

Personal Financial Management Education: An Alternative Paradigm

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Personal financial management education has focused on recommended practices believed to ensure long-term financial security. Yet studies have found that few people actually implement such practices. This paper reports the study of seven family financial managers' practices to better understand what families did and why. While these managers had a regular and systematic cash-flow management process, the system was not what is generally recommended. The financial manager's objectives are limited to the short-term, to pay the family's bills on time, and to avoid overdrafts. Development of a practical system requires a paradigm shift built on the manager's short-term perspective and definition of life satisfaction.

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“Save for a better tomorrow.” Those words represent the mantra of many of today’s personal financial management professional. According to Garman and Fogue (1997), financial success is the achievement of five lifetime financial objectives: pursuing maximum earnings and wealth, practicing efficient consumption, finding life satisfaction, reaching financial security, and accumulating wealth for retirement and an estate to leave to heirs. As early as 1911, these objectives were noted and have remained relatively consistent since that time (Kinley, 1911). These objectives are the underlying cornerstone for the financial management techniques or recommended practices that have been taught since that time. Yet for all of the years of teaching personal financial management, there remains a concern that the educational efforts have not had the desired impact.

The purpose of this paper is to examine the practices and motivators that shape a family’s financial management practices. The information was gathered through analysis of case studies of the financial management practices of seven families, looking first for common specific financial management behaviors and then analyzing the explicit and implicit motivations prompting such behaviors. Of particular interest is the fact that the recommended practices have generally focused on the lifetime financial objectives and not adequately recognized the non-financial elements. The assumption seems to be that life satisfaction will be at least one of the outcomes if one practices recommended financial behaviors, when, in fact, there

may be little or no relation between the two. Another common assumption is that life satisfaction only occurs at a single point in time such as when an individual enters retirement.

Research studies offer evidence that, indeed, the recommended practices can offer greater wealth accumulation over the long term (Godwin, 1990a) but typically find only a minimal usage (Beutler & Mason, 1987). That brings up a question of why so few people use them (Davis & Carr, 1992). A related question is, if the recommended practices are effective at helping a family achieve financial net worth, but people are not using them, are there other considerations that motivate the household manager to adopt certain practices?

This study offers a detailed description of the financial management processes of ordinary families. The study intends to answer the question of “What do people do?” and “Why do they do it?” With such understanding, it may be possible to suggest new or modified recommended practices.

The paper is organized into four sections: (1) the background of the recommended practices from their origin until now; (2) a meta-analysis of the seven case studies looking for the practices and motivations of the personal financial manager; (3) implications; and (4) closing notes. The latter two sections represent an expansion of work already presented in Muske (1996) and Muske and Winter (1999; 2001).

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Background

In questioning the current recommended financial practices and then suggesting that there may be an alternate paradigm that may achieve the same end results, one may be considered heretical. But the alternate perspective may offer the field a new building block to help families and individuals improve their quality of life. Certainly no one wants to take a step backward, but the field has been working toward the achievement of long-term financial preparedness (Godwin, 1990a) for nearly 100 years, yet studies continue to show low usage of the recommended practices and concern continues about the financial preparedness of the U. S population (Braunstein & Welch, 2002; Bankruptcy filings, 2003). The intention is not to imply that the recommended practices are without value; indeed, studies show they can enhance wealth accumulation. Yet the lack of their use and the continued concern among financial professionals about the lack of financial preparedness suggest that something may be missing.

The recommended practices and their history

Personal financial management textbooks, nonformal personal finance curricula, such as Money 2000 (New Jersey Cooperative Extension, 1996), popular press books on personal finance, and financial management workshops offer a core set of concepts or recommended practices. It is suggested that, if the practices are followed, the individual and/or family will achieve economic well-being. The recommended practices include such things as having a place within the home where all financial documents are kept; setting financial goals, short term and long term; having a budget; keeping lists and records of household inventory, credit cards, insurance policies, etc. (Godwin & Carroll, 1986). The practices are to be done in writing and must be updated and maintained.

The recommended practices being taught today are not new. Andrews (1935) discussed the same basic information. They are also found in one of the earliest personal financial management textbooks (Hanson & Cohen, 1954). The idea that basic economic principles are important in handling the family's finances indeed was already noted in 1911 when Kinley offered the idea that a general economics should be a foundation course for young women (Liston, 1993).

