

Swedish Consumers' Experiences Of Financial Counseling

Birgitta Klingander¹

This article reports on Swedish consumers' experiences of financial counseling, based on a field study of 173 households and a follow-up survey of 93 persons. Forty-eight percent said they were helped in contacting the parties concerned and 34% stated they made such contacts after counseling. The advice given focused on budget planning. However, after counseling, 30% said they had made plans. The consumers wanted solutions to their debt problems. Only 14% said they had been given help with debt reconstruction. The effects of the counseling seem to have faded with time.

Key words: Debt problems, Household budget, Financial counseling, Financial management, Sweden

Introduction

It is in the interest of both the public and consumers that consumers at least make ends meet within available resources and keep to the credit agreements they entered into (Antonides & van Raaij, 1998; Konsumentverket, 1996; Svensk författningssamling, 1994, No. 334). Financial management in Sweden is taught using a preventive approach with the goal of help for self-help (Konsumentverket, 1992, 1996). There are numerous textbooks describing the goals and tools of financial counseling and financial management. There seems to be a consensus as to the advantages of financial counseling and management. How consumers understand and follow the help given by counselors has rarely been studied.

Financial counseling consists of acquiring an overview of a person's finances and trying to make changes while making ends meet (Konsumentverket, 1992, 1996; Williams, 1997). The principal task of financial counseling is to help people help themselves and, thus, a very important part of the counselors' work is to involve their clients in gaining control over their finances and to make changes in order to prevent relapses (Härryda, 1995; Konsumentverket, 1992, 1996; 1997). However, clients want solutions to their immediate credit payment problems and may not be ready to make changes (Berthoud & Kempson, 1992; Hinton & Berthoud, 1988; Prochaska, DiClemente & Norcross, 1992).

The purpose of this paper is to study consumers' experiences of financial counseling. What is the nature of their problems? What help were the consumers given by the counselor to find solutions to their problems? What was the result of the counseling?

Swedish Context

Financial Counseling in Sweden

Financial counseling as one element of consumer counseling^a, has existed in Sweden for more than 25 years. Most citizens are acquainted with this service, which is provided by the municipalities (Konsumentverket, 1997). The draft of The Swedish Debt Insolvency Act states that the authorities should contribute with information, guidance and counseling concerning questions of personal finance in general, and questions concerning debt reconstruction in particular (Statens offentliga utredningar, 1993/94, No. 123). According to The Swedish Debt Insolvency Act, financial counseling is a municipal concern, as can be seen in Section 1: The municipality shall, as part of the social services or in some other way, provide advice and instructions to indebted persons (Svensk författningssamling, 1994, No. 334).

Financial counseling can be described as a process involving different measures, from a financial review to debt reconstruction, necessary to balance a person's financial situation. Counseling can be summarized as a form of communication, based on voluntary participation, with the objective of finding possible ways of acting in relation to one or more problems (Konsumentverket, 1996; Stolanowski, 1994). The household budget is the main tool used by the counselors to obtain an overview of the financial situation, including an outline of the debt situation (Konsumentverket, 1996). Budget calculations are the principal way of planning, implementing and controlling the management of finances as well as being the most useful technique for obtaining control over household finances (Deacon & Firebaugh, 1988; Garman & Fogue, 1997; Konsumentverket, 1996). Debt reconstruction, which includes all types of measures to straighten out household debt problems, is part of financial counseling. Having a debt problem means owing a certain amount of money and not being able to

1. Birgitta Klingander; Department of Home Economics, Göteborg University; Box 12 204; SE- 402 42 Göteborg, Sweden; Phone: +46 31 773 4218; Fax: +46 31 773 4209; E-mail: Birgitta.Klingander@ped.gu.se

pay one's debts when they fall due (McGregor, Klingander & Lown, 1998). The purpose of the Debt Insolvency Act is not only to rehabilitate the debtors but also to ensure that their creditors are repaid the money they have lent. The Swedish Consumer Agency's brochure about debt reconstruction states that the Debt Insolvency Act is good for society. People are offered the opportunity to organize their lives and not become a burden to others. The law is also positive for the creditors, who would otherwise not be paid back at all (Konsumentverket, 1994). The intention of the act is also to provide conditions that will make voluntary debt reconstruction easier to handle.

Sweden - a Welfare State in Transition

Many fundamental changes in the economic and welfare system, such as deregulation of the credit market and lower social welfare subsidy levels, have altered the economic conditions for households (Eklund, 1997; Ingelstam, 1995; Socialstyrelsen, 1997). The Swedish welfare system, which has developed over 60 years, differs in many respects from the welfare systems in other European countries (Appendix). Swedish political goals are aimed at improving living conditions and increasing equality and have been achieved by means of a large public sector. The welfare system guaranteed a safety net for all citizens. Several generations of Swedes have incorporated the welfare system into their way of thinking (Ingelstam, 1995). Today, however, the goals of fighting inflation and budget deficits are given priority (Statistiska centralbyrån, 1997). The fact that Sweden is a small, open economy, and a member of the European Union, poses a challenge to the very foundations of the public sector. Households can no longer rely upon the government to ease their economic difficulties in the same way as before. Many consumers in Sweden are not aware that this change in Swedish politics has taken place. This, combined with the fact that the consumers' real income level is not compatible with their expectations and needs, leads to a volatile situation. Accordingly, in the 1980s, there was an increase in household borrowing in Sweden and, with this trend continuing, a large number of consumers are facing repayment problems (Eklund, 1997; Ingelstam, 1995; Socialstyrelsen, 1997). Many consumers find it difficult to solve their money and debt problems on their own, and lack both knowledge of, and interest in, financial management (Berthoud & Kempson, 1992; Dessart & Kuylen, 1986; Hinton & Berthoud, 1988; Kempson, 1995; Klingander, 1995; Sunila & Järvelä, 1994). Requests for financial counseling and debt reconstruction have increased markedly in Sweden and great demands

are placed on those persons who provide financial and debt counseling services (Konsumentverket, 1996).

