Book Review

Handbook of Consumer Finance Research

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This handbook consists of 25 chapters organized into four sections: basic concepts and theories, the Internet, special populations, and special topics. The authors of the 25 chapters are well-known, and many have published in *Financial Counseling and Planning*.

Part I: Concepts and Theories of Consumer Finance

In the 1st chapter, John Grable discusses the role that financial risk tolerance plays in shaping consumer financial decisions. He traces the development of theories that are related to risk tolerance and observes that measuring financial risk tolerance is a "work in progress."

In Chapter 2, "Personal Financial Wellness," author Sohyun Joo explains that financial wellness incorporates financial satisfaction, attitudes, behavior, and the status of a person's financial situation. She encourages researchers to further examine the relationship between health wellness and financial wellness.

Sherman Hanna and Samuel Cheng-Chung Chen review research on retirement savings in Chapter 3. They note that about half of working households are not saving enough to maintain their current spending after retirement. They indicate that research is needed on pre-retirement withdrawals and the estimation of spending needs in retirement.

In the 4th chapter, "Financial Education and Program Evaluation," Jonathan Fox and Suzanne Bartholomae explain that there has been a dramatic increase in the development and delivery of financial education programs in the last decade. They recommend a model for the evaluation of programs that includes these five steps: pre-implementation, accountability, program clarification, progress toward objectives, and program impact.

In Chapter 5, Jing Xiao discusses the theories of planned behavior and the transtheoretical model of behavior change and how these theories influence financial behavior. He notes that research is needed to understand whether consumers adopt behaviors in a pattern (i.e., a hierarchy) and whether financial behaviors enhance each other.

Ivan Beutler and Lori Dickson examine consumer economic socialization in Chapter 6. The major agents of socialization are culture, media, schools, peers, and families. They suggest that research is needed to inform educators how to identify critical concepts to be taught and how and when to teach the concepts.

Part II: Internet and Consumer Finance

In the 7th chapter, Jinkook Lee, Jinsook Cho, and Fahzy Abdul-Rahman use data from the 1995 and 2004 Surveys of Consumer Finance to show how the adoption of e-banking (ATM, debit cards, direct deposit, and direct payment) has changed over time. They note that e-banking laggards tend to be older, less educated, divorced or separated, and less affluent.

Robert Mayer points out in Chapter 8 that the use of the Internet for the transaction of insurance products has been slow. He offers several explanations for this phenomenon. One reason could be that shopping online for insurance involves providing a lot of personal information.

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Yi Cai and Brenda Cude address online shopping in Chapter 9. Although 73% of Americans used the Internet in 2006 and 70% of adult Internet users made purchases online in 2005, Cai and Cude note that some consumers still have concerns about privacy and security.

Part III: Consumer Finances of Special Populations

In Chapter 10, Lewis Mandell reports that national surveys that measure the financial literacy of high school students show a low level of ability to make financial decisions. Students from families with greater financial resources were more financially literate than students from families that were less well-off.

Angela Lyons reviews credit card behavior of college students in Chapter 11. She reports that over half of the students who have credit cards pay their balance in full each month. Students at-risk for misusing or mismanaging credit were more likely to be financially independent from parents, to owe more in financial aid loans, and to owe other types of debt.

In Chapter 12, Sharon DeVaney discusses the financial issues of older adults. She compares income, liquid assets, and net worth of older and younger households and cites research showing that all types of debt decreased as the head of household aged. Research is needed on financial scams on older adults and satisfaction with Medicare Part D prescription drug coverage.

Steven Garasky, Robert Nielsen, and Cynthia Needles Fletcher describe the consumer finances of low-income families in Chapter 13. They include asset ownership, health insurance coverage, the unbanked, home ownership trends, and credit use and predatory lending.

In Chapter 14, "Management Issues of Business-Owning Families," George Haynes, Sharon Danes, and Deborah Haynes provide a background and conceptual framework for studying business-owning families. They note that panel data on family business is needed to investigate the probability of survival and success of the business and the health of the family relationship.