The recommended practices, whether of 1935, 1954 or today, are similar to the basic accounting practices one finds in business accounting textbooks (Ingram, Albright, Baldwin, & Hill (2001). Monroe (1974) offered a reason for this similarity when noting that "keeping household accounts...is not a practice introduced in modern times. Probably it dates back to the time when "the accounts of the household were also

to a great extent the accounts of the business" (p. 47). Even the Motley Fool, one of today's most widely viewed web sites for personal financial information says "if your financial health is in doubt, be more businesslike" (Brokamp & Yochim, 2001, p. 58).

The recommended practices have been shown to provide the family with greater wealth accumulation (Beutler & Mason, 1987; Hira, 1987; Titus, Fanslow, & Hira, 1989) and have been linked, although weakly, to greater subjective satisfaction (Davis & Helmick, 1985; Godwin & Carroll, 1985; Hira, 1987; Williams, 1985). Often the relationship between use of the practices and an improved objective or subjective measure of economic well-being is only a presumption based upon the notion that, if the use of the practices is good for business, they also must be good for families (Godwin, 1990b; Rettig & Schultz, 1991; Williams, 1985). Researchers have noted, however, that often people using the recommended practices fail to do so completely. Things such as putting the budget in writing (Beutler & Mason, 1987; Davis & Carr, 1992; Schnittgrund & Baker, 1983), or keeping records and then comparing those records to actual expenses were not completed (Godwin & Carroll, 1986). Other practices often neglected are preparing a net worth statements (Lawrence, Carter, & Verma, (1987) or having formal goals (Hira, 1987).

In all of the analysis of the practices, no one has suggested that management is not occurring. Indeed, authors suggest that some type of management must be occurring (Marlowe, Godwin, & Maddux, 1995; Winter, 1986a). If not, personal financial problems, although growing, would currently be much larger after the boom years of the 90's were followed by the recession of early 2000 (Francese, 1997). Indeed, if personal financial managers had not managed at all, the U.S. savings rate, which had dropped below 0% into a dissaving range, would not be rebounding at a time when job growth remains stagnant and salary increases are minimal (Ewing & Payne, 1998; Samuelson, 1999).

The disconnect

The literature background then begins to create some question about the practices. Why do people not want to follow them? What is the disconnect between the recommended practices and their use by family financial managers? What is missing? Researchers have hypothesized that use might be influenced by: a person's personality or predisposition (Furnham & Argyle, 1998; Prochaska-Cue, 1993; Rettig & Schultz, 1991); lack of knowledge about the tools and how to use them (Mugenda, Hira, & Fanslow, 1990); the financial manager's attitudes and intentions (Mullis & Schnittgrund, 1982); or differences between novice and more expert financial managers where usage depends

upon the readiness to learn and the successful completion of the previous stage (Daley, 1999; Kerkmann, 1998; Osteen, 2003). Although such suggestions perhaps offer explanations about why the practices are not used, there remains the more basic question of understanding the financial manager's motivations.

The disconnect is not new. Kyrk (1944) and Mitchell (1912) suggested that treating family finances like business economics was a fallacy and that using the business practices for the family can only make sense if "the objectives of consumer education are very narrowly and imperfectly conceived" (Kyrk, p. 137). Mitchell (1912) noted that the business and the family are two dissimilar organizations, that the tasks of the household manager were more varied, and that the general managers of the household were not chosen for their efficiency. Dyer's (1992) comparison of the five major elements found within each system, goals, relationships, rules, evaluation, and succession, found businesses focusing on profits, revenues, efficiency and growth, whereas the family system focuses on the development and support of its members. Business relationships are semipersonal or impersonal and of secondary importance whereas, in the family, relationships are of primary concern and deeply personal. Business rules are written and formal; family rules are informal and bendable. Businesses reward its members based on results and performance and people can be fired. The family rarely can fire anyone but, instead, provides unconditional love and support. Members are rewarded for effort and who they are. Finally, succession in the business happens through retirement, promotion or leaving whereas succession in the family is only by death and divorce. Not only do the objectives differ, but so does the underlying theoretical basis. For the business model, the basis is that of the rational economic human (Greenbank, 1999) with the goal of maximizing wealth and efficiency, and building the larger organization. Life satisfaction for the business owner becomes a reflection on most typically the growth of the organization. It is unlikely that the family manager uses that same life satisfaction definition for the family.

