Motivation And Stages Of Change In Financial Counseling: An Application Of A Transtheoretical Model From Counseling Psychology

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While there appears to be general consensus in family finance texts and literature about which financial management practices are most effective, there is little agreement about what motivates financial counseling clients to follow recommendations. The Prochaska, DiClemente and Norcross transtheoretical model of stages of change is presented as a possible approach to motivate behavioral changes in financial counseling clients. Financial counseling techniques and strategies appropriate for each stage are integrated into the model along with specific interventions, examples and a case study.

Key Words: *Financial counseling, Motivation, Stages of change*

Family finance texts and literature seem to agree on what constitutes good financial management practices Record keeping, using a written spending plan or budget, comparing records to a spending plan, and estimating net worth and its changes over time, are widely taught as well as studied. (Davis, 1992; Davis & Weber, 1990; Fitzsimmons, Hira, Bauer & Hafstrom, 1993; Garman & Forgue, 1997; Godwin & Koonce, 1992). While many authors appear to agree on the advisability of such money management practices, research indicates that comparatively few people actually follow them (Davis & Carr, 1992; Davis & Weber, 1990). There appears to be little consensus about what motivates individuals to put financial management advice to use; or how to move seemingly unmotivated or resistant clients to make necessary changes in their financial management habits.

Financial counseling has been described as *the process of advising, instructing, and motivating clients concerning creative and effective use of all resources* (Credit Counseling Centers, Inc., 1981, p. 21). This includes *remedial financial counseling* aimed at resolving clients' financial crises, *preventive financial counseling* aimed at allocating resources so as to avoid potential future financial crises, and *productive financial counseling* aimed at establishing and meeting clients' long term financial goals (Lee & Pulvino, 1991).

Some attempts have been made to guide financial counselors toward serving clients better and towards improving financial counseling effectiveness. Williams (1989) reviewed and evaluated a variety of models from counseling psychology and made recommendations for their use in financial counseling (Williams, 1989). Authors of financial counseling texts and training manuals have integrated models and techniques from counseling psychology into their particular approaches (Waddell, 1989; Pulvino & Lee, 1991).

Researchers have identified client attitudes toward money management and financial counseling and recommend corresponding instruments to measure such attitudes for use by financial educators and counselors (Bailey & Lown, 1992; Lown & Cook, 1990). Danes, Rettig & Bauer (1991) found perceptions of income adequacy to have an indirect effect on intentions to change family financial planning strategies. They recommend including family members in tailoring their financial management plan, rather than making prescriptions (Danes et al., 1991). Personal financial management styles and management decision styles were identified based on underlying cognitive styles. Based on such classifications, it has been recommended that financial educators and counselors take differing management and decision making styles into consideration when planning counseling sessions and classes (Prochaska-Cue, 1993; Rettig & Schulz, 1993). Cross cultural and gender roles studies resulted in recommendations to take gender and cultural differences regarding money and money management into

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consideration. (Bailey & Gustafson, 1986; Bailey & Lown, 1993).

While a variety of measures for attitudes and cognitive styles have been published, they do not appear to be widely used in financial counseling or education. Specific recommendations have not been provided in the literature on how to address gender and cultural differences in financial counseling or education. Only general recommendations can be found of how attitude and cognitive classifications could be useful in enhancing either counseling or educational effectiveness. One researcher recommended use of family members' input in the counseling process.

A model addressing client motivation and stages of change and offering specific counselor tasks for each stage might be a valuable asset in improving financial counselor effectiveness. Such a model would be especially useful if it would be applicable regardless of what counseling theory a financial counselor prefers. It would also be beneficial if such a model allows integration of accepted financial counseling strategies.

The Prochaska Stages of Change Model

Over a period of twelve years James Prochaska and his team worked on identifying how people change (Prochaska, DiClemente & Norcross, 1992). Analyzing numerous psychotherapy outcome studies and applying principle component analysis and cluster analysis, they have identified five distinct stages through which clients move during treatment. These stages of change were transtheoretical, inasmuch as individuals appear to predictably move from stage to stage no matter which counseling theory is followed, or even if a person makes behavioral changes without professional help. This model has been tested extensively for changes related to for smoking cessation, weight loss, and substance abuse (Prochaska et al., 1992). It is viewed as a generally applicable model for individual or relationship therapy as well (Budman, 1995).

