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2022 AFCPE Symposium

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Research Papers

Less Calculations and More Stores: Improving Financial Education for Young Women in Australia
Laura de Zwaan & Tracey West

Workers with Medical Debt: Can FinTech Help?
Sally A. Hageman, Mathieu Despard, & Maudia Ahmad

Determinants of Familiarity Bias in Portfolio Choice
Shan Lei & Ani Mathers

Communication or Parents Support: Factor Influences Differently on the Relationship Satisfaction between Asian Americans and White Americans
Yiting Li, Virginia S. Zuiker, Joyce Serido, & Jeremy Yorganson

Personality Traits and Baby Boomers' Student Loan Indebtedness in the United States
Yl Lu

The Importance of Being a "Client" for Financial Planning Students: A Thematic Analysis of Financial Planning Students' Experiences Meeting with a Planner
Megan McCoy, Kimberly Watkins, Kenneth White, Rick Kahler, & Miranda Reiter, Texas Tech University

Determinants of On-Time Mortgage Payments: An Application of the Responsible Financial Actions Index
Gloria L. Preece, D. Elizabeth Kiss, & Maurice MacDonald

Is it Time to Reframe Beliefs About Gender and Money?
Syble Solomon & Hanchun Zhang

Financial Capability and Financial Anxiety: A Comparison Before and During the Covid-19 Pandemic
Jing Jian Xiao & Kexin Meng

Student Research

Government Stimulus and Its Impact on Savings Behavior During COVID-19
Chet R. Bennetts & Elizabeth Kiss

Financial Well-being and Financial Literacy During COVID-19 Among American Households with Student Loan Debts
Lena Gan & Stuart Heckman

Defining and Measuring College Student Financial Literacy
Mary Gatti, Oklahoma State University

The Promising Future of Fintech in Closing the Racial Wealth Gap
Meghana Karthic, Damilola Killanin, & Omobolade Odedoyin

LGBTQ+ Financial Inclusion: Challenges for LGBTQ+ Americans and Opportunities for FCS Professionals and Financial Counselors to Work Together
Stephen Molchan

How Do Underconfident Individuals Fare in Personal Finance?
Mengya Wang & Suzanne Bartholomae

Posters

Households' Debt and Their Life Insurance Purchase Decisions
Guopeng Cheng & Chen Xu

College Students Self-Reflection on Spending Habits and Money Management
Bernice A. Dodor, East Carolina University, Greenville, NC

Financial Capability of Undergraduate Students: An Analysis of Time Comparison Data
Selena Garrison, Martie Gillen, & Barbara O'Neill

Barriers to Homeownership: Mortgage Loan Denials in Travis County, Texas
Leslie E. Green & Narang Park

Renting, Homeownership, Home Equity Borrowing, and Financial Well-Being Among Older Americans
Yoon G. Lee, Ellie Hansen, & Heather Kelley

Budget Your Dreams
Jenni Whiteley & Alena Johnson

Research to Practice

When Money Can't Be Avoided: Helping Money Avoidant Widows Using the Changes and Grief Model
Deb Finnegan Biever, Nipa Patel, Ashley Agnew, Daniel Kopp, MA, CFP®, Jodi Krausman, & Megan McCoy

Get Ready, Get Set, Get Going: A Guide to Money Management is a Free New Curriculum
Brenda Long

Community Connections and the Spectrum of Prevention: Informing Strategies to Address Housing Needs
Samantha Roth, Sara Croymans, & Jose Lamas

Practitioners' Forum

Planning AHEAD: A Tool to Ease End-of-Life Planning
Jenny Abel, Carol Bralich, & Jackie Carattini

Innovative Community Capacity Building with the Volunteer Income Tax Assistance Program: An Overview of Implementation and Outcomes of University-Community Partnerships

Suzanne Bartholomae & Lance Palmer

"When Should I Begin Taking Social Security Retirement Benefits?": Tax Planning Considerations
Axton Betz-Hamilton

Unexpected Debt: How to Help Clients Manage an Overpayment Debt with the Social Security Administration
Nancy Boutot

A Care-losophy for Financial Counseling
Heath Carelock

Empowering Financial Wellness Education for Women During Economic Uncertainty
Amanda Christensen, Melanie D. Jewkes, Andrea Schmutz, Lendel Narine, Vincenza Vicari-Bentley, AFC®, Alicia Nelson-Bell, HCHC, & Lisa Cox

Mindfulness as an Approach to Dealing with Financial Stress and Anxiety
LaQueshia Clemons & Shadra Praks

Generational Differences in Financial Literacy and Education
Schane D. Coker, Dee Gardner, M. Elaine Harrison, & Jason Simpson

Understanding New Credit Scores Available: How They Work and When to Use Them
Lucy M. Delgadillo & Erica Abbott

Student Financial Wellness Programs: Planning and Hosting a Signature Event
Dorothy B. Durband, Tiffany Murray, & Elizabeth Massengale

Expanding Estate Planning Education in Financial Counseling
Sasha Grabenstetter

Utilizing Podcasts in Financial Education
Sasha Grabenstetter, Kathryn L. Sweedler, & Camaya Wallace Bechard

Estate/Legacy Planning for Parents/Grandparents Raising Minor Children
Marsha Goetting & Mandie Reed

Teaching Family Resource Management Skills within Financial Education
Nichole Huff

A Follow-Up: What We Learned from Teaching a Financial Counseling Class Online
Alena Johnson, Alana Stowe & Jenni Whiteley

Educational Strategies for Identifying and Addressing Financial Exploitation Perpetrated by Financial Planners
Jess Jussel & Axton Betz-Hamilton

New Era of the Thrift Savings Plan (TSP)

Mei Shan Jo Kammer

All in the Family: Parent-Child Financial Engagement
Dorothy Nuckols

Beyond Legal Documents: 12 Planning Strategies for a "Good Ending"
Barbara O'Neill

Income Tax Issues for Older Adults
Barbara O'Neill

DEI: Why Awareness about Equitable Hiring Practices is Critical to Financial Counselors' Toolkit and Client Engagement
Lauren Richetti & Catalina Laschon

New Partnerships for Bringing Financial Wellness to the Workplace
Laura Rowell

Financial Atomic Habits: The Power of Small Changes for Big Results
Cherie Stueve & Beth Watts

Financial Counseling and Ebenezer Scrooge
David Winfrey

Breaking Out of Financial Aid Fog
Lorna Saboe-Wounded Head

Financial Abuse: The Subtle Signs and Signatures-What to Do and When to Refer
Shara Young

Less Calculations and More Stores: Improving Financial Education for Young Women in Australia

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Background

Regarding general financial literacy indictors, evidence consistently shows that being young, female, a single parent, in poor health, unemployed and with low income and wealth increases the likelihood of low levels of financial literacy (West and Worthington, 2017). This paper focuses on two of those cohorts: females and young people. An extensive number of studies have found females outperform males overall in high school, outnumber males in university, and are higher qualified in the workforce. However, there remains consistent evidence that women, and in particular young women, have lower financial literacy levels than men (Chen and Volpe, 2002; Mandell, 2008; Lusardi, Mitchell and Curto, 2010), leading some to observe females have a 'grave' need for financial education (Goyal and Kumar, 2020, p. 96).

There have been different explanations proposed for this persistent gap. In Australia, financial literacy education at high school is often delivered within mathematics courses (Blue and Brimble, 2014), and it is well documented in past research that young women perform lower in mathematics tests. Gaulin and Hoffman, (1988) theorised this could be due to males' enhanced spatial awareness giving them an advantage in mathematics. While this may seem plausible, several researchers have proposed that non-cognitive factors could cause the discrepancy in performance. For example, Gneezy and Rustichini (2000) found that more valuable monetary incentives increase test performance, providing evidence for the impact of external factors on performance. In addition, several researchers have found stereotypes have a significant impact on confidence and performance (Dee, 2007; Carrell, Page and West, 2009; Hyde, 2005; Jacobs, 1991; Spencer, Steele, and Quinn, 1999). Thus, if males are stereotypically perceived as being better at mathematics, this may affect females' results in mathematics tests. Following this, Niederle and Vesterlund (2010) proposed that differences in mathematics test performance may actually be due to how the different genders experience the testing environment, with females underperforming in these conditions.

Given mathematical concepts are a key component of financial literacy, the studies discussed above indicate that there may be non-cognitive reasons that explain why young females score lower in tests of financial literacy. This would mean that instead of being a reality, young women having lower levels of financial literacy is a socially constructed concept. The Gender Identification Hypothesis (Hill and Lynch, 1983) proposes that during adolescence, there is increased pressure to conform to stereotypical gender roles, which may also explain why young women's ability in mathematics decreases. It could be theorised that these same non-cognitive impacts would also impact on young women's financial literacy.

There are other explanations given as to why females have lower financial literacy, with a growing acknowledgement of the role of financial socialisation. There is evidence of gender bias in the financial socialisation of children in the home, with male children reporting earlier conversations about money (Agnew and Cameron-Agnew, 2015). However Cupák, et al. (2018) explain that personal characteristics such as financial socialisation can only partly explain the gap. They propose socio-economic environments may explain more of the difference in gender scores. Recently, West, de Zwaan and Johnson (2020) provided evidence that women respond differently to financial literacy questions, providing some support for Niederle and Vesterlund (2010) on gender differences in testing in the financial literacy area.

This discussion leads to the question: are the observed lower average financial literacy levels of young women a product of cognitive skill, social construction, or a result of how we measure and define this ability? And further, are there other explanations for the discrepancy between male and female financial literacy?

Method

Using a mixed methods approach, we examine the financial knowledge, socialisation, and education needs of young Australians aged between 14 and 18. We find evidence of differences in the socialisation of genders, but more importantly, in the need for varied education and assessment approaches for males and females. Our target participants were Australian high school students, both boys and girls. Given financial concepts are often not relevant until a student is working, we targeted students in Years 10, 11 and 12 – an age range of 14-18 years old. The research aimed to explore not only students' knowledge of financial concepts, but also their attitudes and behaviours to financial decision-making, their experiences with money in the household, at school and amongst peers, their financial decision-making in relation to significant life events like starting work and buying a car, and other financial socialisation factors.

Four schools were recruited to participate in the research: two from a regional area, and two from an urban area. Importantly, we focused on publicly-funded state high schools and purposively recruited from both a regional and urban area. These schools

should be more representative of the population compared to privately-funded high schools (which are more likely to have socially advantaged students) or schools that are only located in urban areas with better access to services. Ethical clearance was obtained from both the state Department of Education and the University's Human Research Ethics Committee.
Broadly, the research aimed to address the following research questions:

1. Where do students learn about financial concepts?
2. What do they know about personal finance and managing money?
3. Are there observable differences between young women and men?
4. How can we improve the financial literacy and capability of young Australians?

We used an inductive research approach given the exploratory nature of the research questions and the lack of extant qualitative research in this area. Inductive research involves relying predominantly on observation of the students to determine patterns, and building theories based on those observed patterns. To provide enough observational data, we used both focus groups and interviews. Data collection commenced in February 2020 and was completed in March 2021. Table 1 below provides the breakdown for the number of focus groups and interviews that were conducted at each school. Both interviews and focus groups were semi-structured to guide discussions whilst still allowing for deeper exploration into different topics.

Findings

One of our prompts was to ask students if they have learned about money or financial concepts at school. Most students mentioned learning about personal finance in Maths, so we asked more specific questions about what they have learned in this subject. Some students clearly recalled learning about interest rates, compound interest and depreciation in Maths, while others only had vague recollections of learning about these financial concepts. Different assignments were mentioned, indicating that making learning about financial concepts assessable helps kids to retain this knowledge. Similarly, a group of boys mentioned a Maths assignment where they had to buy a car and had the option to save, get a loan, or lease a car. Importantly, they recalled car loans when we asked what they knew about loans, so this was an effective way of helping them to learn about loans. (C7)

A lot of students mentioned that they really struggled with Maths. "I don't like how hard they make it seem; you know? It's like you've got one thing to do, but you have to do it this special way." (A6) Others noted they particularly didn't like the repetition in Maths."I've never been good at understanding Maths, and even though it's easy now, because I learnt how to do it all, it's just kind of like the same stuff, just repeated, like graphing and just getting information and writing about it. Like it's just always the same. In tourism we learn about all different stuff." (D9)

Other students noted that Maths still wasn't teaching them everything they need to know, particularly students taking a higher level of Maths. Comments such as "I just find some of the concepts of Maths useless to my future career." (A6) were common. One student identified the problem with having to take either a Maths subject that would help them get into TAFE, or Essential Maths where they learn about personal finance. That student also noted that even essential Maths didn't cover everything. "When we were doing Maths [essential]… we didn't do anything on wills, life insurances, charities, records, we didn't do any of that." (A1)

Whilst financial literacy education can be addressed across a range of curriculum areas, in Australia most exposure is delivered in Maths, usually in the lower-level Maths subjects. A majority of students we spoke to, particularly girls, identified Maths as their least favourite subject. This means that this really important life skill is being embedded in Maths where many students are already disengaged. The next most common response was when prompted about learning financial concepts at school was "Definitely Accounting and Business." (A6)

Throughout all four schools, students who were studying business had much broader and more detailed knowledge of financial concepts. Business studies helped some students learn about, or at least become aware of, concepts such as investing in shares, insurance and superannuation. Interestingly, students who were studying business had a better understanding of the profit motives of financial services companies, and they had a better understanding of corporate structures.

Students also recalled learning about money and personal finance in other subjects. For example, one student mentioned work studies, where they learned "If something looks too good to be true, it usually is." (B2) They explained that they learned not just about jobs, but also about money. Another student mentioned geography. They explained that they learn about the economies of other countries in that subject (D2). Finally, a student studying Building and Construction talked about one of their projects which required costing a garden build (C11).

Discussion

A range of factors, not always associated with formal education, influence the level of financial literacy and capability of young Australians. However, there are opportunities to influence the development of financial literacy and capability within the school curriculum. Our research has revealed the following ways to improve this education.

Maths does have the potential to effectively deliver personal finance education for our students. Whilst Maths doesn't currently address all financial concepts, the major advantage of delivering personal finance education through Maths is that it is a compulsory subject for all students in high school in Australia. However, as identified in our discussions with students, there is a need to improve current approaches. Mathematical formulas have one correct answer, whereas in real life a financial problem may have a variety of options that solve the problem. When embedding financial literacy in the curriculum in such a linear way, the dynamics of real-world problem solving are ignored. Thus, the curriculum needs to include development of financial skills as well as knowledge. Our proposed solutions are discussed below.

Using different approaches to learning: Drawing on our findings around the importance of stories, we recommend using stories to help deliver the content. For every financial concept, there is an interesting historical event that can illustrate the point. Updating teaching resources for Maths to include more stories may help to increase student interest and engagement with the content. Another point is to gradually build the skill over time. The current approach appears to teach a concept and then move on. As with most skills, some revisiting over years would be beneficial in helping students to build financial capability. Finally, financial literacy needs to be addressed in all Maths courses. Students taking Maths Methods do not appear to receive as much instruction in this area of the curriculum, but it is just as important for them to learn. Currently financial literacy is predominantly taught in General and Essential Maths.

Continue to use assessment, but change the focus: Apart from stories, the most effective means of having students recall financial concepts is when learning is tied to their assessment. In that regard, assessment drives participation in learning about financial concepts and retention of that information. However, it must be noted that when assessing learning about financial concepts, it is important to use other forms of assessment rather than those just based on calculations. The current approach in Maths is to assess the formulas and calculations. This approach may actually disadvantage some students, in particular girls, who need more context. In this regard we find evidence to support Niederle and Vesterlund's (2010) hypothesis that differences in maths performance between genders may be due to how the different genders experience the testing environment. Based on our analysis, it is plausible to conclude that females have different strengths when it comes to communicating their financial knowledge. Including more written assessment that assesses the concepts without focusing on calculations would benefit these students.

Matching context to students: It is important that the content of financial concepts delivered in the classroom has meaning for students. Students indicated that some financial concepts have limited relevance for their age group. From our conversations with students, phone ownership and managing the cost is a great option for teaching these skills, as every single student, even the most financially disadvantaged, had a phone. Managing aspirational savings goals, including cars, and formals (especially for girls) are also good topics. Maths lessons involving interest, especially compound interest, need to be better connected to real life motivations for saving, including unexpected life events.

Financial literacy outside of Maths: While addressing financial literacy education predominantly in maths may be the most wide reaching approach in the short term given that Money and Financial Mathematics is a core component for years 1-10 in the Australian Curriculum, there are opportunities to teach financial concepts in other subjects. Many students reported learning about a lot of financial concepts in Business Studies and Legal Studies, however there is also scope to include these concepts in History, English and even Art. For example, Art and English projects can explore feelings about money and experiences within the household, while history could explore how our knowledge of finance evolved. Once we stop viewing financial literacy as exclusively a Maths-based responsibility, then there is potential to address financial concepts across the curriculum, benefitting students who are disengaged with Maths. Spreading the delivery of financial literacy education across several subjects may also alleviate some of the problems with the overcrowded curriculum and trying to limit financial literacy to any one subject.

Learning how to actually save: There is significant evidence of students not actually knowing how to moderate spending in order to save. Saving was approached as a 'not spending' behaviour, which appears to not hold once students begin to experience necessary expenses. Learning how to save even when on a tight budget, and understanding the lifelong benefit of that behaviour, would be of significant assistance to all students.

Limitations

Qualitative research is, by its nature, a more subjective research approach. Efforts have been made to reduce researcher bias in analysing and interpreting the data. Further research would be required to quantitively assess statistical significance. The COVID-19 pandemic impacted on the data collection process given the requirements for social distancing and a pause on research activities within schools. In order to progress the research, we utilised virtual focus groups and interviews for part of the data collection. Virtual data collection relies on microphones and internet connections which in some cases impacted on our ability to hear participants. Our gender assessment only considered binary genders given the sample size. We believe that our findings and recommendations around improving financial literacy education would benefit all genders. Finally, our survey sample size is small. The focus of this research was more of a qualitative approach given the extant literature is dominated by quantitative studies. It would be useful to draw on larger sample sizes to confirm our findings.

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Workers with Medical Debt: Can FinTech Help?

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Abstract

Approximately 31% of all workers in the U.S. are covered by a high deductible health plan (HDHP) through their employer (Kaiser Family Foundation, 2020). Frontline workers enrolled in HDHPs may find it hard to come up with the cash to pay for healthcare expenses until they reach their deductible. Healthcare cost burden and medical debt is associated with lower healthcare utilization (Al Rowas et al., 2017; Wharam et al., 2018). We examine a novel workplace solution – MedPut, a digital financial application that helps employees pay medical bills and other health care costs using interest-free payment plans and bill negotiation services.

Introduction

Employer offerings of high deductible health plans (HDHPs) rose from just 8% in 2009 to 30% in 2019 (Kaiser Family Foundation, 2020). These plans are attractive to employers concerned about premium costs (Vistnes & Selden, 2011) as premiums are typically lower than for traditional insurance plans. HDHPs may be offered with health reimbursement accounts (HRAs) or health savings accounts (HSAs). Average employer HSA contributions are $741 and $1,389 for single and family coverage, respectively, while average HRA allotments are $1,276 and $2,315 for single and family coverage, respectively (Kaiser Family Foundation, 2020). Employer contributions influence the decision of workers to open HSAs (Chen et al., 2013), yet many employers who offer HDHPs do not make HSA contributions or HRA allotments (McDevitt et al., 2007).