Related Research

A combination of several factors, such as low income, income variations, dramatic life changes, household types and poor financial management, seem to increase the risk of becoming indebted. This is shown in several studies. Caplovitz (1974) interviewed debtors in default in the USA. He found that the three main causes of indebtedness were loss of income, overconsumption and default by creditors. Dessart and Kuylen (1986) studied problematic debt situations in the Netherlands. They found, using an index method, that factors related to credit such as overdrawn current account and high repayment rate, combined with personal factors and poor financial management, resulted in a higher risk of indebtedness. Sullivan, Warren and Westbrook (1989) investigated the social and economic position of consumer bankrupts in the USA. They found that unstable work history, as well as dramatic shifts in income, were the most important factors. Berthoud and Kempson (1992) investigated household indebtedness in Great Britain. They found, using multivariate analysis, that the probability of becoming indebted rose with young age, having children, being single, having several dependent household members, increased housing costs and increased consumer credit commitments. They also showed that low income, in combination with no savings, periods of unemployment and weekly budgeting periods, were significant factors. Mannion (1992) investigated money advice services in Great Britain. He found that the reasons for debt problems are unemployment, over-commitment, low income and budgeting difficulties. Poppe and Borgeraas (1992) interviewed indebted consumers requesting counseling in Norway. They found that the causes of debt problems were due to low income in relation to high debt. They also found that several problems such as unemployment, sickness and divorce were related to indebtedness. Poppe (1995) studied debt counseling in Norway. He found that households with debt problems had lost control over income and expenses. He also found that the debtors had experienced some dramatic life event, such as unemployment, sickness or divorce, which distracted them from an established managing routine.

Most studies establish that income problems are the single most important factor in becoming indebted. Single-person households with a low income are at high risk of having financial problems (Antonides & van Raaij, 1998; Berthoud & Kempson, 1992;

Socialstyrelsen, 1997). Income changes, often in combination with dramatic events, threaten the households' financial situation. There are also the questions of business debts, creditor default as well as personal and managing factors. Poor financial management has not been found to be the main cause of indebtedness in any studies. It is, however, one factor which may aggravate financial difficulties. The conclusion of most studies is that numerous factors may cause financial problems and indebtedness in households and that this is the reason for requesting counseling.

Help Given by the Counselor

Berthoud and Kempson (1992) found that more than half of those who consulted an official advisor were given help to negotiate with their creditors. They also found that debt reconstruction was very confusing to the debtors. Hinton and Berthoud (1988) interviewed money advice clients in Great Britain. They found that consumers did not realize that they were in a process of negotiation. Sunila and Järvele (1994) investigated the possibilities of financial and debt counseling in Finland. They revealed a degree of incongruency between the ambitions of the counselors and the consumers' expectations of the counseling in their study. They found that the task most frequently facing the counselors was to help the consumers figure out their economic situation, keep accounts and draw up an overall plan. However, as regards counseling, less than a quarter of the consumers said that they wanted help with budgeting. Instead, they wanted help with negotiations with creditors and debt reconstruction. This indicates that the clients wanted a short-term fix, not long-term empowerment.

Results of the Counseling

Hinton & Berthoud (1988) found that the immediate effect of money advice, as perceived by the clients, was that it reduced stress and tension, although it did not solve their debt problems. Sunila and Järvele (1994) found that half of the clients felt they could cope with their debt crises even if the debt problem had not been solved. Klingander (1995) studied households in Sweden, which had accepted a voluntary debt reconstruction with the help of a debt counselor. Klingander found that the clients were pleased with the counseling, but not with their economic status.

Does financial counseling change consumer behavior? Kerkmann (1998) reported a case study using a transtheoretical model from counseling psychology. Prochaska, DiClemente and Norcross (1992) stated that it is essential to find out how ready a client is for changes

and then design interventions. The Prochaska stages of change model determines that efficient self-change depends on doing the right things at the right time. Kerkmann found that many of the problems with financial counseling, such as lack of motivation to change and unwillingness to adopt new management practices, could be explained using this model. She suggests that counselors need to help the clients reach as soon as possible the stage where "they can be helped to move to stages where actual financial counseling can take place".

Few studies describe the use and usefulness of the budget for the counseling clients. Sunila and Järvele (1994) found that more than half of the consumers experienced a positive change in their ability to manage their financial situation after they had designed and implemented a spending plan. Poppe (1995) found, on the other hand, that drawing up a household budget is not enough to enable consumers to manage their own finances. Schnittgrund and Baker (1983) studied differences in financial management practices used by low-income families. They found that families, which did not have a budget, either thought they did not need it or had no money to make plans for.

Some studies show that the economic status and debt situation changed after counseling. Hinton and Berthoud (1988) found that real help consisted of increasing the consumers' income. This was mainly achieved through claims for additional welfare benefits made by the counselors and through repayment plans. Waerstad (1994, 1995) investigated the quality of financial and debt counseling in Norway. He found that counseling had changed consumers' attitude towards money and consumption and that a quarter of the consumers regained control over their financial situation, but the other 75% did not. Klingander (1995) found that in the ongoing counseling process, the households had become aware of the fact that their income was not sufficient for the living standard they were accustomed to, although, they continued to have problems with their payment plans and making ends meet. Berthoud and Kempson (1992) found that six to nine months after counseling, the consumers were having difficulties with their payment plans and that the help provided by the counselor was beginning to fade away. McGregor and Berry (1997) examined the impact of mandatory financial counseling for bankrupts in Canada. The bankrupts felt that they had improved their money management and that they would be able to avoid bankruptcy in the future. Financial counseling changed the financial and debt situation for

some clients, at least in the short term. But is financial counseling of real help in the long term?