The five stages are as follows:

Precontemplation: At this stage individuals typically have no intention of changing and may not have thought about it. They are unaware of their problems, while others are aware of their problem.

Contemplation: At this stage individuals are aware of the problem and intend to change sometime, but haven't decided yet when, where or how. They may feel ambivalent about change.

Preparation: At this stage individuals intend to make necessary changes in the near future. They may have a plan and even make minor behavioral changes.

Action: At this stage individuals make the commitment of time and energy to actively make behavioral changes in order to overcome their problem. They are engaged and progressing in the change process.

Maintenance: At this stage individuals work at making changes permanent, but may need help to prevent relapse. Three to seven (average four) action attempts (Budman, 1995) may precede long-term (at least six months) maintenance (Prochaska, et al., 1992).

Individuals usually do not move from stage to stage in a linear fashion. Prochaska et al. (1992) found that individuals tend to relapse back to earlier stages multiple times before they become maintainers. They concluded that active interventions, such as giving behavioral prescriptions were not effective before the Preparation and Action stages. Positive treatment outcome was thus related to the counselor identifying the clients' stage and introducing interventions consistent with the tasks of this identified stage (Prochaska et al., 1992).

This model, developed by Prochaska et al., (1992) has been publicized beyond the professional literature (Kiester & Kiester, 1992) and even been suggested for financial education (Bristow, 1997) and financial counseling (Morand, 1996). However no specific counselor strategies have been identified for particular stages at present for financial counseling.

The Stages of Change Model in Financial Counseling

Assessment: During a first visit, the financial counselor usually assesses the financial situation of clients. It may also be helpful to identify the preferred learning and communication style, such as auditory (learns by listening), visual (learns by observation), or kinesthetic (learns with hands on, or by trial and error). These communication styles can be identified by interviewing clients about how they learn or by listening to verbal clues. Such clues may include but are not limited to statements such as: "I hear you" for auditory; "I just can't see that" for visual; "I am beginning to get a feel for this" for kinesthetic (Pulvino & Lee, 1991). Being aware of how clients communicate allows the counselor to adapt his/her client approach to engage clients in their preferred style and thus facilitate efficient communication.

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Identifying a client's current stage of change early in the counseling process is of particular importance, since it can help the counselor plan the strategy for the whole counseling process as well as select interventions and strategies appropriate for the identified stage. This can be accomplished by asking two questions formulated by Prochaska et al. (1992) and found useful in identifying immediate and eventual intention to change various problem behaviors (Budman, 1995). These questions are as follows:

1. Do you seriously intend to _______ in the next six months?

2. Do you plan to _____ in the next thirty days?

Financial counselors can customize these two questions from general to specific by what they insert into the blanks of these two questions. Since some financial counselors mail out letters with intake paperwork requesting personal and financial information before the first session, these two questions could be included in a general format. Such general questions could look like this: Do you seriously intend to change your money management practices in the next six months? Do you plan to change your money management practices in the next thirty days?

In a face-to-face interview, where the counselor already has some information about the client's problem, the questions could be more specific and stated as follows: Do you seriously intend to stop charging on your credit cards in the next six months? Do you plan to stop charging on your credit cards in the next thirty days?

The financial counselor may want to be aware that the reported validity for these questions does not state at this point in time whether such validity holds across cultures and genders. Therefore the counselor may need to check if the concept of immediate and near future that is assumed is shared by the client.

The matrix in Table 1 will identify one of the first three stages. Thus an answer of "no" to both questions, would indicate the precontemplation stage. "Yes" for question 1 and "no" for question 2 would denote the precontemplation stage. Finally a "yes" for both questions would put the client at the preparation stage (Prochaska et al., 1993).

From this model it is assumed that clients seek or are referred for counseling in one of these first three stages. There are a number of specific client characteristics and behaviors that accompany each stage. Knowledge of these will help confirm the staging. Likewise there are specific tasks for the counselor at each client stage, to help clients progress from stage to stage and ultimately to lasting behavior changes (Budman, 1995; Prochaska et al., 1992).