The rising popularity of HDHPs has coincided with greater access to consumer credit through financial technology ("fintech"), such as the emergence of peer-to-peer (P2P) lending platforms like Upstart and Prosper. Employers have turned to fintech products and services such as employer-sponsored small-dollar loans and earned wage advance as part of a growing trend of focusing on employee financial wellbeing (Despard et al., 2019, 2020a, 2020b). The confluence of HDHPs, fintech, and employee financial wellbeing is no accident; credit products to help workers manage their OOP healthcare expenses are emerging at a time when HDHPs are on the rise as part of a larger trend of economic risk shifting from institutions to individuals (Hacker, 2018).

Understanding how fintech-based credit products are reaching consumers through the workplace is important given prior research that finds an association between OOP expenses and healthcare utilization (Al Rowas et al., 2017; Brot-Goldberg et al., 2017; Kraft et al., 2009; Wharam et al., 2018). These studies have generally found that individuals are sensitive to changes in OOP expenses and reduce healthcare consumption when these expenses increase. New types of credit products may help frontline, lower-paid workers with HDHPs who lack insufficient income and savings to pay for healthcare out-of-pocket (OOP) until they meet their deductibles (Jacobs & Claxton, 2008).

The purpose of this article is to report on the trend of new credit products enabled by fintech to help workers with HDHPs handle OOP expenses. We do this by examining results of a descriptive study of workers who were offered a fintech credit product through the workplace. We assess differences among workers who did and did not register for and use the product, characteristics of OOP expenses covered by the product, and workers' healthcare utilization.
Lastly, we discuss our findings relative to the issue of healthcare affordability among frontline workers.

Cost Sensitivity, Medical Debt, and Healthcare Utilization

Consumer-driven healthcare is based on the premise that patients will be more discerning consumers of healthcare when they are expected to help pay for their healthcare. Yet when confronted with rising OOP expenses, patients may put off needed healthcare. Prior research suggests that individuals are cost-sensitive with respect to OOP expenses, which affects healthcare utilization. Brot-Goldberg et al. (2017) found that a switch to HDHPs from other forms of employer-sponsored insurance in a large, self-insured firm was associated with a reduction in healthcare utilization, including a 42% drop in spending while under the deductible.

Similarly, among families with children and one or more members with a chronic health condition, delayed care due to cost concerns was higher among those with HDHPs compared to traditional health plans (Galbraith et al., 2012). Chen and Page (2018) found that higher deductibles were associated with less access to care and unmet needs for medical and dental care, and prescription medication. Patients enrolled in HDHPs and who have limited income may be especially cost sensitive. Wharam et al. (2019) found that among women with breast cancer enrolled in HDHPs, low-income women delayed seeking healthcare to treat their cancer longer than their high-income counterparts.

Difficulties affording OOP healthcare expenses may result in accumulating medical debt. Himmelstein et al. (2019) found that nearly two-thirds of individuals filing for bankruptcy cited medical bills as a reason while Mathur (2006) found that over a quarter of bankruptcy filings are primarily the result of medical debt. Difficulty repaying medical debt may render individuals reluctant to seek additional care because it may add to an already unmanageable debt burden. For example, in one study more than 63% of individuals reporting medical debt avoided healthcare services they needed due to the expense compared to 19% of individuals reporting no medical debt (Doty et al., 2005). Similarly, Kalousova and Burgard (2013) found that credit card debt and medical debt were associated with delays in seeking healthcare regardless of socioeconomic and health characteristics.

The above findings suggest that as OOP burden and medical debt rises, healthcare utilization falls. Even when patients seek care, struggling with OOP expenses may impact health outcomes, such as the link between financial difficulties and poor health outcomes, including increased mortality risk among cancer patients (Desai & Gyawali, 2020; Yousuf Zafar, 2016).

Consumer Financing for Healthcare Expenses
Individuals can use various resources to finance their OOP expenses: personal savings, HRAs (if offered by their employer), HSAs, Flexible Spending Accounts, credit cards, unsecured bank loans, hospital and healthcare provider charity care discounts and payment plans, and payday loans and similar high-cost credit products. Healthcare loans (HCLs) are a newer option in which patients borrow from a special purchase entity (SPE) and the loan is amortized in a similar manner as mortgages, auto, and student loans (Montazerhodjat et al., 2016).

As part of a growing trend of employee financial wellbeing benefits, employer-sponsored small dollar loans offer workers a way to cover OOP expense and medical debt – especially workers with low or no credit scores who cannot access credit cards or unsecured loans (Despard et al., 2019, 2020a, 2020b). Loans can be linked to company payroll systems to enable automatic loan payments which lowers default risk (FINRA Investor Education Foundation & Filene Research Institute, 2017). Fintech lenders exclude credit scores from underwriting and instead issue loans based on workers' ability to make monthly, payroll-deducted loan payments. Earned wage advances give workers access to their accrued wages in advance of payday, such as the need to cover a copayment for a medical appointment prior to receiving the next paycheck. Workplace loans and wage advances thus give employees with no or low credit scores alternatives to high cost credit products like payday loans (Despard, 2020) to help manage their OOP expenses and medical bills.

Study Purpose

Difficulties managing OOP expenses and medical debt may stand in the way of healthcare utilization, which may adversely affect health outcomes, especially when patients delay or defer preventive care and ongoing management of chronic illness due to financial concerns. Offering individuals financial resources to better cope with these challenges may help reduce these care barriers, particularly for those who cannot pay for care with their income or savings and who need affordable credit options. The purpose of this study was to examine registration choice, use of, and benefits from an employer-sponsored, fintech credit product among workers with HDHPs intended to give these workers a way to pay their medical bills. Accordingly, our research questions were as follows:

1. What was the take-up rate for the healthcare credit product? Did product take-up vary based on employee characteristics, financial circumstances, and/or healthcare expenses?
2. What were the characteristics of healthcare bills submitted for payment? Did bill submission vary based on employee characteristics? To what degree were bills negotiated downward?
3. To what degree do employees put off healthcare due to cost concerns? Do these experiences differ among credit product users and non-users?

Findings from our study can offer insights concerning ways in which workers enrolled in HDHPs manage their OOP expenses and medical debt and help inform the need for healthcare affordability policy change.

Methods

This study was part of a project called the Financial Solutions Lab (FSL) led by the Financial Health Network (FHN), a national nonprofit in the U.S. FSL tests different ways to promote financial health using digital technologies such as apps to help people manage their expenses, pay bills on time, and save. We partnered with the FHN to study digital financial products and services offered through the workplace.

For this study, we examined MedPut, a fintech platform that helps employees pay medical bills and other healthcare costs using interest-free payment plans and bill negotiation services. MedPut focuses on employees enrolled in HDHPs who do not have money in an HAS or HRA thus may need help paying for healthcare expenses until they meet their deductible. Employees register to use MedPut and upload the healthcare bills they need help paying. MedPut pays the bills after trying to negotiate discounts for the employee. Employees make monthly payments via payroll deductions. The amount that employees can borrow is limited by monthly repayments capped at 5% of gross pay. Repayment terms vary from one month to two years.

Data and Sample

Data for this study came from two sources. First, administrative data from the MedPut platform was de-identified and shared with researchers for analysis. Data were included for 4,317 employees in 21 companies and organizations who were invited to use MedPut from January 2018 through July 2020. Data included employees' age, salary range, employer size and industry, and healthcare bills submitted for payment. Second, employees who used MedPut at least once were invited to complete a survey on two occasions, including 120 employees who completed a survey in November 2019 and 104 employees who completed the same survey in June 2020. A total of 35 employees completed both surveys, which means that the survey data included 189 unique observations. Survey questions asked about employees' experiences with medical bills and debt, use of healthcare, general household financial health, and demographic characteristics. The administrative and survey datasets were merged so survey responses could be associated with variation in the use of MedPut.

Variables

Dependent variables included whether employees registered for MedPut, whether registered employees used MedPut at least once, the number, amount, and disposition of submitted bills – current, delinquent, or advance payment, and whether a discount was negotiated and the amount of this discount. These dependent variables were measured using MedPut administrative data.

Additional dependent variables were measured from the user survey concerning financial difficulties and use of MedPut. Financial difficulty variables included having problems paying medical bills and being contacted by a collection agency within the prior 12 months, and ability to cover household expenses. Also, participants were asked whether in the prior six months they had lost a job or taken a pay cut due to illness or injury, postponed getting medical or dental care, and/or postponed filling a prescription medication because they could not afford it. Independent variables measured from MedPut administrative data included age, job tenure, salary, fee type (self, employer, or shared fee), employer size, employer industry, and any dependents in the home. Independent variables from the user survey included race, ethnicity, gender identity, marital status, and number of children in the home, and educational attainment.

Analysis

Bi- and multivariate analyses to answer research questions included chi square tests, t-tests, analysis of variance (ANOVA), and probit regression models using robust standard errors with employer as a clustering variable. Predictive margins from the probit models with covariance control were calculated to reflect the likelihood of an outcome while holding factors such as age, salary, and tenure constant.

Results

Sample Description and Differences by MedPut Status

The mean age of employees who had access to MedPut was 42.79 (SD = 12.69). Most (73.20%) employees worked for a large company and the most common type of industry was white collar. Over a third of employees had salaries below $40,000 and had dependents. Concerning MedPut status, employees who registered for and/or used MedPut were more likely than those who were invited by declined to register to be in the middle salary ($40 - $69,999) group, have dependents, have paid the MedPut user fee by themselves, work for a small employer, and work in a service sector industry or for the government.

<Insert Table 1 here>

MedPut Registration and Use

Out of 4,317 employees who were invited, 1,234 or 29% registered for MedPut which meant they could submit healthcare bills for payment. Employees with dependents were more than three times as likely to register (48%) for MedPut than those without dependents (15%) ($p < .01$). Employees in small companies or organizations were twice as likely to register (58%) as employees in medium (29%) and large (22%) companies or organizations ($p < .001$). Among registrants (N = 1,234), 21.31% used MedPut at least once during the study period of 2.5 years. Age, tenure, salary, and employer size were unrelated to MedPut use. However, employees with dependents were more likely to use MedPut (24%) than those without dependents (16%) ($p < .05$).

Number, Disposition, and Amount of Medical Bills Submitted
Most employees (82%) who used MedPut did so only once; most cases1 were for delinquent accounts (77%), followed by current bills (20%), and advance payments (3%). Of the cases for delinquent accounts, 21% were for accounts in collections. No demographic factors had a statistically significant relationship with total bills submitted or with bill disposition. The mean amount of medical bills submitted through MedPut was $1,379 (SD = $1,032.09) with a range of $44 to $4,958. An increase in one year of age was associated with $15 more in submitted bills ($p < .05$), yet no other factors were statistically significant.

Negotiated Bill Reductions
Over a third (37%) of submitted bills were negotiated downward with healthcare providers or collection agencies, saving employees an average of $117 per case, with a range of $0 to $2,728. Among cases with successfully negotiated reductions, the average discount was 18%. Employee salary was unrelated to receiving a bill reduction nor was there a statistically significant difference in the likelihood a bill would be reduced based on whether it was current or delinquent. However, 69% of bills in collection were reduced compared to only 30% of bills not in collections ($p < .001$).

Employee Healthcare Experiences & Financial Circumstances
Among all employees, 40% and 14% said they had put off getting medical or dental care and filling a prescription in the prior six months due to cost concerns, respectively. Concerning use of MedPut, users were worse off financially and were more likely to have put off healthcare due to cost concerns compared to employees who did not use MedPut. Over half (52.46%) and nearly half (45.76%) of users said they had problems paying a medical bill and were contacted by a collection agency within the prior 12 months, compared to 18.55% and 19.49% of non-users ($p < .001$), respectively. Users were also more likely to put off medical or dental care (63.33%) and put off filling a prescription (26.67%) due to cost concerns compared to 32.79% ($p < .001$) and 11.48% ($p < .01$) of non-users, respectively.

<Insert Table 2 here>

Discussion

This study examined the characteristics and experiences of employees enrolled in HDHPs across 21 companies who were offered MedPut, which allows employees to borrow money to pay healthcare bills and repay amounts borrowed through automatic payroll deductions. Regarding our first research question, use of MedPut was associated with having dependents but not age or salary. This finding suggests that employees with family coverage may struggle more with cash flow challenges in meeting their deductibles than those with single employee coverage.

In answering the second research question, most bills submitted to be paid by MedPut were for delinquent accounts, a fifth of which were in collections status. This finding indicates that employees who used MedPut faced a double bind of paying for healthcare out-of-pocket until they reached their deductible and dealing with existing medical debt. That over a third of bills were reduced through negotiation with healthcare providers and collection agencies suggests that employees may have more leverage than they realize in reducing medical bills. Accounts in collection were more than twice as likely to be reduced than current and delinquent accounts, suggesting that collection agencies are more likely to negotiate than healthcare providers, who may only reduce bills when consumers meet charity care eligibility guidelines.

Regarding our last research question, MedPut appeared to reach a group of employees who struggle with paying for healthcare and are prone to delay seeking healthcare because of cost concerns. Users had greater financial difficulty and were more than twice as likely as nonusers to say they would delay healthcare, elevating their risk for poor health outcomes (Kraft et al., 2009; Prentice & Pizer, 2007).

Findings from our study are aligned with prior research that draws a link between OOP expenses and medical debt and healthcare utilization. Individuals are cost sensitive and are inclined to delay or avoid healthcare when they feel receiving care will increase their financial burden. This may be especially true for individuals with HDHPs who comprised our sample – a group of individuals more likely than those with other types of insurance coverage to delay seeking healthcare (Al Rowas et al., 2017; Wharam et al., 2018, 2019).

Implications

That workers with HDHPs are turning to MedPut indicates that their healthcare is unaffordable, as nearly half (46%) of adults in the U.S. say it is difficult to pay for OOP healthcare expenses (Kearney et al., 2021). The rise in employer offerings of HDHPs and push for consumer-driven healthcare reflects a broader trend in which financial risk has shifted away from institutions and onto individuals (Hacker, 2019, Zhang, 2018).

Employers that offer HDHPs should make HRA allotments or HSA contributions equal to the amount of employees' deductible. This would be especially helpful to the lowest paid workers in the firm who likely do not have enough income and savings to pay for their healthcare until they meet their deductible. Using this strategy, workers may be less likely to put off going to the doctor or getting other types of care, which may help stem productivity losses due to illness. Financial counselors are in a unique position to assist these employees plan more intentionally for health care costs.

During benefits enrollment upon hire and annual open enrollment periods, employers could offer more information about the health insurance plan they offer so workers – especially lower-paid ones – can decide whether an Affordable Care Act (ACA) plan may be more affordable. Two pieces of information would help lower-paid workers determine if they might be eligible for ACA subsidies through the federal government: whether the employer's plan does not meet the minimum value standard under the ACA and whether the employee would pay more than 9.61% of their pay on the employee premium. However, premiums for HDHPs tend to be lower than for other plans, so these plans are likely to be considered "affordable" under ACA standards even through the high deductibles are a cost barrier for lower-paid workers.

Fin tech could help with insurance plan enrollment; workers need guidance concerning health insurance choices with respect to a confusing set of consumer costs – premiums, deductibles, co-payments, and co-insurance. This could be especially helpful for workers if their employer offers more than one health insurance plan type. In short, fin tech could reduce the information asymmetry and confusion workers experience when making enrollment decisions. It is important for financial counselors to be aware of these types of leverage opportunities and assist employees navigate reducing medical bills.

Another strategy is for healthcare providers to better advertise their charity care programs and interest-free payment plans and make it easier for consumers to apply for help (Velasquez, 2021). Since passage of the ACA, charity care programs have become more generous with respect to income eligibility guidelines (Bai, et al., 2022), though nonprofit providers provide more help than for-profit providers (Clement et al., 2002). Many healthcare providers now offer charity care discounts for consumers whose income is at or below 200% of the federal poverty level – about 44,000 (USD) for a household of three. Nearly half of U.S. workers are low-wage earners whose median hourly wages fall well within this eligibility parameter (Ross et al., 2020). Yet charity care accounts for less than 2% of expenses among hospitals (Zare et al., 2021). ACA provisions under Section 501(r)(4) of the Internal Revenue Code could be strengthened with respect to nonprofit hospitals' required reporting on Schedule H of the Form 990. Hospitals should be required to describe the effectiveness of financial assistance programs in reaching eligible patients and avoiding unnecessary billing that increases lower-income patients' medical debt and harms their credit. Financial counselors may play an important role in advocating for these policy changes as well as empowering clients to advocate for themselves.

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Table 1. Sample Description and MedPut Status (N = 4,317).

	Mean (SD) or %				
	Total	Users	Registered	Invited	p
Age	42.79 (12.69)	43.31 (10.79)	42.99 (12.01)	42.68 (13.06)	--
Tenure (mos.)	80.16 (90.18)	76.44 (71.89)	82.45 (92.71)	76.44 (71.89)	*
Salary					***
<$40k	35.49	26.62	32.03	37.33	
$40 – 69k	40.63	50.57	43.36	38.92	
$70k+	23.88	22.81	24.61	23.74	
Any dependents	34.75	69.58	58.39	24.33	***
Fee Type					***
Employer paid	27.33	21.67	24.10	28.84	
Employee paid	34.31	52.47	52.11	27.15	
Shared	38.36	25.86	23.79	44.02	
Employer size					**
Small	3.71	5.70	5.25	3.05	
Medium	23.09	20.91	21.42	23.81	
Large	73.20	73.28	73.33	73.14	
Industry type					***
Blue-collar[1]	20.64	17.49	17.40	21.93	
White-collar[2]	52.98	48.67	47.06	55.21	
Services	14.57	19.01	23.07	11.51	
Government	11.81	14.83	12.46	11.35	
N	4,317	263	971	3,083	

Note: * p < .05, ** p < .01, *** p < .001. [1] Construction, manufacturing. [2] Information technology, finance/insurance, professional, scientific, or technical services.

[1] Construction, manufacturing

[2] Information technology, finance/insurance, professional, scientific, or technical services

Table 2. Health Care and Financial Circumstances of MedPut Users and Non-Users

	Total %	Users %	Non-Users %	*p*
In the past 12 months:				
Problems paying a medical bill	29.73	52.46	18.55	***
Contacted by collections agency	28.25	45.76	19.49	***
Good financial situation[1]	70.49	62.30	74.59	--
In the past 6 months:				
Lost a job or had pay cut due to illness or injury	9.89	13.33	8.20	--
Put off medical or dental care due to cost	42.86	63.33	32.79	***
Put off getting a prescription filled due to cost	16.48	26.67	11.48	**
N	185	61	124	

Note: [1] Live comfortably or able to meet basic expenses with a little left over for extras.

Determinants of Familiarity Bias in Portfolio Choice

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Keywords: endowment bias, familiarity bias, home bias, individual investors

Abstract

The field of behavioral finance uses insights from psychology to explain predictable ways in which people deviate from rational decision-making. These behavioral biases have implications for investors' portfolio choice and wealth accumulation.