Very few studies have looked primarily at the consumers' experiences of financial counseling. Some studies show that indebted consumers find their situation very difficult to understand and have trouble dealing with it after counseling (Hinton & Berthoud, 1988; Klingander, 1995; Mannion, 1992; Sunila & Järvele, 1994). These studies also imply that there is a discrepancy between what help the consumer wanted from the counselor and the help the counselor actually provided. The conclusions drawn from the literature are that indebted people do not use budgets, have short time perspectives, have a sporadic income and experience life transitions leading to debt problems. The clients do not want a budget from the counselor, but rather "a go-between" for their creditors. The clients have no benchmark against which to measure their debt experience and they are unaware of their legal status, do not know their rights and tend to regress after the counseling sessions.

Method

Sample

The study was carried out during the spring of 1996. The households had received financial counseling from Konsument-Trollhättan, a municipal consumer organization. The municipality of Trollhättan (population 53,000), which has a large industrial sector based on transport, auto manufacturing and energy, is to some extent like any other medium-sized town in Sweden. The municipality of Trollhättan has provided financial counseling when requested for more than 25 years. The counselors kept records, with the consent of the persons involved, of all households that had received financial counseling. The study deals with how the consumers perceive and handle their household finances two to six years after counseling. Since the study focused on the situation some years after counseling, households were chosen from the years 1990-1994. The final sample consisted of 173 households. Information included in the archived files concerned gender, year of birth, number of children and the households' budgets, such as discretionary income per month, total expenses and as well as debt status and life situation. In the archived files, there were also records and notes concerning the consumers' meetings with the counselor. This information was registered during the person's visits in 1990-1994 in standardized form by all the counselors. Data from the archived files (n=173) were used to show results about reasons for requesting counseling and the households' discretionary income.

Telephone and Home Visit Survey

A follow-up survey was made of the 173 households from the archived files. In households with two adults, the person who had first contacted the counselor was usually asked to answer the questions. The telephone survey included 24 questions about the reasons for getting in touch with the municipal consumer organization, Konsument-Trollhättan, the outcome of counseling and the state of the household economy after counseling. The result of a few questions are presented in the article. Fifty-four percent (n=93) of the telephone surveys were completed. Thanks to Konsument-Trollhättan's good reputation, many agreed to answer the questions even though they may actually have been unwilling to participate, initially. Most people were happy to participate in the study, although many of them were upset when their problems were brought up again.

Results

The Households who had Received Counseling

Households consisting of unmarried persons were overrepresented in the sample (69%) compared with the general population (36%). Of the unmarried households (69%), 45% were unmarried men or women without children and 24% unmarried (mainly women) with children. In the sample, 48% were families with children compared with 33% in Sweden. Twenty-four percent of the families in the sample consisted of single parents with children compared with 4% in the general population (see Table 1).

Table 1.
Household Type

Household Type	Sweden percent	Archived Files Percent, (n=173)	Telephone Survey Percent, (n=93)
Married and common-law	35	8	8
Married and common-law with children	29	22	24
Not married with children	4	24	24
Not married men or women	32	46	45
Total	100	100	100

Total number of households in Sweden = 6,244,000

Half of the persons in the study are between 35 and 49 years of age and 18% are over 50 years of age (mostly

single). This leaves 32% less than 34 years old.

Reasons for Getting in Touch with a Counselor

When the consumers came to Konsument-Trollhättan for the first time, they gave their reasons for requesting counseling. Reasons were noted in 154 (89%) of the 173 files. There were no reasons noted in 11% of the files. Debt problems were the main reasons for requesting counseling. In addition, the consumers usually had one or more problems involving social welfare allowances (40%), mortgages on their house or flat (32%), long-term illness (26%) and/or divorce or unemployment (25%). Nearly 20% had problems such as housing, cohabitation or no permanent job, which were related to the fact that they were young adults. Sixteen percent of the problems related to persons owning their own business, while problems relating to early retirement or sickness pensions and study-loan debts amounted to 12% and 7%, respectively. An average of four reasons was noted in the archived files (see Table 2).

Table 2.
Reasons Given for Requesting Counseling

Reasons	Percent
Problems in the households with:	
Debts	100
Social welfare allowance	40
Owned house/flat	32
Illness	26
Divorce or broken relationship	25
Unemployed	21
Problems due to youth	19
Own company	16
Small pension	12
No data in the files	11
Study-loan debt	7

Archived Files, n=173

Note. Reasons had been recorded for 89% of the files. More than one problem may have been noted. Social welfare allowance had not been granted or was not large enough. Problems due to youth includes a variety of problems, such as setting up their own household, broken relationships and payment problems due to credit cards.