Table 1
Matrix for Identification of Stages

Question 1	No	Yes	Yes
Question 2	No	No	Yes
Stage	Precontemplation	Contemplation	Action

Precontemplation

Client characteristics: Clients at this stage frequently state that they don't need recommended financial management practices (Davis, 1990, Davis & Weber, 1990). Others may express that they don't need to change their practices, but just need the raise that was promised, but has not come through. At the extreme are clients who are waiting for a business deal or opportunity to end all their financial woes. They may even state that someone else (i. e .spouse, employer, creditors) needs to change. Clients at this stage rarely arrive for financial counseling of their own free will and choice. They may come at a significant other's urging or in crisis due to threatened collection or foreclosure efforts. They may even appear to make necessary changes, only to revert to old habits once the pressure is off. Premature termination of counseling is common at this stage (Prochaska et al. 1992).

Counselor tasks: Raising doubt about clients' current financial management practices. Increasing the client's awareness of associated risks and problems (Miller & Rollnick, 1991).

A good assessment of clients' financial situation with their balance sheet, income and expense statement or their debt/income ratio (Garman & Forgue, 1997) can be used to paint an accurate picture of what is happening (i.e. "You have X amount of obligations more than income per month"). The focus should be strictly on what is happening and on the advantages of changing problematic practices (Budman, 1995). The counselor needs to stay focused on the facts as presented and avoid

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judgmental comments or premature prescriptions for change at this stage.

Clients are not likely to accept or utilize solutions and prescriptions offered by the financial counselor (Hall & Shuter, 1983). Premature problem solving can potentially put the financial counselor in an adversarial role and stimulate client resistance (Hall & Shuter, 1983). Possible homework assignments should be geared toward thought stimulation and problem recognition. An example would be: "Between now and the next session think about what you anticipate things to be like, if ... you continue your current money management practices? ...you do not get the promised raise? ...you do not find that profitable business deal?"

Contemplation

Client characteristics: Clients at this stage readily admit that there are problems with their financial management practices. They may even express that they really should use a spending plan, keep records, save money or learn about the options their employer offers for retirement planning. They may have browsed in the financial section at the library and even checked out some books. However , they may or may not have read them. These clients have not made any attempts to change current practices and behaviors at this time. As in precontemplation they may not come to financial counseling voluntarily, but may arrive in crisis or upon the urging of a significant other. These clients may vacillate between wanting change and wanting to keep things as they are. They are not ready for prescriptions or advice from the financial counselor. Instead they may react with resistance if either prescriptions or advice are offered at this stage (Miller & Rollnick, 1991). Alternately they may counter recommendations with answers such as: "I've tried that, it didn't work..." "Yes, but..." (Miller & Rollnick, 1991). Some clients may even seem to accept offered prescriptions, then leave never to return.

Counselor tasks: Tipping the balance in favor of making changes and evoking reasons to do so. Weighing reasons for changing against risks of not changing to increase the clients' awareness of adverse consequences of their current practices. (Miller & Rollnick, 1991).

The counselor may help clients explore their values regarding money at this stage and point out discrepancies between stated values and actual financial practices. He/she could provide the information that high levels of agreement between stated values and behaviors are associated with high personal satisfaction (Hall & Shuter, 1983). The counselor can use computer programs such as PowerPay[a] to illustrate the true cost of credit over time. Prescriptions are still premature for clients at this stage and therefore should be postponed. Homework assignments should be geared toward values clarification and awareness of consequences of current practices. An example would be: "Between today and your next appointment think about and write down what matters most to you in your life. How are your current money management habits affecting what matters most to you?"

Preparation

Client characteristics: Clients express intentions to change financial management practices in the very near future, and may have unsuccessfully tried to make changes in the past (Prochaska et al., 1992). They may have already made some small changes such as tracking spending or comparing the total expenses with the total income. They may have purchased financial management computer software, enrolled in classes on personal finance or actually read some personal finance books they checked out checked out from the library. They may be asking many questions and appear to be seeking information. However, no major changes have been made yet. At the end of this stage clients are ready to try new financial practices and techniques.

