Its purpose is to allow financial counselors to practice and experience a financial assessment using a "hands on" case approach.

Description

A short introductory presentation will provide an overview of the approach used by the presenters in conducting financial assessments, including sources of referral, scheduling of clients with counselors and the forms used for the assessment. Forms used in the financial assessment along with instructions will be given to participants. An example of a follow-up survey will be provided in order for participants to gauge the success of assessments they conduct. Electronic versions of the forms and instructions will be provided. Forms are in Excel format and include computations for assets, liabilities, income, expenses, and measures of financial health including Net Worth, Cash Flow, and several Debt Ratios. Follow up information to survey clients and determine outcomes will also be provided.

Then a case study will be given to attendees. The presenters will go over the case study explaining the client's situation. Participants will work in groups to solve the case study. The presenters will assist participants as facilitators during the case study process, but will not reveal solutions. After a reasonable amount of time, the presenters will lead a discussion, hand out the suggested "answers" to the case study, and go over the solution with the participants. After this "hands on" assessment, participants will leave with a completed case study, will have experienced a specific approach to conducting a financial assessment, and will have some electronic tools to assist them when they conduct an assessment.

It is important that this first face to face meeting go well. One of the most important things the counselor can do is to put the client at ease and tell the client what to expect of this session. While not all clients have money problems, most adults with money problems do not find it easy to ask for help or to share information fully. Some may be very defensive. When clients come to Financial Education for counseling, they have decided at least to talk about their problem. Whether they will decide to act on their problem depends on their own motivation and to some extent on your ability as an interviewer, counselor, and educator.

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The Use of Motivational Interviewing Techniques to Achieve Behavioral Change

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Key Words: financial counseling, motivational interviewing, transtheoretical model

Target Audience

Anyone who is a financial counselor, educator, or planner who would like to know more about the Transtheoretical Model (TTM) and Motivational Interviewing (MI) as these concepts are applied to changing financial behaviors.

Objective and Purpose

The goal is to introduce workshop attendees to both TTM and MI as tools that can used in both financial counseling and planning.

Description of Content

This workshop integrates the Transtheoretical Model (TTM) and its six Stages of Change with the methods of Motivational Interviewing (MI) as an approach to changing financial behavior. TTM is a framework for understanding the process of changing from problem behaviors to the adoption of positive behaviors. TTM provides the financial counselor or planner with information that allows for an individualized intervention to meet the client's stage of readiness to change, regardless of the form of the negative financial behavior.

The six stages of change are Precontemplation, Contemplation, Preparation, Action, Maintenance, and Relapse and Recycle. The goal of TTM is to enable the practitioner to meet the client where they are in their stage of change, to understand the issues associated with that stage, and then the provider is to go there with the client as they work together toward a solution to their problems.

The workshop will discuss the process of MI as a brief intervention to change financial behaviors. MI was initially developed to treat drug and alcohol addiction. Recently, MI has been applied to deal with other problem behaviors areas such as weight control, nutrition, and gambling with outstanding success. More than 300 experimental research studies have been published regarding this counseling technique. The research indicates that certain types of problem behaviors can be reduced in a single 45-minute session using MI methods.

Participants will become familiar with the theoretical foundations and applications of MI methods. The MI counselor has five tasks: (1) to express empathy to create rapport, (2) to develop a discrepancy between the current behavior and future goals, (3) to roll with resistance, (4) to avoid arguments, and (5) to support self-efficacy within the client (Miller & Rollnick, 2002).

Participants will learn how to recognize change talk and how to implement the OARS interaction. OARS stands for <u>open ended questions</u>, <u>a</u>ffirm, <u>r</u>eflective listening, and <u>s</u>ummarization. Participants will have an opportunity to practice these skills.

There are several similarities in counseling methods with MI and solution focused counseling. However, it the opinion of the presenters that MI has several advantages over solution focused methods. These advantages will be discussed in the workshop. This workshop will combine lecture, demonstration of techniques, role-playing and use of worksheets. The workshop will conclude with a discussion on where to obtain additional training and material on MI as a method to help individuals change undesirable financial behaviors.

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Payday Lending: A Critical View

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Abstract

Payday lending is an under researched topic in peer-reviewed literature. Many for-profit and non-profit economic groups have followed this trend in personal financing, and most conclude that this type of <u>predatory</u> lending is problematic in regards to the individual, the family and the community. In this study, the authors conducted a qualitative evaluation to explore three issues; 1) the structure of the payday lending system, 2) locus of power in the system, and the 3) inter-relationships between lender and customer. Exploratory techniques used in this study include, traditional observations, participant observations and a qualitative interview from an insider of the system, a payday loan owner. The authors address major themes and discuss these themes through an ecological and critical lens. Some of the major concepts this project addresses are: the issue of power and predation in financial maters, issues of addictions and cyclical use, and accessing a closed system as a researcher. Specifically, this study aims to move beyond the literature by gaining inside information about how to access future payday user populations in an attempt to explore financial concerns, assess credit access-debt repayment difficulties from which to design an intervention in a long-term line of study to deal with ever-increasing problems of financial literacy (Skillern, 2001), credit access (Caskey, 2003) and getting out of debt (Warren et. al, 2003).

Key Words: payday lending, predatory lending, locus of power, eco-critical theory, rationality.

Statement of the Problem

Financial stress or 'economic hardship' is considered to be associated with a greater incidence of problematic mental and physical health outcomes (Price, Choi, & Vinokur, 2002). Consistently, researchers are finding that financial stress is associated with lower self-esteem, negative view of future events, reduced mental health and an increase in depression and externalizing behaviors (Davis & Mantler, 2004). Constructs like financial strain, (Vinokur & Price, 1996) financial distress (O'Neill, Sorhaindo, Xiao, Garman, 2005) and poverty (Reading & Reynolds, 2001); (Drentea, 2000) are associated with health-related depressive outcomes.

Payday lending is an under researched topic in peer-reviewed literature and much is unknown about why consumers use small loans prior to payday (Lehman, 2006.) The number of firms providing detailed information and access to information about profits are small (Flannery & Samolyk, 2005). The timing of this predatory cycle of consumer debt could not be worse. The rise in the number of payday lenders as one of the fastest growing segments in the financial services industry (Lehman, 2006) over the last decade coincides with recent data suggesting that Americans: 1) have never had higher debt totals: mortgage, credit card & student loan, 2) are experiencing an unprecedented rate of bankruptcy, home foreclosures, car repossessions, and 3) are not saving (Jickling, 2005; Draut, 2005; Warren, & Tyagi, 2003; Manning, 2000).

In January 2006, the US Department of Commerce revealed the US has a net negative savings rate, which reached its lowest point in 73 years (Rankin & Armah, 2006). From a public health and death standpoint, <u>more Americans this decade will file for bankruptcy than will have heart attacks</u> or graduate from college (Warren, et. al 2003; Jickling, 2005). Also, this project acknowledges that there have been recent, complex, and systemic changes in the credit and sub-prime lending market that may be inter-related to consumer debt. To date, there is not one empirical study linking chronic exposure of 400%+ APR to larger health outcomes of depression or anxiety for adults or their children. It is remarkable that we may exclude the financial causes for internalizing outcomes in a population sample that is caught up in a compounding cycle of debt interest at precisely the moment in our nation's history when we are saving the least.

A "payday loan" is a short-term advance for consumers who are willingly to enter into a short term, high-risk, high-rate (300-400% APR) loan. According to Stegman and Faris (2003), the practice of short-term (2-4 week) lending was virtually non-existent prior to the early 1990's. By 2000, there were in excess of 10,000 payday lenders doing

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business in the United States making over \$2 billion in revenue (Barr, 2004). The industry has doubled with well over 22,000 lenders across the country with total revenues of \$4.2 billion per year (King, et al, 2006).

This exploratory, research project is responsive to the 2006 National Association of State Boards of Education (NASBE) Commission on Financial and Investor Literacy, which calls for: 1) more public -private interdisciplinary partnerships in family financial functioning among researchers, 2) financial literacy topics that are adequately identified, and trained in academic settings, and 3) avenues for family and investor financial education interactions, which serve as an academic standard in communities.

Purpose of the Study

Because of the population characteristics and the substantial barriers to gaining access to payday loan participants, the purpose of this study was to find payday loan company managers/owners willing to engage the research team. The research team's goal was to uncover qualitative data from an industry-insider perspective to develop a better understanding of system structure, how power works in the system and the inter-relationships between payday loan owner and consumer. The study sought to answer the following questions: 1) can the research team get access the payday loan manager/owners as informants, 2) will the data from manager interviews and observations of payday stores confirm the research team's assumption about the predatory nature of the business, 3) what are relevant lender-consumer themes, and 4) what are implications for financial educators and professionals.

Literature Review: Payday Lending Predation or Niche Market?

The US Payday Loan industry arose largely after 1990 from roots in pawnshops and other small, quasi-financial businesses (Robinson & Lewis, 1999). During its ascent as a multi-billion dollar industry, controversy has swirled over the legitimacy of the business models used as well as the appropriate niche market for businesses in the fringe banking and credit industry (King et al., 2006). Critics argue that payday lenders target unsophisticated, cash-strapped and vulnerable people, charge outrageous user fees, and often lead to a cycle of uncontrollable debt from an initially modest loan amount (Graves, 2003). Proponents counter that the industry provides a necessary and desirable financial service to a disenfranchised segment of the population ignored or underserved by main-stream banks and that increased fees directly correspond only to the increased risks that arise from lending to borrowers with an unfavorable credit history (Lehman, 2004). As a result, the literature tends to be immersed and bifurcated into 'strong advocacy positions' for or against large consolidated payday lending firms (Flannery, et. al, 2005).

Recent research (King, et al, 2006) has approximated that the industry is a \$28 billion business with 90% of revenues coming from borrowers trapped in a cycle of debt. Many for-profit and non-profit consumer groups have followed this trend in personal financing, and many conclude that this type of '*predatory* lending' is problematic with respect to the individual, the family and the community. However, there are industry advocates who choose to define predatory lending from "an economist's perspective" (Hanson & Morgan, 2005); choosing to look at the supply side or delivery of services (Elliehausen & Lawrence, 2001); or focusing on the industries explosive growth, fixed labor costs, and higher risk of client default than banks which all provide justification for the payday loan business model (Lehman, 2006). Either way, this type of consumer lending is one of the least understood topics in this economy (Coclanis, 2001).

Critics of payday lenders suggest a structural conflict of interest exists, in that the most profitable segments of the business model are tied to the long-term, seemingly unintended use of the product (Stegman, & Faris, 2003). This is significant, in light of (Flannery et. al, 2005) findings that emphasize the importance in distinguishing between chronic indebtedness versus short-term debt processes. The predation of the business model looks to exploit the difference between the intended short-term use of a bridge loan and a perpetual long-term cycle where frequent users account for a disproportionate share of industry revenues (Barr, 2004). The industry argues that the loans are for a "cost-effective", short-term bridge and not intended for long-term access to credit (Check into Cash, 2006). However, business models have payday lenders looking like alternative options as they morph into the long-term credit lending typically reserved for banks (King, et al. 2006; Bair, 2005).

One segment of the business, which the industry significantly profits from, is the return customer who is unable to repay their debt. Transactions where the client fails to repay their loan on time result in a "rollover" of the debt. Currently, 91% of all payday loans go to borrowers with five or more loan transactions in a year, which is an indicator of cyclic debt (King, et. al., 2006). In fact, the same Center for Responsible Lending (CRL) study estimates that only 1% of all pay-day loans are repaid back in full without subsequent 'rollover' transactions.

It is generally accepted by scholars doing research in payday lending environment that the literature lacks significant empirical and representative national data with respect to industry profitability and customer financial health outcomes (Graves, 2003; Stegman et. al, 2003; Bair, 2005; Elliehausen et. al, 2001). There is little evidence about profit margins, store costs, default losses and operating expenses based on an overall lack of publicly available, non-proprietary data; what scant information is uncovered comes from state regulatory agencies (Flannery et. al, 2005). Payday lending research has mainly dealt with six areas: 1) targeted populations in the military and African American communities, (King, Li, Davis, & Ernst, 2005; Graves & Petersen, 2005), 2) individual loan user characteristics, (Elliehausen et. al, 2001; King et. al, 2006), 3) alternate financial services and the un-banked population issues (Bair, 2005; Barr, 2004), 4) demographic mapping studies, 5) state regulatory reports, and 6) industry-advocacy exchanges (Lehman, 2005; Brown et. al, 2004).

Theory Integration: An Eco-Critical Framework

In order to address the predation-niche controversy, the research team used an ecological and critical lens approach to guide, explore and acquire data from participants' experiences in the payday lending environment. Critical theory (Ngwenyama & Lee, 1997) assumes that social reality is produced and reproduced by people and power in the system is constructed and deconstructed. In terms of critical theory, three concepts which will guide the research process are: 1) Glenn's (2000) discussion around the importance of the topic, <u>Relationality</u>, especially when considering the implications of how managers' profits are directly linked to a customers' cycle of debt, 2) Gramsci's idea of <u>hegemony</u>, consent without consent, informs our understanding of the entrance-exit processes, lack of transparency with industry profits, and the level of client indebted-ness in the payday lending ecology, and 3) Michel Foucault's (1975) definition of power and how power flows from visible (sovereign) forms to a hybrid of visible and invisible strategies referred to as discipline.

According to Glenn, the term <u>relationality</u> 'helps problematize dominant categories which rely on contrast'. In addition, she uses the word to signify that 'lives of different groups are interconnected, even without face-to-face interactions'. A second important construct relating to power can be explained through the notion of hegemony. ''Gramsci's notion of <u>hegemony</u> claims that dominant groups in society maintain their power through the moment-to-moment capture of 'spontaneous consent' of subordinated groups in society through a variety of manufactured political and ideological negotiations which include both dominant and dominated groups (Strinati, 1995). According to Foucault, power is not an institution and not a structure; neither is it a certain strength we are endowed with; it is a name that one attributes to a complex strategical situation in a particular society. Gary Gutting (2003) in his overview of Foucault's Discipline & Punish refers to three primary techniques of how disciplinary power works in society: 1) <u>hierarchical observation</u>, 2) <u>normalizing judgment</u> and 3) the examination, which combines the previous two as a form of controlling knowledge about a certain population. This may be especially salient information in how the payday lending users see certain aspects of the power (access to money) and are unable to see others (400% plus interest rates leading into a cycle of debt).

In addition to the critical lens, the researchers approached this study with a focus on Human Ecological Theory. Human ecology can be seen as a broad, inclusive, holistic lens of natural science and social systems where the whole is greater than the sum (Bubolz & Sontag, 1993). Human Ecological theory values an interdependent, global view of research and the clinical application in local communities (Bubolz & Sontag, 1993). These two broad theories together, guide the research process from conceptual methods, analysis of data and even the sampling process. This is important because there is a noticeable paucity of empirical data or access to industry information and customers' reported experiences (Graves, 2003; Flannery & Samolyk, 2005). Also, a standard economic model of consumer credit has been used by multiple 'industry researchers' to validate telephone survey data (Elliehausen & Lawrence, 2001). An eco-critical model is required to move beyond a bifurcated, predatory-niche argument to see how 'visible and invisible power' is working in each system. Specifically, this framework aims to distinguish between the intention of the product and resulting consequences of payday lending behaviors.

Methods & Data Analysis

Qualitative techniques used in this study include, participant observations, traditional observations and interviews from an industry-insider payday owner. The researchers identified a sample population based on the individual's knowledge of the Payday Loan system. Originally, the researchers planned to identify six managers to conduct qualitative interviews. Due to the rigidity of the Payday Loan system, the researchers had to scale back this plan and

do a more in-depth study using one interview of a payday loan organization and one bank manager for the qualitative interview portion.

The first phase of this project was the participant observation. In this phase, two of the researchers identified four Payday Loan institutions across a Mid-Western state. The researchers chose institutions that were national chains and had franchises in multiple states. Once the researchers had identified these organizations, they attempted to take out a small loan at each location. Each researcher attempted to take out a \$100 dollar loan from two different institutions. Field notes, and debriefing sessions were used to collect data. Immediately following the conclusion of the transaction, the researcher would write field notes that were taken during the transaction, *in vivo* notes. Debriefing sessions were conducted over the phone between the participant researcher and one other researcher following each experience. Members of the research team then independently coded field notes to identify data themes.

The second phase of this research was a qualitative interview. A payday owner self-reported an interest in educating the research team about their experiences, meanings, and interactions with customers. Two forms of sampling procedures were used to contact these subjects. The first was cold calling individual institutions across the state. The second form was through criterion-based snowballing (Patton, 2001). One of the researchers had a colleague who introduced the team to an owner of a payday franchise. It was planned that this owner would provide additional subjects. Due to the rigid boundaries of the Payday Loan system, the researchers were only able to engage in one interview with an owner of an institution.

The third phase of this project was a traditional observation, in which a member of the research team observed from the lobby of a Payday Loan institution, and took detailed field notes. Four different forms of data were used throughout the three phases of this study, audio tapes, transcriptions, field notes and debriefing notes. The interviews were audio taped in the lender's private office and then later transcribed. The researchers then coded these transcriptions. The researchers used field notes and debriefing sessions for the observations. Field notes and debriefing notes were mostly post experience data, since taking *in vivo* notes during this experience would interrupt the process, and identify the researchers to the institution. Careful attention was focused on the trustworthiness of this process. Triangulation was used to increase the trustworthiness of the project. Triangulation as conceptualized by Denzin and Lincoln (1994) includes checking for consistency of different data sources, comparing and cross-checking the consistency of information derived at different times and by different means within qualitative methods. The researchers used four different evaluators to review the findings in an effort to reduce potential bias.

The research team acknowledges a number of methodological considerations that limit or may weaken the generalizability and reliability of this project. First, the methods used by the research team were designed solely for exploration of payday lending environment. Thus, any definitive findings must be viewed with healthy skepticism. Second, the sample size of the project was weakened by the lack of access to willing payday lenders via audiotape interview. The most significant problem the team faced was the ability to recruit owners or managers willing to discuss how their business works. This is a finding and a research problem. In future studies, the research team will have strategies in place to deal with participant lender reticence. Lastly, individual and team bias potential should be acknowledged up front. The research team took the theoretical position that power and informational asymmetry were important components of the lender-consumer relationship. The use of an eco-critical framework combined with observational and interview data collecting methods could possibly be viewed by some researchers as lacking neutrality or potentially constructing a biased methodology. The research team is comfortable with this criticism and welcomes a dialogue beyond entrenched positions of predation-niche market arguments.

Results: Data Themes: Structure, Power, & Enmeshment

Payday System Structure

It became clear through this process that many boundaries existed within this system. There were clear boundaries among the clients, employees, managers, supervisors, corporations, banks, and government. Identifiable hierarchy is based on total locus of power with the client or customer at the bottom and the government or legislative sub-system near the top. Starting at the individual level, we noticed that what has been written in the literature about the client characteristics did not fit exactly with what we found in our data. While we entered this process assuming that the typical clientele would be of lower social economic status and lower educational upbringing, these biases were somewhat disproved by our data. It would seem that, from the literature, the typical client is a home owner who makes \$50,000 or more annually, is white (74%), and younger than 35 years old (49%) (Consumer Credit Research

Foundation, 2005). One manager described his client based this way: "...you can pull out almost any file in the file cases and you'll find that most of my customers make between \$40,000 & \$100,000. Not under \$40,000 or not minimum wage."

The family level of the system was somewhat minimized. This was most obvious from the participant data, where researchers encountered what was termed "supportive secrecy" from employees and managers. Part of the process of taking out a loan with these institutions is offering information about the customer's family and social system.

"I questioned the employee about the need for references, the manager overheard my concern and jumped into the conversation, he assured me that they only needed an active phone number, and educated me on how to go about leaving a reference for a person I know is not home right now, so that they can call the number, get an answering machine and hang up. So I put down a number that I knew no one was at right now. The manager also asked me if there were numbers that they should not call, and he assured me that the individuals I put down would not be called, they just needed one phone number, even though the application asked for three."

This encouragement of secrecy encourages clients to keep secrets from individuals even if they share financial information, as illustrated by one researcher's experience when he disclosed to a payday lending employee his concern over providing a personal check because he didn't want his wife to find out:

"I do not want my wife to see a missing check from the account; she will ask me about it... [Manager responds] Then you need to go to your bank and get what is known as a "counter-check" and you do not have to tell them what it's for."

Although we were surprised at this level of deceit initially, the experience of anonymity and autonomy offered throughout the loan process provides a fertile environment for secrecy. The next level of the system was the individual institution. This level is limited to a franchise or district, if a district manager operates multiple institutions. Two findings were seen in this level of the system.

First, this level engages in a shared mantra where if this service were cutoff the individual would suffer. The next level of the system is the corporate level, characterized by rigid boundaries meant to keep any non-payday loan individuals outside of the system. Data on the rigidity of the boundaries around the institution came from the field notes from researcher's attempts at engaging managers in interviews. While the researchers actually talked to multiple managers, only one would allow the researchers to take notes of the interview. A few managers engaged in informal interviews, but were afraid supervisors would punish them if they gave a formal interview. When we look at the entire system, we see at each level (with exception of the individual) a blaming process from each level below and above, and minimizing his or her own participation in the continuation of the system.

For example, the owner of the Payday Loan Institution pointed the finger at the individual:

"I try to give them ways and thoughts how to walk away; most of them do not want to hear it! And in some cases it has even cost me customers. They don't want to hear it. They just want to be able to come in and get their money! They don't want to hear that. Once they [customers] use you, they use you forever! ... This is MY Money they are borrowing! ... [Customers] just do not know how to walk away!"

And then at the Banks:

"They [banks] get around it by using fees...Banks really have it down now! You have 10 checks for \$1 and 1 check for \$100 and you have got \$90 in the account they'll cash the \$100 check first... the biggest check first so you bounce the most checks and that's the way the banks are set up.... Customers will come to me just to cover a bounced check which if they don't do it they could have 5, 6 or 7 bounced check fees."

The bank manager also engaged in the minimizing process and proceeded to blame the government, the loan institutions and the clientele. A response when confronted with the claims made previously by the payday owner:

"These organizations are interesting, I don't know why they still exist, it seems like there should be a law in [the state of the study], that put these places out of business...you should see these people in action."

Payday System Power

The second major theme involves looking at the data from a critical lens to uncover how power is working at multiple levels in the payday lending ecology. Using the critical literature as a guide, the research team identified three sub-power themes from the data: 1) exposing dominant predatory processes, 2) hegemonic processes , and 3) locus of power over disciplinary processes. Once the individual walks in the door, the institution holds enough power to keep them there via these sub-themes. Since in most cases the decision is "a foregone conclusion" once the individual enters the building, the advertising prior to the interaction is extremely important to the process. The marketing mission for payday loan institutions involves disguising the intent of rollover loans as "bridge loans". One characteristic that is not heavily marketed by the industry is how quickly the cycle of debt accumulates. The owner admits that it doesn't take long:

"It would be a little more than six or seven times of doing business with me. They are borrowing their own money. If they borrow \$600 with me and do it eight times, they are borrowing their own money from that point on."

This information appeared to be absent in the beginning of the research teams' experience in the payday lending process where "rollovers" are the norm. Another factor is the invasiveness of payday lending employees and the exchange of informational equity between lender and customers. Lending institutions require new clients to provide multiple sources of financial & personal information, three-to-four references, employment history, contact information, and a check containing your banking account number. Exposing the dominant process here involves uncovering the one-sided nature of client disclosure requirements. One researcher's experience was memorable:

"I questioned the references, the manager overheard and jumped into the conversation; we just need an active phone number. I put my mother as a reference; the manager assured me that they would not call her... Moments later a young girl walked behind a cubicle wall and called my mother's number! I felt one-down, confused, not wanting to go back to complete the transaction, guilty and ashamed I had involved my family."

All this information goes into a file and is updated with every transaction completed. As a result, they gain a great deal information about you and your ecology. What little information you receive from them is already preformatted in legalese and is presented to the client under the guise of a state sanctioned and mandated approach: costs of the service, rights of the lender, all signed documents, and state officials you can call if there is a problem. This package of information is all ready to go as well as the marketing rhetoric related to being happy to have the participant as a new client. However, one episode appeared to not be a canned response and occurred during the teams' first transaction:

"I asked her, what are the consequences of repayment failure? She responds by asking me-Why aren't you going to repay the loan... I tell her that I plan to repay but what happens if I get struck by lightening. She replies that we can work something out if I call her, but the problem comes if she has to track me down. I asked her about the penalties in that scenario and she moves in close trying to establish interpersonal distance You won't have to worry about it if you payoff your loan like you said you would do."

A major piece of exposing the dominance and power deals with equity of information exchange and transparency of the process. In these examples, the researchers' feelings of confusion or being one-down are indicators that lenders are privileging their own needs (lying about calling a reference or re-directing a question back at an intimidated customer) at the expense of the client. In this research project, the dominant power processes identified were: 1) incomplete or confusing information about the intended use of the product versus the typical use of the loans, 2) the transparency and equity of the customer-lender information exchange process prior to the transaction, and 3) the system consequences are passed onto individual consumers.

Hegemonic Processes

The manufacturing of consent (hegemony) is another identified sub-theme of power. There are three central components of spontaneous strategies of consent used by the industry. They are: First, the payday lending industry's mimicking of other financial institutions as to appear part of the larger, mainstream business community.

"In the back there was a decorative desk with certification frames from differing governing payday lending institutional bodies that sanction state lenders. My understanding at the time was

that it appeared to be a credibility mechanism. The computers are faced toward the manager and do not have a swivel for the customer."

Second, the use of fees versus interest rates to characterize the cost of user fees lending transactions as a means to avoid the governing laws around usury.

"We don't use interest; we use fees! It is a fee for borrowing money, it is a fee for bouncing a check. Banks really have this down now!... Everybody is going to a fee orientation... you know they are feeing you to death at the banks, but this whole thing with this (payday) is just as ludicrous as that!"

Lastly, there was resistance in the system to discuss the loan process. One construct uncovered by the research process involves individual and family relationships, "financial fidelity".

Researcher: "What are some client experiences that you have seen? You mentioned divorce, or trust where one party may know about a loan being taken out and the other party doesn't."

Payday Loan Owner: "There is a lot of that! There is no question about it! There is a lot of it. Usually, they will tell me that they don't want their spouse to know or anything else. There is a lot of it! I do not know how much because there is not a reason to call unless they don't pay!"

This 'hegemony' requires power acting at many levels and actively manufactured power to protect the hidden practices and interactions. The implications for individual customers unaware of sophisticated techniques (mandatory arbitration clauses) used by the industry really calls into question whether exiting the system is a possible outcome once the lending decision is made by the customer.

"The person who needs me is the person who needs to cover a check... it's the guy who needs to cover a check... it's the guy who has the water heater that just blew, and can afford to turn around and pay it off, & walk away! This will never hurt...For the guy who can walk in every 3 or 4 months, this a good program, but that's not nature and that's not life."

It is precisely for this reason that accelerated consent processes are important to the lending process (easy to finish and fast). This is important when considering the exact point in which the system becomes predatory. The research team uncovered two points at which the lending process became accelerated and entered into an area, which has been considered predatory lending practices. First, these institutions made several attempts to normalize the process, either by discouraging clients from adverse emotions during the process and morphing the look of the institution into something it is not (bank lobby décor). Secondly, these institutions purposefully led clientele away from information about interest rates, and substituted language for fees.

Locus of Power

The last sub-theme is the description of how this power is used in the system in visible and invisible forms. Briefly, several visible components of where power resides in the system include: surveillance (economic behaviors and profitability potential), access to clients at home and work, access to current and future information and client behavior, pre-existing non-transparent relationships with state and federal regulators and banks, and the legal, binding terms of the customer-lender contract disclosing individual responsibilities to the system. Less visible relational components involve three main concepts: 1) Flexible accommodation, 2) displacement, and 3)individual consumer transference. Flexible accommodation or normalizing the profitable nature of rollover business is a stance taken by lenders when customers cannot repay. This involves a process where loans are extended to meet the short-term needs of client who are unable to repay.

"We can work something out, just come in or call me. Don't feel bad we have a number of University students who we work with and we understand it is not easy."

Displacement was seen as the lender's ability to direct culpability away from themselves and onto the individual or more powerful systems.

(Individual System of Power)

"I would say 75% minimum (on safe basis) -75% of my customers' problems are mismanagement of funds and gambling. So, there is no telling them, helping them or giving them some ideas to try and show them a better way.

(Larger Systems of Power)

"My real complaint is with the state... Well, number one I think it is one of the few industries you will find where the state has come in and regulated it, but not JUST regulated it, they have taken over."

Overall, the locus of power and the systems' ability to strategically observe, normalize, and control financial behaviors overtly and covertly with respect to individual decision-making is of primary concern. The critical nature of this study enhanced the research teams' efforts to expose dominant power processes, identify and locate places in the system where consent is assumed or overlooked, and describe how power moves strategically in the payday lending business model.