Familiarity bias is the tendency of individuals to prefer things that are more familiar to them. In investment application, this can take the form of investors over-investing in familiar stocks, which they assess as being a safer option than other investment choices, resulting in underdiversification and reduced portfolio efficiency (e.g., Baker and Nofsinger, 2002; Cao et al., 2011). A specific example of familiarity bias is the home bias, wherein investors buy a disproportionate amount of securities from their home country, which is more familiar to them, and underinvest in international securities (French and Poterba, 1991). This bias occurs in both retail (e.g., Dorn and Huberman, 2005) and institutional (e.g., Coval and Moskowitz, 1999) settings. Another form of familiarity bias is the tendency of individuals to invest in the stock of their employer (e.g., Benartzi, 2001; Barber and Odean, 2013). This tendency to invest heavily in company stock exposes investors to greater firm-specific risk and correlates their human capital with their investment portfolio.

This study uses the 2019 Survey of Consumer Finances to investigate the extent of familiarity bias among individual investors in the United States. We examine the relationship between investors' familiarity bias, including the home bias and endowment bias, and their financial situations, expectations, and personal characteristics. Individuals are found to exhibit endowment bias, whereby they overinvest in company stock, and home bias, whereby they underinvest in international stock. Additionally, this study discusses the implications for individuals, financial professionals, educators, and policymakers.

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Communication or Parents Support: Factor Influences Differently on the Relationship Satisfaction between Asian Americans and White Americans

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Keywords: Asian, communication, financial behaviors, financial disagreement, financial distress, financial worry, parental support, relationship satisfaction

Parents are often considered to be (or at least hoped to be) a secure base who can provide financial support and protection for children at younger ages, and even when children are transitioning to adulthood (Giarrusso et al., 2001; Swartz, 2009; Ward & Spitze, 2007; Zhang, 2004). Many studies have indicated the connection between parental financial interaction and relationship satisfaction, as well as how early parental financial interaction influences. However, extant literature only focuses on the general young adult population (Caucasian per se), and less is identified about how different culture, race, and ethnicity play a role during this process, and/or if there are similarities or differences between majority and non-majority population. Therefore, this study investigated whether parental financial interactions (e.g., financial help and support) impact the same or different way on relationship satisfaction through communication between White Americans and Asian Americans.

The current sample included 148 individuals who self-identified as Asian American and 2,253 individuals who self-identified as White American (i.e., European American). Results showed that married Asian Americans and married White Americans shared many similarities and differences regarding their finances and relationships; however, the same financial factors (e.g., help from parents) may have significantly different impacts on their relationship satisfaction.

Findings of the current study provide a more comprehensive point of view for the relationship(s) among financial behaviors, couple financial situation, parental financial situation, and couple relationship satisfaction between married Asian Americans and married White Americans. This research supports the hypothesis that, for Asian Americans who committed to marriage, parental financial help and support as a more significant impact on relationship satisfaction than married White Americans. Therefore, it is important to apply longitudinal designs through life transitions for researchers, professionals, and educators to understand the direction of effects of parental financial interactions and communications on relationship satisfaction.

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Personality Traits and Baby Boomers' Student Loan Indebtedness in the United States

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Keywords: Big five personality traits, Baby boomers, Student loan for children's education, Student loan debt, National Longitudinal Survey of Youth 1979

Structured Abstract

Purpose
This study investigates the relationship between baby boomers' personality traits and their student loan indebtedness in the United States.

Design/Methodology/Approach
The paper uses 2014 dataset from the 1979 cohort of the U.S. National Longitudinal Survey of Youth (NLSY79), applies survey weights, estimates two main probit models, and computes marginal effects.

Findings
The results reveal that those with greater openness are more likely to have student loans for themselves and their children. Additional analyses based on core/trailing boomer status show the differing roles of each personality trait on student loan indebtedness.

Research Limitations/Implications
Factors such as financial literacy and household wealth are not included in the analysis due to limitations from the NLSY79 dataset. In addition, causation cannot be inferred from our analysis, given that we used cross-sectional data.

Originality/Value
The findings build upon the literature with evidence that personality is significantly associated with student loan decision-making and that this relationship is robust to translate into student debt management behavior.

JEL classification:
D81, D91, I22, J13, O51

Introduction

One of the topics that has attracted the attention of several stakeholders in the United States, including policymakers, federal government, academics, and practitioners is student-loan debt. Presently, Americans owe more than $1.58 trillion in student loans (Federal Reserve Bank of New York, 2021). Although these loans are expected to be repaid, some borrowers struggle to fulfill their repayment obligations. The federal government is projected to lose nearly $400 billion resulting from student loan losses, an amount that is $135 billion shy of the $535 billion subprime mortgage losses incurred by private lenders in 2008 (Mitchell, 2020). For individuals and households, although student loans make college education accessible and university degrees attainable, the decision to use student loans to pay for college may not always be a utility maximizing decision because of the potential negative effects of student debt on well-being (Korankye and Kalenkoski, 2021; Kim and Chatterjee, 2019; Henager and Wilmarth, 2018). The purpose of this study is to examine the role of personality traits in influencing student-loan decisions among student-loan borrowers using the National Longitudinal Survey of Youth Studies 1979. The NLSY79 is representative of American young adults born between 1957 and 1964 living in the U.S. who were first interviewed in 1979, so all the respondents belong to the baby boomers' generation. The Baby Boomers were born between 1946 and 1964, and they are the largest generational cohort and comprise about one-third of the U.S. population (Ferguson and Brohaugh, 2010). Baby boomer generation exhibits differences from other generations with student debts, as they have higher student loans compared with other generations such as millennials and generation X (Bloomberg, 2020; Guardian's 6th Annual Workplace Benefits Study), which negatively impacts their retirement goals.

The central question we seek to examine is, how are personality traits and student loan indebtedness related to baby boomers? This research question is important because a greater understanding of how personality traits relate to baby boomers' student loans for self/spouse and children is needed. How this relationship translates into baby boomers' student loans for self/spouse and children could equip individuals (and their financial advisors) to make more optimal financial decisions that reflect their values and natural tendency for thought, emotion, and behavior that ultimately impacts their financial goals. Thus, identifying how personality is connected to baby boomers' student loans is important in further understanding how relatively stable personality characteristics carry through to their debt management. The influence of individual differences on decision-making has been highlighted for many topics in the economic literature. However, in the behavioral finance and psychological literature, a few studies have modeled the student loans behaviors based on individuals' human tendencies, which would make a difference between individuals. Returning to the question of how personality traits relate to student loan indebtedness, this paper seeks to open up a new line of enquiry, drawing on the field of applied psychology in personal finance. The research fills a gap in the literature evaluating the relationship of personality traits on baby boomers' student loan behavior.

Literature Review

Personality and Borrowing Behaviors

It is important to consider behavioral characteristics such as personality traits in studying the borrowing decisions of individuals. These traits underpin decision-making when investigating how people make student loan decisions. They are influential to human behavior and are mobilized in response to a situation or task that seems difficult to manage. Thus, personality characteristics also may explain variations in how people manage their debt and how they make decisions to obtain student loans.

Researchers have found personality traits to explain individual differences in financial behaviors such as investing, spending, and debt usage and management (Brown and Taylor 2014; Duckworth and Weir 2011). While several personality frameworks exist, the Big Five personality trait taxonomy is the most widely used in personality psychology that is broad and generalizable, yet sufficiently nuanced to reflect variation in individual differences (Bleidorn et al., 2019). Each Big Five trait is associated with a variety of financial behaviors (Bleidorn et al., 2019).

Big Five Personality

This paper uses the five-factor model (FFM), which is the dominant approach for representing the human personality traits structure in the literature. The model includes five basic dimensions that describe most personality traits: Openness to Experience, Conscientiousness, Extraversion, Agreeableness, and Neuroticism. Each Five-Factor is associated with different money management in personal finance. Thus, this section briefly reviews each trait pertaining to money management.

Openness to experience

Openness to experience has been linked to risk-taking, and high openness has led to a propensity for greater risk-taking behavior (Liu, 2020; Nicholson et al., 2005; Mayfield et al., 2008). There is much support in research to suggest that people who are more open are more likely to have debt with imprudent money management tendencies (Brown and Taylor, 2014), loose with money (Troisi et al., 2006), and more willing to take an additional financial risk (Liu, 2020). Within the context of personal finance, greater openness might associate with positively having student loans for the education of self/spouse and children due to less financial preparedness and less prudent money management. Therefore, openness to experience should be related positively to having student loans for self/spouse and children (H1).

Conscientiousness

The conscientiousness trait has been found to be related to more stable risk preferences or low risk-taking under uncertainty (Hershey and Mowen, 2000; Soane and Chmiel, 2005), which is a trait that was most consistently associated with prudent financial planning behaviors in personal finance (Davey and George, 2011). People with higher conscientiousness are less likely to have unsecured debt and less likely to have been in debt (Brown and Taylor, 2014), are less likely to allocate money for debt repayment (Asebedo et al., 2012), and are less likely to do compulsive buying and borrowing (Mowen and Spears, 1999). Those with greater conscientiousness are more likely to save (Gladstone, et al., 2019) and invest (Mosca and McCrory, 2016). They tend to have better money management skills such as planning and budgeting effectively for future needs (Donnelly et al., 2012). Therefore, conscientiousness should be related negatively to having student loans for self/spouse and children (H2).

Extraversion

Literature shows that a tendency towards extraversion was particularly associated with the use of overdrafts and borrowing from others and that this led to higher anticipated debts (Nyhus and Webley, 2001; Brown and Taylor, 2014). Individuals who score high on this trait are risk lovers and seek taking risks (Pinjisakikool, 2018), and are more willing to take more financial risks (Liu, 2020). Therefore, conscientiousness should be related positively to having student loans for self/spouse and children (H3).

Agreeableness

The agreeable traits are more likely to save (Nyhus and Webley, 2001), but are also positively associated with compulsive buying behavior (Mowen and Spears, 1999). Contrary to openness, greater agreeableness is connected to a lower willingness to take financial risks (Liu, 2020). Therefore, agreeableness should be related negatively to having student loans for self/spouse and children (H4).

Neuroticism
Neuroticism is characterized by negative and unstable emotional reactions and has been found to be related to risk aversion (Nicholson et al., 2005; Borghans et al., 2008) and with a significant relationship to borrowing behavior. Individuals who score high on this trait are more concerned about the potential loss rather than gain (Lin, 2011), holding less risky assets in their investment portfolios (Oehler et al., 2018). People with higher neuroticism were more likely to have debt (Nyhus and Weble, 2001) and less likely to save (Asebedo and Browning, 2020). Therefore, conscientiousness should be related negatively to having student loans for self/spouse and children (H5).

Sociodemographic and Economic Characteristics
Characteristics such as age, income, race, marital status, gender, dependent children, and educational attainment could present opportunities and/or constraints to debt usage, including student loan decisions. For instance, consistent with the life-cycle framework, young adults are more likely to borrow compared to older adults because they have less wealth. Similarly, having more household income may be associated with a lower likelihood of borrowing compared to those without high income (Park, 1993). Women from lower socio-economic groups are less likely to accumulate debt or more likely to be debt-averse (Lea et al., 2001; Kettley et al., 2008). Using a dataset from the 2018 U.S. National Financial Capability Study, Li (2021) observes that persons characterized as White as well as married individuals are less likely to have student loans. Regarding dependent children, Li (2021) finds that having children is associated positively with student loan usage.

Hypotheses
Informed by personality theory and the literature connecting the Big Five personality traits to debt management behaviors (student loans, in our case), it is expected that respondents exhibiting traits connected to financial behaviors will continue to portray these characteristics related to student loan tendencies. The relationship between personality traits and student loans were investigated through five hypotheses is below:

> H1: Greater *openness* to experience is associated positively with student loans for self/spouse and children. H2: Greater *conscientiousness* is associated negatively with student loans for self/spouse and children. H3: Greater *extraversion* is associated positively with student loans for self/spouse and children. H4: Greater *agreeableness* is associated negatively with student loans for self/spouse and children. H5: Greater *neuroticism* is associated negatively with student loans for self/spouse and children.

Method

Data and Sample
To identify any potential role for personality traits in the student loan decision, this paper uses data from the U.S. National longitudinal Studies, the 1979 cohort (NLSY79). The NLSY79 is conducted for the Department of Labor's Bureau of Labor Statistics and is managed by the Ohio State University. It provides a rich dataset of financial information, personal traits, family background, and demographics. The study sample was derived from the NLSY79 year of 2014 because personality traits and student loans are only available in this wave with adequate sample size (n=6,628). In the 2014 NLSY79, "Core Boomers" sample runs from aged 54 to 58 in 2014. "Trailing Boomers" are individuals aged 49 to 53 in 2014. There are a maximum number of 3,678 respondents with complete data for our analysis.

Measurement
Dependent Variables
There are two dependent variables in this study. Student loan for self/spouse was the first dependent variable, indicating the presence of student debt for the education of the respondent/respondent's spouse. It was measured by asking the question: "Are you or your spouse/partner responsible for making payments on any student loans that you had for your own education or your spouse/partner's education?" This variable took a value of 1 if the respondent answered "Yes" and 0 if the respondent answered "No." Student loan for children was the second dependent variable, indicating the presence of student debt for the education of the respondent's child/children. It was measured by asking the question: "Are you or your spouse/partner responsible for making payments on any student loans for your (child/children)? Please only include loans that have been made in your or your spouse/partner's name for your (child/children)'s education." A value of 1 was assigned if the respondent answered Yes, 0 otherwise.

Main Explanatory Variables - Personality Traits
The Big Five personality traits are the main explanatory variables in this study. They include openness to experience, conscientiousness, extraversion, agreeableness, and neuroticism. These Personality traits were assessed with questionnaires adapted from the Ten-Item Personality Inventory (TIPI) developed by Gosling et al. (2003). The TIPI constitutes a brief

assessment of the Big Five personality dimensions that are summarized. Openness to Experience is captured by whether a person sees self as “open to new experience, complex,” as opposed to “conventional, uncreative.” Conscientiousness is captured by whether a person sees self as “dependable, self-disciplined and disorganized,” as opposed to “careless.” Extraversion is captured by whether a person sees self as “Extraverted, enthusiastic,” as opposed to “reserved, quiet.” Agreeableness is captured by whether a person sees self as “sympathetic, warm”, as opposed to “critical, quarrelsome.” Neuroticism is captured by whether a person sees self as “anxious, easily upset,” as opposed to “calm, emotionally stable.” Respondents rated all items on a fully labeled 7-point Likert scale ranging from 1 (disagree strongly) to 7 (agree strongly). Higher scores represented a greater prominence of each trait.

Control Variables
The model included age, gender, marital status, race, income, family size, financial aid, and regional location as the control variables. Age and family size were measured as continuous variables. Gender was measured as a dichotomous variable that takes a value of 1 if the respondent is female and 0 if the respondent is male. Education is a dichotomous variable that takes a value of 1 if the respondent has a college degree or higher, 0 otherwise. Race was measured in three categories that comprise White, Black, and other races, with White been the reference group. Financial aid was measured by asking the question: “During the past calendar year, did you or your spouse/partner receive any other kinds of scholarships, fellowships, or grants? These responses did not include education loans.” This variable took a value of 1 if the respondent answered “Yes” and 0 if the respondent answered “No.”

Data Analysis
Given that the dependent variables for this study are dichotomous (having student loans vs. not having student loans), this study estimated two Probit regression models for the empirical analyses.

Results

Descriptive Statistics
The full sample for student loans for self/spouse (n=3,678) and children (3,174) consisted of approximately 52% women and 48% men. The sample comprised 77% White, 22% college educated, and 54% married. The average age of respondents was about 53.4 years old (range = 50 to 58). Neuroticism scores were the lowest on average (mean = 3.26; range 1 to 7) compared to the other Big Five personality traits, while Conscientiousness was the highest (mean = 5.78; range 1 to 7). Approximately 14% of the respondents live in the northeast, 23% live in the south, 42% live in the north, and 41% live in the western areas. The average response for the family size is 2.5.

Empirical Results
The main empirical results for the full sample are contained in Table I, including the marginal effects and standard errors for personality traits and control variables. The results in Table I reveal that the openness trait has a statistically significant marginal effect on having student loans for self/spouse and children. More specifically, the openness trait is associated with a 0.0162 higher probability of holding student debt for a person’s own education or that of spouse relative to those without this trait. It is also associated with a 0.0003 higher probability of owing student debt for the education of a person’s child/children relative to those without this trait. The results suggest that those with greater openness are more likely to have student loans for self/spouse as well as children. The results for the other personality traits are not statistically significant, although there is a general tendency for agreeableness and neuroticism to be inversely associated with student loans.

The results for the control variables show that males are less likely to owe student loans for self/spouse and children. The results also show that the probability of owing student debt for the education of self/spouse is low as Boomers’ grow older, but the reverse is the case regarding student debt for children’s education. Individuals who live in Northcentral and West are less likely to have both student loans for self/spouse and children compared to those who live in the Northeast. Individuals who received financial aid are more likely to hold student loans for self/spouse relative to those who did not receive financial aid.

Sensitivity Analysis - Baby Boomers
We perform sensitivity analysis to find out whether the results we observed also apply to baby boomers in two cohorts: core and trailing boomers. As reported in Table II, the sensitivity analysis shows that those with greater conscientiousness who are trailing boomers are more likely to have student debt for children’s education. Those with greater openness who are both core and trailing boomers are more likely to have student loans for self/spouse. Generally, the sensitivity results are similar to those of the full sample. However, the conscientiousness trait becomes statistically significant and could partly explain the trailing boomer’s decision to take student loans for children’s education. Summary of results for theoretical variables of interest and hypotheses are presented in Table III.

[Insert Table II here]

[Insert Table III here]

Conclusion and Discussion

The current study uses the 2014 dataset from the U.S. NLSY79 to examine the relationship between baby boomers' personality traits and their student loan indebtedness. The empirical results suggest that certain personality traits are associated with student loan indebtedness among baby boomers. Specifically, personality traits such as openness to experience are strongly associated with personal finance in terms of their student loan decisions. The findings from this study also show that personality traits (that is, openness and conscientiousness) could partly account for differences in student-loan holdings. This adds to the growing body of evidence from large-scale studies that will allow for stronger and more specific theories concerning the personality–ability interface that will ultimately allow for a deeper understanding of how traits shape major life outcomes in the personal finance and debt management region, particularly student loans.

Studies have shown that student-loan debt could impair the well-being components of life satisfaction, financial satisfaction, and financial wellness (Korankye and Kalenkoski, 2021a, b; Kim and Chatterjee, 2019; Henager and Wilmarth, 2018). Thus, the findings from the current study present opportunities for financial practitioners to understand the psychology behind student loan indebtedness among baby boomers and to devise strategies to help them manage the negative effects of having student loans. More specifically, the findings from this study have shown that it is important for practitioners to assess the personality traits of boomers to identify those who are more likely to hold student debt for self/spouse and children. Those with openness and conscientiousness traits could be identified and offered counseling relating to the benefits/drawbacks of student loan indebtedness and its effective management. Before, during, and after the student loan process, they could get their decision and payment plans reviewed through financial counseling and planning based on up-to-date information reflecting changing policies and repayment systems. Financial advisors and educators could help them make informed decisions and keep them on track of payments. These actions are important because several scholars have shown that student-loan debt could impair the well-being components of life satisfaction, financial satisfaction, and financial wellness.