The budget calculations made by the counselors were archived in the households' files. The budget consisted of three parts, net income minus standardized expenses and the resulting discretionary income. Net income was the household's total income and allowances minus tax. Expenses consisted of housing costs (up to a certain amount set by the Swedish National Tax Board) and reasonable household expenses. Reasonable expenses are basic expenses according to standardized calculations by Konsumentverket. What remains is the household's

discretionary income, which has to cover everything else, including debt repayment. It is notable that almost half of the households showed a deficit when they requested counseling. Negative discretionary income indicates that the household's incomes did not cover the standardized expenses established by the counselor. In principle, these consumers could have applied for a social welfare allowance but either did not do so or were refused. In the telephone survey, the consumers were asked if they had applied for, or been granted, a social welfare allowance. It is noteworthy that only 11% of the respondents in the telephone survey had recently received a social welfare allowance. In addition, 44% of the households (archived files) had a deficit and a quarter of these had less than USD 100. Fifty-seven percent of all the households had a budget showing a surplus, although 20% of these only had a surplus of up to USD 100 per month (see Table 3).

Table 3.
Household Discretionary Income per Month

	Discretionary Income	Percent in archived files, (n=142)
Deficit	More Than USD 301	7
Deficit	USD 201 to -300	4
Deficit	USD 101-200	10
Deficit	USD 0-100	23
Surplus	USD 0-100	20
Surplus	USD 101-200	18
Surplus	USD 201-300	11
Surplus	More Than USD 310	8
Total		101

Note. There was no information on 31 households (18%) of the 173 households in the archived files.

Help Provided by the Counselor

When asked about the quality of the counseling in the telephone survey, all the respondents exhibited a positive attitude. More than 70% of the respondents felt that the counseling they had received was good. Two thirds of all the respondents said they had been given an opportunity to discuss their problems and felt that the counselor had supported them. When asked the open-ended question in the telephone survey about what type of help the counselor had provided, half of the respondents said they were advised to contact their creditors or come to terms with "somebody". They had to collect information, work out conditions and negotiate with creditors and those with whom they had a financial dispute. The counselor discussed and supported them in this work.

Only 14% of the respondents in the telephone survey said that they were given help with debt reconstruction. However, almost 30% (n=93) had notes about debt reconstruction in their archived files. In addition, nearly 40% were given financial advice about how to cut down on expenses, take care of bills, stop paying off debts, sell belongings, etc. (Table 4).

Table 4.

Respondents' Perception of Type of Help Provided by the Counselor

Help provided for	Percent answering
Discussion and support	63
Contact with opposite parties	48
Household budget established	44
Financial advice	38
Debt reconstruction	14

Telephone Survey, n=93

Note. Some respondents gave more than one answer. Contact with opposite parties means that they were given help and support in contacting the persons, companies, banks, etc. involved.

The Results of the Counseling

One of the goals of financial counseling is that the consumers should be able to manage their household finances themselves after counseling, i.e. help for self-help. One important intention to help for self-help is that consumers are able to utilize the help and advice given them. Open-ended questions were asked in the telephone survey about whether or not the respondents had followed the advice given, and in what ways. More than half of the respondents said they had followed the counselor's recommendations. When asked in what ways, two thirds of these respondents said that they had planned, tried to keep to their plans, paid debts and/or kept an account of current expenses. Just under a third had contacted their creditors, appealed, taken up a loan, sold a property or stopped paying. However, another third of the respondents had not followed the counselor's recommendations. The reasons given were that they were not given any recommendations (48%), did not want any (28%), thought that the advice given was useless (17%) or no answer (7%).

When questioned about the help given them, only 44% mentioned that they had had household budgets drawn up for them (see Table 4). Interestingly, more than 70% of the respondents in the telephone survey said they had actually been given a budget in conjunction with counseling. Half of these respondents felt that the budget was useful and half had the opposite opinion. Most of the respondents who found the budget useful were unable to say how it had been helpful and the answers could be summarized as: "I've tried to keep to the budget more or less, but I think it is difficult and sometimes almost impossible!" Most of the respondents who did not find the budget useful stated that the budget was too tight and

impossible to use. A few of the respondents said that the budget " was useless" or "I did not bother about it".

The respondents' opinion of changes in their Discretionary income after counseling was interesting. 43% stated that their discretionary income had increased, 25% stated that it had decreased and 32% stated that they had the same discretionary income. Fifty-one percent stated that their debts had decreased, 28% stated that their debts had increased and 21% stated that their debts had not changed (see Table 5).

Table 5.
Income and Debt Changes after Counseling

Income changes	Percent (n=93)	Debt changes	Percent (n=93)
Decreased	25	Increased	28
Increased	43	Decreased	51
Same	21	Same	32
Total	100	Total	100

The households with more discretionary income after counseling (43%) said that this was due to higher income (13%) or changed household conditions (10%), which meant improvement as a result of divorce and newly married or common-law. Some respondents stated that they had more discretionary income as a result of paying off loans (8%) or reaching an agreement with creditors (8%). Only a few respondents said they increased their discretionary income as a result of having reduced expenses (4%). The respondents with less discretionary income after counseling (25%) stated that this was due to their discretionary income having decreased (14%) because of lower wages or lower benefits. Higher expenses (6%) due to increased living costs and larger debts (8%) were given as the reasons for a lower discretionary income. Respondents whose discretionary income did not change (32%) stated that they were satisfied with having that amount of money. Income changes and changed household conditions clearly played an important role. Agreements with creditors and paying off or reducing loans contributed to an increase in discretionary income whilst higher expenses and larger loans contributed to a decrease in discretionary income (Table 6).

Table 6.
Factors Affecting Changes in Discretionary Income (Telephone Survey, n=93)

Changes in discretionary income due to:	Less discretionary income (%)	More discretionary income (%)
Income changes	14	13
Household changes	1	10
Loans	4	8
Debt reconstruction	3	8
Expenses	6	4
Others	3	1

Note. The group with more discretionary income was 43% of n=93 and with less discretionary income was 25%. More than one factor may have been noted.