Payday Enmeshment Processes

The last theme conceptualizes individuals and families as enmeshed or fused in a cycle of debt with larger financial systems in an overall process termed "Economic Differentiation". The notion of self-differentiation in family therapy journals is commonly attributed to the work of Murray Bowen (1976). However, due to the dearth of literature with respect to the integration of family therapy and personal/family finances, the authors have borrowed the term enmeshment to describe the mutual interaction between customers and lenders. Differentiation is a transgenerational construct taking into account that "economic self" is formed in an emotional system embedded in family of origin patterns. The process of separating oneself from family patterns while remaining connected to family functioning as part of balancing individual and collective needs of the family is pertinent to the payday lending ecology. It is precisely the same process of separating oneself from the fusion of the debt cycle, which appears to be so difficult in the customer-lender relationship.

"Other than those few people... that are only here to borrow from me for that moment to cover something, the rest of them are a PERMANENT STRUCTURE!"

According to the one payday lender, balancing immediate and long term goals are the skill sets missing in individuals who are chronic payday lender users: an awareness of balancing short-term benefits of access to money they have to repay versus long term ramifications of predatory interest rates.

"Nobody has ever taught them! Their obstacle in this day and age is that at this fast pace where everybody is getting everything. So, when they find an avenue to get something else, they take it because they only think about the moment and it isn't just my customers... Its people in general! They don't realize it now that, that extra \$300 is going to cost them an extra \$42 every 2 weeks for as long as they keep it out! ... They will borrow \$300, come back in two weeks and pay \$342 off and re-borrow it back. Anybody who thinks or tries to say that the customer isn't re-borrowing it back and that they just walk away... Well, that's a false truth!"

The "stickiness" of the process is especially relevant to outcomes in the payday lending environment: "But once they borrow, that's it! The customers I lent money to in 1999 are still borrowing from me today. They have never not borrowed! The customer is here for life once they borrow from me. There is the real, real sad part of the industry. They do not know how to walk away from it."

This clustering of data was discussed for some time by the researchers. At first, this cycle appeared to be similar to conceptualizations of addiction (Cooper, 2002), or possibly issues of compulsion (Raymond, et al., 2003). Enmeshment can be witnessed in several areas. First, the system viewed individuals as either lacking control or awareness of the lending process. The industry's emphasis is framed around individual weakness of money management and failure to weigh the ramifications of 400% + interest. However, the data shows that this is an immature view of the relationship. Payday owners are a part of a relationship which requires the lender to operate within a typical business model of repeat business. This, combined with the general business model, creates a system that relies heavily on repeat service and high interest. The result is a conflict of interest of uncontrollable debt for clients and a lack of ownership in the cycle for lenders.

"Literally three or four weeks into the business, I knew I wasn't leaving. That's how quickly the business here built"

"When it comes to borrowing money, it doesn't matter! However you can get it! So, I feel bad for the customer because I know there is no way out! But whether it is me or the guy down the road, they are going to do it. They don't understand, you can't beat this concept into their minds 'cause there are 40 other places within 10 miles of here. They are never going to see the light. I could draw tattoos on their arms of what will happen to them and show them what it will cost them every year and they could stare at it every night and day; they would still show up at the window. It doesn't matter!"

A second area of enmeshment involves the total number of loans taken out in a year by clients. The data suggest the intensity and duration of this relationship is clearly not short-term. This challenges the advertising of these organizations, which market their services as short-term 14-day bridge loan.

Researcher: "What is the average in a year a person here would use you?" Payday Loan Owner: "They get paid every two weeks right!...(yes! 26 times); Every two weeks they will be here every time! Almost without fail too."

The third aspect of the enmeshment theme is the marketing and maintenance of relationships in the system. The research team learned that payday lenders often work on referral basis making customer relations and service critical for future business. Word of mouth among existing customers can be a large source of new business.

"The business itself grows almost like a multi-level marketing situation. Once somebody in the family has used you then they talk about yah, if you have treated them right, then they'll send their friends and families to yah as well. So a lot of times, I have 4 or 5 different family members, friends, next door neighbors, co-workers all in a group that use me."

Each researcher was offered a financial incentive for referring a new client. This is significant for a couple reasons. First, we have moved past the individual interactions between just the lender and customer relationships to a more complex series of interactions between lender and family, cohort and community. Second, the social network complexities combined with long term debt processes may have serious implications for individuals, families, and communities. The payday loan initiates a social process that legitimizes a product designed for short-term use. The danger for clients is the system morphs and social benefits may become more important than actual loan transactions and consequences themselves. Social morphing can be seen here:

"What I see literally, Nurses... Single women; a lot of single women and the area has nursing and hospitals, so I see a lot nurses. But you know they will come in 3 or 4 together. They have all been to the casino or on their way to the casino. So they borrow in packs to go."

In each example, the social benefits of being connected to a larger financial system with ready access to money increase the likelihood of continued, prolonged use. Larger systems are involved in normalizing financial behavior and strengthening an enmeshed, predatory relationship. People who may want to extricate themselves from debt issues individually may even have difficulty with social implications of leaving the system:

"I hear this over and over and over: 'This will be the last time I see yah' or This will be the only time I will use you' (I hear that a lot!)"

The number of payday lending institutions has increased steadily over the past 15-17 years to near 22,000 US locations (King et al, 2006). The enmeshment process involves larger systems than individuals and families. We hypothesize it involves the banking industry, investment firms touting the profits and growth rates of national chains, lobbyists, and legislators. Presently, while eleven states in the country have laws banning payday lending in their states, 39 states in the US either regulate lenders or leave it to private industry to do so. One implication of demographic changes in the business model of payday lenders is the potential for the industry to change its target audience. In the early days (1990's) of payday lending, the demographics indicated that they were located in lower socio-economic status neighborhoods, which is now a largely held belief (myth) that these institutions are for people at the poverty level.

"The conception among the masses is that we take advantage of the poor. I could tell you to pull out almost any file in the cases and you'll find that most of my customers make between \$40,000 & \$100,000 (not <\$40K & not Minimum Wage). There might be some poor judgments that bound from this, but not poor people."

However, the industry morphed and many institutions are embedded in small strip malls in middle class neighborhoods. The enmeshment between payday lending and larger financial systems: banking, credit industry, state and federal governments are important in terms of identifying future changes in the business model in an industry where certain populations are protected from lenders and others are exposed. Researcher: How profitable is it to start-up and own a partnership in a payday center? Payday Loan Owner: Very profitable! I didn't have much competition when I started and I knew after a couple weeks. I have a friend who opened up a store last year & they made it. They are doing better than I am and he is in area you would think is too rich! I give new start-ups a 1/2 chance of making it! Only place for them now are wealthy areas.... Too much competition other places."

Implications & Findings

It is hypothesized that three factors cause major gaps in payday lending scholarship: 1) The 'payday' model expanded in early 1990's and scholars have showed the industry less attention (Graves, 2003) due to access constraints and an explosion of stores and profits. This has led to an on-going, national trend in payday lending, consolidation and industry self-regulation (Stegman et. al, 2003). As a result, many reports, papers or quasi-studies are funded by the industry, itself, as is the case for the Elliehausen & Lawrence study of consumer demand (Stegman et. al, 2003). 2) The payday loan process is marketed and experienced by consumers as quick, easy and without hassle. In fact, all you need is a bank account and a pay-stub (Barr, 2004). Because of the ease of entry and its contribution to and association with debt, a perceived social deficiency, there may be a significant stigma associated with payday loan users. In Elliehausen's telephone survey study, a non-representative sample of participants were 4.5 times more likely to refuse the interview, guit the interview, or not acknowledge the loan event occurred than to finish the industry sponsored telephone interview. This may be a significant barrier to capturing the users' experience, especially if it is attached to shame. 3) Presently, a comprehensive list of national payday lenders does not exist (Stegman et. al, 2003) and if such a list were to be compiled, many companies would not want to participate (Elliehausen et. al, 2001). There are mixed messages being sent by larger state, federal, and corporate banking institutions about intended use of the product, targeted populations, and profitability. While Flannery et. al. (2005) suggests that payday lenders are unlikely avenues to help families 'regain control' of their finances, there are investors, funded researchers, and economists who point to the market forces of demand as indicators and proof of legitimacy (Brown, et. al, 2004). This mires researchers and consumers in a confusing, predation-niche market dialogue obscuring the central issues of payday lending scholars: a greater need for financial literacy, affordable access to credit, and financial transparency.

One solution calls for collaboration among the banking and federal credit unions. While Sheila Bair (2005), head of the FDIC, calls for a multi-faceted strategy, which includes intra-industry alliances, national regulatory standards, and lower cost consumer lending alternatives. Industry proponent, Lehman (2006), suggests that elected officials and consumer advocates need to get better acquainted with the product and economics of the business. The researcher teams' stance is that it is the consumer who needs education and not the state regulators/law-makers who have been ineffective in deterring this behavior (Graves et. al, 2005) or consumer advocates who are mired in the noise of predation. One study completed prior to changes in the bankruptcy laws in 2005, which made it harder for filers to claim chapter 7 debt forgiveness, confirms the work of financial professionals is increasingly dropped into the lap of the court systems; payday loan clients are almost 4 times more likely than all adults to have filed for bankruptcy (Elliehausen et. al, 2001).

Implications for this work are many. Larger financial systems in banking, state and federal government, and the credit industry are deciding which populations are protected from lenders and which are to be exposed. Recently, law-makers decided to place a cap on interest extended to military personnel at 36% (CRL, 2006). While this a step in the right direction, this study has uncovered a number of disturbing consequences related to the visible and invisible hegemonic processes that consumers in debt navigate. One important feature this study brings to the payday lending line of study is to challenge the stigma and shame around money in the system and attempt to deconstruct the barriers around talking about money. Among financial service professionals, it is common for the affluent to be comfortable in disclosing personal, financial information to further their own interests (McElroy, 2007). Brokerage clients have a multiplicity of conversations with their advisors, brokers, accountants, business partners, and families around credit and debt processes. The payday lending population should have the same questions asked of them around money by major financial institutions regardless of net worth.

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Credit Cents Basics: The Essential Elements for Building Good Credit

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Key Words: credit, credit cards, credit reports and scores, credit history

Target Audience

The two target audiences for *Credit Cents Basics: The Essential Elements for Building Good Credit* are consumers, particularly those with credit and debt concerns, and the professionals who assist them.

Objective/Purpose

Through this *Credit Cents* presentation, participants will increase their knowledge, confidence and skills. Participants will learn:

- To understand basic credit concepts
- Facts to consider before using credit
- How to select the right credit card or loan
- The effects of making minimum payments
- Ways to build and/or repair credit history
- How to obtain and interpret credit reports and score
- Why a credit score influences borrowing power
- Where to access resources for credit and debt help

Description

The credit crunch that emerged during late July 2007 is a clear signal that consumers need to improve their credit habits and knowledge. Tighter credit conditions mean that sub-prime mortgage lending issues are now affecting consumers' wallets in other areas. Consumers need to learn how to use credit wisely, how to select the best credit card or loan, and how to access and interpret their credit reports and scores. Consumer misunderstandings about the true costs of credit cards and loans, and their desire to improve their credit scores, create 'teachable moments' for financial educators. To assist professionals, who desire to teach adults in community and worksite education settings how to make credit a tool rather than a trap and how to build or repair their credit history, the University of Idaho Extension faculty developed *Credit Cents* resources.

The *Credit Cents: Making Sense of Credit, Debt, and Identity Theft* curriculum published in 2007, includes an Instructor's Guide, PowerPoint slides and teaching notes, publications, handout materials, activities and materials to market the four lessons: "Credit Basics", "How Does Your Credit Score?", "Taking Control of Debt" and "Guarding Against Identity Theft". The curriculum is available in a CD format for ease in storage, use and editing for individual needs. In this practitioner's forum the authors will share new insights about credit issues, provide practical ideas for teaching important credit concepts and explain a variety of ways to use the *Credit Cents* curriculum materials.

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Measuring Entitlement and Conscientious Money Attitudes in Adolescents:

Scale Development and Validation

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Abstract

Materialism and voluntary simplicity have been found to be contrasting consumer values in Western society. Although these values are well-documented, less is known about the money attitudes underlying them. This paper describes the development of two new money attitude scales designed to measure entitlement and conscientiousness in adolescents. Interest in these money attitudes arose as the authors were in the process of developing an adolescent financial education curriculum. The scale items were generated from student comments in class discussion, further input from focus groups, and from a review of literature on entitlement and conscientiousness. These scales are intended to compliment Yamauchi's and Templar's (1982) earlier work with money attitude scales. They are also a starting point for inquiry into adolescent money attitudes.

Key Words: money attitudes, adolescence, conscientious, entitlement

The purpose of this paper is to introduce two adolescent money attitude scales—entitlement and conscientiousness—to the literature on money attitudes. These are new scales and the first scales in the literature that specifically focus on adolescent money attitudes. Entitlement and conscientiousness appear to be relevant contributors to the broader consumer values of materialism and voluntary simplicity, respectively (Richins & Dawson, 1992; Elgins, 1981). As such, they represent divergent attitudes that give priority to accumulation of money and the things it can purchase or give priority to interpersonal relationships that support and foster a community feeling. Thus, research on entitlement and conscientiousness is an important part of understanding in what ways adolescents develop and become socialized to adopt adult roles.

Consumer values are defined as enduring beliefs "that a specific mode of conduct or end-state of existence is personally or socially preferable to an opposite or converse mode of conduct or end-state of existence" (Rokeach, 1973, p. 5). These values are pervasive guides, influencing "actions, attitudes, judgments, and comparisons across specific object and situations and beyond immediate goals to more ultimate goals" (Rokeach, 1973, p. 18). The consumer value of materialism situates possessions at the center of life goals and aspirations. As a result, materialists place greater emphasis on financial security and less emphasis on interpersonal relationships; spend more money on themselves and less on others; and are generally less satisfied with their lives than non-materialists (Richins & Dawson, 1992). Evidence supports the notion that materialism is a consumer value held by many Americans, including adolescents (Bredemeier & Toby 1960; Fromm, 1967; Cushman, 1990).

Modern industrialized society has transformed adolescence into a developmental period focused on consumption (Lapsley, Enright, & Serlin, 1985). In place of skill development and home production, earning and spending money have become hallmarks of adolescent experience (Steinberg & Cauffman, 1995). These historical changes have pushed adolescents to adopt the consumer value of materialism as part of their socialization into adult society. American children today are immersed in the consumer marketplace to a degree that is historically astounding (Schor, 2004). The influence of the consumer marketplace is even more apparent in adolescent experience. For many adolescents, success has become highly monetized and is displayed by highly visible role models who flaunt power, popularity, and wealth as the means through which success is achieved.

In this constant barrage of media messages, youth are particularly susceptible to the idea that buying expensive items is normal behavior for affluent people, and that anyone who is wealthy should be *living high* (Stanley & Danko, 1996). Adolescents are targeted by marketers sending the message of materialism: by having enough of the right things they will feel good about themselves and have friendships, status, and happiness. Credit is advertised to youth as an easy answer to obtaining possessions that would normally be out of their financial reach. As a result of these media messages, adolescents frequently define their worth or the worth of others by what they own (Ditmar, 2004; Skafte, 1989). In the materialism literature, there is also documentation of another consumer value that operates as the antithesis of materialism. Voluntary simplicity is a lifestyle of moral responsibility, spiritual growth, and self-actualization. This lifestyle is manifest in economic activities that are low in consumption and ecologically responsible while promoting self-sufficiency (Elgin 1981; Shama & Wisenblit 1984). The life goals of individuals

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who ascribe to voluntary simplicity are much different that those of materialists. Richins and Dawes (1992) reported that respondents who are low in materialism tend to place considerably more importance on interpersonal relationships than on financial security.

While much has been written about materialism and voluntary simplicity, little is know about the underlying money attitudes that culminate to create these consumer values. A money attitude can be defined as an opinion, mindset, or feeling regarding money, its meaning, use and preeminence. In contemporary society, the use of money permeates many, if not all, aspects of adult life. This pervasiveness illuminates the importance of money attitudes that lead to positive behaviors such as living within one's means, paying bills on time, avoiding excessive debt, and so forth. Evidence suggests that money attitudes like power, anxiety, and distrust precede the development of money values and behaviors (Roberts & Jones, 2001). Therefore, knowledge of money attitudes may help inform parents, family members, and financial educators who seek to encourage, teach, and otherwise assist youth with the important and inevitable financial choices before them (Acock & Bengtson, 1978; Blee & Tickamyer, 1995; Thornton, Alwin, & Camburn, 1983).

This paper introduces two new adolescent money attitude scales into the literature: entitlement and conscientiousness. In developing these two scales we have sought to build on the earlier work of Yamauchi and Templar (1982) and make sure the two new scales harmonized with their scales. Results of our testing indicate that entitlement and conscientiousness are unique and separate attitudes from those measures reported in previously work. The scales can be used as standardized instruments in assessing adolescent money attitudes and offer an attitudinal dimension to the development of materialism and voluntary simplicity as consumer values. Before reporting on the specifics of scale development, other money attitude scales are reviewed and references to entitlement and conscientiousness in the literature are reviewed.

Money Attitude Research

Despite the significant role of money attitudes during adolescence and emerging adulthood, these attitudes have remained relatively unexplored in family scholarship. A notable exception is the applied work of the advertising and marketing industry. This industry has become increasingly sophisticated and aggressive in their solicitations, even on college campuses (Hayhoe, Leach, Allen, & Edwards 2005). Surprisingly, the social psychology literature does not clearly address money attitudes, although it claims extensive attitude-behavioral research. For example, in a recent century review of attitude-behavioral research, only three of over 300 studies reported on attitudes about money (Wallace, Paulson, & Lord, 2005).

The study of money attitudes is itself a relatively recent development. In 1974, Wiseman (1974) observed that the psychological aspects of money were less studied due to a lack of standardized assessment instruments. Less than a decade later, Yamauchi and Templar (1982) published a multidimensional money attitudes scale. Drawing on Freud and later theorists, they identified five subscales listed in order of strength as: 1) power-prestige—money as an external means to attain status, 2) time-retention—money as a tool for planning and preparing for the future, 3) distrust—doubt and mistrust associated with money transactions, 4) quality—a value associated with attaining quality regardless of the price, and 5) anxiety—an "attitude that money is a source of anxiety as well as a source of protection from anxiety" (Yamauchi & Templar, 1982, pp. 524-525). Subsequent research has consistently focused on power, anxiety, and distrust due to these money attitudes' psychometric qualities, general scale strength, and broad applicability (Roberts & Jones, 2001).

Furnham (1984) included many of the Yamauchi and Templar (1982) items and created a larger pool of items, which resulted in the creation of a six-dimensional money attitudes scale. This scale shares a high degree of commonality with the Yamauchi and Templar (1982) scale, especially with the power-prestige, anxiety, and distrust subscales. However, no instances were found in the literature where relationships between money attitudes and behavioral outcomes were tested for strength of correlation and for possible moderating conditions. Roberts and Jones (2001) changed this by modeling the three scales as antecedents to impulsive buying and by testing the money attitude-impulsive buying relationships for the potential moderating condition of consumer credit card use.

Entitlement

A general definition of entitlement is "a right to benefits specified, especially by law or contract," or the "belief that one is deserving of or entitled to certain privileges" (Merriam-Webster's, p. 417). In this study, entitlement is defined as an attitude in which adolescents feel their parents should provide and pay for things they want or think

they deserve. Entitlement encompasses adolescents' belief that their parents' financial resources automatically belong to them and that their parents should pay for things they desire even if they are "extras."

The construct of entitlement has been studied primarily in psychotherapy (Bishop & Lane, 2002). Many psychotherapy patients bring with them a belief that they are "special," and this role is a learned attitude in which they seek refuge and defense. Although financial entitlement in adolescents is a substantially different construct, it is also a learned role. Adolescents with a sense of entitlement are frequently unaware of and feel little responsibility for how they spend their parents' money. This lack of financial conscientiousness has the potential to become a lifelong attitude in which the parents' money is eventually replaced with credit cards, high interest loans, and other behaviors that may lead to financial difficulty and heightened levels of stress (Chicago Sun-Times, 2001).

Indulgent parenting may be a contributing factor to entitled attitudes in adolescents. Adolescents whose desires and consumer-oriented habits are fostered by extra money and resources from parents appear to be well adjusted, "especially oriented toward their peers and toward the social activities valued by adolescents" (Lambom, 1991). In a study conducted by Steinberg (1994), indulgently reared adolescents exhibited significant increases in school misconduct and decreases in school orientation. Durbin (1993) found particularly that boys from indulgent homes were more oriented toward the "partier" or fun-culture crowd.

In *The Millionaire Next Door*, Stanley and Danko (1996) provide insight into one subset of entitled youth: the children of America's affluent. Affluent parents are anxious to ensure their children's financial success. As their children become adults, many affluent parents continue their children's high standard of living by providing what Stanley and Danko call economic outpatient care. This care consists of substantial monetary gifts in the form of real estate, tuition, securities, and private assets that are designed to help their children get ahead financially.

What are the effects of economic outpatient care? Rather than boosting their children's financial future, economic outpatient care fosters an attitude of dependence and entitlement in children. Being given large cash gifts encourages consumption and further dependence on such gifts; the children feel compelled to maintain a lifestyle commensurate with possessions that were beyond their means in the first place. Stanley and Danko find that children who receive economic outpatient care are significantly more dependent on credit, much less likely to invest, and generally less productive than other children who have affluent parents. Many of these negative characteristics could be seen merely as materialistic and not necessarily as indicators of entitlement. However, the most telling outcome of receiving economic outpatient care is that these children "never fully distinguish between their wealth and the wealth of their gift-giving parents" (Stanley & Danko, 1996, p. 154). They see their parents' wealth as essentially their own. This inability to separate financially from parents, in concert with other acquisitive characteristics is consistent with an attitude of youth entitlement.

Luthar and Latendresse (2002) also turn their attention to affluent youth, and in so doing touch on issues of entitlement. They make the case that children in upper-class families are being neglected in current research and that these children are actually at high risk of psychological maladjustment. Comparing samples of inner-city and suburban youth, they found a significantly higher level of self-reported adjustment problems, including depression, anxiety, and substance use, among the suburban youth. In connection with these findings, Luthar and Latendresse theorize two major antecedents of maladjustment: achievement pressures and disconnection from parents. These antecedents of maladjustment may be relevant to the development of entitled attitudes among affluent youth. Affluent children may feel they deserve to be given extraordinary resources in order to meet the high standards of achievement that their parents hold for them. Or, they may feel entitled to extras because of their parents' continual physical or emotional absence.

The maladjustment problems that Luthar and Latendresse (2002) point out are similar to the psychosocial problems that Kasser and Ryan (1993, 1995) identify as outcomes of an extrinsic identity orientation. Thus, the impact that affluence has on the development of entitled attitudes in youth merits further study. Further research is also needed to understand if entitled attitudes develop in a similar fashion for non-affluent youth.

Conscientiousness

A contrasting money attitude to entitlement is conscientiousness. Costa and McCrae (1992) define conscientiousness as a personality trait involving caution, thoroughness, self-discipline, thinking before acting, and acting according to the dictates of one's conscience. Conscientiousness is related to emotional intelligence and impulse control. In this

study, the definition of conscientiousness will be restricted to adolescents' acknowledgment of responsibility toward their parents for how they spend money allocated to them. This variable includes frugality, paying others back, cautious spending habits, and responsibility to others for how money is spent.

In their research, Stanley and Danko (1996) uncovered some common characteristics of affluent Americans that are similar to this profile of a financially conscientious person. They contrasted millionaires who were successful at building net worth with those who emphasize consumption and tend to de-emphasize key factors that underlie wealth growth. Millionaires who build net worth have an annual household budget; know how much their family spends each year for food, clothing, and housing; are more likely to hold Sears or Penny's cards than credit cards from status retailers; have clearly defined financial goals; and spend significant amounts of time planning their financial future. In terms of financial goals, high net-worth and low net-worth millionaires with comparable salaries stated similar financial goals. However, individuals who build net worth indicated a far greater willingness to allocate time to planning their financial future and to handling their investments. In fact, most of the affluent Americans that Stanley and Danko studied held to the same conscientious financial behaviors regardless of their current net worth. For example, when one millionaire told his wife that he was giving her eight million dollars in stock, she expressed appreciation while continuing to cut out twenty-five and fifty-cent coupons from the daily newspaper " (Stanley & Danko, 1996, p. 37).

Webley and Nyhus (2006) define conscientiousness in a substantially more general way than our operational definition. They do not look at financial components of conscientiousness, but consider conscientiousness as a broad personality trait. They measure conscientiousness using self-report items from the 16PA, a list of adjective pairs representing Cattell's 16 personality factors. Webley and Nyhus focus specifically on three adjective pairs to determine conscientiousness: carefree – meticulous; little self-control – disciplined; and not easily hurt – easily hurt. In this article, they also consider other traits that they believe are related to conscientiousness. One is the ability to delay gratification; another is having a concern for future consequences, which they term future orientation.

Frugality is another concept that is closely associated with conscientiousness, and there has been some research done in this area. Hibbert and Beutler (2004) found that frugality in one generation generally reduces the level of financial strain for the next generation. Students that reported higher frequencies of prudent behavior in their family of origin also reported less financial strain as emerging adults on the brink of college graduation as they reflected on student loan debts and other obligations in their near horizon. The everyday routines in their family of origin had modest, but measurable impact on the conscientiousness of these college students. Routines measured centered on saving, living within an income, paying bills on time, limiting credit use, and budgeting to the effect of reduced financial strain and promoted conscientiousness.

Scale Development

The authors observed strongly held attitudes about money among adolescents who defended competing positions regarding the allocation of personal and family resources. These observations occurred in the context of a project that developed and tested five personal finance lesson plans for adolescents (Beutler, Beutler and McCoy, 2006). One of the units was designed to engage teens in a discussion about financial responsibility. Students were asked to respond to a case problem entitled *Jeremy's Boots*. Shared by a graduate student working on the project, *Jeremy's Boots* represents a real life experience. The conversation consistently turned from a discussion about financial responsibly to classroom debate about financial rights and responsibilities that polarized the students. Strident students took the position that Jeremy had earned the money and was entitled to spend it however he chose; they contended that parents had the responsibility to pay for the needs and wants of their children. Equally strident students felt that Jeremy had a responsibility to help his family, and that it was appropriate for Jeremy to be accountable to his father for how he used his money.

Jeremy's Boots

When Jeremy was a sophomore in high school he found a pair of boots that he wanted very badly. They were the latest style and very flashy and he wanted to impress his friends. The boots were \$140 and he knew that he would have to work hard at his job to earn the money. When Jeremy finally had enough money, he told his parents he was going to buy the boots.

Jeremy's father and mother both worked full time as custodians in order to pay the bills and put food on the table. Jeremy's father was very displeased when he found out that Jeremy wanted to spend \$140 on a pair of boots that

would only be in style for a short time. He expressed to him that he and his mother worked hard all day long to provide the basic necessities. Jeremy's father felt that if he wanted to "waste his money on shoes" that maybe Jeremy should start helping pay for some of the food. Ultimately Jeremy's father told Jeremy not to buy the boots. Jeremy told his father that he felt he should be able to buy whatever he wanted because he earned the money. He did not feel it was right for his father to tell him what he should be doing with his money. After all Jeremy felt his parents were obligated to provide him with his needs and wants.

Do you feel Jeremy's father was justified in being upset about Jeremy's decision to buy the boots? Why or Why not?

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Scale Development, Item Generation

Scale item generation began with a review of recorded class discussion surrounding *Jeremy's Boots*. Student assertions in the discussions revealed money attitudes that prompted a literature review (e.g. Furnham, 1984; Richins & Dawson, 1992; Roberts, & Jones, 2001; Schor, 2004; Stanley & Danko, 1996) and aided in development of an initial pool of survey items. Following the literature review, a series of focus groups with middle and late adolescent students provided additional information regarding sources of personal income as well as expectations surrounding the use of familial and individual money. Early focus group questions were broad and exploratory, while later ones were more narrowly focused. Five focus groups were conducted; about equal numbers of male and female adolescents participated. Frequently mentioned responses were converted into items for the survey. In total sixty-one items were generated and then re-examined as a total pool. Forty-five items survived the critical review.

Scale Development, Pilot One

Sixty adolescent students, age 13-15 completed the first pilot survey. Items were eliminated using factor analysis to identify those that cross loaded or whose loadings were low (below 0.40). The analysis also revealed two factors that passed our initial scree plot analysis. These factors were labeled, entitlement (3 items) and conscientious (5 items) and resulted in scales with promising alphas (.67 & .79 respectively). Based on respondent feed back it was concluded that a seven-point Likert scale confused some adolescents and the format of the survey was adjusted to a five-point scale.

Pilot Two

Ninety teens, age 14-16 responded to the second pilot. The survey consisted of 45 items including the money attitudes of entitlement (11 items) and conscientious (8 items), and other money behaviors beyond the scope of this paper. The five- point Likert scale improved the completion rate and respondent feedback. Three additional items loaded on the entitlement scale (6 items) for a slightly improved alpha (.75), but no additional items contributed to improvement in the conscientious scale (5 items).