Tahira Hira and Cäzilia Loibl address gender differences in investment behavior in Chapter 15. Their research findings indicate that women found investing to be less satisfying and more stressful. Also, women prefer instructor-based learning, and men prefer self-directed learning. Hira and Loibl include some of the measures used in their study.

In Chapter 16, the financial behavior of Hispanic Americans is described by Kittichai Watchravesringkan. Many Hispanic families prefer check-cashing services over banks. A study with Hispanic college students shows that students learned financial skills from their fathers, that values were important, and that business majors were more knowledgeable than other students.

Cathy Faulcon Bowen was the author of Chapter 17, "Money Matters of African Americans." She notes that Blacks feel that their knowledge about money could be improved, that participation in the stock market has increased, that spending power is increasing as education increases, and that Blacks were confident about retirement but said they needed to save more.

In Chapter 18, "Financial Behaviors of Asian Americans," Rui Yao observes that *Asian American* is an umbrella term for a diverse group. She also points out that there could be differences in financial attitudes and beliefs between first- and later-generation immigrants that are more closely related to the length of time spent in the U.S. than to their cultural background.

Part IV: Consumer Finance in Various Settings

In Chapter 19, Deanna Sharpe explains consumer financial issues in health care. She notes that consumers are not always willing or able to process health care information. When faced with high deductibles, many consumers forgo needed health care. She raises the question: how can public and private resources be allocated to create more equitable access to health care for all age groups?

Jeffrey Dew reviews research on marriage and finance in Chapter 20. He notes that married couples generally have higher incomes than single individuals, and married individuals accumulate 77% more assets annually than single individuals. He also notes that research has not examined whether individuals evaluate potential spouses' ability to manage the money they earn.

Myria Allen discusses consumer finance and parent-child communication in Chapter 21. She states that families fail to discuss financial issues even when this discussion could help children learn to make good financial decisions. She

notes that adolescents' use of spending money was a major area of conflict and that few studies address how parents help their teens practice financial skills.

Jean Lown reviews consumer bankruptcy in Chapter 22. She suggests that future research should replicate previous research before the Bankruptcy Abuse Prevention and Consumer Protection Act (BAPCPA) of 2005 to determine the impact of BAPCPA. Another possibility would be to collect data from files before and after BAPCPA to see what changes occurred.

In Chapter 23, Jinhee Kim explains financial education in the workplace. Financial education in the workplace has increased during the past 20 years. Although the effect of workplace education is assumed to be positive, more rigorous research would lead to stronger outcomes. Currently, data is often self-reported, and most studies do not use an experimental design with random assignment and a control group.

David Lander reviews the regulation of consumer lending in Chapter 24. He suggests that financial literacy education has emerged as the first form of intervention. However, he states that other measures are needed, such as placing a suitability standard on the lender. This would require the lender to make a loan only when it is a suitable product and has a reasonable chance of being repaid.

In the final chapter, Sharon Burns explains how a national organization can contribute to bringing research to financial counselors and educators. She calls for additional measures that can be used to determine the effectiveness of financial practices, presentation of information, and programs.

Recommendations

Readers will enjoy this book. Although the handbook was developed with educators, researchers, and policy makers in mind, financial practitioners will gain additional insight on their clients from these carefully written chapters. Many of the authors refer to research they have conducted using local, regional, or national samples. Also, many authors have conducted research with national data sets such as the Survey of Consumer Finances, the Consumer Expenditure Survey, the Health and Retirement Study, and the Survey of Income and Program Participation. The results and implications of their research will be useful for practitioners and researchers alike.

Educators will find ideas for the development of new programs and the evaluation of existing programs. Instructors looking for a textbook for college juniors and seniors could use the handbook. Professors looking for a graduate text or a book of supplemental readings in economics, finance, consumer science, business, and family studies could add the handbook to their syllabus. Graduate students in search of a theoretical framework or a research question will read the handbook from cover to cover.

Policymakers are likely to gain a better understanding of consumers and their financial attitudes and behavior. Perhaps the authors' results and interpretation will inspire some legislation on topics such as credit use, bankruptcy reform, or retirement savings. Editor Jing Xiao is to be commended for leading the development of this handbook. In summary, I believe that this handbook is a rich source of information on consumer finance research.