Relatedly, some scholars indicate college debt has become a major barrier to meeting retirees' financial goals for baby boomers compared with other generations (Stuart, 2019). Many baby boomer parents have over-extended themselves financially to tap their retirement savings and emergency funds to fulfill their children's college education dreams. Some baby boomers are even unable to retire as planned because of the surge in student loans for their children through Parent Plus Loans (Fidelity, 2020). Financial advisors should help those baby boomers who are either retired or near retirement to focus on their own financial health, such as saving enough to maintain their current lifestyle and to increase their financial and economic well-being. Efforts should be made to provide opportunities for clients to explore and learn personality traits they possess and how those traits may make wealth-building financial behaviors come easily or hinder those behaviors. An enhanced understanding of personality traits can be helpful when developing recommendations to improve the financial wellness of older individuals, especially by ensuring that baby boomer parents do not stretch the limits of their own financial resources to support their children's higher education.

Other findings from this study show that males are less likely than females to have both student loans for self/spouse and children which is consistent with the literature (Qian and Fan, 2021). Some of this could be due to the fact that male bachelor's degree holders are paid more of what their female peers make, and males may be more likely to get financial help from their parents and family than females. The results for age and student debt for self/spouse could be attributed to the life-cycle effect. As Boomers grow older and approach the decumulation phase of the life cycle, they are less likely to owe student debt for their own education. The positive results for age and student debt for children's education may suggest that older Boomers may feel the need to intervene in the education financing decisions of their children through borrowing. While this behavior may improve the well-being of the child, it could negatively influence the borrower's well-being as shown in (Korankye & Kalenkoski, 2021b). Core Boomerswith more income and larger family sizes are more likely to have student loans for children than their counterparts. Core Boomerswith more income may be more likely to have student loans for their children because they want their children attend more elite postsecondary institutions than low-income individuals. Larger family-sized Core Boomers' households may have a greater average cost of college attendance, making it more likely for them to borrow for college. They are also less likely to have college savings (Korankye and Kalenkoski, 2021c), necessitating the need to acquire student loans.

Our findings also show that individuals who live in Northcentral, South, and West are less likely to have both student loans for self/spouse and children compared to those who live in the Northeast. The finding is consistent with other reports that have shown that Northeast U.S. residents tend to have higher student debt rates compared with residents in other U.S. regions (Leonhardt, 2018). This might be due to the fact that the northeast has the highest tuition and fees compared with other regions in the U.S. (Afrin, et al., 2020). Additional results show that Individuals who received financial aid are more likely to have student loans for self/spouse, suggesting the received aid may not be adequate to cover the full cost of one's post-secondary education. Although our financial aid variable is generic, this finding agrees partly with Luna-Torres et al. (2018) who ascertained that Pell Grant recipients are more likely to accumulate student debts than non-recipients of such financial aid.

Limitations

There are some limitations associated with the current study. Factors such as financial literacy, which has been found to influence student loan usage (Li, 2021), and household wealth are not included in the analysis due to limitations from the NLSY79 dataset. The non-availability of these factors for the empirical analysis could bias the statistical estimates. In addition, causation cannot be inferred from our analysis, given that we used cross-sectional data. Therefore, we urge readers to interpret the results with caution. Future studies would benefit from a longitudinal study that truly captures the relationships over a period of time.

Table I. Marginal Effect of Big Five Personality Traits on Student Loans for self/spouse and children

Independent variables	Student Loans for self/spouse	Student Loans for Children
Openness	0.0162***	0.0003*
	(0.0042)	(0.0044)
Conscientiousness	-0.0014	0.0039
	(0.0043)	(0.0044)
Extraversion	0.0010	0.0038
	(0.0035)	(0.0035)
Agreeableness	-0.0015	-0.0015
	(0.0043)	(0.0044)
Neuroticism	-0.0015	-0.0097
	(0.0042)	(0.0044)
College and above	0.0043	0.0084
	(0.0113)	(0.0109)
Age	-0.0062**	0.0001*
	(0.0024)	(0.0018)
Male	-0.0252**	-0.0198
	(0.0100)	(0.0101)
Married	-0.0106	0.0562
	(0.0107)	(0.0114)
Race (Ref: White)		
Other race	0.0011	-0.0304
	(0.0186)	(0.0208)
Black	0.0152	0.0065
	(0.0124)	(0.0123)
Income (10k)	0.0007	0.0014
	(0.0008)	(0.0007)
Family size	-0.0027	0.0093
	(0.0039)	(0.0035)
Financial aid	0.1569***	0.0264
	(0.0374)	(0.0035)
Region (Ref: Northeast)		
North central	0.0299*	(0.0494)

	(0.0148)	-0.0191
South	0.0213	(0.0727)
	(0.0130)	-0.0175
West	0.0354**	(0.0792)
	(0.0153)	-0.0183
Number of Observations	3,678	3,174

Notes: Significance levels: ***1%, **5%, *10%. Standard errors are in parentheses.

Table II. Sensitive Analysis by Boomers' Type

Independent variables	Student Loans for self/spouse		Student Loans for Children	
	Trailing Boomers	Core Boomers	Trailing Boomers	Core Boomers
Openness	0.0178***	0.0155***	0.0032	-0.0023
	(0.0060)	(0.0059)	(0.0057)	(0.0058)
Conscientiousness	0.0050	-0.0068	0.0132**	-0.0052
	(0.0064)	(0.0058)	(0.0065)	(0.0060)
Extraversion	-0.0010	0.0032	0.0051	0.0015
	(0.0051)	(0.0050)	(0.0049)	(0.0051)
Agreeableness	-0.0041	0.0020	-0.0008	-0.0022
	(0.0062)	(0.0061)	(0.0061)	(0.0063)
Neuroticism	0.0003	-0.0026	-0.0094	-0.0096
	(0.0060)	(0.0057)	(0.0061)	(0.0064)
College and above	0.0074	-0.0034	0.0024	0.0166
	0.0161	(0.0158)	(0.0153)	(0.0155)
Age	-0.0121*	-0.0030	0.0063	-0.0099*
	(0.0062)	(0.0056)	(0.0059)	(0.0057)
Male	-0.0406***	-0.0078	-0.0261*	-0.0117**
	(0.0146)	(0.0136)	(0.0141)	(0.0144)
Married	-0.0022	-0.0206	0.0751***	0.0392
	(0.0157)	(0.0145)	(0.0165)	(0.0158)
Race (Ref: White)				
Other race	0.0360	-0.0400	-0.0270	-0.0329
	(0.0257)	(0.0291)	(0.0311)	(0.0278)
Black	0.0219	0.0056	0.0207	-0.0110
	(0.0178)	(0.0173)	(0.0164)	(0.0186)
Income (10k)	0.0016	-0.0005	0.0000	0.0028***
	(0.0011)	(0.0012)	(0.0011)	(0.0009)
Family size	0.0008	-0.0080	0.0026	0.0171***
	(0.0054)	(0.0059)	(0.0050)	(0.0050)
Financial aid	0.1631***	0.1434***	0.0406	0.0161
	(0.0537)	(0.0523)	(0.0586)	(0.0689)
Region (Ref: Northeast)				
North central	0.0224	0.0365*	-0.0459	-0.0539

	(0.0221)	(0.0197)	(0.0276)	(0.0265)
South	0.0138	0.0260	-0.0807	-0.0676
	(0.0195)	(0.0170)	(0.0250)	(0.0247)
West	0.0262	0.0441**	-0.0851	-0.0767
	(0.0226)	(0.0204)	(0.0263)	(0.0256)
Number of observations	1,925	1,753	1,663	1,511

Notes: Significance levels: ***1%, **5%, *10%. Standard errors are in parentheses.

Table III. Summary of results for theoretical variables of interest and hypotheses.

Theoretical Variable	Dependent Variables			
			By Boomer's type	
	Student loans for self/spouse	**Student loans for children**	**Student loans for self/spouse**	**Student loans for children**
Openness	+	+	+ (both)	
Conscientiousness				+ (trailing)
Extraversion				
Agreeableness				
Neuroticism				
Control Variables				
Age	-	+	- (trailing)	- (core)
Male	-		- (both)	
Married				+ (trailing)
College degree or higher				
White				
Black				
Other race				
Income (10k)				+ (core)
Family size				+ (core)
Financial aid	+		+ (both)	
Region (reference group: northeast)				
Northeast	+		+ (core)	
South				
West	+		+ (core)	

Note: +/- is defined as a positive or negative relationship with student loans towards the dependent variable. Grey indicates a statistically significant relationship was not observed. Vertical lines signify a result with a direction that is contrary to the hypothesis

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The Importance of Being a "Client" for Financial Planning Students: A Thematic Analysis of Financial Planning Students' Experiences Meeting with a Planner

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Keywords: client psychology, communication skills, experiential exercises, financial planning curriculum

Abstract

The benefits of engaging a financial planner are well-documented in the literature. Perhaps that is why it is so surprising that very few financial planners had their own planners despite spending their days purporting the importance of having a planner to potential clients. This paper introduces an exercise, designed for financial planning courses, that encourages students to meet with a financial planner and write about their experience. The essays were then examined using the qualitative methodology of thematic analysis. Several themes emerged: (1) insights into what it would actually be like to be a financial planner, (2) decreased anxiety after seeing the planner, (3) better empathy regarding the client's experience, (4) increased respect for the interpersonal skills required to do financial planning, and (5) receiving personal and professional benefits to seeing a financial planner. Implications for both CFP Board Registered Programs and existing financial planners are provided based on these results.

Research shows that engaging a financial planner improves many financial outcomes for clients. For example, having a planner is linked with having an emergency fund, being aware of fees and investment costs, regularly rebalancing portfolios, never carrying a credit card balance, making payments on time, and having no debt (Blanchett, 2019; Kim et al., 2018). Despite the benefits, CNBC found that only 1% of the sample they surveyed had a financial advisor (Fox, 2019). What may be even more surprising is the rate of financial planners who have engaged a financial planner. Kahler (2008) surveyed financial planners and discovered only 13% of planners had a planner despite spending their days purporting the importance of having a planner to potential clients. One reason is that many financial planners sincerely believe they can do their own financial planning. Additionally, many planners are concerned that if their clients find out they engage their own planner they will question their competency. The response can be just the opposite. As one financial planning client remarked after hearing their planner had their own planner, "that's a pretty strong endorsement of your profession, that you think so highly of your services you seek them out from a peer" (Foxcraft n.d., para. 5). To explore the impact of financial planners seeing their own planner, the authors of this paper encouraged undergraduate financial planning students to meet with a financial planner as a part of a classroom assignment. The students described their experiences meeting with a planner through essays that were then explored with a qualitative methodology called thematic analysis (Braun & Clarke, 2006). To our knowledge, this will be the first examination of the impact of seeing a financial planner for financial planning students.

Data

The data are from fourteen essays from undergraduate students in a core financial planning course at a CFP Board Registered Program at a large public university. The students were asked to write a 1,000-word essay after they met, as a client, with a financial planner. All of the participants were students in one author's undergraduate retirement planning course, which is part of the six-course curriculum approved by the CFP Board for Registered Programs. The course took place during the Spring 2020 semester. Approval for this study was received from the university's Internal Review Board (IRB), and each participant was assigned a pseudonym to maintain anonymity. The analysis of the data utilized a qualitative design based on the thematic analysis protocol developed by Braun and Clarke (2006).

Discussion and Implications

Insights into what it would actually be like to be a financial planner (*n* = 14)

Students highlighted that meeting with a financial planner helped them to better understand what being a financial planner looks like in practice. Additionally, these client-planner sessions provided insights that resulted in career affirmation (e.g., students had chosen the correct academic path for their desired career profession), increased students' awareness regarding the critical need for financial planners, and exposed students to the humbling nature of financial planning by helping clients achieve their financial goals. Given these findings, one possible outcome is the need to develop experiential assignments for students to engage in more client-planner sessions with financial planners in relation to their required financial planning coursework. Experiential learning opportunities using direct financial planner interaction may not always be feasible given class size, access to practicing financial planners, or other constraints. An alternative to this could be a professional development video series that involves planners demonstrating various aspects of the financial planning process.

Decreased anxiety after seeing the planner

A surprising finding of the results was how much anxiety the students all described having in the days leading up to meeting with their financial planners. It appeared there were three sources of anxiety: 1) financial anxiety; 2) anxiety about their own retirement ability, and 3) anxiety about what meeting with a financial planner would be like. Practitioners need to recognize that anxiety and attend to it before jumping into the numbers. Joining (i.e., communication and listening skills that facilitate trust) is an important first step (Archuleta & Grable, 2011) for any planner to take with their clients, but it is especially important in light of the knowledge of how anxious the client may be in those initial sessions. Britt et al. (2016) looked at physiological arousal (anxiety being a type of physiological arousal) in clients and found that too much arousal will prevent them from following through with directives (e.g., change behaviors). They recommended that planners observe client behaviors (e.g., cold hands during the handshake, distractedness, fidgeting) as those are signs that the client may be experiencing physiological distress. In addition, Archuleta et al. (2013) created a financial anxiety scale that may be beneficial to incorporate during the intake process to gauge the level of anxiety present in new clients.

Better empathy regarding the client's experience

Students found the experience of becoming a financial planning client beneficial in terms of enhancing their ability to empathize with what their future clients may experience. This finding with the students in the study is aligned with research by Kahler (2008) where planners benefited significantly from becoming the client of another financial planner, both personally and professionally. It can be argued there is no reading assignment or academic lecture that can inform a future planner on what their clients may be thinking and feeling that can take the place of the planner actually becoming a client. For example, no amount of reading can inform a planner of the potential shame a client may experience in sharing vulnerable financial information with a planner. Even little aspects of being a planner need to be experienced first-hand. For example, what is it like to schedule an appointment with a planner? What is it like to sit in the waiting area prior to the appointment or to wait in the Zoom waiting room waiting for a virtual appointment to begin? What is the experience of searching for a planner that you think is reputable?

Increased respect for the interpersonal skills required to do financial planning

The students discussed how important the relational aspect of the financial planning session is to outcomes for the client. While stepping into the role of a client, the students discussed their newfound appreciation for the behavioral and relational aspects of financial planning. This finding is not surprising. There has been a steady movement to recognize that financial planning requires "soft" skills that can aid in relationship building. In 2007, Sharpe et al. interviewed financial planners and clients and discovered that soft skills predicated on communication and listening were key to developing client trust and commitment. These skills were more powerful motivators for client retention than any potential portfolio returns. More recently the Sharpe et al. (2007) study was replicated by McCoy et al. (2022), and the findings found that clients demanded these interpersonal skills (e.g., communication and listening skills) even more today.

Receiving personal and professional benefits from seeing a financial planner

Students reported receiving clear personal and professional benefits from meeting with the financial planner. One benefit is increased confidence. Many participants expressed worry that they would be capable of being effective as a financial planner. However, after sitting in the client's seat, they felt more confident in their ability to plan their own retirement as well as help family members and potential future clients. This is consistent with Bandura (1994) who posited that confidence could be built through vicarious learning experiences. In this case, by being a client, students are able to learn by engaging in the process and observing financial planners have successful engagements with clients. Students also get to build confidence through social persuasion (Bandura, 1994) by being around financial planners that encourage retirement planning and champion financial planning as a profession.

Limitations

Some interesting findings developed from this project, but there were some existing limitations. There were only fourteen participants which all came from one class during one semester at one institution. In addition, the students were provided an alternative assignment (due to IRB requirements) and thus there was some self-selection bias. We have to be careful not to generalize the results of this study since the sample size was so small. Future research should include greater variety in the type and location of schools. Another limitation is the lack of descriptive statistics of the participants. Beyond the gender, age range, and observable race/ethnicity of the students, little is known about the background of the students or their parents. Additionally, although the research team triangulated data for codes and themes, follow-up interviews were not conducted with students to confirm that the themes were found to describe their experiences. Future studies should also consider the use of more prompts to learn more about students' socialization and its impact on their financial and career confidence.

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Determinants of On-Time Mortgage Payments: An Application of the Responsible Financial Actions Index

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Abstract

The purpose of this study was to investigate the determinants of an individual's propensity to make on-time mortgage payments. The research was guided by Social Cognitive Theory (Bandura, 1986) and explored personal factors, environmental influences, and attributes of financial behavior as determinants for on-time mortgage payments. Data came from the publicly available, 2009, 2012, and 2015 National Financial Capability Study datasets, and the variable of interest was on-time mortgage payments. To estimate the odds of paying a mortgage on-time, the analyses utilized a series of Multinomial Logistic regression models. Key findings were identified across all three years of data. In Model 1, financial self-efficacy was found to be predictive of on-time mortgage payments. In Model 2, both financial self-efficacy and the responsible financial actions index (Preece, 2019) were found to be predictive of on-time mortgage payments. These findings contribute to the body of research related to consumer financial behavior, providing insight, and understanding for how mortgage outcomes can be improved.

Keywords: on-time mortgage payments, consumer behavior, financial responsibility, responsible financial actions, Social Cognitive Theory, financial self-efficacy

Statement of the Problem and Literature Review

For a consumer, a mortgage default can be financially and emotionally devastating. Beyond the negative economic impact, research has found that consumers delinquent on a mortgage or involved in a mortgage default experience higher levels of anxiety, depression, and financial stress (Alley, et al., 2011; Cannuscio, et al., 2012; Xiao & Kim, 2021). Over the past two decades, largely due unprecedented levels of residential foreclosures, mortgage payment outcomes have attracted the attention of policy makers, educators, practitioners, and researchers (Agarwal et al., 2009; Lander, 2018; Gerardi et al., 2013; Mian et al., 2010; Verick & Islam, 2010). Within the mortgage delinquency literature, various factors have been identified as determinants of mortgage payment outcomes.

Gerardi et al. (2013) found that among subprime mortgage borrowers, the propensity to default on one's mortgage was associated with lower levels of numerical ability. In a similar study, Kim et al. (2020) investigated the effect of objective and subjective financial literacy on mortgage payment outcomes finding a negative effect of objective knowledge on mortgage delinquency. In a detailed mortgage inquiry, Van Zandt and Rohe (2011) found that a primary reason for mortgage delinquency was unforeseen expenses related to assets.

Several studies explored individual financial factors as predictors of mortgage payment outcomes. For example, an increased risk of mortgage default was reported for those individuals identified as having a lower credit score (Chan et al., 2011; Haughwout et al., 2008). A study investigating borrowers' debt-to-income ratios at the time of loan origination found high debt-to-income ratios to be associated with an increased likelihood of mortgage default (Chan et al., 2011; Foote et al., 2209; Gerardi et al., 2010).

While many of the studies have been designed to explore negative mortgage payment outcomes, one study of interest investigated mandatory counseling as an intervention to improve mortgage choice (Agarwal et. al., 2010). In this study, mortgage applicants with low FICO scores were required to attend loan reviews by financial counselors, however; no material change to mortgage choice was identified (Agarwal et al., 2010). Alternatively, in a similar study aimed at low to moderate income households, the effects on long-term voluntary participation in a counseling program was investigated. In this study, Agarwal et al. (2020) found lower ex-post delinquency rates among program graduates. Success in the program was contributed to the type of mortgage, to the budgeting and credit management skills taught in the program, and to active post-purchase counseling that seeks to cure delinquency at early stages.