Scale Validation

A third survey was completed by students from ten high schools located in two states in the western United States. Completed surveys were obtained from 267 students (156 female 58% and 111 male 42%). The majority of the sample (91%) was 16 and 17 year old Caucasian white students (88%); Hispanic or Latino students made up 6% of the sample. Most of the students lived with both a mother and a father who had obtained at least some college education. Most students (85%) reported their father, or father figure, working full-time with 70% of mothers, or the mother figure, working full or part-time.

Students completed an online survey through a university website. The survey included the 11 entitlement and conscientious items identified in Tables 1 and 2. In addition the survey was expanded to include Yamouchi and Templer's (1982) three most commonly used money attitude scales—power, anxiety and distrust. Questions regarding other money behaviors were also a part of the survey, but not addressed in this paper. The power, anxiety, and distrust scales (Yamouchi and Templar, 1982) were added to facilitate scale analysis and integration. It is imperative that the new scales be developed in ways that account for these existing scales. For example the new money attitude scales should not cross-load with these existing scales.

Results

Correlations

For each money attitude scale inter-item correlations were examined. Items with correlations below 0.20 were discarded. Inter-item correlations ranged between 0.23 and 0.56 for entitlement and between 0.40 and 0.74 for conscientiousness (see Table 1). The 0.74 correlations were above the customary 0.70 cutoff.

Table 1. Correlation Matrix with Means and Standard Deviations

| Variable: | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 |
|--------------------------------------|------|------|------|------|------|------|------|------|-------|-------|------|
| Entitlement Items | | | | | | | | | | | |
| 1. Everyday needs | | | | | | | | | | | |
| 2. Spending money | .39* | | | | | | | | | | |
| 3. 'Extras' | .27* | .55* | | | | | | | | | |
| 4. College Education | .30* | .44* | .41* | | | | | | | | |
| 5. Deserve things | .29* | .34* | .27* | .23* | | | | | | | |
| 6. Get things | .37* | .37* | .35* | .31* | .31* | | | | | | |
| Conscientious Items | | | | | | | | | | | |
| 7. Best Deal | 00 | .06 | .11 | .01 | .01 | .09 | | | | | |
| 8. Thrify & frugal | 03 | 10 | 06 | 12 | 07 | 02 | .60* | | | | |
| Pay them back' | .03 | 03 | 07 | 09 | 01 | 05 | .45* | .46* | | | |
| 10. Cautious | .01 | 12* | 12 | 17* | 10 | 08 | .56* | .56* | .49** | | |
| 11. Responsibility | .03 | 09 | 09 | 18* | .01 | 03 | .46* | .54* | .40** | .74** | |
| Mean | 2.51 | 2.21 | 2.09 | 2.47 | 2.14 | 2.62 | 2.98 | 2.40 | 2.64 | 2.99 | 3.00 |
| SD | 0.84 | 0.75 | 0.70 | 0.82 | 0.77 | 0.70 | 0.96 | 1.09 | 1.09 | 1.11 | 1.16 |

p* < .05, *p* < .01

N = 254

indicating potential item redundancy or co-linearity. These two were: #10. *I am cautious, even when spending my parents' money* and #11. *I feel personally responsible when spending my parents' money*." This concern will be future examined in the subsequent confirmatory factor analysis section of this paper. Correlations between scale items were all below 0.20 indicating no overlapping across items of different scales.

Factor Analysis

Exploratory factor analysis was the next technique used for validating the scales (using the statistical package SPSS). Successive analyses were performed, and items with low factor loadings were discarded with each analysis, until a clear factor structure with acceptable loadings was achieved. When the five dimensions of money attitudes (power, anxiety, distrust, entitlement and consciencious) were treated as independent variables and submitted to an unrestricted factor analysis, all five survived. In the first principal components analysis using oblimin rotation, factors with eigenvalues over 1.0 accounted for 63.4 percent of the matrix variance. The factor loadings for entitlement and conscientious are shown in table 2. No other items loaded on either of these factors.

Cronbach Alpha's

Schumm (1990) recommended that Cronbach's Alpa should be at least 0.80 before a scale be considered adequately reliable. Some practitioners believe an alpha of 0.70 is acceptable—for example the Bloom and Naar (1994) instrument included eight dimensions with reliabilities under 0.80. Cronbach Alpha's for the entitlement scale are shown for females, males and combined (both genders) as 0.70, 0.81 and 0.76 and for the conscientious scale as 0.81, 0.87 and 0.85 (see Table 3).

| | Components: | | |
|---|---------------|-------------|--|
| Money Attitude Scale Items | Conscientious | Entitlement | |
| 1 parents job to pay for everyday needs | | .63 | |
| 2 parents should provide spending money | | .79 | |
| 3 parents should pay for 'extras' | | .72 | |
| 4 parents should pay for college education | | .66 | |
| 5deserve the things I want | | .57 | |
| 6 parents help get the things I want | | .66 | |
| 7look for best deal when parents are buying | .79 | | |
| 8help parents save money being thrifty and frugal | .80 | | |
| 9when parents buy, I help by 'paying them back' | .69 | | |
| 10cautious spending parents' money | .80 | | |
| 11 responsibility when spending parents' money | .86 | | |

Table 2. Factor Loadings for Entitlement and Conscientious Subscales



| Item # | Money Attitude / Items (abbreviated) | Cronbach's | alpha |
|----------------------------------|--|---------------------|------------|
| Entitlement Scale | | Combined Females | .76 .70 |
| | | Males | .81 |
| 1. 2. 3. 4. 5. 6. | my parents' job is to pay my everyday needs. parents should provide spending money. parents should pay for 'extras'. parents should pay for college education. deserve the things I want. parents help get the things I want. | | |
| Conscie | ntious Scale | Combined | .85 |
| 7. 8. 9. 10. 11. | look for best deal when my parents are buying. help parents save money being thrifty and frugal. when parents buy, I help by "paying them back". cautious spending parents' money. responsibility when spending parents' money. | Females Males | .81 .87 |

Discussion and Implications

The development of these scales is a start at establishing entitlement and conscientiousness as distinct adolescent money attitudes. An important next step will be a study to validate these scales. Current research on scales to measure adolescent money attitudes is almost non-existent. Little is known about adolescent money attitudes and how they may protect or expose youth to economic or psychological risks. Teens and pre-teens are primary targets of an expanding consumer culture; a culture for which changing money attitudes is an important catalyst. The consumer culture has replaced saving with reverence for spending. There is growing evidence that this culture spawns negative outcomes such as compulsive buying and materialism. Compulsive buying has been shown to be associated with distrust, anxiety and a preoccupation with the purchase of status (Roberts &Jones, 2001). Materialism in the consumer culture holds out a promise of satisfaction and happiness, but a growing body of literature supports a contrary view (e.g. Kasser & Ryan, 1996; Richins & Dawson, 1992; Schor, 2004).
Conscientiousness and entitlement represent juxtaposes positions on a money attitude continuum. They offer a contrast for improved understanding of financial dimensions in the evolving consumer culture such as; early connections to the development of materialistic versus prosocial and affiliative values. This type of continuum facilitates a new level of measurement. It offers a way for financial educators and counselors to extend their arsenal of financial interventions to an expanded social psychological level.

These scales also have implications for parenting. When Constantine (1986) identified four family types with their distinctive paradigms and routines, he recognized the strengths and vulnerabilities of each type. He noted for example that the strengths and vulnerabilities associated with an open family paradigm are quite different from those associated with the random family or a closed family type. Likewise, in a family or financial education setting, it would be instructive for participants to become aware of some of their own money attitudes and how they are like or unlike those of their neighbors'. The most significant learning may occur as adolescents explored the strengths and vulnerabilities of their own money attitudes.

As financial professionals committed to the education of a rising generation, there is much about our audience we do not know. Educators and financial counselors who plan financial curricula and counseling interventions have an important role to support and reinforce positive money attitudes. The research reported here is an avenue for this type of advancement.

Privacy and liability issues make adolescent data challenging to obtain. This study was limited in sample diversity. Additional adolescent research that includes larger, more diverse samples will be important in future research.

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Teaching Financial Education to Youth Using Simulations

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Key Words: youth, financial education, interactive learning, life skills

Target Audience

Target audience for this presentation is youth financial educators. The curriculum is targeted to junior high and high school students.

Objective/Purpose

Educators learn ways to help young people:

- Better understand how educational level affects occupational opportunity.
- Understand how occupation affects lifestyle.
- Understand how family situation affects lifestyle.
- Learn how much money it takes to "get by."
- Become aware that payroll deductions are taken from gross earnings.
- Gain skill in check writing and in balancing a check book register

Description

Because they are highly interactive and engaging, and because they capitalize on young people's interest in adult matters, a simulation format is ideal for delivering financial education to students. Participants at this session will learn how to facilitate financial education through a simulation. Tennessee's financial education simulations give young people the opportunity to experience their futures in a fun and exciting way. During the simulation, students proceed through a month of 'real life' by visiting 10 stations set up in a gymnasium or library. Stations are manned by community volunteers and, at them, students deduct taxes, determine savings, and spend their monthly salary on the necessities and luxury items that reflect the career and lifestyle they have been assigned. Lesson plans to implement and supplement the simulation include

- A lesson on paycheck deductions and state and federal tax systems.
- A lesson on check writing and keeping a register that includes practice checks.
- A career lesson which includes a 10-minute personality inventory and over 100 Bureau of Labor occupations organized by personality type, education/training requirements and salary.
- A component that teaches lessons about the cost of raising children.
- Activities that help youngsters envision and express their expectations of the future and determine a salary goal that may allow them to realize their expectations.

Currently, more than 60,000 young people have participated in financial education simulations through Extension in Tennessee. Data compiled from student evaluations indicated the following impact: *Knowledge Gained*

26,614 (62%) learned the importance of education to earnings

22,321 (52%) learned the connection between occupation and lifestyle

33,911 (79%) learned how much children cost and their impact on lifestyle

Attitude Change

26,610 (62%) felt more strongly that it was important to get a good education

38,633 (90%) gained a better understanding of parents' financial concerns

Skills Gained

25,326 (59%) gained skill in how to write a check

24,897 (58%) gained skill in keeping a check register

28,760 (67%) felt they knew better how to plan their spending

Aspirations

25,755 (60%) planned a change in career or education as a result of the simulation

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Changes in Financial Distress and Financial Well-Being as a Result of Financial Literacy Programs

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Abstract

Delivering a high quality, effective workplace financial program is not easy. It is a challenge to get adults to learn about personal finance and make changes in their financial lives for the better. Quality financial education programs should lead to improvements in people's personal finances. Among the results should be decreases in distress about financial matters and increases in overall financial well-being. This paper describes four financial literacy programs designed expressly for such purposes. The measurement device used to assess changes was the Personal Financial Well-Being (PFW) scale (also known as the InCharge Financial Distress/Financial Well-Being Scale [IFDFW]). Financial counselors and providers of financial programs to employees and other adults may use the PFW scale to assess participants' financial well-being before and/or after programs are delivered.

Key Words: financial well-being, financial distress, health, workplace financial programs

Introduction

This paper provides an overview of recent uses of the Personal Financial Well-Being (PFW) scale (also known as the InCharge Financial Distress/Financial Well-Being Scale [IFDFW]). It is a valid and reliable measure having undergone a rigorous process to test for both content and construct validity (Prawitz, Garman, Sorhaindo, O'Neill, Kim, & Drentea, 2006; Prawitz, Garman, Sorhaindo, O'Neill, Kim, & Drentea, in press). The concise, simple to administer, easy to interpret 8-question PFW instrument assesses the level of stress and well-being emanating from one's personal financial situation including negative and positive feelings about and reactions to the financial condition.

The PFW measures a latent construct representing responses to one's financial state on a scoring continuum from 1 to 10 ranging from overwhelming financial distress/lowest level of financial well-being to no financial distress/highest financial well-being. The PFW consistently and accurately measures the construct repeatedly over time with various populations. A PFW score allows self-assessment. It facilitates early detection of problems, provides evidence of the need for appropriate intervention and is useful in assessing the effectiveness of ensuing interventions. National norms are available (Prawitz et al, 2006).

Delivering a high quality, effective workplace financial program is not easy. It is a challenge to get adults to learn about personal finance and make changes in their financial lives for the better. Quality financial education programs should lead to improvements in people's personal finances. Among the results should be decreases in distress about financial matters and increases in overall financial well-being, and that is what the PFW is designed to measure.

This paper describes four financial literacy programs designed expressly for such purposes. These include (1) The Pennsylvania Office of Financial Education Workplace Pilot Program Overview: Use of Personal Financial Well-Being Scale; (2) Financial Fitness and the Mayo Clinic Health Risk Assessment Use of the Personal Financial Well-Being Scale; (3) Pre- and Post-Class Financial Well-Being of Latino Financial Literacy Program Participants in Rural Minnesota; and (4) Tracking Progress of the Financial Fitness of Employees in Texas.

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The Pennsylvania Office of Financial Education Workplace Pilot Program Overview: Use of Personal Financial Well-Being Scale

In April of 2004, Governor Edward G. Rendell established the Pennsylvania Office of Financial Education (OFE) to integrate high-quality financial education into schools, community organizations, and workplaces across the Commonwealth. In an effort to be a model for other employers and explore the opportunities and challenges of bringing financial education to its own workforce, OFE developed a workplace financial education pilot for state employees. Four diverse Pennsylvania government agencies were selected to participate in the program of which three are under the Governor's jurisdiction and the fourth is independent. The pilot program was offered to all Harrisburg-based employees of the four agencies, which was a group of approximately 1,900 employees.

Interest Surveys

In October of 2005, employees of the four pilot agencies were invited to provide input in the planning process by completing an anonymous online "interest survey." The questionnaire asked potential participants what financial topics were of most interest to them, gauged their current level of financial knowledge, and gathered information about session location and timing. The results of these surveys provided the roadmap to the topics OFE would provide to eventual participants in its workplace financial education pilot program.

Findings

Employees were asked 11 questions, including rating their current level of expertise in 17 areas of personal finance. Three response choices were offered: "I'm an expert," "I know enough to get by," and "I could use some help." They reported the highest expertise in buying/owning a home, credit cards, buying/leasing a car, and saving. They reported the lowest expertise in retirement planning, investing, will/estate planning, financially related employee benefits, insurance, and bankruptcy. Topics rated "I know enough to get by" included budgeting, tracking your money, borrowing/loans, credit reports/scores, debt consolidation, student loans, and identity theft. Sixty-six percent indicated that they do not have a written budget and 28% have never received a copy of their credit report.

Topics in personal finance that the respondents were most interested in learning more about were (in descending order): retirement planning, investing, will/estate planning, financially related employee benefits, identity theft, saving, credit reports/scores, insurance, tracking your money and budgeting. Seventy-four percent of respondents said the preferred formats for learning personal finance topics were group presentations and 63% also requested written materials. About 30% marked that they also prefer web-based training, group discussions, and/or one-on-one coaching. Only 8% reported that the best time of day for in-person classes would be during lunch and 9% noted evening. (The clear majority did not want sessions to be held on lunch hours, but due to Commonwealth policies, that was not feasible during the pilot program.)

Demographics

Over half (52%) were age 46 to 60, 35% were ages 30 to 45, and 10% were under age 30. (The average Commonwealth employee is 46 years old.) Length of employment for the Commonwealth of Pennsylvania ranged as follows: 11% less than 2 years, 23% 2 to 7 years, 15% 8 to 12 years, 28% 13 to 20 years, and 24% 21 or more years. (The average Commonwealth employee has 13 years of service.) Eight-five percent of respondents own their homes and 15% rent.

Implementation of Workplace Financial Education Pilot Program

Based on a long history of providing financial education to Commonwealth employees and others, OFE entered into an agreement with the Pennsylvania State Employees' Credit Union (PSECU) in the spring of 2006 to implement the workplace financial education pilot program for Commonwealth employees. Key aspects of this agreement included: (1) no business or product solicitation, (2) high subject matter expertise of presenters, (3) generic materials/handouts, (4) and referrals made to existing state programs such as the employee assistance and retirement programs.

During the fall of 2006, OFE and PSECU conducted the pilot program for employees in the four selected agencies. Sessions on six topics were offered to each agency: (1) Investing and Retirement Planning, (2) Estates & Will Planning, (3) Creating a Spending Plan and Getting Out of Debt, (4) Identity Theft, (5) Long Term Care, and (6) Home Buying.

A total of 26 1-hour sessions were held during lunch hours beginning September 13, 2006 and concluding November 16, 2006; three additional 90-minute sessions (Retirement and Estates & Will Planning) were held after work hours. A total of 394 state employees benefited from the sessions with many going to more than one in the series. On average each employee went to 2.3 sessions and of the 1,900 employees eligible for the program, about 21% participated. The overall attendance for all 29 sessions was nearly 900.

Evaluation of Pilot Program

While conducting this pilot program, OFE attempted to determine the best methods for delivering financial education programs to state employees. In addition to individual session evaluations, the Personal Financial Well-Being (PFW) scale was used to measure the participant's sense of financial well-being before and after the sessions.

During the pilot program sessions, hard copies of the PFW were distributed to each person in attendance to complete before the presenters began. Participants were asked to create a unique code using the last three digits of their home phone number and the first two letters of their mother's maiden name, as this would allow tracking of participants and maintain anonymity. Information from the completed forms was inputted into an Access database. Participation in the PFW and other evaluation measures was voluntary. Of the program's 394 participants, 152 or 38.6% responded to the PFW at the sessions.

Follow-Up Three Months Later

Approximately three months after the pilot program ended, OFE asked each of the 394 participants to complete an online follow-up survey that included the PFW questions and the individuals' unique identifier code. Of the 150 who participated in the PFW survey during the pilot session only about 50 specific participants' data could be matched and tracked in the follow-ups. This equates to pre- and post-session data for about 12.5% of the total participants. This group's pre-session mean score was 5.10 and the group's post-session score was 5.68.

Results (as shown in Table 1) of all respondents who completed the pre- and/or post- PFW show an average improvement of 0.77 per participant (6.29 - 5.52). The pre-pilot PFW average score was 5.52, which is slightly less than the norms for the United States (see www.PersonalFinanceFoundation.org). Thus, respondents who participated in the pilot workplace financial education program reported an increase of 3/4ths of one point on the 10-point score three months after the program. The highest reported individual improvement (using an individual's overall average score) was a gain of 4.5 points on the PFW. (This individual went from an average of 3.5 to 8.) The largest reported negative change was a -2.875. (This individual went from an average of 8 to 5.125, and reported the loss of a spouse.)

| PFW Scale Questions | Pre- | Post-Scores | Change |
|---|---------|-------------|--------|
| | Scores | (n=167) | |
| | (n=152) | | |
| What do you feel is the level of your financial stress today? | 5.27 | 6.12 | .55 |
| How satisfied are you with your present financial situation? | 4.93 | 5.79 | .86 |
| How do you feel about your current financial condition? | 4.84 | 5.16 | .32 |
| How often do you worry about being able to meet normal | 5.73 | 6.12 | .39 |
| monthly living expenses? | | | |
| How stressed do you feel about your personal finances in | 5.41 | 6.64 | 1.23 |
| general? | | | |
| How confident are you that you could find the money to pay for | 6.58 | 7.76 | 1.18 |
| a financial emergency that costs about \$1,000? | | | |
| How often does this happen to you? You want to go out to eat, | 6.21 | 6.79 | .58 |
| go to a movie or do something and don't go because you can't | | | |
| afford to. | | | |
| How frequently do you find yourself just getting by financially | 5.15 | 5.93 | .78 |
| and living paycheck-to-paycheck? | | | |
| Overall average | 5.52 | 6.29 | .77 |

 Table 1. Average Personal Financial Well-Being Scores: Pre- and Post-Pilot Workplace Financial Education

 Program

Two of the eight questions had large increases on the 10-point scale. The post-score to the question "How stressed do you feel about your personal finances in general?" was 6.64, representing a 1.23-point increase from the prescore of 5.41. The post-score to the question "How confident are you that you could find the money to pay for a financial emergency that costs about \$1,000?" was 7.76, representing a 1.18-point increase from the pre-score of 6.58.

Limitation of the Study

Of the 152 people who completed the PFW before the program and the 167 that completed it three months later, only 50 or about one-third were direct matches using the user-created code. OFE believes that this limited match-up in scores can be attributed to one or more of the following reasons: (1) some people didn't understand the code they were asked to create, even though it is relatively simplistic; (2) some individuals did not participate because they feared that it was not truly anonymous and could potentially have a workplace consequence; (3) some individuals noted that they forgot which phone number they used and may have used a different one the second time around; and (4) a small number of individuals reported concern, especially after attending the identity theft presentations, about using a portion of their mother's maiden name in the code.

Discussion About Changes in Financial Well-Being Scores

Overall, individuals appear to have improved their financial well-being from the point at which they were first surveyed to the follow-up survey. Ultimately, though, it is difficult to ascertain whether these changes are due to the knowledge gained and/or behaviors changed as a result of the sessions or whether external factors had a stronger influence. Around the time of the administration of the follow-up survey, state employees received a cost of living increase, which may have skewed the results upward; however, it was also around the time that many employees had credit card debt accumulated over the holiday season come due, which could have skewed the responses downward.

Data regarding the sessions, the employees' responses to the follow-up survey and the change in well-being on the PFW were compiled and shared with each of the four pilot agencies. The Pennsylvania Office of Financial Education concludes that overall those state employees who participated in the pilot workplace financial program reported an improved sense of financial well-being.

The data make a compelling argument for financial education for all state employees. The PFW scores help OFE make the case that financial education classes for employees improved the financial outlook of most participants, and it further strengthens the argument that OFE should continue providing financial education to state employees throughout the Commonwealth of Pennsylvania.

Financial Fitness and the Mayo Clinic Health Risk Assessment Use of the Personal Financial Well-Being Scale

TwoMedicine Health and Financial Fitness is a private firm focused on the implementation of worksite focused preventive health strategies in the Rocky Mountain Region. In February of 2006, the firm integrated the Personal Financial Well-Being (PFW) scale into The Mayo Clinic Health Risk Assessment in order to evaluate the relationship between behavioral risk factors that lead to disease and financial distress. The tool was delivered to public and private employees and their spouses throughout Montana and Wyoming, beginning in the spring of 2006. This research examines two questions: (1) The relationship between financial stress and health risks; and (2) the relationship between financial stress and perceived health.

Assessment Tools

The Health Risk Assessment (HRA) is a 197-item questionnaire designed to collect self-reported data concerning an individual's health behavior, personal health history, family health history, and biomedical screening data (O'Donnell, 2002). The data are warehoused in a computer database where it is used to create an individual report to the end user, and also an aggregate summary report to practitioners. The aggregate data are then used to create a wide variety of intervention programming. The Mayo Clinic Health Risk Assessment is a unique tool because it is completed on the Internet and uses branching logic to customize itself to each participant depending on their earlier responses. The assessment also provides instantaneous reporting to the end user upon completion. TwoMedicine was able to integrate the eight questions of the Personal Financial Well-Being (PFW) scale into the questionnaire.

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Health Perceptions, Health Risks and Personal Financial Well-Being Scale Variables

The HRA and PFW were completed by 236 respondents for this study. The sample included 169 (71.6%) females and 67 (28.4%) males. Over 41% of those assessed were 45-55 years of age, 13% were younger than 35, 21% were 35-44, 21% were 55-64 and 4% were 65 or older.

Table 2 outlines the variable used in the analysis along with age and gender of the subjects. The health perceptions characteristic was a self-reported estimation of one's own health status. The great majority of respondents indicated that their health was very good or excellent. Less than 5% indicated that their health was fair or poor.

| Table 2. Health Perceptions | | |
|-----------------------------|----|------|
| Health Perceptions | Ν | % |
| Poor | 0 | 0.0 |
| Fair | 11 | 4.7 |
| Good | 94 | 39.8 |
| Very good | 94 | 39.8 |
| Excellent | 37 | 15.7 |

Table 3 shows the distribution of total health risk factors for respondents in this sample. The total risk factors characteristic is the number of risks an individuals has that increases the chances that they have a disease or illness such as: alcohol, blood pressure, blood sugar, cholesterol, emotional, exercise, nutritional, safety, tobacco, triglyceride, and weight. Just over 11% of the sample had two or fewer risks, while nearly 16% of the sample had seven or more risks. A majority of the sample had between three and six risks. These risks are further separated into medical risks and lifestyle risks.

| Total Health Risk Factors | Ν | % |
|---------------------------|----|------|
| None | 4 | 1.7 |
| One | 5 | 2.1 |
| Two | 18 | 7.6 |
| Three | 29 | 12.3 |
| Four | 58 | 24.6 |
| Five | 50 | 21.2 |
| Six | 35 | 14.8 |
| Seven | 22 | 9.3 |
| Eight | 13 | 5.5 |
| Nine | 2 | 0.9 |

Table 3. Total Health Risk Factors

Total medical risks are biometric measures such as blood pressure, blood sugar, cholesterol, weight, and triglycerides are summarized in Table 2.3. Over 45% of the sample had one or fewer medical risks, while nearly 14% of the sample had four or more medical risks.

| Medical Risks | Ν | % |
|---------------|----|------|
| None | 31 | 13.1 |
| One | 78 | 33.1 |
| Two | 55 | 23.3 |
| Three | 38 | 16.1 |
| Four | 28 | 11.9 |
| Five | 6 | 2.5 |

Table 4. Total Medical Risks

Lifestyle risks, such as alcohol, emotional, exercise, nutritional, and safety risks are summarized in Table 2.4. Nearly 12% of the sample had one or fewer lifestyle risks, while over 25% had four or more lifestyle risks. Nearly 85% of the sample had two to four lifestyle risks.

| Table 5. Total Lifestyle Risks | | | |
|--------------------------------|----|------|--|
| Lifestyle Risks | Ν | % | |
| None | 9 | 3.8 | |
| One | 19 | 8.1 | |
| Two | 60 | 25.4 | |
| Three | 87 | 36.9 | |
| Four | 53 | 22.5 | |
| Five | 8 | 3.4 | |

The most important dependent variable in this study is the Personal Financial Well-Being (PFW) scale. The PFW is comprised of eight questions that measure the construct of financial distress/financial well-being. Table 6 summarizes the PFW scores. Just 12% of the sample had relatively low financial distress scores (fewer than 20 point out of 80 possible [8 questions each on a 10-point scale]). After adding those with scores between 20 and 29 (25.4%), a substantive 37.7% of respondents (25.4% + 12.3%) revealed they were experiencing serious financial distress and poor financial well-being. These people are characterized so because they averaged 4 points or less on the 10-point PFW scale. Thirty-one percent reported scores of 40 or greater. Scores above 56 points are regarded as high financial well-being and low financial distress.

 Table 6. Financial Stress Score

| Financial Stress Score | Ν | % |
|------------------------|----|------|
| Less than 20 | 29 | 12.3 |
| 20 - 29 | 60 | 25.4 |
| 30 - 39 | 73 | 30.9 |
| 40 or greater | 74 | 31.4 |

Preliminary Regression Results

The Mayo Clinic Health Risk Assessment and the Personal Financial Well-Being scale were used to examine the relationships between financial stress and medical risks. Linear regression analyses were used to explore the relationship between medical/lifestyle risks and financial well-being; between detailed medical/lifestyle risks and financial well-being; and, health perceptions and financial well-being. Table 7 shows the results of a multivariate linear regression where gender, age, medical risk and lifestyle risk are regressed on financial well-being. Higher PFW scores indicate that the respondent is less stressed about their financial situation and has high financial wellbeing. This regression indicates that people with more lifestyle risks have more financial stress and lower financial well-being than others. Further, people with more medical risks report they are more financial well-being than younger people. Finally, males report less financial stress and higher financial well-being than females. This regression model explains 11% of the variance in the dependent variable.