As regards the efforts made by the respondents themselves to handle their financial difficulties, 87% responded that they had done something when asked "what measures they had taken themselves". The measure most often taken (by 34%) was to contact creditors and try to come to an arrangement with them. The majority reached agreements with creditors. Thirty percent of the respondents said they had planned their finances. No respondent used the word budget. Some had sold their car or furniture (9%) or applied for grants from foundations (8%). Six percent said they were still trying to gain control over their finances. Many of the respondents were trying to do something themselves. Not one of them mentioned more than one measure. Thirteen percent did not take any measures at all to deal with their financial problems after counseling (Table 7).

Table 7.
Measures Taken by the Respondents after Counseling

Measures	Percent answering
Contacts with creditors	34
Planning	30
No measures taken	13
Sold/exchanged belongings	9
Applied for grants	8
Trying to gain control	6
Total	100

Telephone Survey, n=93
Note. No multiple responses.

Discussion

What were the consumers' experiences of the financial

counseling? Were the consumers able to utilize the help and advice for help for self-help given them in the long run? These questions will be discussed here from the perspective of the debt and income problem, and financial management.

The Debt Problem

The consumers' main reason for requesting counseling in Trollhättan was that they wanted advice and solutions concerning how to handle their debt problems which is in line with other studies (Berthoud & Kempson, 1992; Hinton and Berthoud, 1988; Klingander, 1995; Mannion, 1992; Sunila & Järvele, 1994). Negotiation is a major part of counseling. Almost half of the respondents in Trollhättan had been given help by the counselor in trying to reach a settlement with and contacting opposite parties (chiefly creditors). However, only 14% of the consumers said they had reached an agreement on debt reconstruction even though some kind of debt settlement was noted in 30% of the archived files. The consumers found negotiations confusing, and this is confirmed by other studies (Hinton & Berthoud, 1988; Mannion, 1992). Many consumers were unaware of their legal status, were unable to negotiate and did not know their rights. Did the consumers' economic status improve as result of debt negotiations? Eight percent increased their discretionary income by restructuring debts and 8% by paying off loans. However, 7% had experienced a decrease in their discretionary income because of restructuring debts (3%) and taking on loans (4%). It is difficult to reach agreements on debt reconstruction and therefore consumers to extricate themselves from their debt problems. The consumers' original attitude towards their financial situation did not change until they reached an agreement on debt reconstruction (Dessart & Kuylen, 1986). This could explain why the consumers in Trollhättan were not aware of having reached an agreement on debt reconstruction. Or does debt reconstruction mean something else to the consumers, such as having all their debts canceled?

The Low-Income Problem

It is obvious that income problems are the most crucial factor affecting household economy and causing debt problems. In the Trollhättan study, two-thirds of the households had a deficit or a small surplus in their discretionary income. Households with one provider are more vulnerable to variations in income. Twice as many of the households in the Trollhättan study consisted of one adult and 24% of the families had only one provider compared to the national average of 4%. Accordingly, 40% of the households had applied for a social welfare

allowance but only a few had actually been granted an allowance. The reasons given for requesting counseling in the Trollhättan study imply that a large proportion of the income problems was caused by both changes in the national economy as well as dramatic changes in personal life and household financial situation; this has been confirmed by most studies (Berthoud & Kempson, 1992; Klingander, 1995; Mannion, 1992; Poppe, 1995; Sunila & Järvele, 1994). The consumers' statements about changes in their discretionary income show that many households still had a deficit in discretionary income after counseling. For the majority of the households, it was a question of having very low income, which made it impossible for them to cope financially. Here, the counselors had been unable to provide concrete help. The Trollhättan study shows that increasing income, as in the case of 13% of the households, was what really improved the financial situation. For 10%, an increase in discretionary income was achieved primarily by addition of a second provider.

Financial Management

Many consumers were not fully aware of their financial status and how much money actually was available (Klingander, 1995; Mannion, 1992; Poppe, 1995). Accordingly, a large part of the counselor's work in Trollhättan consisted of clarifying the consumer's financial situation. Two-thirds of the respondents in the telephone survey stated that they had been given a budget, but only half of them said that they had found it useful. The problem seemed to be that the consumers did not have "ownership of the budget." Did they see the budget as the result of their present economic status and not as an effective management tool? It is obvious that the budget drawn up by the counselor, which was considered to be one of their most important tools, was not found useful by the clients. The counselors give financial advice on, among other things, how to reduce expenses. In Trollhättan, only 38% of the respondents in the telephone survey said they had been given financial advice, such as cutting down on expenses, taking care of bills and stopping paying off debts or selling belongings. As regards the factors affecting the households' discretionary income, only 4% stated that it had increased as a result of reducing expenses. However, 6% had a decrease in discretionary income due to increased expenses. This means that the counselor's advice was not effective when it came to the expense side of the budget. The consumers need advice on how to adjust their life style and consumption to their available income rather than cutting down on expenses. Budgeting requires skills, knowledge and interest, which consumers requesting

counseling seem to lack (Berthoud & Kempson, 1992; Klingander, 1995; Lea, Webley & Walker, 1995; Sunila & Järvele, 1994).