Counselor tasks: Finally at this stage the counselor can effectively use his/her knowledge of finances and help clients make a realistic game plan (Miller & Rollnick, 1991). The first three of the "six phases of the budgeting process" recommended by Garman and Forgue (1997) would be appropriate here. These phases include goal setting, organizing and decision-making. In other words, the counselor can help clients set realistic and achievable goals and help them determine how to reach them. Debt reduction computer software, such as *PowerPay*, could be used to explore various debt repayment options. Clients at this stage are finally ready for the information and advice needed to create an effective game plan for their specific problems. Homework could include such assignments as keeping track of all expenses for a particular period of time, reviewing checkbook registers and other financial records to identify larger periodic expenses, reviewing insurance information and, inquiring about their company retirement plan.

Action

Client characteristics: At this stage, clients change their financial management practices. They show commitment and willingly expend the necessary and often

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considerable energy needed to make these changes (Prochaska et al., 1992). This is the stage where clients actively seek counseling and are willing to follow prescriptions. Clients may receive positive feedback from outside sources, because changes can be quite visible. Making changes at this stage, however, does not guarantee that changes will be maintained (Miller & Rollnick, 1991; Prochaska et al., 1992). Clients at this stage have a high potential for relapse to an earlier stage and may need to progress through intermediate stages again before change becomes permanent.

Counselor tasks: Helping clients take steps toward change. Being "actively and affirmatively interested in the clients' change process" (Miller & Rollnick, 1991, p.27) is essential for the counselor at this stage.

A counselor may intervene with a creditor and arrange for a modified repayment plan or help a client make the call from the counselor's office. Phase four and five of Garman & Forgue's (1997) budgeting process are appropriate in the action stage. For phase four, the implementation phase, the counselor could recommend following a spending plan and tracking income and expenses. For phase five, the control phase, checkbook register or envelope methods to limit spending can be taught (Garman & Forgue, 1997). Clients can also be encouraged to sign up for company retirement plans at this stage. Identifying and selecting different retirement plan options to better meet client goals and time horizon is yet another possibility. As the demands on clients at this stage can be particularly stressful, they may need support and empathy from the counselor (Prochaska, et al. 1992). Finally the counselor may also warn clients that relapse at this stage is quite common (Prochaska et al., 1992). This forestalls undue discouragement and allows clients to return to an earlier stage before trying the action stage again.

Maintenance

Client characteristics: Clients are considered to be in the maintenance stage when they have been able to engage in new financial management practices for at least six months. This stage may last a lifetime (Prochaska et al. 1992). Clients have learned to cope with temptation and are able to get back on track without much problem, even after temporary relapses or setbacks.

Counselor tasks: Helping clients maintain newly acquired financial management skills and practices. The counselor could help clients to identify when they are tempted to fall back into old counterproductive financial management practices. A relapse prevention plan can be constructed for such situations. He/she could explain to clients that relapse is possible even at this stage and that small lapses are certain to happen. This may help clients feel comfortable to return for additional sessions if a relapse indeed occurs or if the clients' situation has changed so that adjustments or a new approach are needed. A periodic phone call or follow-up letter could be useful after direct services have been terminated.

Special Considerations for Financial Counseling

Since many financial counseling clients, particularly those arriving for remedial or preventive financial counseling, may come for just a few sessions, it is essential to identify clients' stage as early as possible. This can be done by mail with an intake paperwork packet or by phone before the first session. Interventions to move clients towards the action stage can become the initial focus once the client arrives. It is possible for a skilled counselor to advance a client two stages in the first session (Miller & Rollnick, 1991). Once a client has reached the preparations stage, the actual financial counseling begins, precluding resistance or premature dropping out that is associated with offering action interventions in the earlier two stages.

Some financial counseling clients may not continue counseling all the way to the maintenance stage, but stop coming early in the action stage. This makes it especially important to prepare clients for possible setbacks and relapses. This would allow clients to get back on track instead of stopping when discouraged. It may also be helpful to make periodic follow-up calls by telephone, to reassure clients and offer additional sessions if needed.

Case Study

This case study will only include general financial information about the case, since it is assumed that financial counselors are well versed in assessing the client's financial situation, creating income-and- expense statements, computing debt/income ratios and such. The main focus will be on the clients' attitudes and on indicators of the stage of change at initial assessment and how they can be helped to move to stages where actual financial counseling can take place.