Table 7. Influence of Medical and Lifestyle Composite Variables on Financial Stress

| | Parameter | Standard | |
|---------------------|-----------|----------|---------|
| Variable | Estimate | Error | p-value |
| Intercept | 25.3469 | 3.7632 | 0.0001 |
| Gender $(1 = male)$ | 4.4998 | 1.4920 | 0.0028 |
| Age, continuous | 0.2644 | 0.0661 | 0.0001 |
| Medical risk | -1.3605 | 0.5380 | 0.0121 |
| Lifestyle risk | -1.3987 | 0.6106 | 0.0229 |
| Adjusted R-squared | | | 0.115 |

Table 8 reports the results of a multivariate linear regression, where gender, age and all of the items included in the medical and lifestyle risks are regressed on the financial distress/financial well-being score. The most important result is the following: people with the emotional risk factor are more likely to be stressed about their finances than people without the emotional risk. The emotional risk factor indicates the probability that an individual will have an excessive stress or mental health disease such as anxiety or depression. An individual with emotional risk has a higher probability of physical and mental health problems and an individual without emotional risk has a low probability of physical or mental health problems.. This model explains 12% of the variance in the dependent variable.

| × V | | | |
|---------------------|-----------|----------|---------|
| | Parameter | Standard | |
| Variable | Estimate | Error | p-value |
| Intercept | 26.2970 | 4.0405 | 0.0001 |
| Gender $(1 = male)$ | 4.2719 | 1.5532 | 0.0064 |
| Age, continuous | 0.2462 | 0.0680 | 0.0004 |
| Alcohol risk | 0.9980 | 2.9969 | 0.7394 |
| Blood pressure risk | -1.1369 | 1.4785 | 0.4427 |
| Blood sugar risk | -1.6348 | 1.5934 | 0.3060 |
| Cholesterol risk | -1.2850 | 1.4132 | 0.3642 |
| Emotional risk | -5.1757 | 1.4248 | 0.0003 |
| Exercise risk | 0.1460 | 1.4179 | 0.9181 |
| Nutrition risk | -0.8472 | 1.8023 | 0.6388 |
| Safety risk | 1.0038 | 1.5701 | 0.5233 |
| Tobacco risk | -4.3314 | 2.5364 | 0.0891 |
| Triglyceride risk | -0.6832 | 1.8399 | 0.7108 |
| Weight risk | -2.4306 | 1.4596 | 0.0973 |
| Adjusted R-squared | | | 0.1230 |

Table 8. Influence of All Health Risks on Financial Stress

Adjusted R-squared

Table 9 illustrates the results of a multivariate linear regression, where gender, age and health perceptions are regressed on the financial distress/financial well-being score. The most important result is the following: people in good health (self-reported perception of their own health) are less likely to be financially distressed and enjoy higher financial well-being than people in poor health. This model explains 17% of the variance in the dependent variable.

| Table 3. Influence of Treatin Terception on Tinuncial Siles |
|---|
|---|

| | Parameter | Standard | | | |
|---------------------|-----------|----------|---------|--|--|
| Variable | Estimate | Error | p-value | | |
| Intercept | 3.0769 | 4.3858 | 0.4837 | | |
| Gender $(1 = male)$ | 3.3310 | 1.4282 | 0.0205 | | |
| Age, continuous | 0.2630 | 0.0608 | 0.0001 | | |
| Health perception | -1.3987 | 0.6106 | 0.0229 | | |
| Adjusted R-squared | | | 0.173 | | |

These preliminary results suggest that a substantive relationship exists between health risk and financial stress. People in excellent health and those with fewer medical and lifestyle risks are less likely to be financially stressed than others. Interestingly, people with emotional risks are more likely to be financially stressed than other people. These results should stimulate an interesting and useful discussion on the relationships between health risk and financial stress.

In health promotion it is important to identify barriers to behavior change. One of the most difficult parts of changing health behavior is identifying health. When individuals have unmanageable stress it can be difficult to engage in behavior changes such as exercise, improved nutrition habits, tobacco and alcohol cessation and weight management. This investigation may suggest that stress also negatively impacts individuals' ability to take action and change the poor behaviors that impair their financial wellbeing.

Limitations of Study

Researchers have reservations about the relationship between the variable of financial distress and well-being with emotional stress in part because both of the variables may be measuring some dimension of psychological health (O'Neill, Prawitz, Sorhaindo, Kim, & Garman, 2006). Further work is needed to assess what is being measured by the emotional risk variable and the PFW.

Implications of the Study

TwoMedicine would eventually like to engage in worksite-focused interventions that assist individuals with financial fitness. The aforementioned findings suggest that further exploration into the relationship between health and financial distress/well-being is warranted. TwoMedicine will continue to collect data using the HRA and PFW tools and develop intervention materials and programming that address the emotional risk factor. By comparing the baseline data set analyzed in this manuscript to another data set collected after an intervention, TwoMedicine is well positioned to measure potential changes in the FDS score based upon worksite driven stress counseling and intervention.

Financial Well-Being of Latino Financial Literacy Program Participants in Rural Minnesota

The need for bilingual community education is great in Minnesota. The number of residents speaking Spanish at home increased dramatically between the 1990 and 2000 census years. In 1990, approximately 42,000 Minnesotans spoke Spanish at home and by 2000 that number had more than tripled to 142,000. Of those Minnesotans (over the age of 5) who spoke Spanish at home, 28% spoke English "not well" or "not at all" (Minnesota Chicano Latino Affairs Council, 2000).

To meet the financial management education needs of the growing Spanish-speaking population in Minnesota, University of Minnesota Extension hired Spanish-speaking extension educators to teach financial management classes in Spanish. At about the same time the program started in Minnesota, the National Council of La Raza published *Financial Education in Latino Communities: An Analysis of Programs, Products, and Results/Effects* (2004). A chapter of this report discussed elements of success in Hispanic-focused financial education. The report observes that one aspect of successful financial education programs is that they are outcome-focused. The report states,

On balance, far too many financial education providers are not results-oriented. Though it is difficult to measure long-term behavioral change and a lack of program evaluation resources hamper efforts, many financial education providers fail to take even modest steps to determine whether programs "work," (La Raza, 2004, p.34).

The use of Personal Financial Well-Being (PFW) scale was deemed an appropriate answer to this call for resultsoriented programming. PFW could be used to provide an outcome-focused measurement. The pre and post selfreport of financial well-being (PFW) provides one measure of outcomes as a result of participation with the Minnesota Latino Financial Literacy Program.

Procedures

The University of Minnesota Extension Service Minnesota Latino Financial Literacy Project pilot-tested the PFW with 26 Spanish-speaking Latino Minnesota residents. The process to conduct this pilot included: translating the scale, training Spanish-speaking extension educators to implement the tool, developing data gathering technology, and analyzing.

The PFW is being implemented as a pre- and post assessment by a team of financial resource management extension educators who teach their classes in Spanish. They teach financial literacy concepts in adult education settings throughout southern rural Minnesota. Current data gathered represents the "pre" assessment conducted on the first day of a series of classes. Classes are conducted with groups who meet voluntarily in community centers, churches, and government buildings. Classes are conducted independently by extension or in conjunction with a community partner such as English as a Second Language (ESL) classes, church groups, or work force centers.

There are nine potential class topics with class participants providing feedback to guide future classes. Topics include: setting money goals, making choices about money, teaching children about money, making a spending/savings plan, managing a spending/savings plan, understanding your paycheck, using a checking account, using credit wisely, and getting out of debt. The classes are designed to be taught in one hour to 1 ½ hour time segments. Classes are offered for small groups of 5 to 10 participants. Groups often are larger when held in conjunction with a sponsoring organization, like ESL, or a workforce center. Since participation is not required, few participants take all nine classes, but many participants take more than one class. According to our assessment protocol, the PFW is administered during the first time a participant attends a class.

Findings

Initial findings of a small sample (n=26), show that average scores for each PFW scale question fell between nationally normed data for the general population and the nationally normed debt distressed population (O'Neill, Prawitz, Sorhaindo, Kim, & Garman (2006). See Table 10. The difference varied by item with the greatest difference from the general population for questions pertaining to personal financial well-being (the last three questions).

| Table 10. National Norm Scores for Individual PFW Scale | e Questions for General & Debt Distressed Population |
|---|--|
| Versus a sample of Latino Class Participants (N | <i>I</i> =26) |

| | Personal Financial Well-Being Scale Items | General | Debt | MN |
|---|--|------------|------------|--------|
| | | Population | Distressed | Latino |
| | | | | Pilot |
| Q | How satisfied you are with your present financial situation | 5.3 | 3.9 | 4.62 |
| Q | How do you feel about your <i>current financial situation?</i> | 5.2 | 3.4 | 4.08 |
| Q | How often do you worry about being <i>able to meet</i> normal | 5.7 | 3.3 | 4.12 |
| | monthly living expenses? | | | |
| Q | How do you feel is the <i>level</i> of your <i>financial stress today?</i> | 5.3 | 4.2 | 4.77 |
| Q | How stressed do you feel about your personal finances in | 5.9 | 4.2 | 5.08 |
| | general? | | | |
| Q | How confident are you that you could find the money to pay for | 5.9 | 2.6 | 3.85 |
| | a <i>financial emergency</i> that costs about \$1,000? | | | |
| Q | How often does this happen to you? You want to go out to eat, | 6.3 | 3.4 | 4.58 |
| | go to a movie or do something else and don't go because you | | | |
| | can't afford to? | | | |
| Q | How frequently do you find yourself just getting by financially | 5.6 | 2.3 | 3.54 |
| | and living <i>paycheck to paycheck</i> ? | | | |
| | Scale Average | 5.7 | 3.4 | 4.32 |

An important contribution of this analysis is that this sample of rural Minnesotan Spanish-speaking Latinos had, on average, different perceptions of their financial distress/financial well-being when compared to either of the norms for comparison groups. The pilot Latino population had an average score of 4.32 on the PFW compared to the national norm scores of 5.7 for the general population and 3.4 for the debt-distressed population. This indicates that assumptions should not be made for the Latino population regarding their perceptions of their financial well-being/financial distress. While, on average, the Latino population did not have as high a financial well-being/financial distress scale score, they categorically did not have scores as low as the debt distressed group.

Another area of learning was in implementing the survey instrument. In general, we found the translated tool was simple to administer and easy for class participants to understand. It was found, however, that those who attained only an elementary education needed additional help or needed the statements read to them.

Recommended Research

Further research is needed to understand the impact of variables such as: language proficiency, use of financial institutions, citizenship status, financial goal achievement, and debt levels on perceived financial well-being. In addition, it would be informative to evaluate previous research to determine the norming of the PFW data from the

perspective of ethnicity, especially the Latino population. Such analysis could put this pilot study data in perspective.

Initial discussions with the extension educators who taught the classes in Spanish found the translated PFW tool acceptable to use. Further study is needed to validate the cultural appropriateness of the scale. The study should include a determination if current statements measure the concepts intended to assess financial well-being/stress for Spanish-speaking audiences. Additionally, do the scale statements need to be adapted to more adequately measure the concepts for the Spanish-speaking participants in the financial program. Focus groups would be a preferred method to garner the cultural appropriateness of the data. Methodology from other cultural adaptations of the PFW should follow.

Tracking Progress of the Financial Fitness of Employees in Texas

The goal of The Institute for Financial Literacy (formerly the Foundation for Financial Literacy) is to position financial literacy in the consciousness of Houstonian's and the American public as the key to a balanced, happy lifestyle and keeping America free! It is a fiscal fitness movement that encourages financial independence.

While American society has placed an enormous emphasis on achieving financial success, there remains a lack of knowledge across all demographics on how to best manage the income that results from that success. Basic functions from reading 401(k) statements to understanding the differences between stocks and bonds have become too complicated for John Q. Public, employees, business executives and soccer moms, alike.

Influencing lifestyle change in others is not an easy task to undertake, but far from impossible. The world we live in today has seen dramatic changes in the way we receive information, making it possible to reach thousands of audiences in a manner of seconds. However, in order to change behaviors or long-held beliefs, it is imperative to communicate the benefits of those changes in a manner that is relevant to everyday lives. It is equally important to approach this form of communication as ongoing, pervasive and sustainable.

Financial Program, Procedures and Measures

In March 2006 and under the legacy of the Dean of Fiscal Fitness, Mr. E. Deane Kanaly, The Institute for Financial Literacy, launched its "Fiscal Fitness Workout Challenge" to the employers of Houston, TX. The Challenge is a means of teaching all Americans the knowledge and skills they need to be financially independent and self-sufficient.

The vehicle for this Challenge is the Institute's *Passport to Fiscal Fitness*, a personal financial course for mature youth and adults posted on its website at www.ffltx.org. The Institute's program communicates the benefits of financial independence to numerous target audiences through a variety of innovative delivery methods.

Monitoring progress of area literacy is being achieved by a measurable increase in the financial literacy among adults living in Houston, Texas and its metroplex. The measurement benchmarks are based upon personal finance concepts of the Personal Financial Well-Being (PFW) scale.

Fiscal Fitness Workout Challenge

The Institute's Fiscal Fitness Workout Challenge offers a simple, cost-effective solution to a complex problem. The Challenge consists of three elements: a free, online questionnaire to assess an employee's fiscal fitness...a free, online course to teach essential skills and knowledge for managing one's money and achieving financial independence...and finally, an annual awards banquet to recognize those organizations that have been most successful in providing financial education to their employees

"Financial Well-Being and Financial Stress Profile" and "Fiscal Fitness IQ Test"

Those individuals who accept the challenge will complete a confidential "Financial Well-Being and Financial Stress" profile along with a "Fiscal Fitness IQ Test." Ultimately, results of these questionnaires will be used to produce a valid and reliable type of fiscal "state of the union" report to the employer and to the community. All information in the reports is anonymous.

Online Passport to Fiscal Fitness

The heart of the Fiscal Fitness Workout Challenge is the Institute's comprehensive, online course in personal finance, the *Passport to Fiscal Fitness*. By design, the course is strictly objective and educational: it is tutorial in nature, rather than advisory, and purposely avoids making recommendations for specific products.

The course alerts participants to the "Fiscal Fitness Life Cycle" and "Financial Crossroads" that will inevitably impact every individual/family – and explains the importance of being financially prepared for these events. In addition, the course includes the six major elements of personal finance—budget, cash flow, credit, insurance, investments, employee benefits, and estate planning—and explains how these elements must be carefully balanced and considered throughout the Fiscal Fitness Life Cycle. Employees may complete the course at their own pace, be it a slow, steady pace or an accelerated learning mode.

Marketing Materials for Employers

The Institute for Financial Literacy provides employers with free web-based marketing materials to encourage employee participation and enrollment, as well as web-based articles, guidebooks and other resources that can be printed free-of-charge from the website.

Awards Banquet for Organizations in Each of the Five Target Groups

The culminating annual awards banquet will be a fun, high-energy event designed to recognize and congratulate the best effort in personal financial education by an organization in each of the five target groups: corporations, professional firms, nonprofit organizations, trade associations, and educational entities. The event also will be a celebration of the Institute's collective efforts to educate the community, and to start citizens on their journey to fiscal fitness.

Results

Data have been collected from 247 workers, and the average score on the 8 questions of the PFW using a 10-point scale was 6.34. This is somewhat higher than the national norm of 5.7, as shown on the website of the Personal Finance Employee Education Foundation. These respondents scored the highest (8.49) on the question "How stressed do you feel about your personal finances in general?" This indicates very low financial distress/very good financial well-being. The lowest score (5.15) of these respondents was on the question "How do you feel about your current financial situation?" This indicates average financial distress/average financial well-being. Follow-up PFW scores also will be obtained at a later date.

Challenge to Employers

The Fiscal Fitness Workout Challenge–comprehensive, cost-effective, and easy to manage—will provide high returns for those companies that choose to embrace the program. A corporate culture that promotes financial education will see results in improved job performance, productivity, pay satisfaction, organizational commitment and morale.

The Institute for Financial Literacy is challenging employers and employees all across the nation to offer and accept this educational opportunity. It is free. By accepting this Challenge, sponsors can help individuals/employees reach financial independence so they will no longer have to count on government and business entitlements for their financial well-being.

Knowledge is power. By making financial information available, employers can help employees help themselves, and positively impact their company's bottom line. Our country's financial health is a ticking time bomb. Our nation is just one crisis away from financial disaster. But we can make a difference. Each one of us can make a difference.

Conclusions

This paper provides an overview of recent uses of the Personal Financial Well-Being (PFW) scale. It is a valid and reliable measure of the level of stress and well-being emanating from one's personal financial situation.

The programs described herein are current efforts to provide financial literacy education programs to adults. The pilot programs, whether for employees in workplaces, Latinos attending community seminars, or offered online, have some commonalities. The programs described aim to improve financial well-being by providing access that emphasizes basic financial education. Many of the topics in these programs are the fundamentals of personal

finance—budgeting, spending, saving, credit management. It is clear to these program providers that adults cannot go far in changing their financial decisions and behaviors in the areas of insurance, investments, retirement planning, and estate planning without first taking care to ensure that participants understand and practice the basics. If one does not have emergency savings of perhaps \$500 or \$2,000, unexpected expenses, such as vehicle repairs, medical, and perhaps a special expense for school, can wreck havoc with a budget and quickly result in running up unwanted consumer debt. Not being ready and able to handle such expenses postpones—or defers forever—taking action on financial planning decisions for the future.

The pre-assessment data using the Personal Financial Well-Being scale suggest that there are wide differences among adults when it comes to their levels of financial distress and well-being. Some post-pilot workshop findings indicate improvements in PFW scores. This is heartening. The PFW scores should increase. Otherwise, why should a sponsor provide access to a financial program in the first place? The authors anticipated that more post-data would be available for this paper, and we regret that this did not occur; therefore, pre-post data will be published in the future. Post-assessment data will be collected in all the programs described.

Recommendations

Financial counselors should realize that the Personal Financial Well-Being (PFW) scale is a useful tool. Individual clients can fill out the PFW in minutes providing the counselor an accurate assessment of the person's financial health. Over time client's financial distresses should decrease and financial well-being should increase. The PFW measure these changes. Providers of financial programs to employees and other adults may use the PFW to assess participants' financial well-being before and/or after programs are delivered. There currently are over 30 authorized organizations using the PFW (see the list at http://www.personalfinancefoundation.org/users/IFDFW_Permission_Use_Chart.pdf). Three is no cost to use the PFW scale but written permission is required. Much can be done with the data, as discussed below.

It is strongly emphasized that while increases in the mean scores of groups obviously are important, changes in each individual person's score provides even more vital information. Financial program providers need to know that their efforts resulted in 20, 40 or 60% of participants reporting increases in PFW scores. Even the highest quality financial program will not impact 100% of participants. Sponsors should examine the proportion of adults whose scores increased. Find out how many improved and by how much, and then perhaps array such data in a table. The scores represent the program participants whose lives are changing because of the financial program. These people represent precisely the goal of a quality financial program. The sponsor's next financial program might positively impact some of the people that the first program did not. Readiness to change behaviors is one of the issues here, and a continuously offered quality financial program can be expected to make positive impacts on most program participants over time.

It is also recommended that data be collected on financial behaviors. It is one thing to have a positive attitude about improving one's personal finances and perhaps have an increase in score on a personal finance knowledge quiz, but it is altogether something else to actually change financial behaviors. For example, as a result of participation in a financial program a knowledgeable financial program participant might now have intentions to pay down credit card balances, put money into an emergency savings fund, and contribute more to a defined-contribution retirement program, like a 401(k) or individual retirement account (IRA). Doing so is different, however. Behavioral changes are the single best measure of the effectiveness of a financial program. Scores on the Personal Financial Well-Being scale provide confirmation of reductions in financial distress and increases in financial well-being.

Sponsors can simply ask program participants what behavioral changes occurred following their participation in a financial program. This type of follow-up might be conducted one to three months following the program, as this likely provides sufficient time for adults who are so inclined to change financial behaviors. Employers, for example, should see increases in 401(k) contributions from participants in quality financial programs as well as more first-time 401(k) contributors. Community-based programs should see increases in savings in emergency savings accounts as well as decreases in consumer debt. All financial programs are likely to see participants report changes in better controlling expenditures via cash flow management and following a budget.

The relationship between health and financial well-being is very important. The Mayo Clinic Health Rick Assessment is a formidable research instrument, and future analyses of the data should be revealing, as many experts are finding the links between health and personal finances. This relationship, while logical and intuitively correct,

may offer tremendous marketing opportunities if findings convincingly demonstrate that employers can save money on health care costs by providing employees easy access to quality financial programs. Further research is warranted.

Employers do not have to offer financial programs all by themselves. There are numerous outside providers that can do an excellent job. In addition to retirement education companies, like Ernst & Young, Merrill Lynch and Ameriprise, many for-profit and nonprofit organizations who programs emphasize the basics of personal finance. These are the kinds of programs that genuinely change adult's personal financial behaviors. Examples of such companies are the EDSA Group, LFE Institute, Pathways Financial Solutions, CAFE, and Money Management International.

Sometimes such education is provided to adults for free; others may charge a small fee, perhaps \$5 per employee. While the no-cost and low-cost programs often are quite effective, some of the best programs are those provided at a higher cost per participant. Employers who spend \$50 to \$300 annually on financial programs that emphasize both basic financial education and financial planning topics are likely to get the desired results: higher retirement contributions, better selection of employee benefits (including choices that reduce costs for employers, such as in healthcare and Section 125 benefits), and more productive workers that increase profits for employers. And, these are happier employees who also report improved family relationships.

The bottom-line benefits to employers may be assessed and calculated using the Personal Financial Well-Being scale in conjunction with an examination of internal company cost information. (For details on permission and procedures, see www.PersonalFinanceFoundation.org.) Employers and/or financial program providers first need to ask what work outcomes data employers already possess that relate to financial distress and financial well-being? And second, ask how to project an employer's potential return on investment from providing employees easy access to quality workplace financial programs? Then use the data to prove the business case for financial programs. Remember, too, that financial programs are not simply all about increasing profits; these efforts are very much about changing people's financial lives for the better.

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Missouri Taxpayer Education Initiative (MoTax): Financial Education through Taxpayer Assistance

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Target Audience

The target audience for this presentation includes any organization or individual that strives to provide financial education to local low-income communities. Partners within the Missouri Taxpayer Education Initiative (MoTax) currently include individuals from the IRS, regional Community Action Agencies (CAA), local colleges and universities, local and regional businesses, local and state government agencies, and various other community organizations.

Objectives/Purpose

The objective of this presentation is to share the operational details of MoTax at the local and statewide level. MoTax focuses on providing free tax preparation in cooperation with local community organizations as a gateway for financial education. This presentation will also serve to introduce our development of "MoTax in a Box", a kit containing all the supplies and resources required to start a free tax site coupled with financial education

Description

Many low-income, working families are eligible for a variety of income tax credits – including the refundable Earned Income Tax Credit (EITC) – which are only available to qualified individuals who file federal income tax returns. This extension initiative seeks to assist people through (a) preparation and electronic filing of income tax returns and (b) the provision of financial education to help families maximize their tax refunds. Using the IRS's Volunteer Income Tax Assistance (VITA) program as its cornerstone, this financial education initiative provides free tax preparation and filing services, promotes family income tax credits, and provides opportunities for increased financial stability and wealth building among low- to moderate-income taxpayers. This educational initiative reaches its audience through the "3 P's":

Promote tax credits and services. Pre-tax season promotion via media and financial education classes provides awareness of the need to file federal income tax returns to maximize tax refunds by taking advantage of family tax credits.

Prepare and e-file tax returns. During the tax season (January through April), free tax preparation and electronic filing services are offered to qualified taxpayers at VITA sites. Capitalizing on the relationship building opportunities and the timely teachable moment a large tax refund provides for financial education, financial information and on-site coaching are provided so learners can make maximum use of income tax refunds.

Plan for financial stability and wealth building. Financial information is provided to each taxpayer and additional financial education opportunities through extension are promoted to tax refund recipients. The goal is for families to use tax refunds to increase financial stability and wealth building opportunities.

The Missouri Taxpayer Education Initiative began as a pilot project in the 2004 tax season. Each year the program has surpassed the numbers of the previous season. In this 2006 tax year, more than 2,880 returns were filed with the IRS and more than \$2.6 million in refunds was returned to our clients.

In August 2007, we received grant funding from the Certified Financial Planning Board to develop "MoTax in a Box" to provide other community agencies the tools to replicate MoTax's success in their community.

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Insights On Predatory Mortgage Education: Expert Views

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Abstract

This article describes the results of an exploratory study of predatory mortgage lending. The purposes of this study were to gain insights into the salient characteristics of victims of predatory mortgage lending, and to identify the most effective approaches for preventative victim protection. Study findings can help consumer advocates identify vulnerable characteristics of target audiences and pursue financial education strategies with prevention of predatory mortgage lending as a specific outcome.

Key Words: predatory mortgage lending, subprime

Introduction

Financial education is slowly becoming accepted for what it is: a pivotal, yet long neglected, aspect of holistic wellbeing of American families. Today, most families are finding themselves ill-prepared to deal with the complexities of the current financial climate. Unfortunately, low-income, minority, and aging households, those who can least afford it, continue to experiment with fringe banking services such as pawnshops, payday lenders, rent-to-own furnishings, automobile subprime financing, and second tier credit cards, making it difficult for them to achieve long-term financial stability. Yet there is one financial category that dwarfs all others in terms of complexity, and financial losses; that of subprime mortgage and predatory mortgage lending practices.

A subprime home loan, one with higher than traditional rates and fees, can have more devastating effects on families than any other financial product simply because of the magnitude of the transaction. The volume of subprime housing loans in 2005 alone was well over half a trillion dollars, representing approximately 20% of the 2005 mortgage origination dollar value (Joint Center for Housing, 2006). By comparison, payday-lending volume is only about \$28 billion for a single year (Center for Responsible Lending, 2006). Astoundingly, subprime home lending products are seven times more prone to delinquency and foreclosure than traditional home loans, in addition to the astronomical fees and rates that subprime borrowers must pay (Joint Center for Housing, 2006). In spite of the costs and risks, trends indicate that over one in five home-buying families in 2007 will have entered into a potentially wealth-stripping subprime loan.

Though subprime loans are designed for those with poor credit history, numerous studies have found that these higher priced loans are disproportionately targeted at elderly, minority, and low-income populations regardless of credit score, due to inherent vulnerabilities among these groups (Calem, Hershaff, & Wachter, 2004; Newman & Wyly, 2002; Schill & Wachter, 1993; Zimmerman et al., 2002). The most egregious of these unethical actions have been dubbed "predatory lending."

Typical customers for predatory lenders are persons who have done little or no shopping, have presupposed that because of little or damaged credit that they cannot qualify for a loan, or those with significant amounts of equity already built up in their homes. Such customers are often clustered in low-income, minority, and elderly neighborhoods, and are therefore easy to target (Lord, 2005). With little regulation by states or housing industries, educators and non-profit organizations are currently the only defense these families have in understanding and avoiding these mortgage pitfalls.

Objectives

Given that the direct losses of consumer wealth from predatory mortgage lending exceeds \$9.1 billion nationally, and that the monetary losses and family stresses from foreclosures are incalculable (Stein, 2001), there is a need for additional information to guide financial education efforts to target and educate consumers about predatory lending practices. To this end, this exploratory study was designed to:

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1) Identify salient characteristics of the victims of predatory mortgage loans.

2) Describe optimal educational strategies that should be implemented to help reduce predatory mortgage lending.

Methods

Qualitative methodology was utilized because of the exploratory nature of this research. In-depth interviews were conducted with 12 mortgage lending professionals, using the tree and branch method of interviewing (Rubin & Rubin, 2005), in which several open-ended questions were asked, followed by probes that were used to explore themes, concepts, and ideas introduced by the interviewees. The end result was an array of comments that branched from the main questions, all of which stemmed from or described the main topic.

Sample

Twelve mortgage lending professionals, defined as persons whose careers require regular, full-time contact with mortgage borrowers, mortgage lenders, or both, were recruited to participate in the study, using a snowball sampling process (Patton, 2002). Duties of the mortgage lending professional ranged from education and counseling, to regulation or private business. These professionals deal with mortgage borrowers and lenders on a regular, full-time basis, and therefore, are in a key position to witness their daily interactions.

The final sample included four consumer advocates, four industry advocates and four neutral participants who had 182 years of collective experience in nearly every conceivable area of the mortgage lending market.

Data Collection Procedures

This study employed qualitative research methodology, as this study is exploratory in nature, and sought a description of conditions as opposed to statistical analysis. Due to the relatively new landscape of predatory lending research, it was determined by the authors to be an essential foundation for future statistical analysis. The first author conducted all interviews and led data analysis, and was overseen and reviewed by the additional authors. Notes were taken during the interviews to capture verbal responses and nonverbal cues, such as tone of voice, attitude, and expressions. Interviews were audio recorded and transcribed verbatim for analysis. Data coding began through labeling sections of the text by topic. To be consistent with interviewees' notions, "in vivo" codes, the terms supplied by participants, were used whenever possible. In this step, each interview was treated on an individual basis.

Content of the major categories was divided into several descriptive categories. The material was then reread; this time the researcher added more specific codes for the material in the descriptive categories. The interview content at this point was treated collectively. Codes were organized into a narrative or description of predatory lending and potential solutions to predatory lending as supported by the evidence. This method of managing and analyzing qualitative data was performed using the computer software program NVivo7 (QSR International, 2005). All authors reviewed the codes as arranged, and all discrepancies were discussed and resolved. All steps of the process were consistent with accepted qualitative research methodology procedures as outline by Rubin and Rubin (2005).

Results

Research Objective One: Victim Characteristics

Participants described victims as likely to either be very young or very old, and of minority status. One home-buyer explained that young borrowers are exploited because of their naivety. Similarly, older adults are a popular target, especially for refinancing or equity based loans due to life-time accrual of home equity. Minority group members also tend to be victimized disproportionately, though most interviewees cited language barriers as one underlying factor behind the vulnerability. This particular vulnerability can lead to instances of "lending cannibalism," involving a lender or broker of the same ethnic background taking advantage of minority borrowers because of assumed trust and lack of other options, whether real or perceived. A prime example is found in a recent news article, in which a prominent Latino community member was involved in deceptive home loan practices with Latino families who trusted her (Sanchez & Mitchell, 2006). Several participants explained that there are so many diverse characteristics that could make someone susceptible to unfair loans that it is perfectly reasonable to assume that anyone could potentially be a victim.