In summary, there is extensive literature on mortgage default, but much of the research is based on the characteristics of the loans and the borrowers captured at the time of the mortgage. Further, much of this research was conducted in response to macroeconomic events following the great recession (Chan, et al., 2011; Haughwout, et al., 2008; Jiang, et al., 2009; Gerardi et al., 2013). Based on the literature review, there appears to be no prior studies applying a multi-factor, social learning model to comprehensively investigate determinates for on-time mortgage payment history. Given the negative impact a mortgage default can have on a consumer, it is the purpose of this study to investigate environmental factors, personal factors, and attributes of financial behavior measured by the responsible financial actions index (Preece, 2019) as determinates for a consumer's propensity to make on-time mortgage payments.

Theoretical Framework and Hypothesized Relationships

The relationship between on-time mortgage payment history and factors associated with an individual's environment, personal factors, and attributes of financial behavior can be effectively explained and understood through the perspective of Albert Bandura's (1985) Social Cognitive Theory (SCT). Bandura (1978, 1984, 1989, 1999a) described how human behavior had often been explained simply in terms of causation, where behaviors are depicted as either being shaped and regulated by environmental influences or driven by internal characteristics or personal factors.

As described by Bandura (1985, 1978, 1989), an individual's ability to adapt and change is grounded in social systems. Personal agency (a personal factor) functions within a broad network of socio-structural (also called environmental) influences (Bandura, 1985, 1978, 1989). These socio-structural systems, in turn, create constraints and provide resources and opportunity for personal development and functioning (Bandura, 1985, 1989). In SCT Triadic Model of Causation personal factors, environmental influences, and attributes of behavior are treated as co-factors within a combined causal structure (Bandura, 1978, 1984, 1989, 1999a; Bandura et al., 1999b). Figure 1 illustrates these relationships.

[INSERT FIGURE 1 HERE]

The main research objective of this study is to explore personal factors, environmental influences, and attributes of financial behavior as determinates for on-time mortgage payment history. To explore this research question, this study adapted Bandura et al. (1999b) SCT Triadic Model of Causation. Figure 2 is an illustration of the conceptual framework used to model the hypothesized relationships between variables identified as personal factors, environmental influences, attributes of financial behavior, and the on-time mortgage payment outcome. Bandura (1986) describes attributes of behavior as habits, actions, or things that people "do" and was measured by the responsible financial actions index (Preece, 2019). On-time mortgage payment history is defined as an outcome. This clarification is intentional. Within the literature, there is a clear distinction made between what is a behavior (actions) and what is an outcome (on-time payments). Ajzen and Fishbein (1980) explains how behaviors are not outcomes, they only partly contribute to outcomes together with other factors. For example, a wife may want to pay down credit card debt, but the husband continues to charge items the desired outcome will be impacted. However, behaviors should lead to outcomes, so reducing spending as an action or behavior should lead to lower credit card debt as an outcome, given other factors.

[INSERT FIGURE 2 HERE]

Data and Sample

This study examined data from the publicly available, 2009, 2012, and 2015 National Financial Capability Study (NFCS) datasets (FINRA Investor Education Foundation, 2017). These datasets were found to be appropriate for the current study given the clear distinction found in the macro-economic environments at the time of the surveys as it relates to mortgages, the consistency of specific index questions across the three cross-sectional waves, and richness of the financial information provided by the respondent to the surveyors.

The analytical samples included only those respondents identified as: (a) being between the ages of 18 and 64, (b) employed, (c) having an annual household income no greater than $150,000, (d) being a homeowner, and (b) having a mortgage. Sample restrictions on mortgage, age, employment, and income provided a sub-population of interest that was sufficiently broad yet with specific similarities needed for current study. Selection criteria produced the following samples 2009 (n=8,044), 2012 (n=5,664), and 2015 (n=6,268).

Operationalization of Variables

Dependent Variable

In the current study, a dependent variable of on-time mortgage payment history was measured as a categorical variable defined by the following three categories: (a) never late (coded 1), (b) late once (coded 2), and (c) late more than once (coded 3). It should be noted that the 2009 and 2012 mortgage question referenced the *last two years* and the 2015 mortgage question referenced the *past 12 months*. This change should be considered when tracking comparisons to 2009, 2012, and 2015.

For the 2009 and 2012 surveys, data for this variable was collected by asking respondents the following question:

1. "How many times have you been late with your mortgage payments in the last 2 years? (If you have more than one mortgage on your home(s), please consider them all.)"

For the 2015 survey, data for this variable was collected by asking respondents the following question:

2. "How many times have you been late with your mortgage payments in the past 12 months? (If you have more than one mortgage on your home(s), please consider them all.)"

Explanatory Variables

A summary of the explanatory variables categorized as personal factors and environmental influences are presented in Table 1. The measurements for responsible financial actions index representing attributes of financial behavior are presented in Table 2.

Measurement of Sample Variables

The measurements for sample variables are contained in full version. Descriptive statistics can be found in Table 3.

[INSERT TABLE 3 HERE]

Results of the Multinomial Logistic Regression Models

The purpose of this analyses was to isolate the relationships between the explanatory variables, organized by personal factors, environmental influences, and attributes of financial behavior, and the dependent variable, on-time mortgage payment history. Results for the regression analyses are presented in Table 4, Table 5, and Table 6 for 2009, 2012, and 2015, respectively.

2009 Model - Never Late vs. Late Once and Never Late vs. Late More Than Once

The 2009 Model 1 estimated the odds of *never late* vs. *late once*. These results are presented Table 4. Under personal factors, the model predicted statistically significant relationships among age, race, two of the objective financial knowledge questions, financial self-efficacy, and financial risk tolerance and mortgage payment history. In terms of environmental influences, having one or more dependent children and household income were both found to be statistically related, and under attributes of financial behavior, the responsible financial actions index was significantly related at the $p<0.001$ level. As hypothesized, attributes of financial behavior measured by the responsible financial actions index was found to be predictive of on-time mortgage payment history. The model showed that when holding all else equal, a one unit increase in the responsible financial actions index increased the odds of paying *never late* vs. *late once* by 10%. Results for the 2009 model estimating the odds of *never late* versus *late more than once* are also presented in Table 4. For the explanatory variables categorized under personal factors, the model predicted statistically significant relationships among age, race, certain areas of objective financial knowledge, subjective financial knowledge, financial self-efficacy, and financial risk tolerance. In terms of environmental influences, significant findings among respondent having one or more dependent children, annual household income, and Census region were identified, and under attributes of behavior, the responsible financial actions index was significant related at the $p<0.001$ level. Consistent with the results identified in the 2009 Model 1, attributes of behavior measured by the responsible financial actions index was found to be predictive of on-time mortgage payment history. When holding all else equal, the model predicted that a one unit increase in the responsible financial actions index increased the odds of paying *never late* vs. *late more than once* by 28%.

[INSERT TABLE 4 HERE]

2012 Model – Never Late vs. Late Once and Never Late vs. Late Once

The 2012 Model 1 estimated the odds of *never late* vs. *late once*. Findings for this model are presented Table 5. Under personal factors, the model predicted statistically significant relationships among age, objective financial knowledge, subjective financial knowledge, and financial self-efficacy. In terms of environmental influences, the model only predicted one significant relationship which was among respondents identified as having one or more dependent children. Results for the 2012 model estimating the odds of paying *never late* vs *late more than once* are presented in Table 5.3. In terms of variables categorized as personal factors, the model predicted statistically significant relationships among race, certain areas of objective financial knowledge, subjective financial knowledge, financial self-efficacy, and financial risk tolerance. In terms of environmental influences, having one or more dependent children and household income were significant and in terms of attributes of behavior, the responsible financial actions index was significantly related to the target outcome at the $p<0.001$ level.

Consistent with the results identified in the 2009 Model 1 and Model 2, attributes of financial behavior measured by the responsible financial actions index were found to be statistically significant at the $p<0.001$ level. The model predicted that when holding all else equal, a one unit increase in the responsible financial actions index increased the odds of paying *never late* vs. *late more than once* by 12%.

[INSERT TABLE 5 HERE]

2015 Model – Never Late vs. Late Once and Never Late vs. Late More than Once

Findings for this model are presented Table 6,

[INSERT TABLE 6 HERE]

Discussion of Results and Findings

As predicted by the SCT Triadic Model, personal factors, environmental influences, and attributes of behavior were found to impact the outcome variable, on-time mortgage payment history. The most consistent findings in Model 1 were the relationships of financial self-efficacy and having one or more dependent children for predicting mortgage payment history, *never late* vs. *late once*. Across all three years of data, a statistically significant relationship between these two variables and mortgage payment history was identified.

Additional insight was gained when evaluating the results from Model 2. Across all three years, Model 2 estimated the odds of *never late* vs. *late more than once*. The first two key findings, the relationships of financial self-efficacy and having one or more dependent children for predicting mortgage payment history, *never late* vs. *late more than once* were consistent with Model 1. They were found to have statistically significant relationships to mortgage payment history, *never late* vs. *late more than once*. Also consistent across all three years was the responsible financial actions index. For the current study, this result is of specific interest given that this is a newly explored, tested, and validated index of basic responsible financial actions.

As compared to the first model, the hypothesized relationships were more consistent when predicting *never late* vs. *late more than once* but a few inconsistencies should still be noted. In terms of personal factors, gender was found to be negatively related but only in the 2015 survey year. Age was found to be related to mortgage payment history, but the results conflicted across age categories and survey years. The 2009 model showed a negative relationship for respondents identified as being between the ages of 25 and 34, there were no significant findings related to age identified for the 2012 survey year, and for 2015 positive relationships between age and mortgage payment history were identified among the three oldest age categories. In terms of environmental influences, it was hypothesized that census region would be related. Positive relationships were identified but only for the 2009 and 2012 survey years and only for respondents identified as being geographically located in the Midwest region or West regions.

Further, a positive relationship between objective financial knowledge and the mortgage payment history (*never late* vs. *late more than once*) was hypothesized. There were conflicting and limited results related to this hypothesized relationship. In the current study, financial knowledge was measured by five individual financial questions. Financial knowledge question one related to compound interest and a positive relationship was identified across all three survey years. Financial knowledge question two related to inflation and this question was only significant in the 2012 and 2015 survey years. Financial knowledge question three related to bond pricing. This question was only significantly related to mortgage payment history in the 2009 survey, but the direction of the relationship was negative. Financial knowledge question four related to mortgages and there were no significant relationships identified. Financial knowledge question five related to diversification and a positive relationship was identified for the 2012 and 2015 survey years.

Limitations

The findings from this research may provide unique insights into consumer financial behavior as it relates to on-time mortgage payments, but there are limitations to note. The study is based on self-reported data for the respondents to the surveyors. Within each of the surveyed households, only one person was identified as the respondent. As a result, financial information other household members were not obtained. Given the NFCS dataset only collects self-reported data from respondents, there is the possibility for errors when using self-reported data as relates to incorrect self-assessments by the respondents. Additionally, many of the questions of interest relate to self-reporting of personal financial information, some respondents may have hesitated to give accurate and truthful information.

Further limitations relate to the use of the responsible financial actions index as a measure for attributes of behavior. This is the first study exploring the responsible financial actions index as a predictor for a positive financial outcome. However, given the consistent findings across all three years, the authors find the current study supports the reliability and validity of the index.

Lastly, the index is limited to responses captured between 2009 to 2015. While the timeliness of the surveys provided the variation in the macro-economic environments needed to thoroughly explore mortgage payment outcomes, there may be some element of loss as the index was limited to only questions in the 2009, 2012, and 2015 NFCS surveys. A broader set of questions may have yielded different findings among the examined relationships. To address these limitations, the authors may elect to use primary data in future research.

Implications and Future Directions

Despite the considerable interest in consumer behavior as it relates to mortgage payment outcomes, there is limited research designed to understand the role learned behaviors and actions have on positive financial outcomes. In the current study, the authors adopted a systems approach based on Albert Bandura's social cognitive theory to improve understanding for how environmental and person factors together with attributes of behavior impact mortgage payment outcomes. With this approach, several key findings were made.

First, the consistent findings on financial self-efficacy (personal factor) aligned well with the theoretical model. It is worth noting that self-efficacy is considered by Bandura et al. (1999b) to be the foundation of human agency. Self-efficacy is identified as a central aspect in Bandura's (1985) Social Cognitive Theory where he describes it as "the belief in one's capabilities to organize and execute the course of action required to manage prospective situations" (Bandura, 1995, p. 2). These finding present both practical and scholarly opportunities for financial counselors, educators, and professionals.

Counseling programs aimed at improving and individuals' level of financial self-efficacy could have significant positive impact on financial outcomes. For financial educators, the results of this study should encourage educators to work towards identifying new pedagogical approaches for improving financial self-efficacy. As supported by this research, it is clear to see how actions and ability are related. Educators are well positioned to improve financial self-efficacy by providing students with opportunities to participant in financial activities that require financial actions.

Second, understanding the relationship between responsible financial actions and mortgage payment outcomes can have a positive impact on consumers. Counseling consumers to focus on lower-level actions fits well with an overall financial planning approach to assure all areas of finance are considered. Conversely, higher level financial concepts could be introduced for those individuals identified as having a high responsible financial actions index score. For example, a counselor may want to counsel a consumer with a high index score on appropriate debt levels. Additionally, for financial counselors and coaches, the index could serve as a useful measure to help determine the appropriate time for introducing more complex financial topics.

Finally, for financial professionals in the mortgage industry, the findings in this research could be used to support the need for counseling services for new mortgage applicants. Beyond traditional financial advice for new mortgage applicants, this index could be used by counselors to educate new mortgage applicants about the importance of maintaining a high index score and the related fact that a higher score means that a more comprehensive financial plan is in place.

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Figure 1

Illustration of Bandura's (1986) Triadic Model of Causation

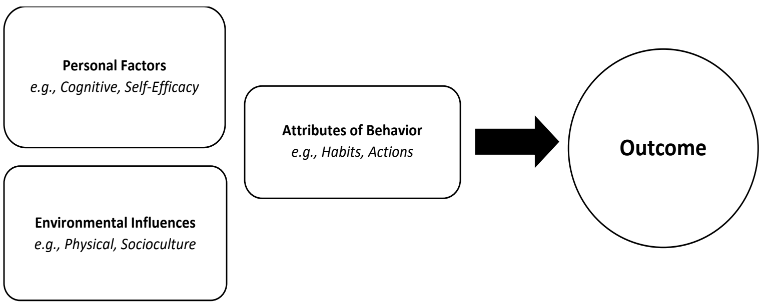
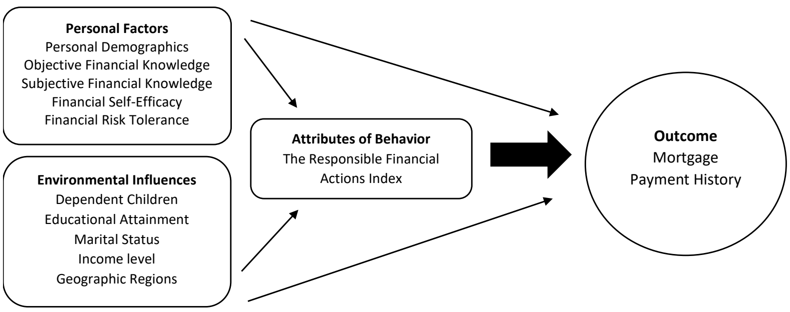


Figure 2

Operationalized Triadic Model



Note. This model is an adapted visual representation of the three co-factors identified in Bandura's (1999a) SCT Triadic Model.

Table 1 *Measurement of Explanatory Variables*

Variables	Measurement
Personal factors	
Personal demographics	
Gender	1 if male; otherwise 0
Age	Five categories18-64
Category 1	Age 18 to 24
Category 2	Age 25 to 34
Category 3	Age 35 to 44
Category 4	Age 45 to 54
Category 5	Age 55 to 64
Race and ethnicity	1 if white; otherwise 0
Objective financial knowledge	Score 0-5
Subjective financial knowledge	Scale 1-7
Financial self-efficacy	Scale 1-7
Financial risk tolerance	Scale 1-10
Environmental influences	
Having one or more dependent children	1 if one or more dependent children; otherwise 0
Educational attainment	Four categories ranging from: less than college - post graduate education.
Marital status	1 if married; otherwise 0
Annual household income	Four categories < $35,000 to < $150,000
Category 1	< $35,000
Category 2	$35,000 to $49,999
Category 3	$50,000 to $74,999
Category 4	$75,000 < $150,000
Census regions	Four regions
Region 1	Midwest
Region 2	Northwest
Region 3	South
Region 4	West

Note. Variables and measurements came from the 2009, 2012, and 2015 NFCS surveys (FINRA Investor Education Foundation, 2017).

Table 1 *Measurements for the Responsible Financial Actions Index*

Financial sub-constructs	NFCS Questions	Measurement
Financial time horizon	Have you ever tried to figure out how much you need to save for retirement?	1 if yes; otherwise 0
	Do you or your spouse/partner have any retirement plans through a current or previous employer?[a]	1 if yes; otherwise 0
	Do you or your spouse/partner regularly contribute to a retirement account like a 401K or IRA?	1 if yes; otherwise 0
Money management	Over the past year, would you say, your/or your household's spending was less than, more than, or about equal to your income? Please do not include the purchase of a new house or car, or other big investments you may have made.	1 if spend less; otherwise 0
Financial risk management	Are you covered by health insurance?	1 if yes; otherwise 0
	Have you set aside emergency or rainy-day funds that would cover your expenses for 3 months, in case of sickness, job loss, economic downturn, or other emergencies?	1 if yes; otherwise 0
Financial awareness	In the past 12 months, have you obtained a copy of your credit report?[b]	1 if yes; otherwise 0
	In the past 12 months, have you checked your credit score?[b]	1 if yes; otherwise 0
	How would you rate your current credit record?[c]	1 if good or very good; otherwise 0
Ownership of base-line financial products	Do you/ Does your household have a checking account?	1 if yes; otherwise 0

	Do you/ Does your household have a savings account, money market account, or CDs?	1 if yes; otherwise 0

Note. Variables and measurements came from the 2009, 2012, and 2015 NFCS surveys (FINRA Investor Education Foundation, 2017).

[a]The base for the retirement account question changed from non-retired households in 2009 to all respondents in 2012 and 2015. Tracking comparisons to 2009 will be made by looking at the responses of only non-retired respondents.

[b]In the 2009 and 2012 survey, two questions were used to measure financial awareness, producing an 11-item index.

[c]The 2015 survey introduced a single question to measure financial awareness. This modification reduced the index from 11 items to 10 items for 2015. This change should be considered when tracking comparisons to 2009 and 2012.