Assessment - Clark and Emily Myers: Clark and Emily arrive for their first appointment with a financial

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counselor, after Emily made the initial appointment. Emily returns the completed intake paperwork that was mailed to them. She also brings a stack of bills and bank statements. Clark appears friendly, but reserved. Emily reports that she made the appointment because she is concerned about their current debt load. Clark says little, but indicates that he really does not think that there is a problem with their finances.

Emily reports the following: Clark graduated from college the previous year after financing most of the cost of his education with student loans. They had been able to cover living expenses from their combined jobs and had not incurred any additional debt while in school. After graduation, Clark found a good job as an engineer. At the same time Emily stopped working since their first baby was expected shortly. She reported that it was important to her to be home with their child, at least in the early years. They bought a new sports utility vehicle and kept the old "beast" as second car for Emily. They had charged the furnishings for the nursery and other baby equipment to their *Visa* card. They also upgraded some household goods with the help of their *MasterCard*. Within three months of Clark starting at his new job, the payment booklets for his student loan payments arrived.

Emily discovered recently that while they had no problems paying deductibles and co-payments for childbirth and are currently meeting all their obligations, they are making little more than minimum payments on their revolving credit and that there is little money left over for discretionary spending after paying bills. Meanwhile Clark made plans to customize their new car, with the help of their *MasterCard,* something he feels he has earned after slaving in school for five years and now working long days. Emily reports that they would like to buy a home as soon as possible. Clark expresses that home ownership should become easily affordable, once he gets a substantial raise that he was promised for the following year.

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Identifying the stage of change: At this point Erica, the counselor, has the basic information - not all details are provided here - for making a preliminary plan on how to proceed. Clark's expressing that there really is no problem, and that a raise would take care of their home-buying plans, are a good indication that he is at the precontemplation stage. Emily has identified their problem and has taken the initiative to make the appointment for financial counseling. She has even added up their expenses and made a preliminary income and expense comparison. She has not, however made any changes in their spending pattern. This would put her at the preparation stage. Erica confirms the stages by asking the two diagnostic questions.

Motivating clients to move to next stage or stages: Erica discusses with Clark and Emily how much money they have coming in every month and their total obligations. With this basic income and expense statement she gives them an overview of their current financial situation. She also helps them calculate how much the planned car improvements would add to their monthly obligations. Then she asks them what their plans are if the anticipated raise does not come on time, is less than anticipated, or gets canceled. She also asks them if adding more charges to their credit cards would affect their current lifestyle and their goal of buying a house. Erica does not offer any advice yet and resists implying that they need to stop charging or need to start saving. Instead she stays strictly with the situation presented and helps Clark and Emily understand their financial situation.

When Clark begins to talk about the fact that there is little left over now, or that there might be a problem repaying additional charges, Erica takes it as an indicator that Clark has moved to the next stage, the contemplation stage. She could ask the two questions again, but resists since she feels confident in her assessment from the interview. While she has been mostly working with Clark to help him advance to the next stage, Erica included Emily in the discussion and encouraged her to provide facts to round out the picture. However she is very careful to discourage or deflect accusations and change orders that Emily or Clark might direct at each other. Erica still withholds any directive or judgment she might have regarding Clark and Emily's finances.

Since Clark now has admitted that there is a problem, Erica moves on to strategies appropriate for the contemplation stage. She discusses the pros and cons of maintaining their current money management practices with Clark and Emily. She introduces the PowerPay debt reduction computer program and enters their current balances, interest rates and repayment period and shows them the true cost of credit. She also demonstrates how repaying debt faster saves money and how extending it increases interest charges. She points out that the interest is money spent that buys them nothing beyond the initial purchase. Erica asks Clark and Emily if their money currently is spent on the things that are really important to them. How are current spending patterns affecting

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their goal of becoming home owners? Are current spending patterns jeopardizing Emily's ability to stay home with their baby? Are other important things or activities being threatened? And finally, are the benefits of buying new things or customizing their vehicle worth the monetary and other cost to them?

When Clark states that something needs to change, and also starts asking questions about what could be done to change their financial situation, the counselor knows Clark is at the preparation stage. Now he is at the same stage as Emily and they are at the point where both are ready for instruction and prescriptions. At this point the time allotted for the first session is almost gone. The counselor summarizes what has been discussed and discovered during the session. Clark and Emily are given the homework assignment to track their spending and gather information on periodic larger expenses that had not been included in the discussion during this visit.