Emotional characteristics also play a key role in borrower vulnerability. Feelings of desperation are a common byproduct of excessive debt, and mortgage debts are perhaps the most pressing because missing only one or two payments can send the borrower into a panic to avoid foreclosure, which in turn, can lead to hasty, unwise acts. Peer pressure can be an emotional stimulant that can lead borrowers to make uninformed home-buying decisions. One housing counselor related an example: "*They weren't even thinking about buying a home until they heard their friends had one . . . their friends [told them], 'Hey, go ahead and get one too.*"

The desire for instant credit or instant gratification also was an emotional factor. A financial counselor related an instance in which a client had just come out of bankruptcy and instantly entered the home-buying market. This client was not deterred by high interest rates; she wanted a house immediately, despite potential long-term consequences. Even the initial consequences were quite severe as she entered 100% financing, the first 80% at double the prime rate and the last 20% at quadruple the prime rate.

Financial characteristics of borrowers also play a large role in a borrower's susceptibility to unfair lending practices. Particularly in the mortgage market, borrowers often find themselves lost in inches of paper work that are comprised of legal disclosures designed to protect the consumer, however is often unintelligible to those unfamiliar with the mortgage market and legal jargon. A regional lending manager explained, "*I would dare say a very, very small percentage of the population understand what they are signing, and understand the terms of their loan.*"

Research Objective Two: How to Reduce Predatory Lending

Our participants felt that legislation designed to separate the unscrupulous lenders from the legitimate lenders was ineffective because they did not view most actions and loan features as inherently predatory; rather, they become predatory when used in an abusive manner. In other words, a predatory loan is as much a function of the individual loan officer, as it was of product features. However, participants were in full support of legislative efforts to increase the amounts of financial education in schools and communities.

According to participants, legislative action to eradicate predatory lending is slow, and unresponsive. Therefore, it was unanimous among all participants of the study that comprehensive financial education of consumers be the primary form of predatory lending protection for consumers. In the literature, consumer education has been recognized but has rarely, if ever, been emphasized as the chief method of consumer protection. Yet, participants stressed that the importance of this method of protection is paramount.

Home-buying/home loan classes are a way for consumers to be educated about the process before entering a home loan transaction. One home-buyer counselor asserted, "*Number one is that consumers need to be educated, through* [home]buyer education courses where predatory lending is covered in detail." But these courses are often limited to a single day, and some felt that they simply need more time to truly educate a borrower. A housing specialist remarked, "I think it needs a little more time We go fast and hard, and try to get everything in that is going to help them."

A crucial aspect of home-buyer education is optimal timing of courses. Ideally, as noted by one home-buyer educator, education should target people *before* they enter the home-buying process, "We would love to have people come just because they're interested in buying a home, that's our ideal home-buyer student . . . because they go in fully armed and ready, and once you call a predatory lender once or twice on what he's doing, he stops."

As good as home-buyer education may be, the experts admitted that it was only a temporary solution to a much larger problem: a general lack of financial literacy among all Americans. One housing educator exclaimed, "I think everyone should be required to have personal finance classes before they are out in the world. It's basic education that all high school seniors or juniors should have."

Consumer advocates can work with school administrators and teachers to implement financial literacy programs for all students. Previously developed curriculums such as the National Endowment for Financial Education High School Financial Planning Program[®], and Jump\$tart[®] programs, and state and local initiatives such as The University of Nevada Extension's "Money on the Bookshelf," and the University of Illinois Extension's "Welcome to the Real World" were designed to be easily incorporated into existing school system subject matter. Efforts that result in education and borrower protection can originate in venues other than the classroom. Study participants noted that the involvement of individuals acting as consumer advocates in community groups and in legislative efforts aimed at financial education, can have a lasting effect for reducing borrower vulnerability.

Establishing such partnerships can create a system by which consumers can quickly escape bad loan situations and avoid future lending hazards.

According to participants, one very helpful consumer resource is a fair housing committee. The purpose of such committees is to create a comprehensive solution to individual cases of predatory mortgage lending that have already occurred. The solution includes legal action, counseling and education, credit rehabilitation programs, and alternative financing options to help borrowers exit bad loans as quickly as possible. These committees require widespread cooperation of community members, and significant amounts of funding, but show tremendous potential as a tool for assisting victims, according to participants. Members of the Association for Financial Counseling and Planning Education and other advocates with good ties to the community could be instrumental in facilitating and participating in such groups.

As a preventative measure, additional consumer support is found in neighborhood revitalization programs targeted specifically at vulnerable neighborhoods. Some neighborhood revitalization committees already exist on relatively small levels, according to one participant who has worked with them. In spite of their small size, this participant felt that they were very successful at helping revitalize the skills and abilities of the residents in some of the most vulnerable neighborhoods.

Conclusions

Members of the Association for Financial Counseling and Planning Education and other advocates can play a particularly vital role in preventing further predatory mortgage lending through directly educating citizens, and in orchestrating community activism to advance the financial literacy opportunities available to borrowers and consumers in general. Future studies should address optimal methods, amounts and timing of financial education efforts specifically as a predatory lending prevention tool. Further studies could also include interviews of households who have been victimized by predatory mortgage lending.

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Coping with Ambiguous Loss in Families

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Key Words: ambiguous loss, loss, grief

Target Audience

This practitioner's forum will be of interest to financial counselors and financial planning and counseling educators working with families. This session will be of special interest to those working with military families experiencing deployment of a family member, a family member missing in action and injury or death of a family member while deployed.

Objective/Purpose

Participants who attend this forum will develop a basic understanding of what ambiguous loss is and how it may present in individuals' ability to deal with financial management issues. Topics highlighted in this proposed forum include:

- The role of the financial counselor/planner in a counseling relationship with clients
- How ambiguous loss may prevent healthy financial behaviors among clients
- Suggestions for working with clients using a reasoned supportive approach

The session will also present practitioners with what they may see as evidence of ambiguous loss. Examples include:

- boundary ambiguity whose job (responsibility) was it before the loss and whose responsibility is it now? Have these roles been defined and or reassigned?
- parenting roles are overlooked the teaching of basic money skills to children
- life decisions are put on hold decisions such as home buying, retirement savings
- daily tasks are ignored budgeting, monitoring finances and bill paying
- family rituals and celebrations may be left unobserved –birthday parties, weddings
- Manifestation of poor spending habits due to overcompensation for loss

Description of Content and Method

This proposed practitioner's forum will present attendees with the concept of ambiguous loss. Of interest to financial counselors is how this loss affects the family and the handling of day-to-day finances. Ambiguous loss is considered an "incomplete or uncertain loss" (Boss, 1999). It is unclear as to whether a family member is absent or present, dead or alive and may be the most stressful form of loss defying an individual's ability to resolve the loss and creating confusion as to the family structure (Boss, 2004). Such loss can lead to depression, guilt and anxiety which in turn block coping skills and one's ability to manage stress.

Boss (1999) notes two kinds of ambiguous loss. In the first, people are perceived by family members as being physically absent but psychologically present. Examples include hostage-taking or kidnapping, soldiers missing in action and natural disasters (missing persons). The second type of ambiguous loss is perceived when someone is physically present but psychologically absent. This is seen in instances of head or brain injuries, Alzheimer's, addictions and depression. More common occurrences include military deployment, immigration, adoption and excessive preoccupation with one's work or hobbies.

Interacting with individuals who are dealing with ambiguous loss poses unique challenges. While the loss may be ambiguous, it is no less painful and real than a physical and known loss. Persons and families cannot just move on and adjust. When there is no resolution to the loss, it creates an on going crisis.

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The Financial Management Practices of Experts in Personal Finance: A New Collaboration

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Key Words: expertise, financial management, personal finance, collaboration

Target Audience

Results from the study will be disseminated via educational outreach materials. The forum presentation will be aimed at researchers and practitioners who may desire to collaborate with researchers from other fields. Input from the audience is welcomed.

Objectives/Purpose

The media enjoys cultivating the notion that some individuals are innately "gifted" investors, and such gifts are responsible for their performance advantage. However, research on expertise in general indicates that such "gifts" are rarely if ever observed in the absence of a prior, lengthy development period comprising practice activities designed specifically to improve performance. The objective of this collaboration is to identify these deliberate practices and disseminate the findings using various outreach methods (See Goldsmith & Goldsmith, 2006). Our aim is to inform the populous that (a) one's current level of investing performance *is* modifiable and (b) the skills necessary to modify current investment strategies can be acquired via deliberate engagement in practical activities. Achieving these objectives is beneficial to both psychology and personal finance. By recounting the story of the research team's collaborative process, the presentation will serve as an example of a successful partnership between diverse fields.

Description

This practitioners' forum presents the results of collaboration between the fields of psychology and personal finance. The key research question is: "Why are some households more expert than others at accumulating wealth given similar lifetime incomes and life circumstances?" This question is based on extensive research examining self-directed practice activities differentiating experts from less-skilled performers in domains ranging from chess to medicine (Ericsson, Charness, Feltovich, & Hoffman, 2006). What will our multi-year, multi-step research study reveal about the prior and current financial practices unique to households that have accumulated expert levels of wealth? Two research grants funded the preliminary stages of the project. The research is now fully underway and supported by a grant from the Financial Industry Regulation Authority Investor Education Foundation. One stage involves identifying previous research involving the objective measurement of various prior and current household financial practices associated with differences in accumulated household wealth. Another stage involves developing the study instruments including a retrospective questionnaire measuring household financial practices throughout key lifespan stages. This approach is original because there is little extant research relying on the objective measurement of household financial practices throughout key lifespan stages. This approach is original because there is little extant research relying on the objective measurement of household financial practices throughout key lifespan stages.

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Are Perceptions of Retirement Financial Resource Adequacy Consistent With Estimated Ex Ante Financial Resource Retirement Adequacy?

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Abstract

One reason households may not be saving enough is a lack of understanding regarding their retirement resource adequacy. Using data from the 2004 Survey of Consumer Finances, this study explores the relationship between perceived adequacy of retirement resources and an estimated measure of resource adequacy. The results show that only 57% of the population accurately perceives whether or not they have sufficient retirement resources. Of the remainder, 26% of the population are optimistic, 17% are pessimistic.

Key Words: retirement adequacy, Survey of Consumer Finances, financial, planning, retirement

Introduction

The responsibility of funding retirement has shifted from the employer to the individual over the past several decades. Given a recent personal savings rate of -0.4% (US Department of Commerce, 2005) and the reliance of retirement adequacy on personal savings, understanding how savings behaviors relate to retirement adequacy is an important and pressing area of research. Some have found themselves facing a shortfall of financial resources in retirement (Yuh, Montalto, & Hanna, 1998). Proper planning is critical in allowing for sufficient time for wealth accumulation and planning is influenced by an individual's expectations and perceptions, among other factors.

Having sufficient financial resources—or more specifically, whether people *think* they will have sufficient financial resources at retirement is a major parameter that affects household savings, A discrepancy between people's perception of adequacy and with actual adequacy will result in inappropriate or non-optimal savings behaviors that can potentially lead to inadequate financial resources in retirement. If people believe that they had enough savings, but in reality did not, a false optimism could result in a savings shortfall. Likewise, false pessimism could cause both unnecessary changes to savings behavior and anxiety.

Since behavior is tied to expectations, it is likely that those who accurately felt unprepared may be willing to take actions to change this. The reverse could also occur; a household that perceived itself as having sufficient resources may not increase savings or may save less. But if this behavior is based on false optimism, then important changes to savings behaviors may not occur. Thus, there is concern about those whose perceptions may not be consistent with reality. An inconsistency between how much people need to save, and how much they think they need to save, can result in non-optimal savings and consumption patterns. At best, people will save more than they need to; at worse they will be unable to support themselves during retirement.

This study adds to the retirement savings literature through a comparison of self-reported perceived retirement financial resource adequacy and an objective measurement of financial resource adequacy. While this study employed a measurement of adequacy used and described in Yuh et al. (1998) which was generally consistent with financial planning methods, this study was not focused on adequacy or inadequacy of savings per se. Instead it focused on whether or not one's perception of adequacy differed from a financial planning driven measure of retirement adequacy. This study examined those with an optimistic perception of retirement adequacy (perceived adequacy while objectively inadequate), those with a pessimistic perception of retirement adequacy (perceived inadequacy but objectively adequate), and those who had a perception of adequacy that was consistent with objective measures (perception and objective measures have same conclusion). One implication of this study was this might point out weaknesses in traditional financial planning measures of adequacy or inaccurate perceptions by consumers. For example if there are inconsistencies by particular groups, this may indicate that the model for adequacy fails to capture some element that is unique to that group.

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Background on Retirement Adequacy

Objective Retirement Adequacy

Several studies have attempted to estimate retirement resource adequacy using cross sectional data. For instance, Burns and Widdows (1988) used the framework developed by Duncan, Mitchell and Morgan (1984) to estimate the retirement gaps of baby boomers by comparing the accumulated income available for people at retirement with their needs for retirement being estimated using assumptions from the Permanent Income Hypothesis. Specifically, they used current after-tax income multiplied by the number of years of retirement life expectancy to estimate need. Burns and Widdows used the 1983 Survey of Consumer Finances and found retirement gaps in baby boomers of all ages and income levels; in other words, need exceeded available income across the board.

Yuh et al. (1998) defined retirement wealth to be adequate if total retirement income was larger or equal to total retirement consumption, since people used retirement planning to keep their living standard after retirement. Yuh et al. provided an improved estimate of needs since they estimated their consumption function using data from the Consumer Expenditure Survey (CEX). This represented an improvement on the assumptions made in Burns and Widdows (1988) since few families spend their exact income, either saving or overspending. Yuh, et al. assumed that the retirement consumption level would be consistent with the consumption level before retirement, which may be related to the demographic characteristics. In order to estimate needs, first, they estimated an expense function to represent household continuing needs using data from the Consumer Expenditure Survey. They used this estimation procedure to estimate the consumption need during retirement years. Resources in retirement consisted of continuing financial resources such as pensions and Social Security benefit. Pension benefits were known and social security was estimated using the PIA formula from the SS Administration. Personal savings were also important. Investment assets were projected to the retirement age using historical returns. This study used the real rate of return on corporate bonds (2.3%) to represent the return on the post-retirement portfolio. The total retirement income included the projected value of accumulated assets and the present value of pension at the retirement age. Adequacy was determined by the ratio of resources to needs. In examining the determinants of the likelihood of being adequate, Yuh et al. found that all demographic variables were insignificant when controlling for financial characteristics and planned retirement age.

Determinants of Objective Retirement Adequacy

Financial characteristics have been important in the literature on retirement adequacy. Burns and Widdows (1988) suggested that retirement gaps exist for people from all income levels. People in the highest income level, however, had the highest retirement gap, compared to people in lower income levels. Yuh et al. (1998) found that the likelihood of having sufficient retirement resources to fund consumption increased with income, but at a decreasing rate. Yuh, et al. also found that ownership of defined benefit plans, ownership of defined contribution plans, ownership of a house without mortgage, and the proportion of non-housing assets, were all positively related to retirement adequacy. Xiao (2001) indicated that net worth influenced all asset allocation variables that affect retirement plans.

Yuh et al. (1998) pointed out that planned retirement age did play a role in actual retirement adequacy. People with higher planned retirement age were more likely to have adequate retirement wealth. They also found that people who expected to live from 24 to 32 years were less likely to have adequate retirement wealth than those who expected to live more at least another 42 years.

Perceived Retirement Adequacy

Conceptually, this is a subjective assessment of one's opinion about the sufficiency of retirement resources including savings to meet one's retirement needs. Malroutu and Xiao(1995) examined the perception of retirement adequacy of pre-retirees using the Survey of Consumer Finances (SCF). The perception of pre-retirees was measured by asking if they felt they would have adequate retirement income for their needs; they were asked to consider social security, defined benefit pensions and retirement savings (e.g. 401k).

In addition to one's own wealth, it is important to consider other things may influence perception of retirement resource adequacy. Malroutu and Xiao (1995) found that people in younger age groups were less likely to perceive their retirement income as adequate. Others found that older households tended to have greater perceived retirement adequacy, but cautioned that older households may have a reduction in need for available, this too would improve perceived adequacy (Hazelrigg & Hardy, 1997; Stoller & Stoller, 2003). Race is another factor found to be significant in some previous studies. Malroutu and Xiao (1995) pointed out that whites were less likely to perceive their resources as adequate as non-whites. Hazelrigg and Hardy (1997) suggested that African Americans were less likely to perceive adequacy, due to their lower income level in comparison to non-African Americans.

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Like, the ex ante objective measure, financial resources have been shown to have a positive influence on perceived income adequacy by affecting people's lifestyles (Hazelrigg & Hardy, 1997; Stoller & Stoller, 2003). Hazelrigg and Hardy suggested that income affected perceived income adequacy as an endogenous factor, and other factors, such as age and education influence perceived adequacy by affecting income. Malroutu and Xiao (1995) found that people with income from \$10,000 to \$20,000 yearly are less likely to perceive income as adequate as those in the highest income level.

Summary of Background

In general, financial factors are the most important predictors of objective financial resource adequacy and are an important determinant of perceived resource adequacy. Demographics such as age are only shown to be relevant to perceived adequacy and shown to be insignificant as determinants of objective retirement financial resource adequacy. This study is exploratory in nature with a basic question as to whether households perceived financial resource adequacy is consistent with an ex ante estimation of financial resource adequacy. This study will explore some basic relationships between these two measurements in order to provide guidance to future studies that wish to examine perceived or objective measures of ex ante retirement resource adequacy; specifically, it is important to see whether consistency varies by income, wealth, marital status, and race.

Methodology

Data and Sample

This study uses data from the 2004 Survey of Consumer Finances (SCF). The SCF both poses a question about the perceived adequacy of financial resources for retirement and offers detailed information on household demographics, income, wealth, preferences, and expectations. The information in this survey also makes it possible to estimate retirement adequacy (Yuh et al., 1998). The SCF uses a dual-frame sampling procedure that includes both an area probability sample and a list sample so that there is an over-sampling of high-income households. A weight variable is provided so that results can be representative of the US population.

The sample for this study includes those individuals between the ages of 30 and 70 with positive non-investment income. It is assumed that people who are 30 and younger are likely to have insufficient information to formulate this opinion, and it is also assumed that those over 70 who are still working may not plan to retire. The sample also excludes those not currently doing work for pay and those who do not provide an age when they will stop working for pay.

Dependent Variable

The dependent variable in this study is an indicator of agreement between the perceived adequacy measure and the estimated ex ante adequacy measure. Perceived ex ante adequacy is based on the respondent's answer to whether his or her social security, pension, and savings should be enough to meet post-retirement spending needs. Estimated objective adequacy is based on the retirement adequacy measure used in Yuh et al. (1998). While this estimate does not account for potential changes in consumption with age, any attempts to estimate this would introduce additional bias into the comparison. The question in the SCF asks an individual to consider Social Security, pensions, defined contribution plans, etc. and rate whether they feel they will have adequate resources for retirement.

The Yuh et al. (1998) estimation technique considers the same resources, pensions, Social Security, and personal savings. The present value of pension benefits and SS benefits is determined for life expectancy of recipient (individually in couples) using a conservative rate of return assumed for post-retirement portfolio returns. This was a 2.3% real return; it was based on corporate bonds (Ibbotson, 2005). Current retirement savings and continuing contributions are projected to retirement using rates of return consistent with asset allocation. Real returns for equities, bonds, and cash were used. These were projected until planned retirement age. Thus total resources included present value of pensions and SS at planned retirement age plus projected retirement portfolio value.

The estimate of retirement needs is an estimate of consumption needs during retirement. The consumption estimate is based on a prediction equation computed using data from the 2004 Consumer Expenditure Survey. The equation used variables that were common between the CEX and SCF so that consumption could be predicted for the SCF data. Using life expectancy and the same return used for pensions, the present value of consumption needs at planned retirement age is then determined (Yuh et al., 1998). This estimate assumes a constant level of consumption. Hatcher, Banerjee, and Moorman (2000) considered how leisure should affect consumption during retirement. They considered implications if retirement was framed in The Life Cycle Hypothesis and also in The Household Production Model. The two theories' results differed regarding the expected pattern of consumption in retirement. The Life Cycle Hypothesis suggested that consumption in retirement would decrease, while the Household Production Model suggested that

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retirement would increase as a result of increased leisure time. Given the inconsistency between these two ideas, this study assumes an average level of consumption rather than attempting to determine timing of increases and decreases. When needs exceed resources, the household is inadequately prepared, and when needs are equal to or less than resources, the household is adequately prepared. The discount rates used to determine the value of spending needs at retirement in this study are consistent with Yuh et al. (1998). The two measures of adequacy are then compared, each being collapsed into a dichotomous variable measuring adequacy or perceived adequacy.

There are four possible outcomes: one believes one is adequate but is not, one believes one is adequate and is, one believes one is inadequate and is inadequate, and one believes one is inadequate but is actually adequate.

Independent Variables

The independent variables include variables include age, race, income, and net worth. Indicator variables were created to represent 25th, 50th, 75th percentile breakpoints resulting in each of these being divided into quartiles. Race was divided into white, black, Hispanic ethnicity, and other groups.

Sample Profile

There were total 1887 observations in our sample. Both median and mean age of our sample was around 47.65 (Table 1). However, the mode for age in the sample was 52 and the age range was from 35 to 70. As the tables showed, 1191 of respondents were married, which accounted for 68.24% of the sample. 335 (19.21%) of respondents were divorced or separated; 161(9.23%) of the sample were never married; only 58 (3.32%) of people were widowed. The majority of the sample was white, who accounted for 76.74% of the respondents. The remainder of the sample was comprised of African-Americans (11.09%), Hispanics (7.74%), and other races including Asian (4.42%).

The mean of total household income was 98,043, and the median was 64,700. The lowest income was 8,800, while the highest was 61,300,000. Furthermore, the most often appeared income level was 40,000. In order to reduce the skewness, the natural log was taken of values greater than 1; resulting in mean log income of 11.11 and median log income of 11.08. As with total household income, the distribution of net worth also was skewed to the right. The mean net worth was 532,391, while the median value was only 162,720. Thus, the net worth was logged to get a mean log value of 11.148, and median log value of 12.

Table 1: Sample Profile

| Variables | Mean | Median | Mode |
|-----------------------|------------|---------|--------|
| Age | 47.65 | 47 | 52 |
| Total Income | 98042.9 | 64700 | 40000 |
| Log Total Income | 11.11 | 11.08 | 10.6 |
| Net Worth | 532,391 | 162,720 | -2,500 |
| Log Net Worth | 11.14 | 12 | -7.82 |
| | Percentage | | |
| Marital Status | | | |
| Married | 68.24 | | |
| Separated or Divorced | 19.21 | | |
| Widowed | 3.32 | | |
| Never Married | 9.23 | | |
| Race | | | |
| Whites | 76.74 | | |
| Blacks | 11.09 | | |
| Hispanics | 7.74 | | |
| Others | 4.42 | | |

Retirement Wealth and Retirement Needs

The average retirement needs for our sample were \$1,096,670, and the median value was \$880,507. The variance of retirement needs was much smaller than that of the retirement wealth.

The mean of the ratio of resources to needs was 186, while the median was only 0.9710, which meant that the ratio was not normally distributed. The skewness of 10.14 indicated that the mass of the distribution was concentrated on the left of the figure. The distribution was said to be right-skewed, which meant that the right tail is long relative to the left tail. In addition, the kurtosis was 149.9, which indicated there was a "peaked" distribution. The log ratio of the retirement wealth over retirement needs had a mean value of 1.5 and median value of 0.6. In addition, it had a much lower positive skewness of 2.24 and kurtosis of 4.7, which was more consistent with normal distribution.

Analysis

The relationships of the two dependent variables are explored using ANOVA techniques. One-way and two-way ANOVAs are used to assess the relationships among adequacy, assessed by the tests of specific coefficients. Representing these factors are: age, race, income, and net worth, and. The appropriate test to use for these coefficients would be a chi-square test. The results are discussed next.

Perceived Retirement Resource Adequacy Vs Estimated Retirement Financial Resource Adequacy

Almost half of the respondents were adequately prepared for retirement, 49.24%, the remainder did not have sufficient financial resources to fund consumption based on the prediction model. More than half (58%) believed that they had at least enough financial resources for retirement needs; 37% felt they had just enough and almost 21% felt they had more than enough. Thus 42% felt they did not have sufficient resources. However, how did people's perceptions differ from their real financial status?

Results and Discussion

Consistency of Adequacy Measures

A simple crosstab showed that 57% of the sample had a perception of financial resource adequacy consistent with the objective measure. This broke down that 25% did not have sufficient resources and knew it, while 32% had sufficient resources and knew it. Thus the remaining group would be those who were optimists and those who were pessimists. There were 26% that perceived they had enough resources, but in actuality they did not according to the objective estimate of resources to needs. This group was denoted as optimists. Thus 17% felt they did not have sufficient resources, but did in fact have sufficient resources based on the objective measure of adequacy. These were denoted as pessimists. A comparison of the consistency broken down by age, income, wealth, and race, will add greater insight to this difference. A chi-square test showed that there were differences in objective adequacy when comparing to perceived retirement financial resource adequacy. No one had an objective financial resource adequacy ratio of exactly 1.

Table 2. Actual Adequacy Vs Perceived Adequacy

Percent

Row Percent

| Row I cicciit | | | |
|--------------------|-----------------------|------------------|------------------------|
| Column Percent | No perceived Adequacy | Perceived Enough | Perceived Satisfactory |
| Actual Adequacy | 24.73 | 18.24 | 7.79 |
| | 48.72 | 35.94 | 15.34 |
| | 58.72 | 49.11 | 37.52 |
| No Actual Adequacy | 17.38 | 18.90 | 12.96. |
| | 35.30 | 38.38 | 26.32 |
| | 41.28 | 50.89 | 62.48 |

Consistency by Age, Race, Income, and Wealth

The breakdown by characteristics provided some interesting relationships that will merit further exploration. The comparisons were made using cross-tabulations and chi-square tests to determine whether there were differences in consistency by age, race, income, and wealth. All four procedures showed that the consistency of perceived retirement financial resource adequacy and estimated retirement adequacy differed by age, race, income, and wealth.

<u>Age.</u> The consistency of adequacy measures differed by age (Table 3). First the level of pessimism did not change substantially by age but was highest for those between 47 and 53.9 years old. The pattern for optimists seemed more

curvilinear; a greater percentage of optimists that were between 41 and 53.9 years old with a drop-off for those over 54. Interestingly enough, the proportion of those who had enough resources and knew this, increased as one aged. Inversely, the proportion of those who did not have enough and knew they did not decreased as they aged.

| 1 creent | | | | | |
|----------------|---------------|---------|---------|-------|-------|
| Row Percent | Age Quantiles | | | | |
| Column Percent | <25% | 25%-50% | 50%-75% | 75%< | Total |
| 1 | 3.67 | 4.47 | 4.74 | 4.50 | 17.38 |
| | 21.11 | 25.71 | 27.29 | 25.89 | |
| | 15.59 | 17.96 | 17.96 | 17.88 | |
| 2 | 6.52 | 7.29 | 7.41 | 4.80 | 26.03 |
| | 25.06 | 28.02 | 28.47 | 18.45 | |
| | 27.70 | 29.32 | 28.05 | 19.09 | |
| 3 | 5.28 | 6.64 | 8.95 | 10.99 | 31.86 |
| | 16.59 | 20.83 | 28.08 | 34.50 | |
| | 22.45 | 26.68 | 33.87 | 43.68 | |
| 4 | 8.06 | 6.48 | 5.32 | 4.87 | 24.73 |
| | 32.61 | 26.21 | 21.50 | 19.69 | |
| | 34.25 | 26.04 | 20.12 | 19.35 | |
| Total | 23.54 | 24.88 | 26.42 | 25.16 | 100 |
| | | | | | |

 Table 3. Perceived Adequacy Vs Actual Adequacy by Age

Percent

Perceived Adequacy Vs Actual Adequacy:

1: Without Perceived Adequacy, With Actual Adequacy

2: With Perceived Adequacy, Without Actual Adequacy

3: With Perceived Adequacy, With Actual Adequacy

4: Without Perceived Adequacy, Without Actual Adequacy

Race. More than 35% of whites had a perception of being adequate and were in fact adequately planning based on the estimated financial resource adequacy (Table 4). However, blacks, Hispanics, and those of other races were more likely to be optimistic of their retirement adequacy. There were around 40% of blacks, 38.17% of Hispanics and 33.99% of other race who perceived to have adequate retirement resources, but actually did not. The next most prominent category for minorities was for those whose perceived inadequacy of financial resources was consistent with inadequacy determined by the objective measure of retirement adequacy. In other words those that would not have adequate financial resources at retirement, and they knew it. There may be several possible explanations not the least of which could be flaws in our estimation model that simply fail to capture a relevant difference. Examples of assumptions we made homogeneously across groups were life expectancy and desired consumption levels in retirement. Our model also failed to capture any perceived return on investments in people or social capital.

| Row Percent | | | | Race | | |
|----------------|---|-------|-------|-----------|--------|-------|
| Column Percent | | White | Black | Hispanics | Others | Total |
| | 1 | 14.97 | 1.03 | 0.74 | 0.64 | 17.38 |
| | | 86.15 | 5.94 | 4.24 | 3.76 | |
| | | 19.51 | 9.31 | 9.51 | 14.43 | |
| | 2 | 17.00 | 4.42 | 3.10 | 1.5 | 26.03 |
| | | 65.30 | 17.00 | 11.92 | 5.78 | |
| | | 22.15 | 39.88 | 40.10 | 33.99 | |
| | 3 | 27.33 | 1.92 | 1.33 | 1.27 | 31.86 |
| | | 85.78 | 6.04 | 4.18 | 4.00 | |
| | | 35.62 | 17.34 | 17.22 | 28.8 | |
| | 4 | 17.44 | 3.71 | 2.57 | 1.01 | 24.73 |
| | | 70.53 | 15.02 | 10.38 | 4.08 | |
| | | 22.73 | 33.47 | 33.16 | 22.78 | |
| Total | | 76.74 | 11.09 | 7.74 | 4.42 | 100 |
| | | | | | | |

Table 4. Perceived Adequacy Vs Actual Adequacy by RacePercent

Perceived Adequacy Vs Actual Adequacy:

1: Without Perceived Adequacy, With Actual Adequacy

2: With Perceived Adequacy, Without Actual Adequacy

3: With Perceived Adequacy, With Actual Adequacy

4: Without Perceived Adequacy, Without Actual Adequacy

<u>Income</u>. The proportion of people in the pessimistic group increased with higher income (Table 5). However there was the little difference in the middle income ranges. Inversely, the proportions of people who were optimistic decreased with income. Since greater income is known to be related to greater likelihood of adequacy and perceiving adequacy this pattern would not be surprising. Further support was that the consistently adequate (perceived and estimated) tended to increase with income. Finally, the proportion of those that were in the consistently inadequate group decreased with income.