Table 3 *Weighted Descriptive Statistic Characteristics Multinomial Regressions*

	2009 Model (N=8,044)			2012 Model (N=5,664)			2015 Model (N=6,268)		
	Mean	SD	α	Mean	SD	α	Mean	SD	α
Dependent Variable									
Never late	0.75	0.41		0.74	0.42		0.82	0.39	
Mortgage late once	0.09	0.27		0.09	0.28		0.08	0.27	
Mortgage late more than once	0.16	0.35		0.17	0.36		0.10	0.30	
Predictor Variables[b]									
Personal Factors									
Male	0.49	0.47		0.52	0.48		0.51	0.48	
Female (reference group)	0.51	0.47		0.48	0.48		0.49	0.48	
Age 18 to 24 (reference group)	0.05	0.20		0.05	0.21		0.06	0.22	
Age 25 to 34	0.21	0.38		0.21	0.39		0.22	0.40	
Age 35 to 44	0.29	0.43		0.26	0.42		0.28	0.43	
Age 45 to 54	0.29	0.43		0.30	0.44		0.28	0.43	
Age 55 to 64	0.17	0.35		0.19	0.38		0.17	0.36	
White	0.72	0.42		0.67	0.45		0.68	0.45	
Non-white (reference group)	0.28	0.42		0.33	0.45		0.32	0.45	

Compound interest question	0.84	0.34	0.82	0.37	0.81	0.38
Inflation question	0.71	0.43	0.68	0.45	0.63	0.47
Bond pricing question	0.32	0.44	0.33	0.45	0.30	0.44
Mortgage question	0.88	0.31	0.88	0.31	0.86	0.33
Diversification question	0.61	0.46	0.57	0.48	0.51	0.48
Subjective financial knowledge (scale 1-7)	5.06	1.12	5.31	1.11	5.38	1.05
Financial self-efficacy (scale 1-7)	5.70	1.48	5.85	1.37	5.96	1.22
Financial risk tolerance (scale 1-10)	4.59	2.51	5.29	2.57	5.95	2.53
Environmental Influences						
No dependent children (reference group)	0.48	0.47	0.43	0.48	0.42	0.48
One or more dependent children	0.52	0.47	0.57	0.48	0.58	0.48
Less than college (reference group)	0.28	0.43	0.29	0.44	0.22	0.40
Some college	0.41	0.47	0.36	0.46	0.44	0.48
College education	0.20	0.39	0.23	0.41	0.22	0.40
Graduate education	0.10	0.29	0.12	0.31	0.12	0.32
Married	0.69	0.44	0.71	0.44	0.70	0.44
Unmarried (reference group)	0.31	0.44	0.29	0.44	0.30	0.44
Income less than 35K (reference group)	0.22	0.40	0.16	0.35	0.14	0.34
Income 35K to 50K	0.17	0.36	0.14	0.34	0.14	0.34
Income 50K to 75K	0.26	0.42	0.27	0.43	0.26	0.42
Income 75K to 150K	0.35	0.46	0.43	0.48	0.46	0.48
South Region (reference group)	0.37	0.46	0.34	0.46	0.36	0.46
MW Region	0.24	0.41	0.24	0.42	0.23	0.41
NE Region	0.17	0.36	0.17	0.37	0.16	0.35
West Region	0.22	0.40	0.24	0.41	0.25	0.42

Attributes of financial behavior									
Responsible financial actions (index 1-10)[a]	6.02	1.98	0.62	6.28	2.07	0.63	6.36	1.78	0.63
Spend less than income	0.42	0.47		0.44	0.48		0.43	0.48	
Has health insurance	0.86	0.32		0.87	0.32		0.93	0.24	
Presence of an emergency fund	0.37	0.46		0.43	0.48		0.52	0.48	
Calculate for retirement	0.47	0.47		0.51	0.48		0.54	0.48	
Has a self-retirement account	0.34	0.45		0.38	0.47		0.42	0.48	
Has an employer sponsored retirement account	0.74	0.42		0.75	0.42		0.78	0.40	
Has a checking account	0.98	0.13		0.98	0.14		0.98	0.13	
Has a savings account	0.84	0.35		0.85	0.34		0.87	0.33	
Has checked credit score (2009 and 2012)	0.50	0.47		0.56	0.48		-	-	
Has obtained copy of credit report (2009 and 2012)	0.51	0.47		0.50	0.48		-	-	
Rated credit record about average or higher	-	-		-	-		0.89	0.30	

Note. Variables and measurements came from the 2009, 2012, and 2015 NFCS surveys (FINRA Investor Education Foundation, 2017).

[a]Responsible financial actions index is (0-10) for 2009 and 2012 and (0-9) for 2015.

[b]Totals may not equal 100% due to rounding.

Table 4 *2009 Multinomial Logistic Regression Results Predicting On-Time Mortgage Payments*

	2009 Model 1 Never late vs late once			2009 Model 2 Never late vs late more than once		
	(N=6,784)			(N=7,302)		
Variable	B	SE b	Odds-Ratio	b	SE b	Odds-Ratio
Intercept	-0.07	0.31	-	-1.92	0.28	-
Personal Factors						
Male	-0.14	0.09	0.87	-0.15	0.08	0.87
Female (reference group)	-	-	-	-	-	-
Age 18 to 24 (reference group)	-	-	-	-	-	-
Age 25 to 34	-0.65**	0.19	1.92	-0.53*	0.24	0.59
Age 35 to 44	0.58**	0.18	1.78	-0.43	0.21	0.65
Age 45 to 54	0.45*	0.18	1.57	-0.56	0.22	0.57
Age 55 to 64	0.59***	0.20	1.81	-0.51	0.22	0.60
White	0.52***	0.09	1.68	0.57**	0.08	1.77
Non-white (reference group)	-	-	-	-	-	-
Compound interest question	0.31**	0.12	1.36	0.36***	0.09	1.44
Inflation question	0.18	0.10	1.19	0.03	0.09	1.03
Bond pricing question	0.25*	0.10	1.28	-0.12**	0.08	0.89
Mortgage question	-0.05	0.13	0.95	-0.77	0.11	0.94
Diversification question	0.08	0.09	1.08	-0.06	0.11	1.06
Subjective Financial knowledge	-0.06	0.03	0.85	-0.14*	0.04	0.94
Financial self-efficacy	0.11***	0.03	1.12	0.20***	0.02	1.23
Financial risk tolerance	0.09***	0.02	1.09	0.10***	0.02	1.36
Environmental influences						
Married	0.11	0.10	1.11	0.08	0.09	1.29
Unmarried (reference group)	-	-	-	-	-	-
No dependent children (reference group)	-	-	-	-	-	-
One or more dependent children	-0.05***	0.10	0.64	-0.49***	0.08	0.61
Less than college (reference group)						
Some college	-0.03	0.10	0.97	0.15	0.08	1.02
College education	0.16	0.10	1.18	0.16	0.11	1.18

Graduate education	0.26	0.18	1.30	0.41*	0.16	1.51
Income less than 35K (reference group)	-	-	-	-	-	-
Income 35K to 50K	0.02	0.14	1.02	0.05	0.11	1.05
Income 50K to 75K	0.08	0.14	1.09	0.31**	0.11	1.37
Income 75K to 150K	0.22**	0.14	1.24	0.66***	0.12	1.93
MW Region	0.18	0.12	1.20	0.20*	0.09	1.22
NE Region	0.09	0.13	1.09	0.09	0.11	1.10
West Region	0.11	0.11	1.12	0.18**	0.13	1.19
South Region (reference group)	-	-	-	-	-	-
Responsible Financial Actions (Index)	0.09***	0.03	1.10	0.25***	0.02	1.28

Note. Variables and measurements came from the 2009, 2012, and 2015 NFCS surveys (FINRA Investor Education Foundation, 2017)
$*p < 0.05$, $**p < 0.01$, $***p < 0.001$

Table 5 *2012 Multinomial Logistic Regression Results Predicting On-Time Mortgage Payments*

	2012 Model 1 Never late vs late once			2012 Model 2 Never late vs late more than once		
	(N=4,708)			(N=5,090)		
Variable	b	SE b	Odds-Ratio	B	SE b	Odds-Ratio
Intercept	0.96	0.37		-2.20	0.34	
Personal Factors						
Male	-0.10	0.10	0.90	-0.07	0.09	0.93
Female (reference group)	-	-	-	-	-	
Age 18 to 24 (reference group)	-	-	-	-	-	-
Age 25 to 34	0.72***	0.20	2.05	0.13	0.21	1.14
Age 35 to 44	0.88***	0.21	2.41	0.19	0.21	1.21
Age 45 to 54	0.86***	0.21	2.40	0.02	0.21	1.02
Age 55 to 64	1.22***	0.23	3.38	0.05	0.22	1.05
White	0.18	0.11	1.19	0.74***	0.09	2.10
Non-white (reference group)						

Compound interest question	0.49***	0.12	1.63	0.49***	0.10	1.63
Inflation question	0.41***	0.12	1.51	0.33***	0.09	1.38
Bond pricing question	-0.37***	0.11	0.69	-0.09	0.09	0.91
Mortgage question	0.03	0.15	1.02	-0.12	0.13	0.89
Diversification question	0.22*	0.11	1.25	0.42***	0.09	1.53
Subjective financial knowledge	-0.13*	0.05	0.88	-0.13***	0.04	0.88
Financial self-efficacy	0.20***	0.04	1.22	0.23***	0.03	1.26
Financial risk tolerance	0.02	0.02	1.02	0.18***	0.02	1.20
Environmental influences						
Married	0.15	0.12	1.16	0.028	0.10	1.03
Unmarried (reference group)	-	-	-	-	-	-
No dependent children (reference group)	-	-	-	-	-	-
One or more dependent children	-0.56***	0.12	0.57	-0.61***	0.10	0.54
Less than college (reference group)	-	-	-	-	-	-
Some college	-0.34	0.13	0.71	-0.10	0.10	0.91
College education	-0.11	0.15	0.89	0.05	0.12	1.05
Post graduate degree	-0.12	0.19	0.89	0.30	0.17	1.35
Income less than 35K (reference group)	-	-	-	-	-	-
Income 35K to 50K	-0.24	0.18	0.79	-0.11	0.14	0.89
Income 50K to 75K	-0.07	0.16	0.93	0.21	0.13	1.23
Income 75K to 150K	0.33	0.17	1.39	0.58***	0.14	1.79
MW region	0.22	0.14	1.25	0.25*	0.11	1.28
NE region	0.01	0.14	1.00	-0.16	0.12	0.86

West region	0.02	0.13	1.02	0.24*	0.11	1.27
South region (reference group)	-	-	-	-	-	-
Responsible financial actions index	0.01	0.03	1.00	0.12***	0.02	1.12

Note. Variables and measurements came from the 2009, 2012, and 2015 NFCS surveys (FINRA Investor Education Foundation, 2017).
**p* < 0.05, ***p*< 0.01, ****p*< 0.001

Table 6 *2015 Multinomial Logistic Regression Results Predicting On-Time Mortgage Payments*

	2015 Model 1 Never late vs. late once			2015 Model 2 Never late vs. late more than once		
	(N=5,553)			(N=5,675)		
Variable	b	SE b	Odds-Ratio	b	SE b	Odds-Ratio
Intercept	1.96	0.40		-0.99	0.33	-
Personal Factors						
Male	-0.34**	0.10	0.71	-0.31***	0.09	0.73
Female (reference group)	-	-	-	-	-	-
Age 18 to 24 (reference group)	-	-	-	-	-	-
Age 25 to 34	0.43*	0.18	1.55	0.13	0.19	1.14
Age 35 to 44	0.83***	0.20	2.29	0.43*	0.20	1.54
Age 45 to 54	1.00***	0.20	2.73	0.39*	0.20	1.48
Age 55 to 64	1.44***	0.24	4.21	0.66**	0.22	1.94
White	0.25*	0.10	1.29	0.38***	0.10	1.44
Non-white (reference group)						
Compound interest question	0.63***	0.12	1.88	0.58***	0.11	1.78
Inflation question	0.37**	0.11	1.45	0.56***	0.10	1.74
Bond pricing question	-0.13	0.11	0.88	-0.05	0.11	0.95
Mortgage question	0.15	0.13	1.16	-0.03	0.12	0.97
Diversification question	0.32**	0.11	1.38	0.44***	0.10	1.55
Subjective Financial Knowledge	-0.27***	0.05	0.77	-0.27***	0.05	0.76
Financial self-efficacy	0.17***	0.04	1.18	0.22***	0.04	1.25
Financial Risk Tolerance	-0.01	0.02	1.00	0.02	0.02	1.02

Environmental influences						
Married	-0.03	0.12	1.88	-0.24*	0.11	0.79
Unmarried (reference group)	-	-	-	-	-	-
No dependent children (reference group)	-	-	-	-	-	-
One or more dependent children	-0.75***	0.12	1.45	-0.70***	0.11	0.50
Less than college (reference group)	-	-	-	-	-	-
Some college	-0.09	0.13	1.16	-0.01	0.11	0.99
College education	0.02	0.16	1.38	-0.03	0.14	0.97
Post graduate degree	0.08	0.19	0.77	-0.08	0.18	0.93
Income less than 35K (reference group)						
Income 35K to 50K	0.33*	0.16	1.18	0.45**	0.15	1.56
Income 50K to 75K	0.57***	0.16	1.00	0.37**	0.14	1.45
Income 75K to 150K	0.85***	0.16	2.34	0.69***	0.15	2.00
South Region (reference group)	-	-	-	-	-	-
MW Region	0.27*	0.14	1.18	0.21	0.12	1.23
NE Region	-0.07	0.14	1.00	-0.18	0.13	0.84
West Region	0.05	0.13	2.34	0.16	0.12	1.17
Attributes of Behavior						
Responsible Financial Actions Index	0.06	0.03	1.07	0.28***	0.03	1.32

Note. Variables and measurements came from the 2009, 2012, and 2015 NFCS surveys (FINRA Investor Education Foundation, 2017)
*$p < 0.05$, **$p < 0.01$, ***$p < 0.001$

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Is it Time to Reframe Beliefs About Gender and Money?

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Keywords: Gender bias, gender and money, money attitudes, money personality, women and finance

Abstract

Are men and women really that different when it comes to financial behaviors? Like many others in my generation, growing up I readily accepted that men and women were significantly different and had different competencies. I assumed that would also be true when looking at financial behaviors. For years the literature depicted men as the warriors, leaders, risk takers and the more financial stable members of our society. The women were described as risk averse, spenders, shoppers and less concerned with taking responsibility for money and saving for the future. Over the years, studies have labeled what we would often consider normal financial behaviors as pathological with women bearing the brunt of being labeled as neurotic. Were those stereotypes accurate? Is there really an innate difference in our wiring and genes? Or are these financial behaviors primarily learned and influenced by social, cultural and socioeconomic norms?

Gender can be a controversial topic. The question is whether differences in financial behaviors can be, or should be, attributed to gender. Studies that research other factors do not discriminate between genders when they cite their findings. Studies that focus on gender differences typically reinforce stereotypes without considering social, cultural and socioeconomic contexts. Do studies that focus on the differences between the sexes get more press because they are appealing and popular, further promoting the stereotypes?

Feminist economists who reviewed 208 studies pertaining to gender and finance found many of those studies were flawed and should not have been generalized to reinforce questionable stereotypes. They also raise the question of whether researchers have used gender differences to explain behaviors without seriously considering other factors. After all, there are studies of matriarchal vs. patriarchal societies where these stereotypes do not play out. The feminist economists, along with other researchers, have concluded that there is more intra-gender differences than relevant differences between genders. To add to this questioning of gender differences, brain studies are showing the brain to be very malleable. Therefore, most behaviors we had previously accepted as "hard wired" or genetic are proven to be changeable, opening the door to focus on context rather than gender.

On the first look at the analysis of responses by 20,775 participants to 54 individual statements on the Money Habitudes® money personality profile, it was exciting to see there were statistically significant differences between men and women on all but seven statements. But after considering the literature, it led to taking a second look at the numbers through a different lens. By grouping together the 54 statements into the six different patterns of habits and attitudes (Habitude types), the gender differences didn't look as convincing. Those results would support the idea that there are more differences within each gender than between them.

While it was tempting to reinforce the stereotypes, looking at the statistics through a different lens showed remarkably similar patterns between the sexes with more variation of intra-gender responses. Consequently, we propose that academically we need to approach all studies on gender and financial behavior with a very critical eye. On a practical level, we need to become aware of our own biases and make no assumptions based on gender identity. Anyone working with others on financial matters is encouraged to look and listen to their clients' stories for context. For people working with a company to improve employees' financial behaviors, the recommendation is to question the numbers and again, ask why rather than make assumptions based on gender. For example, if fewer women are contributing to their retirement plans, ask the right questions and listen to why they are not. Their answers may surprise you, challenge your stereotypes and change the way you approach resolving that issue. And it is likely that many men are addressing the same issue and would benefit from a change in the way financial information is offered.

Review of the Literature

In general, there is a great deal of research that tends to either (1) investigate the factors influencing one's spending habits and attitudes or (2) investigate the gender difference between an individual's money-related behavior.

Bandura (1971) proposed a Social Learning Theory that one's behaviors and attitudes are modeled by the significant individuals in a person's life. Pliner et al. (1996) found that children who received an allowance demonstrated more responsible credit usage and were more likely to price products accurately than those who did not receive an allowance. Lassarre (1996) found that pocket money played a much stronger educational role when accompanied by family discussions of financial matters. Hibbert et al. (2004) found that young adults whose parents illustrated prudent financial behaviors (paying their bills on time and living within a budget) were less likely to accumulate high levels of debt and demonstrated more concern over funding their expenditures. Webley & Nyhus (2013) find that an individual's financial habits were much more influenced by their parents' explicit voicing of financial values such as encouraging their child to save for the future. These studies did not differentiate between the sexes which would indicate that significant individuals in a person's life had more influence on financial behaviors than gender.

Coming from a different perspective, Chen & Volpe (2002) conclude that on average, men demonstrate stronger levels of personal finance knowledge than women. Additionally, men have consistently reported themselves as more educated in personal finance than women have. They also found that women exhibited a lower level of investment knowledge than men. Watson & McNaughton (2007) found that men's investment tactics were likely to be riskier than those of women. Serido & Collins (Borden et al., 2008) concluded that male young adults tended to demonstrate a higher level of financial education than their female counterparts. Balhorn (2013) found that there was a significant difference between how men and women perceived themselves and others as spenders/savers. Furthermore, women tended to be more financially risk averse than men although the difference was not significant. (This finding about risk aversion is important in that it suggests social constructs, rather than gender difference, were at play.)

Contributing to the gender difference theories, researchers interested in money pathology gave significant weight to gender differences *with females exhibiting more "money pathology" than males* (Furnham et al., 2015). They also stated: *Overall, females exhibited a higher "Money Insanity" score* (Forman 1987; Cheng and Furnham 2013). Then Furnham et al. (2015) went on to state: *it is possible to argue that some of these beliefs and behaviours labeled "pathological" or manifestations of "insanity" are both normal and healthy.* (It needs to be noted that many of the behaviors considered pathological have been acknowledged as normal behaviors.)

Lind et al. (2020) differentiate between financial knowledge that is objective (competence) and subjective (confidence). They conclude that both are important, but that confidence is the stronger predictor of sound financial behavior. They maintain that confidence, by itself, is beneficial for financial outcomes. This is a significant departure from other studies that only focus on objective knowledge as the key to responsible, successful financial behaviors. They cite studies on objective measures such as following a budget (Hayhoe et al. 2000), trading behavior (Barber and Odean 2001), and savings behavior (Fisher 2010). In each of these studies, men outperform women. Similarly, they cite other studies such as Peters et al. (2006) which show a correlation between one's ability to work with numbers and better financial decision making and, again, men outperformed women. However, they found a person's ability and comfort related to working with numbers did not substantially impact everyday financial behavior. They state that high levels of subjective and objective financial knowledge the best combination for sound financial behaviors, however, they conclude that overall, subjective (confidence) is a more reliable indicator of sound financial behavior than objective (financial knowledge).