The challenge

To begin the task of addressing the question of the manager's motivations and definition of life satisfaction, Cunniff (1998) says that the answer lies in asking the family. In other words, we need to get out of our "rut, thinking reoccurring thoughts" that limit family resource management in theory, research and, most importantly, practicality (Crowity, 1970; Wicker, 1985, p. 1094). Reason (1994) suggested that we, as researchers, must "acknowledge our real world experiences." At the 2000 American Council on

Consumer Interests conference, Michael Sheradin reminded the audience that "before you have data, you have stories." Winter (1986b) proposed working with a "small group...as they prepare to pay their monthly bills, asking them to verbalize the kind of things that are going through their minds" (p. 13-14) to get those stories. The comments of Sheradin and Winter suggest that process of developing a set of recommended practices that financial managers will actually use should start with understanding what current family financial managers are doing. Only after understanding the stories will financial management educators achieve Schnittgrund and Baker's (1983) challenge that a "better understanding of family economic behavior is needed to help families maintain their economic well-being" (p. 206). That understanding can lead to revision of a model personal financial management system that can achieve the manager's financial life satisfactions objectives along with the professionals' objectives of financial security and wealth accumulation.

The study that generated these data analyzed the practices and motivators of family financial managers. A second intended outcome was the understanding of how these pieces might come together into a framework or "grounded theory" (Glaser & Strauss, 1967; Miles & Huberman, 1994). Grounded theory is the "discovery of theory from data" (Glaser & Strauss, 1967, p. 1). Grounded theory is generated by comparative analysis where data are gathered; incidents applicable to each category are compared; the categories are then integrated; and a theory is proposed (Glaser & Strauss, 1967). The grounded theory developed from this work has been previously outlined in Muske and Winter (1999).

Methods

The research used a case study approach. The case study approach gains information from informants who are "real people with ordinary knowledge" (Spradley, 1979, p. 25) in ordinary situations. Respondents were gathered based on "intensity sampling" to minimize heterogeneity and gain deeper understanding of the management behavior of middle Americans (Morse, 1994). The purpose of such focused sampling allows for the resultant analysis to identify common financial management practices and themes that forge a unifying framework.

The seven families selected were "average Americans," which, according to the 1990 Census, was a family with children (one to three in these families), a median income of \$39,584 in a family with children (respondent's income ranged from \$40,000 - \$60,000), and average age of 35-44 (respondents were from 35 to 49). In all cases, the children lived at home, the couples

were in a first marriage, both adult members worked for pay or profit, and all were located in the Great Plains region of the United States. In-depth interviews were done every three months with the seven family financial managers--Angie, Cindy, Gary, Lorrie, Nora, Sam, and Sandy, during a four year period, 1993 until 1996, a time when the economy was growing. The family financial manager was self-designated by the family as the one who handled the family's daily finances.

Interviews ranged in length from 90 minutes for the first interview to about 45-60 minutes for later interviews. All interviews were taped and then transcribed. Time was also spent examining the informant's tangible evidence of his or her financial management system including the physical location of where bills were paid, examination of the checkbook(s) and savings records, tax records, and other historical fiscal records. For each informant, individual check numbers were randomly selected and the informant was asked to discuss what the check was for, how the decision was made to make that purchase, what ramifications that purchase might have had on other purchases or planned purchases, and any other underlying factors or future issues that might be involved regarding the purchase.

Qualitative research, like quantitative research, is faced with issues regarding validity and reliability of the data gathered. To assure the reader that the data has been gathered and analyzed in a scientific manner, a concept of trustworthiness has been used in the qualitative paradigm (Guba & Lincoln, 1989; Lincoln & Guba, 1985; Miles & Huberman, 1994). The focus of trustworthiness is to ensure that the data is credible, transferable, dependable and confirmable. To ensure trustworthiness in the qualitative paradigm, respondents received copies of transcripts and were asked to comment on the accuracy. They also received copies of initial analyses to see if their intended meanings were being accurately recorded.