Help for Self-Help

In the Trollhättan study, the most frequent help given during counseling was discussion, support and encouragement. For 63% of the respondents in the telephone survey, the help provided had taken the form of the counselor supporting them in handling their financial crisis. The opportunity to discuss problems was a relief for most of them, something that other studies also confirm (Hinton & Berthoud, 1988; Mannion, 1992). The persons in the Trollhättan study were given advice and help so that they themselves could begin to tackle their problems. The most lasting measure was to contact opposite parties and try to come to an arrangement with them. However, 13% did not take any measures to mitigate their situation at all. Of the 30% who said that they had "planned" their finances according to the counseling given them, very few mentioned the word budget and not one mentioned more than one financial management practice. The consumers in Trollhättan found it difficult to take in the details of the work on their budget, although many of them understood how much money they had at their disposal. A first step in the attempt to gain control over one's finances is to obtain a clear picture of the amount of discretionary income. The financial counseling in Trollhättan did not enable the consumers, who requested counseling to adopt any financial management practices other than keeping a record of running expenses. They would have needed much more education to consider using budgeting as an important financial management tool. It could be that they were in a crisis situation and struggling to survive and that they were not ready for real financial management (Kerkmann, 1998).

Financial counseling in Trollhättan was a step towards self-help for the consumers with a surplus of money at their disposal and those who had accepted and learned to live with a deficit. However, measures such as debt reconstruction, and budget advice had not improved the economic status of the consumers with income problems; instead, counseling gave them the opportunity to discuss their problems and provide some relief from their economic stress. The consumers in the Trollhättan study had been given help to become aware of what money they had in order to gain control over their financial situation and to try to become used to a substantially lower consumption level, sometimes even below subsistence level. For a small group of consumers,

however, insight into their dismal situation made it even more difficult for them to cope with their financial difficulties. Dealing with these problems would have required arrangements with several authorities and parties and in unconventional ways, something that was not possible because of the sluggishness of the political system.

The results of the Trollhättan study give rise to many questions. First of all, more research is needed on how consumers accept, understand and follow the financial counseling provided so that it will be of real help for self-help. Secondly, financial counseling is an effective tool with many advantages. However, there seems to be little consensus as to what encourages consumers to adopt what textbooks consider to be good financial management practices. The Canadian model of mandatory financial counseling and education for bankrupts is intended to help debtors avoid becoming indebted again (McGregor & Berry, 1997). This approach assumes that education in financial management has a positive effect on consumers handling their household finances. This study challenges that assumption. The Swedish Debt Insolvency Act ought to stipulate mandatory financial education, as well as counseling. Thirdly, since the budget is the counselor's most important tool, more research on how consumers accept, understand and follow the budget given them, and how they can be motivated to use it, is needed. There is a need for research on acceptable tools other than budgets. There is also a need to elaborate the current education/training of counselors. Fourthly, more attention in public debate needs to be given to personal finance, as well as the rights and responsibilities of debtors, creditors, the state and counselors. Fifthly, there is a need to initiate a social dialogue on indebtedness in Sweden in the light of current economic, social and political changes. The overall political task should be to study what measures can be taken to improve the general situation of the poor and low-income households so they can avoid indebtedness.

Appendix
The Swedish Welfare System

Sweden has a high level of ambition concerning tax-financed services and income redistribution. This has resulted in comparatively high taxes. The total tax rate is approximately 50%, although earnings below USD 27,150 per year are subject to a tax rate of approximately 30%. The average blue-collar worker earns USD 20520 and the average white-collar employee USD 27960 per year.

Tax-financed services. A policy of fairer distribution of income among different groups is the reason for the state's extensive subsidization public services. The citizens receive large resources from the state. Subsidized public services account for 30% of GDP (GDP per capita is about USD 100). The largest public sectors are education, health care, care of the elderly, child care and labor market programs. The main purpose of the publicly subsidized education system is that all children and young adults should have an equally good education. Education is provided free of charge in the 9-year compulsory school system and the upper secondary school system and at universities and colleges. Students and adults who need to supplement their schooling can obtain study assistance. The aim of the health care system is to provide good health care and is based on the concept of need, not financial circumstances, determining the amount of care provided. All medical visits and expenses for medicines are recorded on high-cost cards. When people have paid USD 90 for visits to doctors (the average doctor's fee is about USD 10-20) and USD 180 for medicines within a 12-month period they are entitled to free medical care and medicines. The fee charged for a stay in hospital is USD 8 per day. From the age of three until their 20th birthday, children and young people are entitled to free regular dental care, other citizens pay a maximum of USD 350 (Table. 8).

Appendix **Table 8.**
Discretionary Income Adjusted for Dependents, and Subsidy Per Capita in USD, Per Year, 1999

Group	Discretionary Income	Total Subsidy	Elderly Care	Health Care	Education	Child Care
Average	15120	2810	420	910	1080	400
Not married	12500	1570	0	660	910	0
Not married, 2 children	10370	4630	0	520	2730	1380
Married, 2 children	15450	3040	0	530	1610	900
Not married pensioner	10870	5990	3690	2290	10	0

Appendix **Table 9**
Household Budgets in USD Per Month

Household Type	Allowances	Discretionary Income Allowances Included	Basic Expenses	Rent / House	Remaining
Married, two children, 2 salaries	170	2258 1*	1187	786	285
Not married, two children	531	1544 2*	763	430	351
Not married, pensioner with basic pension	498	790	307	370	113

Note. 1. If one person is unemployed for one month the discretionary income is approximately 400 USD lower.
2. If the adult is sick for a week the discretionary income is approximately 300 USD lower.