> *Our results also show that women feel less secure in their financial situation and worry more about it than men. Further, we found a significant difference in financial behavior suggesting that women have more sound financial behaviors than men, when controlling for sociodemographic and cognitive measures. This suggests that although women more frequently engage in sound financial behaviors, they still feel more anxiety related to financial matters, also when controlling for factors such as income.*
>
> *A particularly noteworthy finding from this study is that financial confidence (i.e., subjective financial literacy) seems to be more important than financial competence (i.e., objective financial knowledge). This was found in relation to both financial behavior and subjective financial wellbeing. The interplay between objective and subjective financial knowledge has been explored for some financial behaviors in prior studies (Allgood and Walstad 2013, 2016; Anderson et al. 2017; Robb et al. 2015). These studies have suggested that subjective financial knowledge may be as important as actual financial knowledge.*

The FINRA Financial Capability Survey of 2009 looked at gender differences. For objective knowledge, the younger cohorts (18-24 and 25-34) and the oldest (55-64+) showed the most differences with males outperforming females. However, objective knowledge didn't translate directly to behavioral differences or subjective financial knowledge except for those 55+ where men again outperformed women (Robb and Woodyard, 2011). Women in the 55+ age range were raised at a time when math, business and financial management were associated with male behaviors. In general, they had less exposure to objective financial knowledge and weren't expected to have it. In their formative years, American cultural messages were that a woman being financially savvy was considered as not feminine and was discouraged. Educators generally steered women away from fields of study where math, business and technical knowledge was required. In more recent years, there is more gender job equity and opportunity. A pattern is clearly beginning to emerge that other factors related to socialization and culture are more relevant than gender.

In recent years, fewer studies are finding that gender is the significant factor in financial behaviors. The GoBankingRates survey (2019) concluded: *while women are often stereotyped as being bad with money, this data shows that women and men have similar financial habits — women being a bit more conscientious about saving and men a bit more frugal on spending.*

DeAlmeida et al. (2012) studied consumers' attitudes, breaking them into two categories: optimism and abundance vs. pessimism and scarcity. Optimistic attitudes were predictors of better financial behaviors regardless of gender and other socioeconomic variables. Qamar et al. (2016) also concluded that financial behaviors are correlated with an individual's attitudes and beliefs. In Qamar's research they refer to gender tendencies, not significant differences (i.e. women spending and worrying more; men associating money with freedom and the ability to achieve). Both studies show support that there are more intra-gender differences than between males and females.

For a major change in perspective, Sent and van Staveren (2019) reviewed 208 articles from behavioral economics looking at them through the critical lens of feminist economists. They looked at the design of the studies and found many flawed, often related to the size of the study. They challenged many of the findings for attributing differences in financial behaviors to gender instead of adequately looking at the context (social, cultural and socioeconomic policies) influencing those behaviors. They cite Nelson's work (2014), which also says innate differences between the genders are not necessarily the issue when evaluating financial behaviors. Instead, they say, other factors related to prescribed gender roles or the social power hierarchy need to be given more attention. When Nelson (2015) revisited thirty-five articles on risk-taking behavior and gender, she found only small gender differences and that there was an 80% overlap between the distribution of responses by men and women.

Nelson (2014) adds an interesting twist to why gender differences are continually reinforced. She surmises that journals find it more interesting to publish articles about significant differences between males and females than to focus on similarities. Sent and van Staveren (2018) add to this sentiment:

> *The economics literature on gender and risk aversion reveals considerable evidence of "essentialist" prior beliefs, stereotyping, publication bias, and confirmation bias. The claims made about gender and risk have gone far beyond what can be justified by the actual quantitative magnitudes of detectable differences and similarities that appear in the data.*

Discussing gender differences leads to the controversial topic of which traits are "hardwired" and which are malleable. Lilienfeld et al. (2015) included "hardwired" in their book highlighting fifty terms that are "misused, ambiguous, and logically confused words and phrases." They said:

> *… growing data on neural plasticity suggest that, with the possible exception of inborn reflexes, remarkably few psychological capacities in humans are genuinely hard-wired, that is, inflexible in their behavioral expression (...). Moreover, virtually all psychological capacities, including emotions and language, are modifiable by environmental experiences (...)." (p. 4)*

It only takes looking at other societies where men and women are socialized differently to see the ambiguity of gender differences. An example provided by Gneezy et al. (2009) compares the Maasai, a patriarchal society in Tanzania, with the Khasi, a matrilineal society in India. There was no gender difference in risk-taking behavior but women were less competitive in the patriarchal society and more competitive in the matrilineal society.

As societies grow and cultures change, many of today's statistics and opinions challenge the standard stereotypes. Now that women have more access to information, education, professions and lifestyles there are changes in financial behaviors that were previously associated with males. An article summarizing a meta-analysis of 16 national polls from 1946-2018 (Jagannathan, 2019) points out the differences over time in American society's view of women's competence. It included the American Psychological Association survey, concluding that women are now viewed as competent or more competent than men. The Gallup Poll responses to women being more competent than men moved from 46% in 1946 to 65% in 2018 s well. Similarly, the review of Roper's poll results were that only 25% of respondents in 1946 thought men and women were equally competent and in 2018 that had increased to 70%.

Since many of the stereotyped traits assigned to women were the result of research comparing numbers to indicate competence with financial behaviors, it's interesting to look at some of those numbers now. McGurran (2020) at Experian provided the following:

- FICO scores are nearly identical for men and women averaging 705 and 704 respectively.
- Men have more personal loan debt (20%), auto loan debt (16.3%) and mortgage debt (9.7%).
- Men have 21.7% more overall debt than women when combining credit cards, student loans, auto loans, personal loans, home equity lines of credit and mortgages.

Besides the numbers, McGurran found that attitudes about taking on debt were different between men and women: women think that is okay during times of financial hardship and men were more willing to take on debt for luxury items.

A study by Fidelity Investments (2017) provided the following data:

- Women save a higher percentage of their income.
- Women earn higher returns on their investments (even though reporting they feel less competent).
- Women saved more in accounts outside of workplace savings (such as IRAs).
- When making financial plans, women focus more on life goals that include their families where men focus more on performance alone.
- Women are more conservative with their investments and tend to hold stocks vs. men who react more to market changes.
- Women are more likely to diversify their investments.
- Women spend less than men and are better at finding good deals.
- Women give more to charity. While 93% of women with high net worth gave to charity, only 87% of high net worth men did. Women with lower incomes also gave more generously to charities.

Moving away from numbers, in a proprietary study of 3,000 men and women, US Bank (2020) focused on seeking to understand women's relationship with money by asking questions related to hopes, fears and confidence levels among other things.

- Women (46%) rank financial security and well-being as their financial priority vs. 35% of men.
- Women spend less on lifestyle and status items than men.
- Women, especially those over 55, worry more about retirement, market losses and the fear of not having enough money. Women under 35 worried more about overspending (27%) and losing their jobs 26%).
- Women appear less confident about managing their money, but they worry less about making ends meet and don't struggle as much to pay their bills compared to men.

Sarah O'Brien of CNBC (2022) reported:

- In general, 55% of women and 60% of men are confident in their ability to manage their finances. This is a dramatic change in just two years when women lagged by 13%.
- Young women are displaying the greatest level of confidence in their financial abilities compared to males and older women.

The key take-aways from the literature on gender differences in financial behaviors are:

- Contrary to traditional beliefs that objective financial knowledge (competence) determined if one would have sound financial behaviors, it was found that subjective financial knowledge (confidence) was actually a better predictor of that outcome.
- Stereotypes of men being more competent at managing money and women being uninterested and incompetent were reinforced in spite of evidence to the contrary. Some normal behaviors were considered pathological and women were more often labeled neurotic as a result.
- Much of the research was based on numbers without considering the context of the social, cultural and socioeconomic realities for women which limited their access to information and involvement in financial matters.
- Labeling traits that impact financial management as gender based has been challenged. The criticism is that other factors were not adequately explored before assuming it was "hardwired" and now experts are saying that very few traits are fixed since the brain is actually quite malleable.
- Given changes in society, when women have the exposure to more information, education, professions and lifestyles, their competence and confidence is at least comparable to men's.
- There are more intra-gender differences than differences between the genders.

Methods and Data Analysis

I worked with Hanchun Zhang, Ph.D. to analyze the data of 20,775 people who had completed the Money Habitudes online profile between 2016 and 2022. There are fifty-four statements measuring six categories of respondents' money habits and attitudes (Habitudes). The six categories are Security, Spontaneous, Status, Carefree, Giving, and Planning. Each category includes nine statements, and in each statement, respondents could choose from three responses: "That's not me", "Sometimes" and "That's me".

The population was very diverse. It included clients of financial planners who could afford to invest significant amounts of money to clients receiving services at non-profits who often were unable to afford the bare necessities. Education levels ranged from high school to professionals with doctoral degrees. Other populations include the military, faith-based organizations, community agencies, university students and staff, people attending a variety of conferences and people working with counselors and social workers. They came from urban, suburban, and rural areas throughout the United States. Approximately 5% were international clients residing in Canada, South Africa, Australia, the UK, Singapore, Mexico and other countries. It also included international students studying at universities in the United States.

The Money Habitudes profile was taken as part of classes, conferences, webinars and trainings related to finances or when they were working one-on-one or as a couple with a professional. Professionals were typically financial planners/advisors, financial counselors, educators, social workers, counselors and volunteers in faith-based and community programs.

In our sample dataset, besides the participants' responses to fifty-four statements, we also have the gender information for each participant. The final dataset used in the analyses included a total of 20,775 responses of which 63 percent (13,135) are female, and 37 percent (7,640) are male.

Table 1. Tabulation of Responses by Gender

	Freq.	Percent	Cum.
F (Female)	13135	63.23	63.23
M (Male)	7640	36.77	100.00
Total	20775	100.00	

Two-sample (female and male) t-test with equal variances was used to analyze the gender differences of these responses for each of the fifty-four questions. This t-test assumes that the standard deviation of the two samples (or groups of females and males) are equal. We hypothesized that the means of the underlying responses for the two groups are different, thus, our null hypothesis and alternative hypothesis can be written as below:

$$H_0: \mu_{Female} = \mu_{Male}$$
$$H_1: \mu_{Female} \neq \mu_{Male}$$

Where μ_{Female} is the mean of female sample, and μ_{Male} is the mean of the male group.

Female and Male Participants responses to each of the 54 statements

Table 2 to Table 7 are samples from each Habitude of the t-test results that were calculated for each statement. Taking Table 2 as an example, the p-value for the t-test of the question se0 ("I like to get separate bills when I eat out with others. I only want to pay my fair share") is 0.035 lower than the commonly used threshold 0.05 (or 5%) thus, we can reject the null hypothesis and conclude that the underlying means between female and male samples are significantly different, and female is higher than male (0.117 vs. 0.094). All but seven of the statements tested as significantly different for male and female participants.

Table 2 (Security). Two-sample t test with equal variances: se0 (I like to get separate bills when I eat out with others. I only want to pay my fair share)

	obs1	obs2	Mean1	Mean2	dif	St Err	t value	p value
se0 by gender: FM	13135	7640	0.117	.094	.024	.011	2.1	.035

With the p-value being lower than 0.05, the test result indicates that the underlying means between Female and Male are significantly different.

Table 3 (Spontaneous). Two-sample t test with equal variances: sp4 (If I'm upset, I buy something, or if I want to avoid something I buy something, or if I feel great I buy something)

	obs1	obs2	Mean1	Mean2	dif	St Err	t value	p value
sp4 by gender: FM	13135	7640	-0.307	-.6	.292	.011	27.3	0

With the p-value being lower than 0.05, the test result indicates that the underlying means between Female and Male are significantly different.

Table 4 (Status). Two-sample t test with equal variances: st6 (I think about what is best for the situation. That might be when I: choose my clothes, buy a gift, plan an event)

	obs1	obs2	Mean1	Mean2	dif	St Err	t value	p value
st6 by gender: FM	13135	7640	0.703	.66	.042	.007	5.45	0

With the p-value being lower than 0.05, the test result indicates that the underlying means between Female and Male are significantly different.

Table 5 (Carefree). Two-sample t test with equal variances: ca8 (Win a fortune? Inherit lots of money? Sounds good! But I would not want to be responsible for it)

	obs1	obs2	Mean1	Mean2	dif	St Err	t value	p value
ca8 by gender: FM	13135	7640	-0.496	-.593	.097	.011	9.35	0

With the p-value being lower than 0.05, the test result indicates that the underlying means between Female and Male are significantly different.

Table 6 (Giving). Two-sample t test with equal variances: gi2 (I give up things I want so I can help others)

	obs1	obs2	Mean1	Mean2	dif	St Err	t value	p value
gi2 by gender: FM	13135	7640	0.067	.022	.044	.01	4.55	0

With the p-value being lower than 0.05, the test result indicates that the underlying means between Female and Male are significantly different.

Table 7 (Planning). Two-sample t test with equal variances: pl6 (I only buy what I planned to buy. I will not get extra items or extra features)

	obs1	obs2	Mean1	Mean2	dif	St Err	t value	p value
pl6 by gender: FM	13135	7640	-0.129	.118	-.246	.01	-24.55	0

With the p-value being lower than 0.05, the test result indicates that the underlying means between Female and Male are significantly different.

Did Female and Male Participants Have Different Strong and Very Strong Dominant Habitudes?
We have tested the gender difference of the dominant Habitudes and very strong dominant Habitudes for each of the six overall scores (or six overall Habitude types). A dominant Habitudes is defined as placing 4 to 6 statements (out of 9) of any Habitude in "That's me"; the very strong dominant Habitudes is defined as respondents placing 7 to 9 statements (out of 9) of any Habitude in "That's me".

Table 8 to Table 18 present the t-test results. As shown in the tables, the p-values of Security for both dominant Habitudes and very strong dominant Habitudes are higher than the threshold of 0.05, indicating that there are not significant difference means between female and male participants. The same is true for Status and Carefree. There were significant differences for Spontaneous and Giving and mixed results for Planning.

Table 8 Security. Two-sample t test with equal variances: Dominant Security

	obs1	obs2	Mean1	Mean2	dif	St Err	t value	p value
Dominant SE: F M	3320	2096	4.777	4.79	-.013	.022	-.6	.538

With the p-value being higher than 0.05, the test result indicates that the underlying means between Female and Male are not different

Table 9 Security. Two-sample t test with equal variances: Very strong dominant Security

	obs1	obs2	Mean1	Mean2	dif	St Err	t value	p value
VstrongDominant SE: F M	616	432	7.386	7.435	-.049	.041	-1.2	.227

With the p-value being higher than 0.05, the test result indicates that the underlying means between Female and Male are not different

Table 10 Spontaneous. Two-sample t test with equal variances: Dominant Spontaneous

	obs1	obs2	Mean1	Mean2	dif	St Err	t value	p value
Dominant SP: F M	1366	529	4.792	4.688	.104	.04	2.65	.009

With the p-value being lower than 0.05, the test result indicates that the underlying means between Female and Male are significant different

Table 11 Spontaneous. Two-sample t test with equal variances: Very strong dominant Spontaneous

	obs1	obs2	Mean1	Mean2	dif	St Err	t value	p value
VstrongDominant SP: F M	409	137	7.508	7.664	-.155	.074	-2.1	.036

With the p-value being lower than 0.05, the test result indicates that the underlying means between Female and Male are significant different

Table 12 Status. Two-sample t test with equal variances: Dominant Status

	obs1	obs2	Mean1	Mean2	dif	St Err	t value	p value
Dominant ST: F M	640	390	4.716	4.702	.013	.05	.25	.791

With the p-value being higher than 0.05, the test result indicates that the underlying means between Female and Male are not different

Table 13 Status. Two-sample t test with equal variances: Very strong dominant Status

	obs1	obs2	Mean1	Mean2	dif	St Err	t value	p value
VstrongDominant ST: F M	102	89	7.657	7.652	.005	.118	.05	.965

With the p-value being higher than 0.05, the test result indicates that the underlying means between Female and Male are not different

Table 14 Carefree. Two-sample t test with equal variances: Dominant Carefree

	obs1	obs2	Mean1	Mean2	dif	St Err	t value	p value

Dominant CA: F M	440	229	4.598	4.673	-.075	.06	-1.25	.208

With the p-value being higher than 0.05, the test result indicates that the underlying means between Female and Male are not different

Table 15 Carefree. Two-sample t test with equal variances: Very strong dominant Carefree

	obs1	obs2	Mean1	Mean2	dif	St Err	t value	p value
VstrongDominant CA: F M	45	33	7.622	7.636	-.014	.182	-.1	.939

With the p-value being higher than 0.05, the test result indicates that the underlying means between Female and Male are not different

Table 16 Giving. Two-sample t test with equal variances: Dominant Giving

	obs1	obs2	Mean1	Mean2	dif	St Err	t value	p value
Dominant GI: F M	1369	580	4.656	4.745	-.089	.037	-2.4	.017

With the p-value being lower than 0.05, the test result indicates that the underlying means between Female and Male are significant different

Table 17 Giving. Two-sample t test with equal variances: Very strong dominant Giving

	obs1	obs2	Mean1	Mean2	dif	St Err	t value	p value
VstrongDominant GI: F M	199	71	7.417	7.648	-.231	.1	-2.3	.021

With the p-value being lower than 0.05, the test result indicates that the underlying means between Female and Male are significant different

Table 18 Planning. Two-sample t test with equal variances: Dominant Planning

	obs1	obs2	Mean1	Mean2	dif	St Err	t value	p value
Dominant PL: F M	4406	2731	4.987	5.024	-.036	.02	-1.8	.072

With the p-value being higher than 0.05, the test result indicates that the underlying means between Female and Male are not different

Table 19 Planning. Two-sample t test with equal variances: Very strong dominant Planning

	obs1	obs2	Mean1	Mean2	dif	St Err	t value	p value
VstrongDominant PL: F M	2562	1961	7.644	7.748	-.104	.022	-4.65	0

With the p-value being lower than 0.05, the test result indicates that the underlying means between Female and Male are significant different

Frequency of Responses to the Number of Statements in Each Habitude.

For each question, we coded the answers so that -1 is "That's not me", 0 is "Sometimes", and +1 is "That's me". We have summed the scores of the number of responses to the nine statements in each of the six categories and included the percent of female and male participants responses to each one.

These tables and charts represent how women vs. men placed the nine statements associated with each Habitude category. For example, -9 means that an individual placed all nine statements in that Habitude category in "That's not me", 0 means that the individuals placed all nine statements in "Sometimes" and +9 means individuals placed all nine statements in "That's me".

Table 20 to Table 25 and the corresponding charts provide the tabulations of the score distribution for the six overall Habitude categories by frequency and percent. For example, in Table 8, Security, there are 282 responses (2.1%) by females that placed four of the nine Security statements in "That's not me' while 1,754 respondents (13.3%) scored +1 for all nine statements meaning they placed 3 or the nine Security cards in "That's me"; for males there were 28 responses (.3%) that scored -1 meaning they placed 6 Security statement as "Not me" and 1144 (14.9%) of males placed three security statements under "That's Me". The graphs show

how there is much more intra-gender differences than between genders.