Peer debriefing and triangulation techniques were used to validate the findings. Triangulation uses multiple methods and techniques to verify that the same conclusions would result (Flick, 1998). The first author regularly met with a colleague to discuss the findings, made presentations based on the initial findings to family resource management professionals, and had on-going meetings with various faculty members during the design, data collection and analysis of the study. A colleague read parts of the transcripts to see if similar key words and themes were noted across all seven cases.

Financial Management Practices and Motivations

The original study (Muske, 1996) created a "thick description" of the financial management activities of the seven family financial managers. The focus of this paper is the identification of similarities in methods and motivations across the managers, work originally developed and outlined in the *Journal of Family and Economic Issues* (Muske & Winter, 2001). Issues noted are those mentioned by at least four informants.

Practices

Overall system Perhaps one of the most significant findings is that each financial manager had a financial management process or system. That process was systematic, formalized, done in a regular manner and on a regular basis. The processes were rarely the recommended practices as outlined in the textbooks. They were usually self-designed with some features that emulated the recommended practices but other elements that were uniquely designed by the financial manager to minimize the mental management burden and time consumed. Each system was designed to keep the current bills paid, food on the table, a roof over the family's head, and to keep away from unmanageable debt. The systems were designed to smooth out cash-flow bumps.

Financial planning When asked, all seven informants denied using a budget. Yet tools were used by each financial manager, such as Lorrie's "little piece of paper," Nora's tablet, Gary's computer and Sam's system of "scribble[ing]," that provided some of the basic control features of a budget but were viewed as offering greater flexibility and internal control. The basic criterion for each system was its ability to examine a potential purchase and "still buy groceries tomorrow." Mental management was used extensively but only limited amounts of written planning were done. The fact that mental management was so important was an important factor in the development of the individual tools and the overall system used by the manager.

Multiple accounts Multiple accounts for managing the financial affairs of the family were used by five of the seven financial managers. The use of multiple accounts permits a physical allocation of funds, thus limiting mental management demands as well as the written records of the recommended practices. Multiple accounts, either bank accounts and/or credit accounts, provide an early warning signal about either a single category of expenses or a family's overall financial situation. There is great similarity between multiple accounts and the tin can system noted by Rainwater, Coleman, and Handel (1959).

Visual clues Another mental management tool was the use of visual reminders such as calendars with due

dates for bills; a tablet showing up-coming bills for the next four to six weeks; or even leaving unpaid bills in sight in a high traffic location as a reminder that action was needed.

Automatic bill payments Five of the informants arranged to have as many bills as possible paid directly or with little processing. This practice minimized time, energy, and mental management, even though the respondents knew that, in doing so, they may not be maximizing the return on their resources.

Debt Debt was viewed as ongoing, normal, acceptable, and as a way to control the family's financial situation. It allowed for more immediate gratification and satisfaction as well as provided stability in financial management as "debt payments are not optional" whereas savings is. Typically, the family undertook a new debt as soon as an existing debt was paid off. The managers expressed concern that, if the payments should end, those dollars would go towards some other item, making it difficult to again take on a similar debt. Always having a debt payment, e.g. taking on a car payment just after completing a boat payment, assures that the money is always available and helps the family get the things it wants. The informants readily accepted the idea of consumer debt. Each one felt they had a good mental idea of their maximum acceptable debt level. They could not verbalize what the level was but "I know it when I get there." On the opposite side, regular savings contributions, as opposed to debt, were not often practiced. When practiced, the respondents did not consider them wealth-building but, instead, often just another out-flow of cash, especially if the manager was responsible for making the transfer happen. Several managers indicated that savings represented what was left over at the end of the month and therefore did not often take place.

Mental management Although not a specific tool, managers looked for ways to minimize the need for written documentation. Instead they used "mind games" or "mentally, I know...I just know" or knowing what to do "from your gut." Mental management also came into play as managers used "past experience" to help make decisions.

Motivations

A list of the tools used is only a first step in analyzing the data for what it can offer in terms of understanding the financial manager's system. It also is necessary to understand the motivations underlying the tools if change is to be suggested.