Working on Finances: When Clark and Emily return for the following session, they report on their discussions at home. They found that having Emily stay at home with their baby is incompatible with their spending habits and housing plans. They also identified several large periodic expenses, such as insurance premiums, birthdays, Christmas and health insurance co-payments. At this point Erica also learns that Clark has good employer paid insurance benefits. She helps Clark and Emily tailor a spending plan with the information from their bills, the tracking exercise, the periodic expenses they report, and a savings goal for the house. As happens frequently, there is not enough money to cover all areas they would like to include.

After some brainstorming they decide, that they want Emily to stay home for the near future. While she does, they will reduce eating out and Emily will prepare sack lunches for Clark to take to work. They also decide that they really do not need to keep the old car. While it will not bring much at sale, selling it will reduce insurance, maintenance and gas expenses. Clark will ride is bike to work during the summer and car pool or take turns with Emily in the winter. They decide to apply an expected tax return toward the credit card debt and retire one card. They come up with other less drastic cost-cutting ideas for daily living. Clark somewhat grudgingly agrees to wait with customizing the SUV, at least until the raise comes through. Erica reminds them that if the cutbacks are too drastic, they may not last. She once again uses PowerPay and prints out several repayment plans for their credit card. This provides them with several options to choose from. They decide that for the time being they would like to retire their current debts as quickly as possible before they start any savings plan and put all freed up money towards that goal. Now they are ready for the action stage. Erica assigns them to start using their spending plan and keep track of how it is working. She reminds them, that no plan is perfect and to expect the need for periodic fine tuning of their spending plan. She also tells them that people tend to lapse back into old practices.

Clark and Emily return after two weeks. They have used their spending plan and found some changes easy to maintain and others that challenged them. Clark found himself resenting brownbag lunches every day. With Erica's help they decide to include a modest allowance for Clark in the spending plan, that he could spend without being accountable to Emily. If he chooses to buy lunch he could occasionally do so. They have not found a buyer for the old car, but are continuing to advertise. Erica introduces the idea of an emergency fund as a desirable goal for the future. The rest of the session is spent reviewing the spending plan. Clark and Emily state that they know what to do now. Erica once again reminds them that people frequently regress, only to start over at a previous stage again. They should not allow occasional lapses to discourage them, but get back on track as soon as they can. They agree on a follow up session a month later.

Emily cancels the session, but briefly talks to Erica on the phone and reports that things are going well. While thy had several lapses, they were able to get back to their plan with some brainstorming. Emily has bought a financial software package and finds it helpful to keep track of expenses. The Myers appear to be using their new skills quite effectively. Erica reminds Emily that she can always make an appointment if they run into problems.

Erica makes one last follow-up phone call after six months. Emily reports that Clark had gone ahead and customized the car and charged the cost. After some arguing they rearranged their spending plan to pay the new debt off as fast as possible, as they had done with the earlier debt. Emily also reports that they are saving modest amounts on a regular basis. There is no further contact between the counselor and the Myers.

Concluding Comment

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The stages of change model (Prochaska et al., 1992) addresses many of the problems encountered by financial counselors, particularly those commonly arising in remedial and preventive financial counseling. Such problems include lack of motivation, resistance and premature termination. Historically the model has a proven track record for a variety of behavioral problems and across counseling theories. The wide applicability of the stages of change model (Prochaska et al., 1992) also makes it attractive for financial counseling. It provides direction for the counselor in guiding clients through the process of change, as well as in selecting interventions that are appropriate and effective for each particular stage. However there are some special considerations for financial counseling that need to be accommodated. Since financial counseling can be brief, identifying clients' stage of change needs to happen as early as feasible. Counselors also need the skills to help clients advance to the preparation stage quickly. Once these accommodations are made, this model promises to improve financial counseling effectiveness and the potential or successful completion for the client.

Endnotes

a. *PowerPay© is a debt reduction computer program available through Cooperative Extension from Bulletin Room, Cooperative Extension Service Utah State University, Logan, UT 84321-8960*

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