Table 5. Perceived Adequacy Vs Actual Adequacy by Log Income

| Percent | | | | | |
|----------------|----------------------|---------|---------|-------|-------|
| Row Percent | Log Income Quantiles | | | | |
| Column Percent | <25% | 25%-50% | 50%-75% | 75%< | Total |
| 1 | 2.05 | 4.45 | 4.61 | 6.27 | 17.38 |
| | 11.81 | 25.59 | 26.54 | 36.05 | |
| | 7.99 | 18.31 | 18.56 | 24.94 | |
| 2 | 8.48 | 6.86 | 6.08 | 4.61 | 26.03 |
| | 32.58 | 26.35 | 23.35 | 17.72 | |
| | 32.98 | 28.22 | 24.44 | 18.36 | |
| 3 | 4.21 | 6.35 | 9.32 | 11.99 | 31.86 |
| | 13.20 | 19.94 | 29.24 | 37.62 | |
| | 16.36 | 26.15 | 37.46 | 47.71 | |
| 4 | 10.97 | 6.64 | 4.86 | 2.26 | 24.73 |
| | 44.38 | 26.85 | 19.65 | 9.13 | |
| | 42.67 | 27.32 | 19.54 | 8.99 | |
| Total | 25.71 | 24.3 | 24.86 | 25.12 | 100 |

Perceived Adequacy Vs Actual Adequacy:

1: Without Perceived Adequacy, With Actual Adequacy

2: With Perceived Adequacy, Without Actual Adequacy

3: With Perceived Adequacy, With Actual Adequacy

4: Without Perceived Adequacy, Without Actual Adequacy

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In addition, the tables showed that people in the lower income quartile were more likely to be insufficient in the retirement resources and knew this, while people in the higher income quartile were more likely to have adequate retirement resources and accurately perceive that. One reason for the consistency would be that those with greater income all things equal would likely be able to save greater amounts and would be more aware of their finances as a result.

<u>Wealth</u>. The distribution patterns with respect to wealth were similar to that regarding income. The proportions of those who were labeled as pessimistic increased with net worth until after the 75th percentile, the proportion of those who were pessimists dropped considerably in those above the 75th percentile. However, there was a decrease in the proportion of those that were pessimists as net worth increased, again with little distinctions in the middle 50%. In looking at the two groups who were consistent, the patterns differed. The consistently adequate group increased with wealth until the highest group (similar to the pattern for the pessimists). The consistently inadequate group was concentrated at the lower end of the wealth distribution with almost none in the highest wealth category. This again would be by design since those with greater wealth would most likely have been adequate.

| Percent | | | | | |
|----------------|-------|---------|---------------|-------|-------|
| Row Percent | | Net V | Worth Quantil | es | |
| Column Percent | <25% | 25%-50% | 50%-75% | 75%< | Total |
| 1 | 1.70 | 3.97 | 8.46 | 3.25 | 17.38 |
| | 9.80 | 22.82 | 48.69 | 18.69 | |
| | 6.74 | 16.03 | 20.99 | 33.66 | |
| 2 | 9.79 | 7.95 | 7.94 | 0.35 | 26.03 |
| | 36.63 | 30.53 | 30.50 | 1.34 | |
| | 38.75 | 32.11 | 19.69 | 3.61 | |
| 3 | 2.45 | 5.66 | 17.98 | 5.78 | 31.86 |
| | 7.68 | 17.77 | 55.42 | 18.13 | |
| | 9.69 | 22.88 | 44.58 | 59.83 | |
| 4 | 11.33 | 7.17 | 5.95 | 0.28 | 24.73 |
| | 45.81 | 29.01 | 24.05 | 1.13 | |
| | 45.82 | 28.98 | 14.75 | 2.90 | |
| Total | 25.27 | 24.75 | 40.32 | 9.65 | 100 |
| | | | | | |

Table 6. Perceived Adequacy Vs Actual Adequacy by Net Worth

Perceived Adequacy Vs Actual Adequacy:

- 1: Without Perceived Adequacy, With Actual Adequacy
- 2: With Perceived Adequacy, Without Actual Adequacy
- 3: With Perceived Adequacy, With Actual Adequacy
- 4: Without Perceived Adequacy, Without Actual Adequacy

Conclusions

Our results suggest that roughly half of those between ages 35 and 70 were adequately prepared for retirement; 58% thought that they were. In exploring whether these two measures yielded consistent conclusions, 57% of households had a perception of financial resource adequacy or inadequacy consistent with the results of an estimation technique to determine adequacy regardless of whether they were adequate or not. This led to identification of those who had consistent outlook for retirement adequacy and those whose subjective assessment did not match up to an estimation of their adequacy.

Our results suggested that non-whites were more likely to have views of retirement adequacy that were more optimistic than their estimated adequacy. Greater income led to greater consistency of perceived retirement resource adequacy with estimated adequacy.

The connection between perceived retirement resource adequacy and financial management while logical has not been well documented. Nevertheless, it is important to consider whether households own assessments match up to those

commonly used by practitioners and researchers. Planning for retirement is a vital aspect of household financial resource management. This study contributes to the retirement literature by matching a subjective measurement of retirement adequacy with an objective one. The consistency of these measures was documented and explored by age, race/ethnicity, income, and wealth.

The exploratory nature of this study showed intriguing patterns that should be explored using multivariate analysis. Important questions may involve improving understanding of the determinants of being in an optimist, pessimist, versus those who were consistent? What would be the determinants of being in any one level versus the others? For instance, are the patterns of race/ethnicity holding up when controlling for financial resources and demographics? Further, do other perceptions of adequacy match; further studies may parallel this in examining life insurance adequacy.

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Older Adults in Virginia with Estate Planning Documents

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Abstract

This article reports on older adults with estate planning documents. The sample consisted of 190 Virginians age 50+. Demographics, socioeconomic status, goal of leaving an inheritance, and physical health were examined to describe older adults who possess estate planning documents such as wills, living trusts, letters of instruction, durable health care powers of attorney, durable financial powers of attorney, and living wills. The goal of leaving an inheritance showed a negative relationship and age was the most prevalent predictor for having estate planning documents. Also, for individual documents, relationships were found for marital status, education, ethnicity, assets, and debts.

Key Words: estate planning documents, advance directives, wills, living trusts

Older Americans entering their retirement years should consider protecting their assets and declaring their health care directives and financial bequests in a comprehensive legal manner. They should also be mindful of the possible changes in Social Security, as well as the continuing challenges in the area of health care, and use these challenges as motivation for proper estate planning. Comprehensive estate planning can include items such as wills, living trusts, and letters of instruction, as well as health related legal documents such as living wills, durable powers of attorney for health care or finances.

Advance estate planning can alleviate stress and conflict and define survivor's roles in a trying time by helping to determine who is responsible for specific arrangements, such as assigning who will be the decision maker if someone becomes incapacitated. Preparing for all possible scenarios may be impossible, but many potential problems can be prevented by executing the proper legal documents. The roles and responsibilities of the person(s) named can be quite overwhelming for people not familiar with this type of situation. A person acting as an agent under a durable power of attorney may need to apply for public benefits, pay caregivers, make assisted living facility arrangements, dispose of the elderly person's property to pay for care, and make vital health care decisions. In addition, the agent may need to prepay funeral expenses for the incapacitated person (Hook & Begley, Jr., 2002). If specific wishes are not communicated in legal documents, conflicts among family and friends may result. If someone dies, the family or friends of the departed may have to petition a court for an administrator to be appointed to take care of the finances and administrative matters (Kistner, 2000).

Every person is vulnerable to a sudden change in their circumstances. For example, the sudden onset of a mentally deteriorating disease is an excellent reason to have documents (such as living wills and durable powers of attorney) prepared well ahead of time. Each person has different ideas about what quality of life entails and entrusting one person to make that decision for another is a monumental task that can have an immense impact for both individuals. Pozzulo, Lassoff, and Valentine (2005) also caution that different states have different laws, and individuals must be careful to follow estate planning laws in their state, as well as being watchful of effectiveness dates in each state. For example, in Virginia, the state of residence for the participants of this study, state requirements adhere to the Virginia Health Care Decisions Act which allows for a combined durable power of attorney (which may combine multiple documents for health care into one document) that not all states allow (Pozzulo, et al., 2005).

A survey from the AARP reports only 17% of the American population over age 50 has three basic legal estate documents: will, living trusts, and durable powers of attorney (AARP, 2000). Estate planning documents can be categorized into two areas. Advance directive documents include durable health care powers of attorney, durable financial powers of attorney, and living wills. Documents that pertain to more tangible property are documents such as wills, living trusts, and letters of instruction. Estate planning documents discuss peoples' wishes for the distribution of their property at their death, who will represent them in probate court and manage assets until they are dispersed to the heirs, guardians for minor children, and funeral wishes. For example, a living will can be used by an individual to state, in advance of incapacity, what health care they want withheld in certain circumstances and to leave directives for physicians regarding do-not-resuscitate decisions (Pozzulo, et al., 2005).

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Purpose

The purpose of this quantitative study is to examine the characteristics of older adults in Virginia who possess estate planning documents. This study should help provide a better understanding of the profiles of older adults with estate planning documents for research and to assist professionals in estate planning fields. The researchers in this study examined demographic factors such as income, sex, marital status, ethnicity, and other factors to help determine predictors of older adults who possess estate planning documents. Dependent variables included wills, living trusts, letters of instruction, durable health care powers of attorney, durable financial powers of attorney, and living wills.

Research Questions

The research questions for each type of estate planning document are as follows:

RQ1: Which demographic, socioeconomic, self-reported health, and the goal to leave an inheritance variables describe older adults who have a will?

RQ2: Which demographic, socioeconomic, self-reported health, and the goal to leave an inheritance variables describe older adults who have a living trust?

RQ3: Which demographic, socioeconomic, self-reported health, and the goal to leave an inheritance variables describe older adults who have a letter of instruction?

RQ4: Which demographic, socioeconomic, self-reported health, and the goal to leave an inheritance variables describe older adults who have durable powers of attorney for health care?

RQ5: Which demographic, socioeconomic, self-reported health, and the goal to leave an inheritance variables describe older adults who have durable financial powers of attorney?

RQ6: Which demographic, socioeconomic, self-reported health, and the goal to leave an inheritance variables describe older adults who have a living will?

Literature Review

As a person ages, the accuracy of information processed inside the brain decreases. Legally preparing for health and mortality affairs at a younger age can greatly benefit an individual since communication and thinking processes will be easier when one is younger. The earlier legal documents are prepared, the better chance for thoughtful and well laid out plans. Ross and Sullivan (1997) note that "Aging increases the noise-to-signal ratio, interfering with accurate decoding of information being transmitted" (p. 41). Even at the young age of 50, hearing and vision may slip, making a thorough evaluation of estate planning a little more difficult (Ross & Sullivan, 1997). People seeking elder law assistance are normally over 70 years old and may be somewhat dependent on others or may have some disabilities (Hook & Begley, Jr., 2002). If older Americans, are not seeking legal advice until 70 years old, they may be at a disadvantage with lower information processing skills and possible physical or mental health deficiencies. Thus, dealing with a traditional, blended, or non-traditional family may prove to be too stressful for the individual and presents an opportunity for family members to put pressure on an older person to bequeath his or her legal assets in a manner he or she does not wish. Even if the incapacitated person does have a living spouse who they are relying on for support, the spouse cannot always be counted on to be able to administer the needed duties.

When older adults seek an attorney's advice for estate planning, intergenerational conflicts may arise if they are under influence from their children or have any other type of dependency on their children for any reason. If older adults have mental, physical, or financial difficulties and are receiving any type of assistance from their children, they may be vulnerable to influence. In some cases, the children or relatives may be paying the estate planning costs, which further places the older adult in a difficult position since the child or relative may have a sense of entitlement to the older adult's estate (Smith, 2002). Family conflict can also arise when a non-related member has been asked to fulfill a decision making role. Understanding these dynamics, an attorney or financial advisor should be aware of who the client actually is. In addition, the older adult should meet with the attorney or advisor alone (Smith, 2002).

Failing health can be another reason to prepare early so that difficult decisions do not have to be made in times of strong emotions. Tulsky (2005) states that when incapacitated patients' loved ones receive tragic news, they may be too emotional to make health care decisions that are in the patient's best interest. The key emotions that can influence decisions are trust and hope. By preparing for the future with legal documents in place, older adults can protect themselves from decisions based on emotion during times of stress.

Individuals cannot expect physicians to make health care decisions for them. Physicians can advise and suggest, based on their medical expertise, and can be placed in very difficult circumstances with patients and loved ones. A physician cannot legally determine what a patient would consider as acceptable treatment or care. Tulsky (2005)

recommends that advance directives should be more goal oriented, rather than focused on particular treatments or procedures. Setting up individual directives in advance, becomes more important when one considers that many health care decisions are now being made with a physician or team in a facility with whom the individual has limited history, and where long term trust has not been established.

With the change in traditional family structure in the United States, older Americans are more likely to have blended families or non-traditional families that can make the estate planning process highly complex. One area not normally included in estate planning documents is providing for the change in asset allocation or illness permissions in case of divorce. Since divorce has reached a high rate, the possibility of blended families and separated families are not being considered as often as they should in estate planning (Scroggin, 2005).

Theoretical Model

Deacon and Firebaugh's (1988) Family Resource Management Model, a subsystem of the Family Systems Model, discusses the family or individual working towards a goal from input, through the managerial subsystems of planning and implementing, and finishing with the output. This study focuses on the relationship between personal characteristics in the input stage and in the output of a decision. The data does not support examining the decision making, planning, and control processes. However, one can see that estate planning is a perfect example of a family/goal that fits the Family Resource Management Model. By trying to identify influences and characteristics in individuals who have estate planning documents, professionals can start to better understand the pieces of this system and learn how to motivate individuals to take care of their estate planning goals.

From a motivational perspective, Dynan, Skinner, and Zeldes (2002) explored savings motives and the Ando and Modgliani Life Cycle Savings Theory (1963) in regard to capital accumulation. Are people saving money for their own personal use or to leave an inheritance? Dynan, et al. note in their study using the 1998 Survey of Consumer Finances, a national database of U. S. household information collected by the Federal Reserve Board, the primary reason for savings was for capital accumulation for catastrophic purposes. They discovered only eight percent of the respondents considered bequests as a reason for savings. They concluded that adding bequests as a reason for savings, in reference to the Life Cycle, would not increase motivation to save, yet many people list leaving an inheritance as a goal. What can we learn from the small percentage that have prepared for their future?

Only two recent research studies were found examining the characteristics of older adults with estate planning documents: AARP (2000) and Goetting and Martin (2002). In 1999, in a study conducted by International Communications Research for AARP, researchers examined whether adults aged 50 and over had wills, living trusts, and durable financial powers of attorney. Using a sample of 1,028 adults, they found that 60% had a will, 30% had a living trust, and 45% had a durable power of attorney (AARP, 2000). The characteristics they applied were age, gender, marital status, income, education, and race. Whites, as compared to African Americans, were more likely to have each of the three types of estate planning documents. However, their sample of African Americans was small. Older adults were more likely to have wills and/or durable financial powers of attorney but not living trusts. As income increased, older adults were more likely to have wills and/or living trusts but not durable financial powers of attorney. Gender was only significant for living trusts, with men more likely to have one. They found wills to be the most common documents held and that only one in three people had wills, living trusts, or durable financial powers of attorney.

Using the Study of Aging and Health Dynamics from the University of Michigan Survey Research Center, with a sample of 501 respondents over age 70, Goetting and Martin (2001) found there were four significant factors that described individuals with a will. These factors were: education, race, net worth, and a financial bequest assessment. Demographic, socioeconomic, physical health, psychological, and control variables comprising a total of 17 variables were used to examine the influences of having a will. Goetting and Martin suggest cultural differences and net worth as areas which should be explored further to develop a better understanding of predictors.

Methods

Data and Sample. The purpose of this study is to help determine characteristics of older persons with estate planning documents. Since the researchers used a secondary data set, they were only able to use some of the same variables that were also employed by Goetting and Martin (2001) and AARP (2000): demographic, socioeconomic and other influences on individuals with estate planning documents.

The population sample for this study was derived from a list of names of people living in Virginia over the age of 50 with at least one adult child over the age of 18. This list of names was purchased from a marketing company. Before mailing surveys, people on the list were called until a population random sample of 300 who said they were willing to participate was obtained. These 300 participants were mailed the surveys and if the respondent did not reply within two weeks, he or she was mailed a follow-up post card.

Of the 300 total surveys, ten were returned for incorrect address, or with a notation that the resident had moved, and two hundred completed surveys were returned. Of the 200 completed surveys, a total of 190 were usable. Respondents did not answer all questions leaving some questions with missing answers. The number of missing answers varied with each question. Data were analyzed using descriptive statistics in SPSS. Logistic regression was applied since the dependent variables were categorical.

Demographic Variables. Demographic variables used for the analysis were gender, ethnicity, age, and marital status. The age variable was computed by subtracting the year the person was born from 2005, the year the data was collected. Gender was coded as 0=Female, and 1=Male. For ethnicity, the respondents answered for "race or ethnic background" which included White, African American, Hispanic, Asian or Pacific Islander, or other. The data was coded to reflect 0=White and 1=Non-white due to the majority of the sample being White. Current marital status originally contained six categories from single to separated. For analysis, these categories were recoded as 0=Not Currently Married.

Socioeconomic Variables and Other Variables. Six socioeconomic variables were included: income, assets, debt, employment, housing, and education. The survey question "Which best describes your housing situation" included six answers, which were coded into two categories: 0=Other and 1=Own Home. Employment was collapsed to 0=Not Currently Employed Outside the Home and 1=Currently Employed Outside the Home. For Income, Assets, and Money Owed, the survey provided ranges the respondent could choose from. Education choices were from 0 for Not Completing High School, to 6 which included Graduate School. Other variables included self-reported physical health and having a goal to leave an inheritance. Self-reported physical health was coded as 0=Excellent, 1=Good, and 2=Fair or Poor. Respondents were asked if leaving an inheritance was a goal. Having a goal to leave an inheritance was coded as 0=Not a Goal and 1=Goal.

| (N-190) | Frequencies | Percentages ^a | |
|---|-----------------------------------|--------------------------|--|
| Categorical Independent Variables | Trequencies | rereentuges | |
| Carder (0-Eemale, 1-Male) | | | |
| E-male, I-Male) | 109 | 56 80/ | |
| Females | 108 | 50.8% | |
| Males | 82 | 43.2% | |
| Ethnicity (0=White, 1=Non-white) | | | |
| White | 164 | 86.3% | |
| Non-white | 25 | 13.2% | |
| Marital Status Current (0=Not Currently Married, 1=Cu | rrently Married) | | |
| Not Currently Married | 63 | 33.2% | |
| Currently Married | 127 | 66.8% | |
| Goal to Leave Inheritance (0=Not a Goal, 1= Goal) | | | |
| Not a Goal | 64 | 33.7% | |
| Goal | 121 | 63.7% | |
| Housing Owned (0=Other, 1=Own Home) | | | |
| Other | 18 | 9.5% | |
| Own Home | 171 | 90.0% | |
| Employment (0=Not Currently Employed Outside Hom | e. 1=Currently Employed Outside 1 | Home) | |
| Not Currently Employed Outside Home | 136 | 71.6% | |
| Currently Employed Outside Home | 51 | 26.8% | |
| Physical Health (0-Excellent 1-Good 2-Eair or Poor) | 51 | 20.070 | |
| Evolution Function (0-Excellent, 1-0000, 2-Pair 011001) | 61 | 22 10/ | |
| Excellent | 61 | 52.1% | |
| Good | 94 | 49.5% | |
| Fair or Poor | 33 | 17.4% | |

Table 1A. Frequencies and Percentages of Categorical Independent Variables

^aRespondents did not answer all questions leaving some questions with missing values. Percentages may not equal 100% due to missing data or rounding.
Results

Descriptive Statistics. Descriptive statistics were run and showed that 56% of the sample was female. For ethnicity, White was dominant (86%) of the sample. The majority of the sample (90%) were homeowners and 51% had less than \$10,000 in debt. The mean age was 69.08 and the range from 52 to 87 years. For a complete list of Frequencies and Percentages, please see Table 1A and 1B.

Table 1B. Frequencies and Percentages of Categorical Independent Variables

| (N=190) | Frequencies | Percentages ^a | |
|----------------------------------|-------------|--------------------------|--|
| Continuous Independent Variables | | | |
| Age (Range 52-87) | | | |
| 50-60 | 18 | 9.8% | |
| 61-70 | 90 | 48.9% | |
| 71-80 | 64 | 34.8% | |
| 81-90 | 12 | 6.5% | |
| Education | | | |
| Did Not Complete High School | 14 | 7.4% | |
| Completed High School or Equiv | 41 | 21.6% | |
| Completed Tech/Vocational School | 7 | 3.7% | |
| Some College | 49 | 25.8% | |
| Attained College Degree | 30 | 15.8% | |
| Some Graduate School | 16 | 8.4% | |
| Attained Graduate Degree | 32 | 16.8% | |
| Owe | | | |
| Less than \$10,000 | 94 | 51.4% | |
| \$10,000 to \$19,999 | 18 | 9.8% | |
| \$20,000 to \$29,999 | 19 | 10.4% | |
| \$30,000 to \$49,999 | 10 | 5.5% | |
| \$50,000 to \$79,999 | 11 | 6.0% | |
| \$80,000 to \$119,999 | 14 | 7.65% | |
| \$120,000+ | 17 | 9.24% | |
| Assets | | | |
| \$0 to \$49,999 | 15 | 8.5% | |
| \$50,000 to \$99,999 | 9 | 5.1% | |
| \$100,000 to \$149,999 | 8 | 4.5% | |
| \$150,000 to \$199,999 | 13 | 7.3% | |
| \$200,000 to \$249,999 | 13 | 7.3% | |
| \$250,000 to \$299,999 | 16 | 9.0% | |
| \$300,000 to \$399,999 | 23 | 13.0% | |
| \$400,000 + | 80 | 45.2% | |
| Income | | | |
| Less than \$19,999 | 18 | 10.6% | |
| \$20,000 to \$29,999 | 17 | 9.5% | |
| \$30,000 to \$39,999 | 28 | 15.6% | |
| \$40,000 to \$49,999 | 18 | 10.0% | |
| \$50,000 to \$79,999 | 46 | 25.7% | |
| \$80,000 to \$99,999 | 19 | 10.6% | |
| \$100,000 to \$139,999 | 22 | 12.3% | |
| \$\$140,000+ | 15 | 8.4% | |

^aRespondents did not answer all questions leaving some questions with missing values. Percentages may not equal 100% due to missing data or rounding.

The dependent variables were the six estate planning documents. To run the regression, each variable was coded to a 1 for Have and 0 for Do Not Have for each estate planning document. See Table 2 for complete frequency and percentage information. Fourteen percent of the sample did not have any estate planning documents, 18% percent had one, 11% had two, 11% had three, 15% had four, 13% had five and only 6% had all six types of documents included in this study.

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| (N=190) | Frequencies | Percentages ^a | |
|---|-------------|--------------------------|--|
| Categorical Dependent Variables | | | |
| Will (0=Do Not Have, 1=Have) | | | |
| Have | 150 | 78.9% | |
| Do Not Have | 37 | 19.5% | |
| Living Trust (0=Do Not Have, 1=Have) | | | |
| Have | 34 | 17.9% | |
| Do Not Have | 144 | 75.8% | |
| Letter of Instruction (0=Do Not Have, 1=Have) | | | |
| Have | 33 | 17.4% | |
| Do Not Have | 144 | 75.8% | |
| Power of Attorney Health Care (0=Do Not Have, 1=Have) | | | |
| Have | 93 | 48.9% | |
| Do Not Have | 92 | 48.4% | |
| Power of Attorney Financial (0=Do Not Have, 1=Have) | | | |
| Have | 83 | 43.7% | |
| Do Not Have | 101 | 53.2% | |
| Living Will (0=Do Not Have, 1=Have) | | | |
| Have | 106 | 55.8% | |
| Do Not Have | 77 | 40.5% | |

Table 2. Frequencies and Percentages of Dependent Variables

^aRespondents did not answer all questions leaving some questions with missing values. Percentages may not equal 100% due to missing data or rounding.

To predict the presence of having estate planning documents, six separate logistic regressions were executed, one for each of the following dependent variables: will, living trust, letter of instruction, durable health care powers of attorney, durable financial powers of attorney, and living will. The same twelve independent variables were used in each regression. Logistic regressions were run separately since each item was autonomous. Data from all six logistic regressions is shown in Tables 3 and 4. Hosmer and Lemeshow test results were used for goodness-of-fit and the Nagelkerke R^2 for the adjusted R^2 coefficient of determination. Results for each regression and research question are as follows:

RQ1: Which demographic, socioeconomic, self-reported health and the goal to leave an inheritance variables describe older adults who have a will?

Of the sample, 79% of the respondents noted that they currently have a will. The most significant predictor of older adults having a will was assets. For every \$50,000 of assets, the chance of having a will rose 17%. Age also increased the odds of having a will. For each year of age, the odds of having a will rose by 9%. The mean age of the sample was 69.08. The goodness-of-fit significance of this regression model was 0.302 with the adjusted Nagelkerke R^2 at 0.358. This means that 36% of the error can be accounted for in this model. See Table 3 for the complete results.

RQ2: Which demographic, socioeconomic, self-reported health and the goal to leave an inheritance variables describe influence older adults who have a living trust?

Only 18% of the sample had a living trust. Age was the most likely influence in older adults who had a living trust (OR = 1.085) followed closely by marital status. This logistic regression showed a very strong fit for the model and the data with a significance of 0.959 for the Hosmer Lemeshow test. Older adults who were currently married were more likely to have a living trust than those who were currently not married. The goal of leaving an inheritance reflected a negative relationship to having a living trust, meaning those with the primary goal of leaving an inheritance were less likely to have a living trust. See Table 3 for the complete results.

RQ3: Which demographic, socioeconomic, self-reported health and the goal to leave an inheritance variables describe older adults who have a letter of instruction?