Regularity/Stability Managers wanted to feel that there was a regular cycle to their financial management system. Included were paying the known and anticipated bills, and writing a check in an amount

large enough to cover the bill when the first monthly paycheck was received. Only Sam did not follow this practice. Because bill paying cycles around payday, the frequency of payday is a consideration to the financial manager. Receiving one check per month means a longer planning period with more unknowns until the next check is received, as mentioned by both Cindy and Gail. During the time of the study, Sandy's husband changed jobs and took an \$8000 pay cut. The loss of annual income was less important to Sandy than was the move from a salary to an hourly position, even though it offered the potential for overtime. Sandy commented, "The most frustrating thing to me with Karl's job change...I'm used to...where every paycheck was exactly the same...you could plan for it." Stability was the reason that Lorrie spent the same amount on groceries each week and Nora looked for insurance companies who "billed every month."

Control Regularity in the process afforded managers such as Cindy the ability to "get a better picture of the rest of the month" or a feeling of control. Control was not necessarily line item control, but an overall "not-go-in-the-hole" monitoring. By paying the bills, both in-hand and anticipated, all at one time, the balance in the checkbook is what remains for flexible expenses. The seven financial managers all looked for ways to "take the dips out" of cash flow. Nora did this by financing a boat over a 12-year period, knowing they could afford higher payments but protecting herself in case her husband's overtime and second job income should disappear.

Short-term safety Another consideration was the financial manager's need to feel a sense of safety in personal finances or "having the funds available to cover current bills," "providing protection if funding gets tight," and "avoiding an overdraft." The act of writing out checks for all known or anticipated bills, with anticipated balances, at the beginning of the month, gave a feeling of knowing how the month looked in general. For Cindy, this meant safety. She knew that when the bill actually came due, she could change the amount. Sometimes, when she was looking to ease the mental management, Cindy might also decide to "get rid of them [the bills] for the feeling of relief." Sam found safety by having a line of credit tied to his checking account. Safety for Cindy, Lorrie, Nora and Angie was obtained through "false balances" or keeping an artificial zero balance when in reality money still remained in the account. Another tool was to pay small additional amounts on regular bills until a one-month cushion was created.

Flexibility Cindy's practice of sending the check or not also represents the idea of keeping flexibility in the system. Similarly, Sam indicated the need for

flexibility by retaining a number of checking accounts at different banks so that he could approach them and get a loan quickly because of the on-going customer relationship he maintained.

Ease and convenience Managers constantly looked for ways to make cash-flow management easier. Sam, Lorrie, Sandy, and Nora all remarked that the practices recommended by textbooks and promoted in the popular press are neither easy nor convenient. Ease was a reason for visual clues and automatic bill payments. Respondents found credit cards convenient as: (1) a tool to match demands with income, (2) “the easiest way to pay for them [concert tickets],” and (3) useful “when out of town.”

Comfort The idea of comfort is part of several of the other motivators. Comfort to the financial manager means having a “cushion” for mistakes or having a series of accounts that could be accessed as needed. To Sandy, comfort represented a small savings account containing about one month of income.

Short-term focus Although mentioned last, the short-term focus, of one to three months in length, expressed by all seven managers represented the respondents’ most significant motivator. All of the other motivators were subrogated to the need to buy groceries next week. The managers offered little evidence or thought, even when asked, about undertaking long-term planning other than some nonspecific goals such as “get the kids through college” and “enjoy retirement.” Lorrie indicated that although “savings [is] important,” they were not important enough to cut “their current life style.” She said, “Saving is something people are interested in, but in reality, people want to enjoy what they have right now.” Probably the most crucial similarity found among all seven managers is the focus on the short-term cash-flow management issues. Although the study looked at both short-term and long-term issues, the financial managers in this study clearly were concerned about the day-to-day management of the family’s finances. Cash-flow management was identified by all seven managers, unlike issues such as the assessment and acquisition of adequate levels of insurance, emergency fund development, investments, and retirement planning.

Implications for Financial Management Education

Clearly, the findings from seven similar families offer a limited picture from which to suggest new approaches to financial management education. However, the similarities in practices and motivations among the families suggest that the findings cannot be dismissed without consideration. The findings offer insight into the processes of a significant group of families in “middle America”. This group could benefit from a set of financial management tools that focused on their

priority financial management issues. Instead of being the tools mentioned for the last hundred years as noted by authors such as Godwin and Carroll (1986), a revised set of tools is needed that respond to the needs of these managers. The financial managers in this study used mental management as opposed to putting everything in writing; they were focused on the short term; they valued and actively used consumer debt for purchases that not only might increase the family’s assets but offered opportunity to obtain wanted consumer items sooner rather than later. The managers wanted flexibility rather than the constraints they perceived in the formal budgeting process. They used tools that created stability, ease, and comfort.