The social insurance sector. Via the social insurance sector, the State disburses income-based supplementary pensions as well as payments designed to maintain income during illness, parental leave, unemployment and retirement as well as child allowances and housing allowances. The transfer of payments to households is equivalent to 27% of GDP. The municipalities pay social assistance to individuals with an income below the poverty line. Only 8% live on social allowances all the year round. The monthly social security norm is USD 305 for single persons and USD 507 for a couple without children. The characteristic features of Swedish social insurance are that it is universal, compulsory and designed to protect living standards. It is financed mainly via taxes and employer payroll fees. Everyone earning more than USD 870 a year is entitled to receive sickness benefits. There is no compensation for the first day of sickness, but for days 2-14, 80% of the sick pay is paid by the employer and from the 15th day, 80% of sickness benefits are covered by social insurance. In conjunction with the birth of a child, the parents are entitled to a taxable parental benefit for a period of 450 days with various levels of compensation. Almost 22% of the households receive a housing allowance. Most of them are old age pensioners and single parents with children. Unemployment benefits after 5 qualifying days are 80% of the person's income (max. USD 58 per day for a period of 300 days).

Household budgets. The budgets of three different low-income households are shown in Table 9..

For more information see <http://www.si.se> and <http://www.scb.se>.

Endnotes

- a. *Consumer counseling is part of the municipalities' service and traditionally handles consumer advice, consumer complaints, consumer rights and financial counseling.*
- b. *The Debt Insolvency Act came into effect on July 1, 1994.*
- c. *The Swedish Consumer Agency [in Swedish: Konsumentverket] is a governmental organization which provides municipal counselors with service, information, material and courses.*
- d. *There were 670 archived files for the years 1990-1994. The sample consisted of 241 files, drawn randomly, comprising 36% of all the archived files. The size of the sample was determined by the desire to achieve as large a degree of representativeness as possible. In some of the 241 files, it was impossible to identify any person or, alternatively, they were marked with "may not be contacted" or "wishes to remain anonymous". A few of the archived files contained information about persons who had been offered an appointment but had not attended. Some of the persons had died. Accordingly, 28% of the sample (n=68) was not usable.*

- e. *The questions were both closed and open-ended (Wärneryd, 1990). Following an introductory letter, the telephone survey was started in April and completed in July, 1996. The questions were asked mainly over the telephone, but also in the home (those without a telephone) in order to reach as many persons as possible. The telephone survey was carried out by two trained students (from Göteborg university, Department of Home Economics, as part of their research study course) and one consumer counselor. The counselor had previously worked as an interviewer. She did not contact consumers with whom she had had any contact earlier or was acquainted.*
- f. *Of these, 11% were interviewed in their home because they did not have a telephone. Despite every effort, there were still people who could not be contacted. Some of them did not have a current address, others could not be reached, despite repeated phone calls and visits to their addresses, or did not want to participate in the study. While it proved to be very difficult to contact the persons, it was easy to carry out the telephone survey once contact had been established. The average length of the interviews was 45 minutes.*
- g. *Many of the respondents took the opportunity to talk about their situation and this information was also registered in this file with their consent.*
- h. *These persons were offered help from a counselor.*
- i. *The respondents were asked the open-ended question "What is your opinion of the counseling you received?"*
- j. *The question was "What type of help was provided by the counselor?"*
- k. *The questions were "Were you able to follow the advice given by the counselor?". If No, "Why not?"; If Yes, "What have you done?"*
- l. *The open-ended questions were "Did the counselor establish a budget for your household?" If the answer was Yes "Did you find the budget useful?"*
- m. *The question asked was "Have there been any changes in your discretionary income?"*
- n. *The question was "Have there been any changes in the amount of debt?"*
- o. *The open-ended question asked was "What are the causes of the stated change in your discretionary income?"*
- p. *The respondents were asked to answer the open-ended question "Now, after counseling what measures of your own have you taken to straighten out your financial problems?"*