This model was a weak fit at 0.158 and only 6.5% of the error was accounted for. The only time we see significance for debts owed was shown in this model, indicating that older adults with higher debts owed are less likely to have a letter of instruction. Of all estate planning documents in this study, the letter of instruction was the document that the fewest people had, with 144 not having one. See Table 3 for complete regression results.

| Variables | Wil | 1 | Living Trust | | Letter of Instruction | |
|-------------------------------|-------------|-------------|--------------|-------------|-----------------------|-------------|
| | Coefficient | <u>Odds</u> | Coefficient | <u>Odds</u> | Coefficient | <u>Odds</u> |
| Intercept | -8.220** | | -9.562** | | 1.953 | |
| Demographic Variables | | | | | | |
| Age | 0.088* | 1.092 | 0.081* | 1.085 | -0.069 | 0.933 |
| Current Marital Status | | | | | | |
| Not Currently Married | Reference | | | | | |
| Currently Married | 0.574 | 1.776 | 1.016* | 2.762 | -0.239 | 0.787 |
| Ethnicity | | | | | | |
| White | Reference | | | | | |
| Non-white | 0.779 | 2.179 | -0.427 | 0.653 | 0.520 | 1.682 |
| Gender | | | | | | |
| Female | Reference | | | | | |
| Male | 0.528 | 1.695 | 0.119 | 1.127 | 0.248 | 1.282 |
| Socioeconomic Variables | | | | | | |
| Current Employment Status | | | | | | |
| Not Currently Employed | | | | | | |
| Outside Home | Reference | | | | | |
| Currently Employed Outside | 0.609 | 1.839 | 0.960 | 2.612 | 0.621 | 1.862 |
| Home | | | | | | |
| Education | 0.231 | 1.259 | 0.201 | 1.222 | -0.029 | 0.971 |
| Housing Status | | | | | | |
| Do Not Own Home | Reference | | | | | |
| Own Home | -1.185 | 0.306 | -1.308 | 0.270 | -19.082 | 0.000 |
| Assets | 0.173** | 1.189 | 0.079 | 1.082 | 0.081 | 1.085 |
| Debts Owed | -0.075 | 0.928 | 0.000 | 1.000 | -0.111* | 0.895 |
| Income | -0.066 | 0.936 | 0.062 | 1.063 | 0.031 | 1.032 |
| Other Variables | | | | | | |
| Goal to Leave an Inheritance | | | | | | |
| Not a Goal | Reference | | | | | |
| Goal | -0.226 | 0.798 | -1.095* | 0.334 | -0.653 | 0.521 |
| Self-reported Physical Health | | | | | | |
| Excellent | Reference | | | | | |
| Good | 0.571 | 1.770 | -0.175 | 0.840 | -1.026 | 0.358 |
| Fair or Poor | 0.596 | 1.816 | -0.063 | 0.939 | -0.183 | 0.832 |

| Table 3. | Results of | of Logistic | Regression | Coefficients |
|----------|------------|-------------|------------|--------------|
| rubic 5. | nesuins (| J LOGISIC | Regression | |

*p< 0.1; **p< .05

RQ4: Which demographic, socioeconomic, self-reported health and the goal to leave an inheritance variables describe older adults who have durable health care powers of attorney?

Older adults with the goal to leave an inheritance were, again, much less likely to have a durable health care power of attorney than those who did not have this as a primary goal, which was 34%. Age was a significant predictor of this variable, with the likelihood increasing 9% with each year of age. The Nagelkerle R² for this regression was 0.197 with goodness-of-fit at 0.919. See Table 4 for the complete results.

RQ5: Which demographic, socioeconomic, self-reported health and the goal to leave an inheritance variables describe older adults who have a durable financial powers of attorney?

This logistic regression indicated three predictors for older adults who have durable financial powers of attorney. The strongest relationships for having a durable financial power of attorney was age (OR = 1.08) and not having a goal to leave an inheritance (OR = 0.341). Assets were the third influence with older adults indicating that for every \$50,000 increase in assets, the likelihood of having a durable financial powers of attorney rose by about 10%. The Hosmer Lemeshow statistic for this regression model indicated a significance of 0.348, which is fair, and errors were accounted for in 28% in this model. See Table 4 for complete regression results.

RQ6: Which demographic, socioeconomic, self-reported health and the goal to leave an inheritance variables describe older adults who have a living will?

This logistic regression model was a good fit with a Nagelkerke R^2 at 0.270 and the goodness-of-fit at 0.562. The most significant positive predictor found for having a living will was education. This was the first time education

was shown to be significant in any of the logistic regression models. Odds of having a living will decreased (OR=0.342) for those having the goal of leaving an inheritance. Participants with the goal of leaving an inheritance, which were 64.1% of the sample, were less likely to have a living will. Non-whites were 2.6 times more likely to have a living will than Whites. See Table 4 for the complete regression.

| ¥7. * 11. | Durable Health Care Power of Attorney | | Durable Financial Power of Attorney | | Living Will | |
|-------------------------------|--|-------|--|-------|-------------|-------|
| Variables | | | | | | |
| | Coefficient | Odds | Coefficient | Odds | Coefficient | Odds |
| Intercept | -7.689** | | -8.233** | | -5.344 | |
| Demographic Variables | | | | | | |
| Age | 0.089** | 1.093 | 0.077** | 1.080 | 0.058 | 1.060 |
| Current Marital Status | | | | | | |
| Not Currently Married | Reference | | | | | |
| Currently Married | -0.053 | 0.948 | 0.551 | 1.735 | -0.322 | 0.724 |
| Ethnicity | | | | | | |
| White | Reference | | | | | |
| Non-white | 0.924 | 2.519 | 0.399 | 1.490 | 0.965* | 2.625 |
| Gender | | | | | | |
| Female | Reference | | | | | |
| Male | 0.262 | 1.299 | 0.572 | 1.773 | 0.166 | 1.180 |
| Socioeconomic Variables | | | | | | |
| Current Employment Status | | | | | | |
| Not Currently Employed | Reference | | | | | |
| Outside Home | | | | | | |
| Currently Employed Outside | 0.364 | 1.439 | 0.668 | 1.951 | 0.452 | 1.571 |
| Home | | | | | | |
| Education | 0.074 | 1.077 | 0.140 | 1.150 | 0.313** | 1.367 |
| Housing Status | | | | | | |
| Do Not Own Home | Reference | | | | | |
| Own Home | -0.724 | 0.485 | -1.086 | 0.338 | -0.391 | 0.676 |
| Assets | 0.043 | 1.044 | 0.099* | 1.104 | 0.050 | 1.051 |
| Debts Owed | -0.022 | 0.978 | -0.009 | 0.991 | -0.035 | 0.966 |
| Income | -0.013 | 0.987 | -0.036 | 0.964 | -0.120 | 0.887 |
| Other Variables | | | | | | |
| Goal to Leave an Inheritance | | | | | | |
| Not a Goal | Reference | | | | | |
| Goal | -0.738* | 0.478 | -1.075** | 0.341 | -1.073** | 0.342 |
| Self-reported Physical Health | | | | | | |
| Excellent | Reference | | | | | |
| Good | -0.055 | 0.946 | 0.152 | 1.164 | 0.186 | 1.205 |
| Fair or Poor | 0.038 | 1.039 | 0.659 | 1.933 | 0.281 | 1.324 |

Table 4. Results of Logistic Regression Coefficients

*p< 0.1; **p< .0

Summary and Implications

Separate logistic regressions were run for each dependent variable. There were some similarities among the six different models. Age was the primary influence appearing in four of the six regressions for will, living trust, durable health care powers of attorney, and durable financial powers of attorney. This is understandable since the subject of the research concerns estate planning issues. The majority of the sample was in the 71-80 age range.

The negative relationship of Goal to Leave an Inheritance also appeared in four out of the six regressions: living will, living trust, durable health care powers of attorney, and durable financial powers of attorney. Since leaving an inheritance would relate the most to personal assets, one can understand why it might not relate to advance directives as these individuals may be providing for additional health care costs and thus they would have a lower expectation to leave an inheritance. However, this does not apply to having a living trust or the fact that it was also in a negative direction, though not showing significant for wills and letters of instruction. One explanation for this could be that although people think in their heads they have a goal to leave an inheritance, they do not always act on this and follow through. Goals and action are two different things.

The AARP examined wills, living trusts, and durable powers of attorney found in the American population (AARP, 2000) and discovered that only 17% of the over 50 population had a will, living trust, and a durable power of attorney. This study of older adults in Virginia showed 16% of the sample did not have any estate planning documents, 18% had a will, and 7.2% of the population had all six documents: will, living trust, letter of instruction, durable power of attorney health care, durable power of attorney financial, and living will.

Ethnicity proved to be significant in the living will and the durable health care powers of attorney. Goetting and Martin's study (2001) also found race to be significant and indicated that race and culture should be an area of further study. Education was a significant influence in the living will model only. Goetting and Martin (2001) found education to be significant in their study of wills, which was not the case here. AARP (2000) also support this by finding that the higher the level of formal education and income, the more likely an older adult is to have estate planning documents. Further study needs to examine this issue to resolve the different findings. The only time that debt was significant was for the letter of instruction, which showed a negative relationship.

This research study is another step in defining a profile of older adults who have estate planning documents, although this study, as do all studies, had some limitations. The data was collected in Virginia with a predominantly white sample. Different results may result from a more diverse population. The sample contained 90% homeowners and this could be due to the affordable housing in the majority of Virginia. Perhaps a different population where housing was more expensive would have different results. The amount of assets owned by the people in the sample was high; a more diverse sample may have different results. Net worth should be computed in the future. This study was unable to compute net worth since assets and liabilities were collected in ranges. Also, most of the respondents self-reported good or excellent health, and if the sample included more respondents with poor health, the findings may have proven different. This was an analysis of a secondary data set and some variables that may have proven noteworthy were not available (see Goetting and Martin (2001) for some examples).

As noted previously, estate planning is an ideal example of the use of Family Resource Management theory provided by Deacon and Firebaugh (1988). In this study, the observed sections of the family system employed were input and the output. However, with the knowledge gained by understanding predictors, educators can assist families to fill in the decision making section of the model in order to help produce a strong output result that is beneficial to all members of the family system.

Implications

For professionals. Legal professionals will want to better understand target clients for strategic marketing. Financial professionals may use this information to better understand their clients and to help them prepare for the future. Age and timing should also be considered in creating estate planning instruments for clients. Consumer education in the areas of financial literacy and estate planning are strongly needed and this information can help to pinpoint which adults need this information and what their needs are in order to develop programs and educational workshops.

One of the barriers to proper estate planning is the people do not want to talk about their mortality, or the mortality of their loved ones (Hayhoe, 2007). To help with this difficult discussion, one of the authors has created materials in collaboration with the National Endowment for Financial Education, *Protecting Your Retirement and Other Financial Information for Family Caregivers: What Every Adult Child Needs to Know* with additional information on estate planning available at <u>http://www.ahrm.vt.edu/Dept/ext_retirement.html</u>. Another helpful website (Garman and Forgue, 2000) is at the South Dakota State University website, Legally Secure, located at http://agbiopubs.sdstate.edu/text.cfm?ltem=FS928e-1&id=1219.

For researchers. This study provides a foundation for determining profiles of older adults who have estate planning documents. This area is relatively unexplored and this study can provide a building block to gaining more understanding into this area. Additional data and variables could be included to keep expanding this profile.

For policymakers. Policymakers in roles working with estate taxation can benefit in understanding the public's current choices in estate planning and can aid with budgeting, planning, and programming. Staff in government run health care facilities will benefit when proper advance directives are in place for their patients, making their jobs easier and health care decisions for their patients clearer.

Conclusion

This study helps provide a groundwork for future study in the area of estate planning. The most significant predictors for the presence of estate planning documents were age, education, assets, marital status, and ethnicity. Noteworthy is older adults have a goal of leaving an inheritance and yet, the results show that although this may be a goal, adults have not properly planned their inheritances and bequests with estate planning documents. The low percentage of Americans with some estate planning documents, at only 17%, (AARP, 2000) indicates a need for older adults to become more informed on how they can legally communicate their desires for health care issues and their estate bequests. With stronger communication, and a foundation of legal estate planning documents, the strain on loved ones can be eased and taxation issues can be reduced, which will benefit all persons involved during a very stressful time.

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Young Investor Education

Dena Wise¹, Ann Berry, The University of Tennessee Extension

Key Words: worksite education, young adults, investor education, financial education

Target Audience

Target audience of this session is financial educators planning worksite or college programs.

Objective/Purpose

The objective of the session is to familiarize participants with the curriculum, marketing techniques and tools and business case for providing financial education at the worksite and on college campuses. Presenters will also talk about funding and how to work with potential funders in program development. Goals of the Money Crunch program itself are:

- To motivate and help young working adults gain investment skills and plan for a secure financial future through retirement
- To engage employers in creating a culture of support through provision of work site investment education as well as financial planning and savings incentives
- To strengthen the capacity of local educators to effectively work with employers and employees to implement investment education at the work site.

Description

This session will outline a program designed to provide young adults with practical and engaging ways to take control of their finances and their financial futures. "Money Crunch," a program for investment education developed by The University of Tennessee Extension and funded by the NASD Foundation, is a five-series set of presentations, interactive learning and personal application that makes financial education fun, engaging and motivating. Sessions include:

Lesson 1 – Practical Steps to Building Wealth

- Lesson 2 Finding Money to Invest
- Lesson 3 Basic Investment Options
- Lesson 4 Principles of Investing
- Lesson 5 Protecting Your Investments

The session will also include techniques for helping employers build a culture of support for financial education at the worksite, materials for marketing to employers including the business case for employee financial education. Challenges in working with this audience and in worksite formats will be discussed.

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Xtreme Xplorations: Powering the Potential to the Leaders of Tomorrow

Melinda Burke¹, Take Charge America Institute; Juan Ciscomani, Take Charge America Institute, University of Arizona

Key Words: finance, global awareness, entrepreneurship, civic engagement

Target Audience

The Xtreme Xploration program is designed as an after-school program that begins in middle school and continues in a club format through high school. In its first year, the target population was middle school students in grades 6^{th} - 7^{th} .

Objective/Purpose

The mission of the Xtreme Xploration is to prepare students (grades $6^{th} - 12^{th}$) to become knowledgeable, civicminded leaders with the expertise and skills essential for success in the 21st century global marketplace. The specific goals for this program are as follows: 1) To provide youth the opportunity to increase their knowledge and skills to prepare them to become responsible leaders in the global community; 2) To increase students' knowledge to make sound financial, economic, and business decisions in both personal and professional contexts; 3) To provide students with the opportunity to become civically engaged in their communities, demonstrating high ethical standards and strong social commitment; 4) To increase students' knowledge and skills in the use of technology.

Description

The past century has been marked by widespread and significant economic, informational, demographic, and political changes. As society changes, the skills needed to negotiate the complexities of life also change. There is a gap between the knowledge and skills many students learn in school and the knowledge and skills they need in today's communities and workplaces. The financial and entrepreneurial worlds of youth are also rapidly changing and the growth of financial products, services, and providers demands greater understanding of personal finance. The Xtreme Xploration program gives students an integrated learning experience which includes personal finance, global awareness, entrepreneurship, civic engagement, life skills, and technology; addressing a growing need in the educational system.

In September 2006 the project was launched at the Wildcat School, a new charter school affiliated with the University of Arizona with a widely diverse student body. Xtreme Xploration was implemented at the Wildcat School as a required, stand-alone, nine-month after school program from 12:45 - 2:15 pm every Wednesday for students in grades 6-7. Every Wednesday, 17 trained University of Arizona student volunteers traveled to the

school to teach a wide span of personal finance topics to a rapidly growing number of students (\approx 85), using the

Family Economics and Financial Education curriculum (FEFE). Integrated within financial training, students also learned communication and problem solving skills, interpersonal skills, and technological expertise, so that complicated problems of broad scope were approached in creative ways respectful of diverse cultural perspectives. The topics were taught using an interactive activity based model for ninety-minutes. Topics included goal setting, career exploration, savings and spending plans, credit cards, investments and credit reports. There is a great deal of flexibility in how much time is needed to present the modules. This could be presented over the course of one semester, and up to one full academic year.

Success for Xtreme Xplorations

The majority of students started the Wildcat Wednesday Xtreme Xploration program with little knowledge of personal finance. Our exit study showed students who participated in the program less than three months, 38% were able to define what credit card interest is, whereas those students who were part of the of the program for six months or more, 86% of these students were able to define it. Moreover, 72% of students that participated for six months or more were able to identify a financial goal and 77% said they either "started saving or will do so soon". Overall evaluations indicated that 80% of those students who participated for six months or more showed an increase in

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knowledge. Students further showcased their knowledge through their participation in the Jr. Duel in the Desert, a personal finance case study competition between middle school and high school students held at the University of Arizona. These young people, a part of the Wildcat School team, were awarded third place and took home the school's first trophy and a cash prize.

Get It Together: Organizing Personal Records

Marilyn Bischoff¹ and Beverly Healy, University of Idaho Extension; Elizabeth Gorham, South Dakota State University Extension; Joanne Bankston, Kentucky State University Extension

Key Words: record keeping, financial records, personal records

Target Audience

Personal finance practitioners who teach or counsel adults in community, worksite, or military family support programs are the target audience for this presentation.

Objectives/Purpose

- Help clients understand which important documents should be organized, and where and how long to store them
- Learn about electronic and traditional record keeping methods
- Gain an overview of sources for replacing important papers
- Engage participants in record keeping activities
- Become aware of recordkeeping resources available to practitioners and consumers

Description

Getting personal records organized can seem like a daunting task, but it's absolutely essential. Most people know they need to retain important household papers and financial records. However, many don't know what records to keep, for how long, and where to store them. Keeping records for an excessive period of time leads to clutter and prevents people from locating important documents when they're needed. On the other hand, disposing of household records too early can lead to unnecessary problems.

Recent events such as hurricanes, floods, wildfires, acts of terrorism and war have left victims struggling to gain personal and financial stability. Properly organized and stored records can help individuals and loved ones locate important documents, transport them in times of disaster, and use them to submit claims and access benefits. A system - electronic or otherwise - for personal records is essential. How individuals organize and maintain it is their choice. The critical thing is to know where the information or documents are located.

In this session university Extension specialists from several states will share "Voices from Katrina" an audio tape of Hurricane Katrina survivors who learned critical lessons about the importance of financial record keeping. The specialists will present practical techniques and resources to teach clients how to organize important household papers. They'll share PowerPoint slides, Fact Sheets, other free resources available from Extension web sites, as well as activities that can be used to teach essential record keeping information to clients.

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Your Financial Check-up

Jean F. Austin, Connie Barnett, Okarsamaa Brooks-White, Madeleine Greene, Joanne Hamilton, Julie Judy, Lynn Little, Susan K. Morris¹, Megan O'Neil-Haight, and Crystal Terhune, and Jinhee Kim, University of Maryland

Key Words: workplace financial education, retirement education, retirement planning

Target Audience

Your Financial Check-up was designed for state employees with 0-5 years and 5-20 years of service. However, the program has been easily adapted and presented to other audiences, such as local government employees, workers facing job loss, university faculty, and private industry workers.

Objectives/Purpose

Objectives of this program are to help participants (1) increase their current level of financial knowledge, (2) assess their current fiscal health, (3) identify key strategies that will incorporate retirement planning into their personal financial plans, and (4) feel empowered to make informed financial choices.

Description

The 2006 Employee Benefit Research Institute (EBRI) Retirement Confidence Survey reported only 7 in 10 workers had saved anything for retirement. Only 42% attempted to calculate their savings needs for retirement. Maryland Cooperative Extension (MCE) Family and Consumer Sciences (FCS) Educators recognized that one of the barriers to participation in supplemental retirement programs was a lack of basic money management skills. We felt workplace financial education was needed as more employees found themselves responsible for their own retirement planning.

Your Financial Check-up was designed to help state workers assess their fiscal health and establish a framework for managing credit and monitoring expenses so they could make funding their futures a priority. However, this program has been easily adapted and presented to many other audiences, such as Housing Authority clients, State Highway Administration support staff, employees losing jobs due to plant closures, county library staff, University and Cooperative Extension faculty and staff.

Maryland Cooperative Extension FCS Finance Educators established a partnership with the Maryland Supplemental Retirement Program (MSRP) in 2002 to offer workplace financial education. At the request of MSRP, programs were developed to target employees with 0-5 years of service and those with 5-20 years of service. MSRP coordinated the marketing, registration, logistics and end-of-class evaluations for all state agencies, offering classes at multiple sites, for audiences across the state, including hospitals, community colleges, universities, health departments and prisons.

Extension FCS Educators launch these monthly one-day seminars with *Your Financial Check-up*, a 90-minute, PowerPointTM-based program covering goal setting, spending plans, credit, insurance, savings, basic investing, retirement and estate planning. Participants receive pertinent educational materials and worksheets. MSRP staff then present an overview of state supplemental retirement plans, retirement and investment basics, enrollment and fund allocation information.

Your Financial Check-up has been presented more than 75 times in multiple MSRP locations around the state, reaching 1,400 state employees between 2002 and 2007. The 2006 end-of-class evaluations indicated that 64.7% of attendees reported they were more knowledgeable about analyzing their personal finances. When asked about their intent to change behavior as a result of attending *Your Financial Check-up*, 57% intended to decrease debt, 82% intended to increase personal savings, and 77% intended to improve money management skills.

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University of Minnesota Financial Literacy Community Mentorship Program

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Key Words: financial literacy, mentorship

Target Audience

The target audience for this model is an agency committed to building client capacity in personal and family financial management, working with underserved audiences and is willing to invest professional development time for one or two staff members. The ultimate audience is the consumer needing assistance managing their finances.

Objectives/Purpose

The objectives of the mentorship program are to: (1.) Increase capacity of community agency staff so they can deliver ongoing personal and family financial education; and (2.) To empower individuals and families with financial knowledge they need to survive and thrive.

The purpose of our forum is to share program successes and lessons learned from our partnerships; share curricula used, teaching strategies and program funding for success in duplicating the program in other communities; and allow an opportunity for questions and answers for practitioners seeking more information about our program and model.

Description

The Community Mentorship Program is a collaborative between the Minnesota Council for Economic Education and University of Minnesota Extension. The program is designed to build and strengthen the capacity of community agencies serving low and moderate income individuals and families to provide financial education to their clientele. The program uses a train the trainer/mentorship model.

The model teams Extension Educators who are experienced personal finance educators with community-based agencies. Extension educators and University faculty provide 3 days of basic financial management and teaching methods training. Following the training educators serve as mentors to agency staff, helping them develop content expertise and skills in educational program delivery in personal finance. The educators assist in planning, minigrant writing, marketing, delivery, evaluation and final reporting. The goal is to mentor community agencies to the point where they can deliver personal finance programming without on-site assistance from the educator.

Program funding is provided by the McKnight Foundation, GMAC-Rescap funds, and University of Minnesota Extension. The funds support the training days, plus each agency may write two \$1500 mini grant proposals for two six hour class sessions.

Since 2005 the program has involved 14 Extension Educator mentors; 28 community agencies; 49 agency staff have been trained; 38 workshops have been offered; and 586 individuals have participated. The program has positively impacted organizations, individuals, and communities. Participating agencies have had the opportunity to observe the need and desire for personal finance education by their clientele, it has also given them the knowledge and resources they need to provide personal finance education. As a result of this increased capacity, participating agencies have integrated personal finance education into several of their core programs. They have developed new programs and services around the topic, including: Creating a personal finance library for staff and resident use; adding "money management" as a topic for family nights; incorporating money management into a 4-H program; offering personal finance counseling as a new referral service for clients; and a regional financial management coalition was developed as a direct result of the community mentorship program.

Along with organizational changes in partnering agencies, individual participants have also been motivated to make positive changes in their lives. The most frequently noted participant outcomes include: Opening mail everyday; keeping track of spending; paying off debt; and correcting errors on credit reports. Many participants share what they have learned with other family members while others have created clubs to facilitate further discussions about personal finance issues that are most important to them.

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Marshall (Minnesota) Financial Empowerment Collaborative

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Key Words: collaborative, financial literacy, workshop, website, referral system

Target Audience

The target audience for the Marshall Financial Empowerment Collaborative (hereafter MFEC) includes adults from all life stages in: families who are struggling with short and long-term financial obligations; families challenged by their banking relationships and managing accounts; the un-banked population managing on a cash only basis; and families representing new cultures that are usually unfamiliar with the American money system.

Objectives/Purpose

Through its vision and mission, the MFEC public-private partnership helps people strengthen their financial literacy skills by raising awareness to the availability of financial resources in the community; and provides information, education, and support for people making decisions on a variety of financial management issues. Plan of action objectives for MFEC include:

- Provide two 9-hour financial empowerment workshops annually for adult family members focused on spending planning, credit and debt management, saving and investing, and managing consumer issues
- Maintain the resource based internet website <u>www.marshallmoney.org</u>
- Foster a referral system between banks and agencies for one-one financial counseling

Description

In 2005 based on their observation of consumer groups including new populations who lacked knowledge in budgeting; maintaining bank accounts; and managing credit and debt, 18 businesses, agencies, and, community organizations came together to form MFEC. MFEC concluded that this lack of knowledge affected not only personal decision making with money but also the economic well-being of the community. Given those observations, MFEC based its plan of action on Federal Reserve research concluding that financial education empowers people to maximize short and long-term decisions; and that maintaining relationship with a prime financial institution increases the chance that people will manage money, save for the future, and reach financial goals. MFEC secured \$82,600 from three community and private sources for marketing, developing the resource-based website, and hiring a part-time coordinator to manage the administrative and program work of the collaborative.

Thus far, four 9-hour Financial Empowerment **workshop series** have involved 75 families. In one 3-month followup evaluation, 100% of respondents indicated they experienced positive change in managing finances primarily through plans for spending; paying off and managing debt; opening first-ever checking and savings accounts; and saving money on a regular basis. After 2 months of review and 12 months of operation, <u>www.marshallmoney.org</u> currently receives more than 20 hits per day. In pilot tests by 97 potential users, 89% agreed the website was current, accurate, reliable, and useful in finding financial information. User links include Consumer Tools; Financial Resources; Teaching Resources; and Community Contacts. Homepage questions and answers lead users to locating resources in multiple languages that will address timely financial issues.

In 2006, a **financial counseling referral system** began between 3 local financial institutions and 3 counseling centers. Within 12 months, referrals increased by 20%. One bank forgives finance fees on default accounts if the customer follows through with their commitment to financial counseling. Now in its 4th year, MFEC is expanding the plan of action to include a worksite program. Human resource and other workforce personnel are trained to involve MFEC programs in their effort to support workers from a variety of settings with personal money management resources. MFEC is also sharing their strategies in 2 other Minnesota communities.

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Teaching Financial Literacy Using E-Learning to Limited Resource Audiences

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Key Words: financial literacy, e-learning delivery, limited resource audiences

Target Audiences

A diverse group of African-American, Latino, Asian, and White citizens, immigrants, non-native English speakers, welfare recipients, and workers at or below 200 percent of the poverty level in urban and rural Illinois areas have benefited from participation in the *Your Money & Your Life* program. The age of participants include students at alternative high schools to senior citizens

Objectives/Purpose

University of Illinois Extension Consumer and Family Economics Educators trained the Financial Education Program (FEP) site instructors using the University of Illinois Extension *All My Money* and *Your Money & Your Life* curricula. The comprehensive curricula educate low-income people how to use financial products and services, build assets, and move toward financial security. FEP instructors in nine locations throughout the Illinois retaught the information utilizing face-to-face and online instruction.

Description

The *Your Money and Your Life* Program in Illinois recognizes that low-income individuals operate outside the financial mainstream. When participants are provided with financial tools, they can improve their lives.

Grants were secured from the Illinois Department of Human Services, the Grand Victoria Foundation and University of Illinois Extension to support the program. The grants funded training, site support, and web development. The interactive, online web site, *More for Your Money* (web.extension.uiuc.edu/money,) was developed by Extension to be used by the FEP sites, as well as the general public. The six web site modules are Values and Goals, Income and Expenses, Spending Plan, Credit, Debt Management, and Saving. In addition to text and activities, an evaluation component is included at the end of each module.

FEP instructors were trained on ways to integrate the online web program with their traditional face-to- face instruction. The instruction included at least six hours of computer time. The FEP instructors were available to assist and monitor the participants' online learning. The pilot of the online program results will be shared.

Because of the success of the online web program, other agencies and organizations have expressed interest in using the program. Participant results and utilization of online learning with traditional program methods will be shared.

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Teaching Financial Education in a Project Based – Active Learning Approach

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Key Words: middle school, curriculum, activity based, workshop

Target Audience

Anyone who provides financial literacy education for our nation's youth ages ten to sixteen.

Objective/Purpose

The purpose of the presentation will be to explain the work being completed by the Family Economics & Financial Education (FEFE) Project at the University of Arizona. FEFE provides educators with curriculum materials free of charge and the educational background to effectively teach family finance. The FEFE Project is funded by a grant from Take Charge America, Inc. Take Charge America, Inc. does not provide input to the program's curricular materials or other activities.

Description of Content and Method

The FEFE Project began in 2001, using teacher input to design a quality, ready-to-teach curriculum and training program. The first curriculum designed was a high school/college-level semester course with approximately 60 lessons available, Take Charge of Your Finances. The FEFE curriculum model focuses upon materials which are designed utilizing the multiple intelligences theory and active learning. Each lesson is aligned to national standards and includes background information, implementation methods, activities, handouts, assessment tools, and is available on the FEFE Web site free of charge www.fefe.arizona.edu.