When thinking about useful financial tools for this group, the data suggest that it may be necessary to begin with the core of recommended practices that are keys to achievement of the five financial objectives. All family managers had been exposed to these tools at some level during their educational career. Yet the financial managers did not express, in words or actions, even when asked directly, the need to achieve those objectives. In fact, only one of the five objectives--finding life satisfaction-- was even inferred in the data. Not only was life satisfaction the only objective identified, it was modified beyond what Garman and Fogue (1997) suggest so that it became a reflection that they “had it pretty good” and were “able to give the children things we never had.”

Life satisfaction also included on-going evaluations both from an objective and subjective perspective including “we are doing okay.” Such reflections were often as much influenced by comparison to reference groups as they were to actual money-in-the-bank totals. The subjective measure of life satisfaction, i.e. knowing that the manager could provide the family what it needed when it was wanted, was a desired goal for each of the seven managers. Examples of life satisfaction included Sandy’s expression of pleasure that Karl’s job change would allow more family time even though it meant an \$8000 reduction in annual income, Lorrie’s comment that getting what the family wanted today by using debt was worth more than waiting to save for it over time, and Sam’s statement that “I want my family to have the things I didn’t have.” For the managers, life satisfaction was not a great retirement or a large estate for the children, but a variety of short-and intermediate-term goals such as vacations, enjoying a family night at the movies and taking piano or sports lessons. Clearly the family system and the business system differ in their underlying values and objectives (Mitchell & Mickel, 1999).

Remembering, then, the motivators and practices of these managers, it is crucial that financial management professionals consider the development of new or modified financial management tools, ones more likely to be viewed by financial managers, such as those interviewed, as useful within his or her system and helpful in the achievement of the more typical short-term planning objectives. Such a change, in objectives, motivations, and tools, becomes in many ways a new paradigm for the financial management profession. This paradigm shift means a change from a business-based, long-term focused set of objectives and tools to a new paradigm that is focused on short-term family needs such as food and shelter.

Yet the call for such a paradigm shift comes with the understanding that helping the family financial manager prepare for the long term is crucial. The key to achieving a long-term focus is to approach distant goals from an angle not used before. When working with financial professionals, current training starts in the right direction when the financial professional is asked to first explore the client's short and long term goals. The next step, though, is where the paradigm shift occurs. Currently the next steps begin by suggesting tools to use that might help the family financial manager. In the new paradigm, the next step would be to recognize that a family and its financial decisions are not the same as a business. Thus, different tools and methods are needed for the family financial manager. The new paradigm would focus on the financial manager's short-term goal(s) and current financial behaviors, as well as his or her willingness to change. At this point, new tools, ideas, and methods could be introduced that would help the manager achieve such goals. Although all of the new tools would continue to move the family closer to long-term financial security, the focus of discussion with the financial manager would be on helping him or her achieve short term objectives. Although this approach may sound impossible, there are already examples and elements in place that can encourage such work.

First, the analysis of the respondents in this study indicated that they can, and actually go to great lengths, to be systematic. The managers wanted routines, but the routines had to be seen as beneficial to them. Second, again based on the practices demonstrated, the managers are not opposed to financial planning, but the tools for such planning must allow latitude in the tools and methods used. Both tools and methods must focus on short term needs and wants.

Third, the development of a new paradigm must recognize that many, but certainly not all, middle-American financial managers have several long-term concerns already addressed. Such programs may not

meet all of the proposed goals that a professional might suggest or be at the levels preferred, but one must recognize that something is in place that can be expanded when the time is right for the client. Often the programs in place are something required by an outside agency such as a lender requiring home insurance or automobile insurance, or offered as terms of employment, e.g. life, health and disability insurance. Even retirement savings are often a part of the benefits package. Six of the seven families all received health and life insurance and a retirement program at work.