References

- Antonides, G. & van Raaij, W. F. (1998). *Consumer behavior a European perspective*. England: John Wiley & Sons, Ltd.
- Berthoud, R. & Kempson, E. (1992). *Credit and debt*. (The PSI report 1992). London: Policy Studies Institute.
- Caplovitz, D. (1974). *Consumers in trouble*. New York: The Free Press, The Macmillan Company.
- Deacon, R. E. & Firebaugh, F. M. (1988). *Family resource management. Principles and application*. Boston: Allyn & Bacon.
- Dessart, W. & Kuylen, A. (1986). The nature, extent, causes and consequences of problematic debt situations. *Journal of Consumer Policy*, 9, 311-334.
- Eklund, K. (1997). *Vår ekonomi. En introduktion till samhällsekonomin*. [Our economy. An introduction to social economy]. Stockholm: Rabén Prisma.
- Garman, E. T. & Forge, R. E. (1997). *Personal finance*. (5th ed.). Boston: Houghton Mifflin.
- Hinton, T. & Berthoud, R. (1988). *Money advice services*. London: Policy Studies Institute.
- Härryda kommun. (1995). *Projektet ekonomisk rådgivning i Härryda kommun. Slutrapport 1995*. [The financial counseling project in the municipality of Härryda. Final report, 1995].
- Ingelstam, L. (1995). *Ekonomi för en ny tid*. [Economy for a new era]. Stockholm: Carlssons.
- Kempson, E. (1995). *Money advice and debt counselling*. London: Policy Studies Institute.
- Kerkmann, B. C. (1998). Motivation and stages of change in financial counseling: An application of a transtheoretical model from counseling psychology, *Financial Counseling and Planning*, 9 (1), 13-20.
- Klingander, B. (1995). *Hushållets vardags ekonomi. En explorativ studie av hushåll som avtalat om frivillig skuldsanering*. [The household's everyday economy. an explorative study of households which have agreed to voluntary debt restructuring]. (Research and Seminar Report no. 17). Göteborg: Göteborg University, Department of Home Economics.
- Konsumentverket. [Swedish Consumer Agency]. (1992). *Budgetrådgivning- ett positivt alternativ. Utvärdering av konsumentvägledares budgetrådgivning till enskilda hushåll*. [Budget counseling- a positive alternative. An evaluation of the consumer counselors' budget counseling to households]. (Rapport 1992/93, no. 2). Stockholm: Konsumentverket.
- Konsumentverket (1994). *Skuldsaneringslagen*. [The Debt Insolvency Act]. [Brochure].
- Konsumentverket. (1996). *Budgetrådgivning för skuldsatta*. [Budget counseling for persons in debt]. Stockholm: Konsumentverket.
- Konsumentverket. (1997). *Budgetrådgivningens möjligheter. Rådgivare i sex kommuner beskriver sin verksamhet*. [Budget counseling, the alternatives. Counselors in six municipalities describe their work]. (Rapport 1997, no. 12). Stockholm Konsumentverket.
- Lea, S. E. G., Webley, P. & Walker, C. M. (1995). Psychological factors in consumer debt: money management, economic socialization, and credit use. *Journal of Economic Psychology*. 16 (4), 681-701.
- Mannion, R. (1992). *Dealing with debt. An evaluation of money advice services*. Social Policy Research Unit. London: HMSO.
- McGregor, S. L. T. & Berry, R. E. (1997). Mandatory financial counseling for bankruptcy in Canada. *Proceedings of Association for Financial Counseling and Planning Education* (pp 9-17).
- McGregor, S. L. T., Klingander, B. & Lown, J. (1998). Cross-culture bankruptcy legislation comparative analysis: Canada, United States and Sweden. *Proceedings of Association for Financial Counseling and Planning Education* (pp 57-69).
- Poppe, C. & Borgeraas, E. (1992) *Ökonomisk rådgivning överfor personer med betalningsvansker*. [Economic counselling offered to persons with payment problems]. Report no. 1, 1992. Oslo: Statens Institutt for forbrukerforskning. [National Institute for Consumer Research].
- Poppe, C. (1995). *Gjeldsrådgivning i kommunene I*. [Debt counselling in the municipalities I]. Report no. 6, 1995. Oslo: Statens Institutt for forbrukerforskning. [National Institute for Consumer Research].
- Prochaska, J. O., DiClemente, C. C. & Norcross, J. C. (1992). In search of how people change: applications to addictive behaviors. *American Psychologist*, 47, 1102-1114.
- Schnittgrund, K. & Baker, G. (1983). Financial management of low-income urban families. *Journal of Consumer Studies and Home Economics*, 7, 261-270.
- Socialstyrelsen. [National Swedish Board of Health and Welfare]. (1997). *Social rapport 1997*. [Social Report, 1997] (SoS-rapport 1997, no. 14). Stockholm: Norstedts.
- Statens offentliga utredningar. [Swedish government official reports] (SOU. 1993/94, no. 123). Debt Insolvency Act. Stockholm: Liber. (1993).
- Statistiska centralbyrån. [Statistics Sweden]. (1997). *Välfärd och ojämlikhet i 20-årsperspektiv 1975-1995*. [Living conditions and inequality in Sweden - a 20-year perspective 1975-1995]. Report No 91. Stockholm: SCB, välfärdsprogrammet.
- Stolanowski, P-A. (1994). *Tilstrekkelig til livets opphold. Grunnlag og metode for økonomisk rådgivning på sosialkontor*. [Sufficient to live on. Rules and methods for financial counseling by local authorities] Oslo: Ministry of Health and Social Affairs. Bedriftsøkonomens Forlag.
- Sullivan, T. A., Warren, E. & Westbrook, J. L. (1989). *As we forgive our debtors. Bankruptcy and consumer credit in America*. USA: Oxford University Press, Inc.
- Sunila, M. & Järvelä, K. (1994). *Talous - ja velkaneuvontaa ylivelkaantuneille*. Raportti kokonaisvaltaisen asiakastyön kokeilusta ja kehittämisestä. [The Espoo financial and debt counseling project]. Helsinki: Espoon diakoniasäätiö.
- Svensk författningssamling. SFS 1994 no. 334. *Skuldsaneringslag*. (1994). [Swedish code of statutes. SFS 1994, no.334. Debt Insolvency Act].
- Waerstad, K. (1994). *Offentlig økonomisk rådgiving*. [Public financial counselling]. Report no. 13, 1994. Oslo: Statens

- Instituttt for forbrukerforskning. [National Institute for Consumer Research].
- Waerstad, K. (1995). *Interkommunal gjeldsrådgiving*. [Inter-authority debt counselling]. Report no. 5, 1995. Oslo: Statens Institutt for forbrukerforskning. [National Institute for Consumer Research].
- Williams, F. L. (1997, Winter). Financial Counseling: A model for family and consumer sciences professionals. *Journal of Family and Consumer Science*, 41-48.
- Wärneryd, B. (Eds.). (1990). *Att fråga. Om frågekonstruktion vid intervjuundersökningar och postenkäter*. [Asking about question design in field and postal surveys]. Örebro: National Statistics Office of Sweden.
-

Author's note

This article is part of a larger study of the economic situation of households, which have been involved in financial counseling provided by a municipal consumer organization in the Municipality of Trollhättan in the West of Sweden. Funds granted by the Swedish Consumer Agency, the Municipality of Trollhättan and Göteborg University have made this study possible.

My warm thanks to Dr. Sue L. T. McGregor, Professor; Department of Education, Mount Saint Vincent University, Halifax, NS Canada, and Architect and Senior researcher Jan Paulsson Ph.D.; Chalmers, School of Architecture, Department of Architectural Design, Göteborg, Sweden, for their support and advice while preparing this paper.