In 2005, through feedback from our Master Teacher team and in an annual Web site user survey of over 9,300 users, a need for high quality introductory level curriculum for students in grades 7-9 or those with limited financial education knowledge. Thus, the curriculum, "Get Ready to Take Charge of Your Finances" was developed. Get Ready is designed to provide a bridge of introductory curriculum materials to Take Charge of Your Finances.

Curriculum development occurred in conjunction with the Master Teacher Team which involved 12 teachers in the 2005-2007 school years. Master Teachers are educators who have completed a week-long training, used the curriculum in their classrooms and provided support to our program through evaluation and development of new materials. In the Master Teacher program, educators bring curriculum ideas to the program and curriculum directors, who then format, augment, streamline, and create lesson plans within curricular units. The teachers then take the new lessons and test them in the classroom. Teachers evaluate the success of the lessons in the classrooms and the lessons are revised.

The fifteen-lesson "Get Ready" curriculum is uniquely designed to include proven educational theory to ensure it is effective with a young mind. Techniques utilized include fast-paced facilitation with scenario-based learning. Each lesson begins with an anticipatory set to capture student interest. Then, no more than twenty minutes of recommended instruction occurs without a new activity to keep students actively engaged, meet the needs of multiple learning styles, and reflect upon content. Each lesson also includes note-taking guides to assist a young mind when identifying what the most important information in the lesson is. These guides can be used in a variety of ways including as an outline tool when reading, to engage multiple senses when a PowerPoint presentation is given, or as a review tool. Each lesson has a fun theme; this theme is employed during the activities, PowerPoint, and interactive information sheets. Students are provided with one- to three-page colorful and interactive information sheets which describe the lesson's content. Throughout the document, questions are asked to help students process the information they have read. In addition, information sheets are often recommended as take-home assignments to involve the adults in the child's home in the learning process.

A final assessment for the curriculum is "Life of…", an individual spending plan simulation completed through the analysis of the life of a teenager. Each simulation showcases a family who is working with their teenage child to create a spending plan. Three simulation options are available. All lesson plans are designed independently of one another. Therefore, an educator may teach an eight-week course, a unit, or a single lesson plan. Lessons can be taught in a one-hour workshop setting or a series of forty-five minute lessons for a two- to eight-week course. All information is strictly educational in nature with no products being sold.

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Lifestyle Risk Factors, Health Status, and Financial Distress: Framing Interventions Using the Transtheoretical Model of Change

Aimee D. Prawitz¹, Northern Illinois University; Pete Shatwell, TwoMedicine Health and Financial Fitness; George Haynes, Montana State University; Kyle C. Hanson, TwoMedicine Health and Financial Fitness; Earl W. Hanson, TwoMedicine Health and Financial Fitness; Barbara O'Neill, Rutgers Cooperative Extension; E. Thomas Garman, Personal Finance Employee Education Foundation and Virginia Tech

Abstract

The purpose was to examine financial topics that employees found most stressful, number of lifestyle risk factors they reported, and their health status to determine whether these variables were related to financial distress. The Transtheoretical Model of Change (Prochaska, Norcross & DiClemente, 1994) provided a theoretical framework to determine the most beneficial strategies for delivery of workplace financial education based on employees' stage in the change process. Findings revealed that more lifestyle risk factors and poorer health were linked to more financial distress. Stressful topics included retirement planning, managing debts, and budgeting; most employees were in the Precontemplation stage of readiness to learn more about stressful topics.

Key Words: financial distress, lifestyle risk factors, health status, stages of change

Introduction

Over the past several years, researchers consistently have found links between financial stress and health. Queries of Americans about their level of financial distress and perceived health status have produced consistent results-- those experiencing more financial distress report worse health (Bagwell & Kim, 2003; Drentea & Lavrakas, 2000; Genco, Ho, Grossi, Dunford, & Tedesco, 1999; Garman et al., 2007). New studies have shown that those who make positive changes in their financial behaviors also reduce their financial distress (Kim, Sorhaindo, & Garman, 2003; Prawitz, O'Neill, Sorhaindo, Kim, & Garman, 2007), and improve their health as well (Kim, Garman, & Sorhaindo, 2003; O'Neill, Prawitz, Sorhaindo, Kim, & Garman, 2006).

Movement of clients toward better financial management practices is the goal of financial education programs, but increased financial knowledge alone does not always lead to behavior changes (Lyons, Chang, & Scherpf, 2006). Recently, researchers and consumer educators have sought new approaches to the challenge of moving consumers from knowing how to manage finances better to actually implementing good financial management practices. Some, for example, are examining the usefulness of the Transtheoretical Model of Change (TTM) (Prochaska, Norcross, 1994) in helping distressed consumers make behavior changes to reduce debt (Shocky & Seiling, 2004; Xiao, Newman et al., 2004; Xiao, O'Neill et al., 2004). The current study examined the financial topics that employees found most stressful, the number of lifestyle risk factors they reported, and their health status to determine whether these variables were related to financial distress. The TTM (Prochaska, Norcross et al., 1994) was used as a theoretical framework to determine the most beneficial strategies for delivery of holistic financial and health education to employees based on their differing stages in the change process.

Review of Literature

Researchers have examined relationships among financial behaviors, financial distress, and health outcomes (Bagwell & Kim, 2003; Drentea & Lavrakas, 2000; Genco, Ho, Grossi, Dunford, & Tedesco, 1999; Kim, Garman et al., 2003; Lyons & Yilmazer, 2005; O'Neill et al., 2006). This study added the variable, lifestyle risk factors, and examined its relationship to financial distress and health outcomes for

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employees in differing stages of readiness to learn more about the financial topic they found stressful. The following review will examine past research related to financial distress/financial well-being, age, and health, and use of the Transtheoretical Model of Change (Prochaska, Norcross et al., 1994) as a framework in which to promote changes in financial management.

Financial Distress/Financial Well-Being and Health

Financial distress/financial well-being has been defined as one's feelings about and reactions to one's personal financial condition (Prawitz et al., 2006). Over the past several decades, researchers have examined the stress, strain, and anxiety associated with personal finances. For example, in 1984 Voydanoff examined the effects of economic strain on families and discussed ways to mitigate the effects, such as using effective financial management as a coping strategy. In a review of economic distress and family relations over the 1980s, Voydanoff (1990) noted that families in economic distress use different coping mechanisms, some of which include taking action to alleviate the problem. Voydanoff (1990) defined economic strain as the subjective evaluation of one's personal financial status including financial concerns and worries, and pointed out that economic strain increased during situations in which a family lacked the resources to satisfy its needs. Other researchers reached similar conclusions-- when people experience financial troubles such that their resources are inadequate to meet the family's financial demands, their financial distress increases and their well-being suffers (Danes & Rettig, 1993; Drentea, 2000; Mills, Grasmick, Morgan, & Wenk, 1992; O'Neill et al., 2006; Prawitz et al., 2006; Ross & Huber, 1985; Sorhaindo, Garman, & Kim, 2003).

Research examining financial distress has been consistent-- individuals' health and stress surrounding their personal finances are related. Lyons and Yilmazer (2005), for example, found that those in poorer health experienced more financial strain. Jacobson and colleagues (1996) found financial stress to be a predictor of illness-based absenteeism from the workplace. For consumers known to be financially distressed, such as credit counseling clients, the relationships were pronounced. Kim, Sorhaindo et al. (2003), for example, found that those reporting higher levels of financial well-being also reported better health.

Changes in financial behaviors influence both health and the level of financial distress for consumers. O'Neill, Sorhaindo, Xiao, and Garman (2005), in a study of financially distressed consumers, found that those reporting positive changes in financial practices also reported improved health. In 2006, O'Neill et al. determined that a decrease in negative financial events (e. g., paying bills late, receiving calls from creditors) resulted, not only in lower financial distress, but also improved health. It appears that helping clients change financial practices, then, provides a holistic approach to improving both financial well-being and overall health.

The relationship of age to anxiety and distress about finances has been documented in the literature. Mirowsky and Ross (1999), for example found that young adults experienced more anxiety related to economic hardship. Drentea (2000) pointed out that one explanation could be the level of debt incurred during this stage of the life cycle, a phase that often includes establishing households and supporting children before having reached the desired earning potential. Prawitz et al. (2007) also found that financial distress decreased with age.

The Transtheoretical Model of Change and Promotion of Changes in Financial Management Behaviors The Transtheoretical Model of Change (TTM) is a framework that has been used widely in the health field to help people learn to substitute healthy behaviors for unhealthy ones (Prochaska, Redding, Harlow, Rossi, & Velicer, 1994; Prochaska, Redding, & Evers, 1996). The two main thrusts of the model include the stages of change and the change processes. Stages of change represent levels of readiness to change an undesirable behavior, and include the following: Precontemplation (no intention to take action within the next six months), Contemplation (intention to take action within the next six months), Preparation (intention to take action within the next 30 days), Action (has begun to take action within the previous six months), and Maintenance (has implemented the change more than six months previous) (Prochaska, Norcross et al., 1994). The change processes consist of strategies useful in assisting clients with change; change processes are specific to the stage of change. Those intended for the Action stage, for example, are not useful in the Precontemplation stage. The processes, their definitions, and appropriate stages of change follow (Prochaska, Norcross et al., 1994).

Precontemplation

*Consciousness raising (learning new facts to support the healthy behavior change;

*Environmental reevaluation (understanding that the negative behavior has unhealthy impacts and the healthy behavior has positive impacts on the social and physical environment)

*Dramatic relief (experiencing the negative feelings that accompany the unhealthy behavior risks) Contemplation

*Self-reevaluation (realizing that changing one's behavior is important to one's identity)

Preparation

*Self-liberation (firmly committing to change)

Action/Maintenance

*Helping relationships (using social supports to assist in the change)

*Reinforcement management (increasing rewards for the new behavior and decreasing rewards for the unhealthy behavior)

*Counter conditioning (substitution of healthy behaviors and thoughts for unhealthy ones) *Stimulus control (removal of cues to perform the unhealthy behavior; addition of cues to perform the new behavior)

In recent years, researchers and consumer educators have begun to use the model to help consumers change negative financial behaviors. Xiao, Newman, et al. (2004), for example, developed a measure to assess stages of change for financially distressed consumers attempting to get out of credit card debt. These researchers determined that programs work best if the needs of clients are addressed based on the stage of change they are in, rather than assuming that all clients are in the action stage and ready for changes in financial behaviors. The goal is to move clients from one stage to the next, helping them to gain skills and confidence in their ability to manage their finances differently.

In 2004, Shockey and Seiling developed a program assessment based on clients' stages of change for a financial education program. They found that, for most of the financial behaviors, clients were in the preparation stage. For those advancing only one stage of change during the educational program, chances for implementing the newly learned behaviors doubled. The current study uses the TTM as a framework to assess the stages of change for clients responding to an online health risk assessment. The goal was to use the findings to direct the development of holistic health and financial workplace programs.

Research Questions

The following research questions were developed for the study.

- 1. Which financial issues do people find most stressful?
- 2. Is there a difference by age in the top three financial topics that cause stress?
- 3. Do lifestyle risk factors contribute to poorer health?
- 4. What is the relationship between lifestyle risk factors and financial distress/financial well-being?
- 5. What is the relationship between health status and financial distress/financial well-being?
- 6. Is there a difference in financial distress/financial well-being based on the financial topic identified as causing the most stress?
- 7. What is the stage of change for those in each of the top three financial topic groups identified as most stressful?

Data Collection

The data were collected in 2006 by the Director of Preventive Health Strategies and the Director of Marketing and Communication for TwoMedicine Health and Financial Fitness, a private firm that implements preventive health strategies in the workplace. For this study, the firm incorporated the Personal Financial Well-Being Scale (PFW) and several other items into the Mayo Clinic Health Risk Assessment to evaluate relationships among lifestyle risk factors, health status, and financial distress/financial well-being.

The Mayo Clinic Health Risk Assessment is a 197-item survey developed to obtain biomedical screening data as well as self-reported data about people's medical and lifestyle risk factors and their personal and family health history (O'Donnell, 2002). The assessment tool is unique in that it is completed online and uses branching logic to move respondents through the questionnaire based on their earlier responses. TwoMedicine Health and Financial Fitness was granted permission to add additional items to the Mayo Clinic Health Risk Assessment, including the eight items that comprise the personal financial well-being scale, a query about the financial topic that caused the respondent the most stress, and stage of readiness for change related to the financial topic causing the most stress.

For the study reported here, employees of public and private companies in Montana and Wyoming were invited to participate by completing an online survey; a total of 349 employees responded by completing the survey questionnaire. The sample included 253 males (72%) and 96 females (28%). Ages ranged from 22-74 years, with 66% of the respondents (n = 230) aged 40-60 years. The mean age was 47 years.

Self selection by respondents and the absence of incentives to participate resulted in a non-probability sample, and represented a limitation of the study. This limits the generalizability of the findings. Another limitation was that the researchers were limited in their ability to add variables of interest to the existing Mayo Clinic Health Risk Assessment tool. For example, income, a variable of interest in any study of financial distress, was not included in the assessment. Nevertheless, the researchers were able to explore relationships among lifestyle risk factors, health status, age, financial distress, and readiness of employees to learn more about financial topics currently causing stress. Measurement of each of these variables are detailed below.

Measures

Most stressful financial topic

A list of financial topics were presented, and participants were asked to chose the one that caused them the most stress. The list of topics was based on subject matter typically covered in personal finance employee education programs, and was made up of the following items: understanding employee benefits; retirement planning; insurance planning; budgeting; managing debts; maintaining good credit status; buying a home; estate planning; investing; consumer rights; tax planning; creating or managing a will, deed, or trust; and college planning. Participants were asked to select the single financial topic that caused the most stress rather than rating the level of stress caused by each topic. This process was used so that level of readiness for change with respect to learning more about the most stressful topic subsequently could be assessed. The variable, most stressful financial topic, was measured at the nominal level.

Lifestyle risk factors

For this study, a risk factor was a biological measure or lifestyle issue scientifically linked to greater risk for illness, death, or both. Of the 11 risk factors assessed, 5 were considered medical risk factors, and included medical measurements related to blood pressure, blood sugar, cholesterol, triglycerides and weight. Lifestyle risk factors included six self-reported behaviors related to alcohol use, emotional health, exercise, nutrition, safety, and tobacco use, and represented risk factors tied directly to behaviors. For this report, only the lifestyle risk factors were used. Each risk factor reported scored a 1; total scores were computed for the variable by summing the factors. So, for example, for the tobacco use risk factor, a smoker accrued a 1, and a non-smoker, a 0. The variable was measured at the ratio level, with scores that could range from 0 - 6.

Health status

Health status was a self-reported, single item measure. Response choices ranged from 1 = poor to 5 = excellent. The variable, health status, was measured at the ordinal level.

Age

Respondents were requested to state their current age in years. Age was measured at the interval level.

Financial distress/financial well-being

Financial distress/financial well-being was measured using the Personal Financial Well-Being scale, an 8item instrument developed to assess individual's feelings about and reactions to their personal financial situation (Prawitz et al., 2006). In the current study, one of the items inadvertently was omitted from the index, so the data reported here are based on scores computed using seven items. Factor analysis confirmed that the instrument measured only one construct, and explained 76% of the variance. (See Table 1.) A robust Cronbach's alpha of 0.939 demonstrated excellent internal consistency of items making up the instrument. Financial distress/financial well-being was measured at the continuous level.

Stage of change

Stage of change represented participants' readiness to learn more about the financial topic they identified as causing them the most stress. Based on Prochaska's Transtheoretical Model of Change (Prochaska, Norcross et al., 1994), the variable was measured at the nominal level using the following items: 1, "I don't plan to learn more about [most stressful financial topic] within the next six months" = Precontemplation; 2, "I am thinking about learning more about [most stressful financial topic] within the next six months" = Contemplation; 3, "I am making plans to learn more about [most stressful financial topic] within the next 30 days" = Preparation; and 4, "I am actively trying to learn more or have increased my knowledge on [most stressful financial topic] within the past six months" = Action/Maintenance.

Table 1. Factor loadings for the eight items making up the PFW scale (n = 349)

| Item # | Item description | Factor loading |
|--------|--|----------------|
| 1. | What do you feel is the level of your financial stress today? | .896 |
| 2. | On the stair steps below, mark how satisfied you are with your present | .869 |
| | financial situation. | |
| 3. | How do you feel about your current financial situation? | .937 |
| 4. | How confident are you that you could find the money to pay for a financial | .720 |
| | emergency that costs about \$1,000? | |
| 5. | How often does this happen to you? You want to go out to eat, go to a | |
| | movie or do something else and don't go because you can't afford to. | .859 |
| 6. | How frequently do you find yourself just getting by financially and living | .868 |
| | paycheck to paycheck? | |
| 7. | How stressed do you feel about your personal finances in general? | .932 |
| | Eigenvalue | 5.314 |
| | Proportion of variance explained | .759 |

Results

Participants were asked to report which one of the financial topics listed on the assessment survey caused them the most stress. The three financial topics most frequently cited as most stressful were retirement planning (n = 76), managing debts (n = 73), and budgeting (n = 53), and represented the most stressful financial topics for 58% of the sample. See Table 2 for the complete list of financial topics ranked in descending order from highest to lowest frequency of identification as most stressful.

 Table 2. Frequencies for Identification of Most Stressful Financial Topics

| Variable | Frequency | Percent (%) |
|---|-----------|-------------|
| Retirement planning | 76 | 21.8 |
| Managing debts | 73 | 20.9 |
| Budgeting | 53 | 15.2 |
| Buying a home | 25 | 7.2 |
| Planning for college | 23 | 6.6 |
| Investing | 21 | 6.0 |
| Understanding employee benefits | 20 | 5.7 |
| Insurance planning | 18 | 5.2 |
| Creating or managing a will, deed, or trust | 15 | 4.3 |
| Tax planning | 11 | 3.2 |
| Consumer rights | 5 | 1.4 |
| Maintaining a good credit status | 5 | 1.4 |
| Estate planning | 4 | 1.1 |
| Total | 349 | 100.0 |

A one-way analysis of variance was used to determine whether there were differences in age of participants based on financial topics identified as most stressful. Ages of participants who were in the groups representing the three financial topics most frequently cited as stressful were compared. Differences were detected in ages among those in the three groups, F(2, 199) = 12.81, p < .001. A Tukey HSD post hoc test was used to determine which groups differed from one another. Those who had identified retirement planning as the most stressful financial topic were older than those in both the managing debts topic group (p = .001) and the budgeting topic group (p < .001). There were no age differences between those in the managing debts topic group and the budgeting topic group.

To test for a relationship between lifestyle risk factors and health status, the Spearman's rho correlation statistic was used. As expected, there was a negative relationship; greater numbers of lifestyle risk factors led to poorer health (rho = -.283, p < .001).

Spearman's rho also was used to test for a relationship between health status and financial distress/financial well-being. The variables were positively related; those who reported poorer health had lower scores on the PFW scale, indicating more financial distress, less financial well-being (rho = .343, p < .001).

To test for a relationship between number of lifestyle risk factors and financial distress/financial wellbeing, the Pearson r correlation was used, since both variables were measured at the continuous level. A negative relationship was found; those who reported more lifestyle risk factors had lower PFW scale scores, indicating more financial distress, less financial well-being (r = -.260, p < .001). To test for differences in financial distress/financial well-being based on financial topic identified as stressful, one-way analysis of variance was used. Again, those in the three groups representing the financial topics most frequently cited as stressful (retirement planning, managing debts, budgeting) were used in the analysis. Differences in financial distress/financial well-being were found among the groups, F(2, 199) = 42.96, p < .001. A Tukey HSD post hoc test performed multiple comparisons and detected differences among all of the groups. Those who felt stress about managing debts had more financial distress and less financial well-being than those in either the retirement planning topic group (p < .001) or the budgeting topic group (p = .003). Those in the budgeting topic group had significantly more financial distress than those in the retirement planning topic group (p < .001).

| Financial Stressor Topic Group | Stage of Change | Frequency | Percent (%) |
|----------------------------------|--------------------|-----------|-------------|
| Retirement Planning ^a | | | |
| | Precontemplation | 36 | 47.4 |
| | Contemplation | 7 | 9.2 |
| | Preparation | 19 | 25.0 |
| | Action/Maintenance | 14 | 18.4 |
| Managing Debts ^b | | | |
| | Precontemplation | 39 | 53.4 |
| | Contemplation | 9 | 12.3 |
| | Preparation | 17 | 23.3 |
| | Action/Maintenance | 8 | 11.0 |
| Budgeting ^c | | | |
| | Precontemplation | 23 | 43.4 |
| | Contemplation | 8 | 15.1 |
| | Preparation | 12 | 22.6 |
| | Action/Maintenance | 10 | 18.9 |

Table 3. Frequencies for Stages of Change by Financial Stressor Topic Groups

Note: Data reported here represent responses for the subsample who identified as most stressful to them one of the three financial topics in the table.

an = 76

 $^{c}n = 63$

 $^{{}^{}b}n = 73$

The stages of change for readiness to learn about the financial topic identified as causing the most stress were examined for those in each of the three most frequently cited stressful financial topic groups. Among those who identified retirement planning as their top stressor, nearly half (47%) were in the Precontemplation stage. Similar percentages were found for those in the other two stressful financial topic groups. For those who reported managing debts to be the most stressful financial topic, a little over half (53%) were in the Precontemplation stage. Among those who identified budgeting as the most stressful topic, 43% were in the Precontemplation stage. See Table 3 for frequencies and percentages for each stage of change based on designation within top three stressful financial topic groups.

Discussion and Implications

As expected, employees in this study who engaged in risky lifestyle behaviors experienced poorer health than those who reported fewer such behaviors. Those exhibiting more lifestyle risk factors and those with poorer health also had more financial distress and less financial well-being. Some individuals use inappropriate coping mechanisms to deal with stress, such as "comfort eating" (Stambor, 2006), so it may be that the risky lifestyle behaviors exhibited by the participants in this study, such as smoking and over-consumption of alcohol, represent attempts to mitigate financial distress. Reduction in financial distress, then, should be part of a holistic program to promote well-being and prevent health problems in the workforce.

Part of the goal of this study was to determine which financial topics triggered stress for employees, and participants' level of readiness to learn more about the stressful topic. Presumably, willingness to learn more about a stressful topic indicates that the individual recognizes that a problem exists and that solutions for improvement are possible.

The employees in this study reported retirement planning, managing debts, and budgeting as the financial topics that caused them the most stress. Those who reported that retirement planning was the most stressful topic were older than those in the other two topic groups, and had lower levels of financial distress. These findings were not surprising, as retirement planning becomes more important to older employees who are nearing retirement age, and financial distress has been shown to decrease with age (Drentea, 2000; Prawitz et al., 2007). Older employees may not feel distress about their current financial situation, but may experience stress and uncertainty about whether they have saved enough to live comfortably following their retirement. Some may worry that if they have not saved enough, there is not enough time left to remedy the situation.

It is interesting that, for those who cited retirement planning as the most stressful of the financial topics listed, nearly half were in the precontemplation stage of readiness to learn more about the topic. Location in the precontemplation stage is an indication that an individual has no intention to change, and may deny that a problem exists (Prochaska, Norcross et al., 1994). Moving such clients from the precontemplation stage to the next stage of change, contemplation, represents a challenge for financial educators. Identifying the barriers preventing readiness to change is an important and necessary step in the process. A challenge for financial educators is to motivate employees early on in their working years to begin planning and saving for retirement so that stress over this issue can be avoided later in life. Again, this involves moving a group of precontemplators to the next stage of change, and likely represents an even more daunting task than motivating those nearing retirement to make meaningful changes.

For those citing managing debts and those citing budgeting as the most stressful of the financial topics, there were no differences in age. Both groups were younger than those feeling stress about retirement planning. Those in the budgeting topic group experienced more financial distress than those worried about retirement planning, but less than those concerned with managing debts. Those who felt stress about managing debt experienced more financial distress than either of the other financial topic groups.

Employees concerned about management of their debts likely lacked the needed resources to meet family demands, resulting in negative feelings about the situation. More than half of those claiming managing debts as the most stressful of financial topics, however, were in the precontemplation stage of readiness to learn more about the topic. The findings were similar for those who felt stress about the topic of budgeting- nearly half were in the precontemplation stage. Clearly, identifying which financial topic is causing one

stress does not necessarily lead to seeking knowledge about how to change the situation. As in the case of those worried about retirement planning, identifying barriers that are keeping people from seeking information that could enable them to change the situation is a crucial first step.

Lyons et al. (2006) pointed out that financial knowledge does not necessarily translate into behavior change. In a study of low-income consumers, Lyons et al. determined that the goals of a financial education program need to focus on what is obtainable for the program audience. While participants may want to solve their financial problems, they may not be ready or able to take the necessary steps. Xiao, O'Neill et al. (2004), in applying the change model of Prochaska, Norcross et al. (1994) changes in financial behaviors, noted that consumers struggle with the process throughout the stages of change. It is not surprising, then, that those with high levels of financial distress anticipate the hard work associated with managing their debts.

Xiao, Newman et al. (2004) studied consumers working to get out of credit card debt. They found that those in the action stage struggled in some of the same ways those in the preparation stage did, indicating they may not have been quite ready yet for change. Moving to the action stage of change before one is ready sets the stage for relapse. Many of the participants in the current study indicated a lack of readiness to learn about the stressful financial topic, so even if financial education were offered, such employees likely would not participate. Helping people move from the precontemplation stage to the contemplation stage requires specific strategies that are different from those used in other stages of change. Specific processes need to be used even at the program advertisement stage, for drawing an audience of consumers who need help with managing debts but are unwilling to learn how. This requires strategies different from those used to attract individuals eager to learn. For example, using the change processes that involve dramatic relief (experiencing of negative feelings that accompany negative behaviors) and environmental reevaluation (seeing the negative impact the inappropriate behavior has on others) are more useful in moving an individual from the precontemplation stage to the contemplation stage to an others) are more useful in moving an individual from the precontemplation stage to the contemplation stage to the negative behavior) (Prochaska et al., 1996).

Financial program developers likely would increase desirable program outcomes by assessing the stages of change of potential participants, then targeting those in different stages using different change processes. For programs set up this way, movement to the next stage of change is a reasonable target outcome. Indeed, Shockey and Seiling (2004) found that those who advanced by only one stage of change through a financial education program based on the TTM had double the probability of putting new behaviors into action. Change in financial management takes time, but using appropriate change processes to help clients move through the stages of change can be rewarding for both clients and financial educators. For program developers expecting to move participants from the Precontemplation stage through the various other stages of change leading to Action, significant resources will probably be required over an extended period of time.

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Healthy, Wealthy, and Wise Financial Education Program

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Key Words: financial health, adult programs, newsletter series, budgeting, credit, consumer education, mentor

Target Audience

Providers of financial education for adults, college students, and employees, including volunteer leaders.

Objectives/Purpose

Learn how Healthy, Wealthy, and Wise program materials may be accessed on-line and used in small-group lessons or for individual learning as a newsletter series.

Description

What is this program?

Healthy, Wealthy, and Wise is a financial education program designed to motivate adults to improve financial health, increase wealth, and make wise consumer decisions. The project was funded in part by a grant from Ameriprise Financial, Inc., administered through the National Endowment for Financial Education to support the delivery of financial literacy education to underserved adult segments of society. Mississippi State University Extension Service Family Resource Management Agents coordinate the program in their respective areas.

What teaching materials are used?

Twelve fact sheets in a newsletter format were designed for the program on the following topics: Assessing Financial Health & Wealth, Finding Extra Income, Budgeting, Saving, Setting SMART Goals, Establishing Credit, Using Credit Wisely, Solving Debt Problems, Insurance, Investing, Consumer Protection and Buying Skills, and Creating a Financial Filing System. The newsletter series was adapted for general adult audiences primarily from the Money and Marriage series developed by the University of Arkansas Extension Service and formerly used by the Mississippi State University Extension Service to reach newlywed couples.

How may I get copies of educational materials?

Fact sheet/newsletters may be accessed on-line at the Mississippi State University Extension Service's website: http://MSUcares.com In the "publications" link, search for key words, "Healthy, Wealthy, and Wise" or any of the key words in the 12 topics listed above.

What teaching methods are used?

Materials and methods have been adapted to reach a wide variety of groups and individuals in a number of ways. Participants have included: faith-based groups, construction-worker training programs, community college students, teams of university students, employees in the workplace and individuals.

Small groups form peer teams of 3 to 5 students, employees or friends that meet each week to address a new financial principle and encourage one another to practice what they have learned. Larger groups of 10 to 25 are led by trained volunteers, money mentors, or professional educators, using lessons, activities and games corresponding with each fact sheet/newsletter. At each meeting, participants receive small items, such as a notepad, pen, pencil, calculator, stamped envelope and form to request a free credit report, piggy bank or change purse as an incentive to come back for each session.

Individuals who are not interested in joining a group may learn on their own by signing up to receive newsletters in the mail on a regular basis-- each week, every other week, or monthly. Volunteers and professionals also use materials for one-on-one financial mentoring.

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