Retirement programs represent a way to encourage long-term planning by relating it to the employment situation. Such retirement plans can be viewed as a wise financial management if they incorporate matched savings program. Such savings plans were available and used by five of the respondent families. Motivation to participate is effective if the rationale is to lower current taxes instead of the usual focus on long term financial security. Once in the program, the savings then becomes routine and often forgotten. It must be understood, however, that such savings are still viewed as an expense rather than an asset, but the automatic nature of the program helps achieve the manager's goal of ease and convenience. As a regular expense, savings become set in the financial manager's plan. The manager is willing to make these payments if the ability to achieve short-term safety is not compromised. Nora's comment about a small savings account was, "That started with a pay raise. I could have some money automatically put into savings yet my take-home pay didn't decrease. I didn't feel it." On the opposite side several respondents commented that when they physically transferred money into savings it felt "like an expense" and seemed to be so "insignificant." This last comment was why several of the respondents over-withheld for taxes, so that they could generate a large enough amount that made them feel they had something substantial.

All seven of these families added to their net worth by purchasing a home, which provided shelter and became one of their largest assets and offered tax benefits. New tools such as medical and/or dependent care spending accounts or Sec. 529 college savings plans that encourage long term planning through tax savings incentives were not used by families in this study because they were not available at the time the data were collected. The idea of encouraging long term planning through either automatic financial management tools and/or tax incentives is not new. These ideas work because the marketing focuses the motivators mentioned by the respondents; that is, short term safety, convenience, and regularity. The rapid growth of the college savings plan programs is a

example. As Michael Sheradin noted at a recent AFCPE conference, when people are forced to save, or when the system makes it easy, or when the tool supports short term goals, people are far more likely to implement behaviors that professionals know will help them achieve long-term financial security.

Finally, it is important to note that the paradigm shift may not require a major change in currently recommended practices. It may appear that the recommendations of financial management practitioners and the practices of the seven financial managers are greatly different, but the tools the managers used were often related to those recommended. For example, Sam's scribbling and Sandy's and Cindy's mental pictures indicated some form of budgeting. Managers appeared to tailor what they were given into what worked for them, because of holding a different goal than practitioners may have held.

To begin the paradigm shift, the first step is to relate to the family financial manager's focus on the short term. Professionals should recognize that successful behavioral change will not occur by bringing the population to the financial professional's perspective, but instead by starting where the majority of people are. Most behavioral change occurs one small step at a time. For the family financial manager, it starts with their existing financial system and short-term goals, and then over time adding more details and complex tools as the manager feels comfortable with the changes and finds a positive reason to incorporate such changes. Instead of having one set of tools, managers should be able to draw from a variety of tools that have been found to meet the manager's needs but also judged by professionals to enhance financial well-being. Each manager would then pick and choose the tools that best fit their own personal system.

Conclusion

The needed paradigm shift would involve working with the financial manager at his or her level of management, instead of using only one set of tools and assuming that all families are focused on the five financial objectives outlined. Families are not businesses and therefore cannot apply a set of specific tools. Professionals need to accept where the family is and where they would like to be, taking into account the unique goals that all families have and not the business model of wealth maximization. Tools suggested must be convenient, easy to use and provide rewards that exceed the costs of time and mental energy required to implement them.

Motivating financial managers to change behavior will not be easy; managers like stability. Therefore, change will only occur when there is a change required, or a "teachable moment". Such moments happened in this study as Sandy's husband's took a job change with a pay cut or Nora observing that things are not as good as they used to be, or Gary saying, "I wish we could do better."

Being in the right place at the right time with the right material is not easy. Therefore the paradigm shift must also include a focus on what and where people get their financial information. These respondents referred to "we heard," "everyone says," or "I read it somewhere" as sources of information. Information came from trusted others such as coworkers, friends, "our banker and insurance representative," and "the father of a friend" as well as the popular press including newspapers, *Glamour*, *Woman's Day*, *McCall's*, and *Good Housekeeping* and even "junk credit card mail."

This study used a small, homogeneous population and was conducted in a relatively favorable economic period. These qualifiers limit the generalizability of the findings. Similar qualitative research should be completed with different populations such as new families, single-parent families, blended families, and older families; and at different times in the economic cycle and in the family life cycle. Returning to these seven families would be of interest since their children would now be in school and they would be getting closer to retirement. A study with family financial managers not satisfied with their overall financial situations or how they approach financial management would also be helpful.

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