Table 20 & Chart 20. Tabulation of Security Habitude responses by gender

	Female Frequency	Female Percent	Male Frequency	Male Percent
-9	4	.0	3	.0
-8	9	.0	1	.0
-7	29	.0	13	.0
-6	73	0.5	28	0.3
-5	145	1.1	55	0.7
-4	282	2.1	111	1.4
-3	454	3.4	194	2.5
-2	706	5.3	324	4.2
-1	1022	7.7	534	6.9
0	1413	10.7	704	9.2
1	1616	12.3	1007	13.1
2	1692	12.8	994	13.0
3	1754	13.3	1144	14.9
4	1467	11.1	912	11.9
5	1126	8.5	711	9.3
6	727	5.5	473	6.1
7	432	3.2	280	3.5
8	130	0.9	116	1.5
9	54	0.4	36	0.4
	13135		7640	

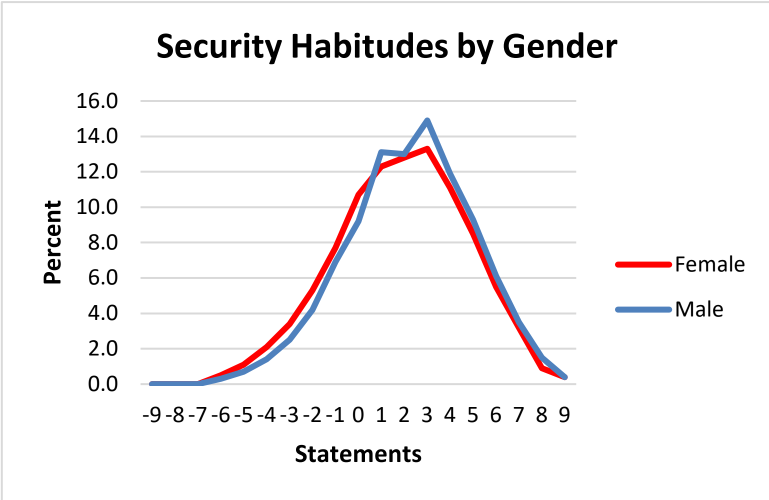


Table 21 & Chart 21. Tabulation of Spontaneous Habitude responses by gender

	Female Frequency	Female Percent	Male Frequency	Male Percent
-9	52	0.3	47	0.6
-8	123	0.9	112	1.4
-7	338	2.5	255	3.3
-6	612	4.6	450	5.8
-5	921	7.0	632	8.2
-4	1149	8.7	809	10.5
-3	1315	10.0	827	10.8
-2	1390	10.5	851	11.1
-1	1360	10.3	803	10.5
0	1250	9.5	747	9.7
1	1110	8.4	618	8.0
2	904	6.8	459	6.0
3	836	6.3	364	4.7
4	582	4.4	257	3.3
5	487	3.7	180	2.3
6	297	2.2	92	1.2
7	256	1.9	78	1.0
8	98	0.7	27	0.3
9	55	0.4	32	0.4
	13135		7640	

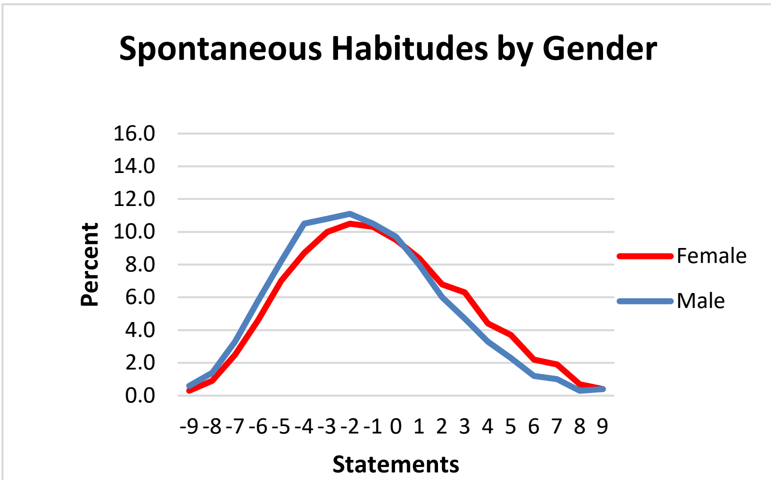


Table 22 and Chart 22. Tabulation of Status Habitude responses by gender

	Female Frequency	Female Percent	Male Frequency	Male Percent
-9	11	0.0	10	0.0
-8	75	0.5	28	0.3
-7	359	2.7	154	2.0
-6	783	5.9	370	4.8
-5	1299	9.8	649	8.4
-4	1642	12.5	908	11.8
-3	1813	13.8	1030	13.3
-2	1729	13.1	1023	13.3
-1	1558	11.8	950	12.4
0	1103	8.3	751	9.8
1	907	6.9	565	7.3
2	634	4.8	430	5.6
3	480	3.6	293	3.8
4	300	2.2	195	2.5
5	222	1.6	116	1.5
6	118	0.8	79	1.0
7	55	0.4	52	0.6
8	27	0.2	16	0.2
9	20	0.1	21	0.2
	13135		7640	

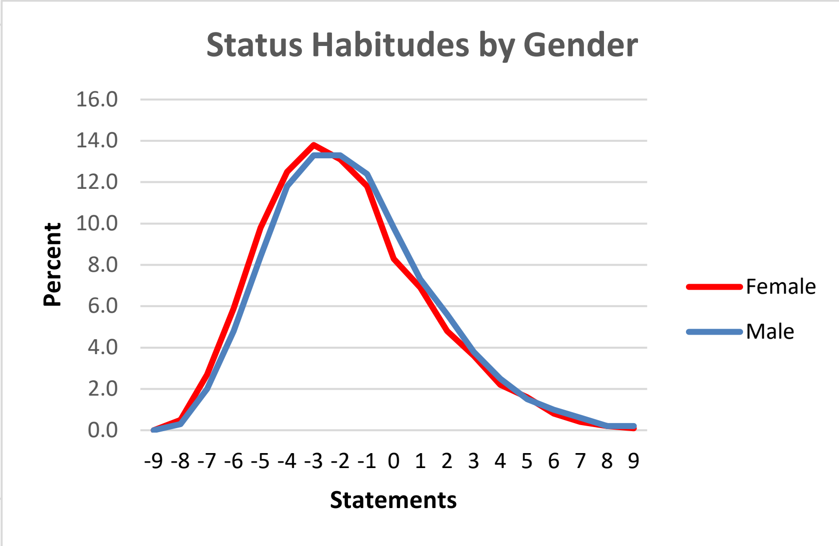


Table 23 and Chart 23. Tabulation of Carefree Habitude responses by gender

	Female Frequency	Female Percent	Male Frequency	Male Percent
-9	110	0.8	78	1.0
-8	273	2.0	183	2.3
-7	645	4.9	431	5.6
-6	1028	7.8	668	8.7
-5	1375	10.4	896	11.7
-4	1607	12.2	935	12.2
-3	1655	12.5	970	12.6
-2	1538	11.7	885	11.5
-1	1345	10.2	787	10.3
0	1145	8.7	605	7.9
1	899	6.8	438	5.7
2	611	4.6	295	3.8
3	419	3.1	207	2.7
4	237	1.8	114	1.4
5	143	1.0	76	0.9
6	60	0.4	39	0.5
7	25	0.1	19	0.2
8	12	0.0	7	0
9	8	0.0	7	0

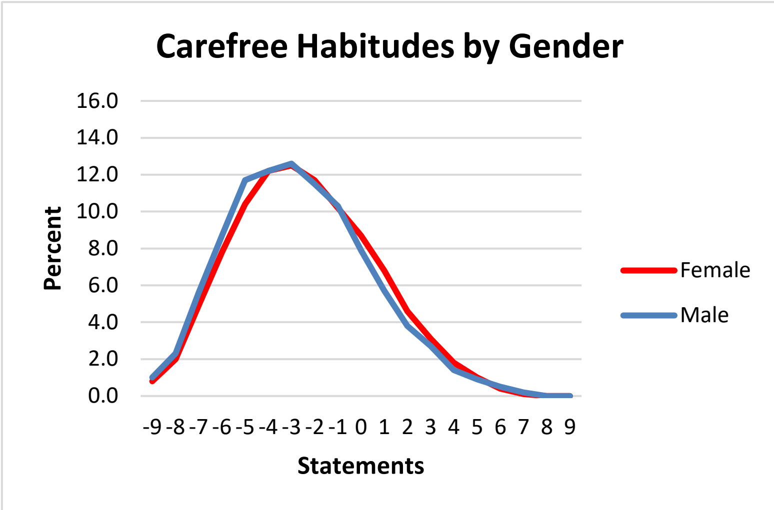
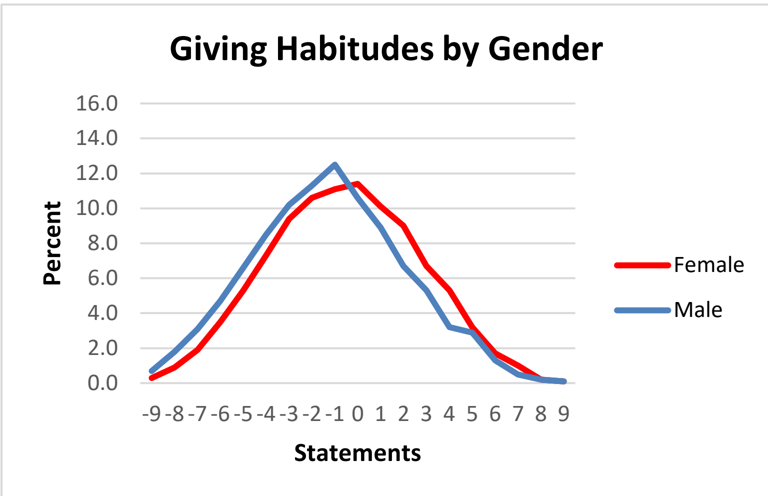


Table 24 and Chart 24. Tabulation of Giving Habitude responses by gender
Table 245and Chart 25. Tabulation of Planning Habitude responses by gender

	Female Frequency	Female Percent	Male Frequency	Male Percent
-9	49	0.3	60	0.7
-8	123	0.9	138	1.8
-7	260	1.9	242	3.1
-6	460	3.5	365	4.7
-5	698	5.3	506	6.6
-4	961	7.3	651	8.5
-3	1243	9.4	780	10.2
-2	1401	10.6	864	11.3
-1	1468	11.1	957	12.5
0	1499	11.4	810	10.6
1	1334	10.1	687	8.9
2	1185	9.0	519	6.7
3	886	6.7	410	5.3
4	705	5.3	252	3.2
5	430	3.2	224	2.9
6	234	1.7	104	1.3
7	138	1.0	40	0.5
8	39	0.2	16	0.2
9	22	0.1	15	0.1



Female	Female	Male	Male

	Frequency	Percent	Frequency	Percent
-9	4	0.0	3	0.0
-8	5	0.0	5	0.0
-7	23	0.1	4	0.0
-6	35	0.2	14	0.1
-5	109	0.8	31	0.4
-4	211	1.6	61	0.7
-3	265	2.0	100	1.3
-2	425	3.2	166	2.1
-1	624	4.7	229	2.9
0	853	6.4	357	4.6
1	1010	7.6	528	6.9
2	1243	9.4	670	8.7
3	1360	10.3	780	10.2
4	1471	11.1	879	11.5
5	1518	11.5	909	11.8
6	1417	10.7	943	12.3
7	1299	9.8	892	11.6
8	877	6.6	672	8.7
9	386	2.9	397	5.1
	13135		31	

Results

Overall, the results of the study show support both that there are significant differences between genders and that looking at the data from a different perspective there are more intra-gender differences than between the genders.

Supporting the differences, Table 2 to Table 7 represent the t-test results for each of the fifty-four statements. There are statistically significant differences between female and male participants regarding their money habits and attitudes, as the p-values of the t-tests for forty-seven of the fifty-four statements by gender are below 5% threshold.

The seven statements that do not have a statistical difference between woman and man are below:

- Even if I can afford things that make my life easier, I will not buy them. (Security)
- I like to say "yes" to unexpected things that sound good to me. It might be: a bargain, a new job, a good time. (Spontaneous)
- I will hide the fact that I am having money problems. Even if I can't afford it, I will spend money to keep up a good image. (Status)
- When I need money. I just ask my friends or family to help me. (Carefree)
- I change my plans to do what others want to do. (Carefree)
- I have to pay late fees because I do not pay my bills on time. (Carefree)
- I think that when people have a lot of money, it corrupts them. (Giving)

Also supporting differences, Table 8 to Table 18, the t-test results for the six overall scores for dominant (four to six of nine statements placed in “That’s me”) and strong dominant (seven to nine of nine statements placed in “That’s me”) also indicate some significant differences between female and male participants, but not consistently. When studied more closely, they raise many questions.

For Security, male and female participants were not significantly different and Security is important to both, but security does not necessarily mean the same thing to both. dMen more often associate security with power, freedom and the ability to achieve goals. Women associate it more with being able to take care of themselves and others (Furnham et al., 2015).

Spontaneous was significantly different for both dominant and very dominant Habitudes, however, again, questions are raised. More female participants responded in the dominant range while more male participants responded in the strongly dominant range. Does this mean that, in opposition to much of the research saying women avoid risk, that women take as many or more risks than men, but they are more cautious, consider the consequences and consider the impact on others? Does it mean men take risks more frequently or that they are more reckless?
Status results showed no significant differences between male and female participants. As status is defined in

this profile as presenting a positive image, that could be interpreted as behaviors that make a person stand out to gain more influence, power, control and access. Or it could indicate someone who wants to fit in to be accepted, loved, and gain approval. These results don't indicate how status behaviors are being manifested without a conversation.

Carefree results showed no significant differences between male and female participants. This contradicts the stereotype that avoiding financial responsibility or being financially irresponsible is a women's issue. Apparently, men share that challenge.

Giving has mixed results. In the dominant range, there is no significant difference. In the very dominant range, the results are not only significantly different, but indicate men are more apt to give than women. This is another area for further exploration as the popular expectation and research findings are that women give more generously than men (Fidelity Survey, 2017). On this profile, giving is more related to the joy of giving rather than giving for influence or out of social responsibility so there are many avenues for more study.

Planning also has mixed results. In the dominant range, there is no significant difference. In the very dominant range, men scored higher. There is much to consider here. In general, it was accepted and supported by the literature that men were the planners, more financially responsible, more concerned with preparing for the future and generally more financially successful. Recent statistics have challenged that as women have had more opportunities to learn and perform in this realm. On this profile, having a strong dominant planning Habitude could indicate being more committed to one's plan and less able to be flexible, open to new ideas and change course if that is indicated or necessary for a better outcome.

Supporting similarities, Graphs 8-18 show the same patterns. While not refuting that there are differences between the genders, it clearly supports that overall, there are more intra-gender differences than differences between genders. Security and planning are the most frequent influencers of all financial behaviors. Spontaneous, status and carefree patterns are important influencers for many, but are less of an influence for most people and Giving appears to be important to both. The graphs tell a striking story of male and female participants being remarkably more similar than different overall.

Discussion

While there's no reason to deny that there are differences between men and women, statistics only tell part of the story. It's important not to assign gender as the cause for differences in financial behaviors or assume its influence. As seen in this study, other factors need to be considered rather than defaulting to gender as there are more intra-gender differences than differences between the genders. We must consider attitudes, beliefs, values and policies that are shaped by our culture and socioeconomic reality of the times to understand the context of our behaviors. As practitioners, researchers and educators, we need to be self-aware of our biases so we do not subconsciously accept stereotypes or perpetuate them when working with clients, educating our students or adding to the research.

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Financial Capability and Financial Anxiety: A Comparison Before and During the Covid-19 Pandemic

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Keywords: financial capability, financial knowledge, financial behavior, financial confidence, financial anxiety, National Financial Capability Study (NFCS)

Abstract

Using data from the 2018 and 2021 National Financial Capability Survey (NFCS), this study examined associations between financial capability factors and financial anxiety. It also compared the situations before and after the COVID-19 pandemic. Results of structural equation modeling (SEM) showed that both before and during the pandemic, financial knowledge was positively and financial behavior was negatively with financial anxiety. In addition, both financial knowledge and financial behaviors were positively associated with financial confidence, which in turn was negatively associated with financial anxiety. This study also examined situations among three income groups. Before the pandemic, the positive direct effects of financial knowledge were only significant in the low-income group (below $50,000) while negative direct effects of financial behavior were only significant in the low-and middle-income group ($50,000-$100,000). However, direct effects of financial knowledge and financial behavior were significant in all income groups during the pandemic.

Introduction

The COVID-19 pandemic changed the world in many ways in the past three years. In the U.S., the pandemic killed over one million lives and caused numerous job losses and income reductions for many American consumers. For consumers with limited resources, the pressures brought by the pandemic make their lives much harder than before. The pandemic caused mental health problems of American consumers due to economic, psychological, and social reasons. A recent study showed that financial concern and effects of COVID-19 on daily life predicted higher levels of depression, anxiety, and stress among American adults (Haliwa et al., 2021). Shortage of money and financial anxiety were also associated with increased likelihoods of all adverse health outcomes assessed based on a study in Japan (Odani et al., 2022). Mental health problems can be caused by many factors including economic pressure. Financial anxiety is an indicator of mental health problems reflected by economic pressure. Previous research examined factors associated with financial anxiety but little research examined the potential effect of financial capability on financial anxiety, especially with data collected during the COVID-19 pandemic. This study is to fill out the research gap.

The purpose of this study is to examine associations between financial capability factors and financial anxiety and compare the associations before and during the COVID-19 pandemic. Specifically, this study is to examine potential effects of a set of financial capability factors (financial knowledge, financial behavior, and financial confidence) on financial anxiety. In addition, taking advantage of the newly available nationally representative data collected after the start of the pandemic, the 2021 National Financial Capability Study, this study also compares the situations before and during the pandemic.

This study contributed to the literature in three aspects. First, it specified a construct, financial confidence, to proxy perceived financial capability. Previous research used one-item question to measure the perceived financial capability (e.g. Xiao & Porto, 2017) but this study used three items to measure a more comprehensive construct, namely financial confidence. Second, it employed the structural equation modeling approach to examine if financial confidence served as the mediator between a set of two other financial capability variables (financial knowledge and financial behavior) and the outcome variable, financial anxiety. Third, it also compared the associations between financial capability factors and financial anxiety before and during the COVID-19 pandemic using data from 2018 and 2021 National Financial Capability Study (NFCS). Findings of this study have implications for financial counselors, planners, and educators in their working with their clients to enhance their financial wellbeing.

Theory, Previous Research, and Hypotheses

Theory of Self-Efficacy

The theory of self-efficacy has been developed for the purpose of behavioral change (Bandura, 1977). The theory posits that expectations of personal efficacy determine whether coping behavior will be initiated, how much effort will be expended, and how long it will be sustained in the face of obstacles and aversive experiences (Bandura, 1977). The concept of financial self-efficacy is to apply the theory of self-efficacy in the context of finance (Lown, 2011). A scale of financial self-efficacy is then developed to measure a person's ability to manage finances (Lown, 2011). Financial self-efficacy provides a theoretical foundation for this study to examine the associations between several financial capability factors such as financial knowledge, financial behavior, and financial confidence and their associations with the outcome factor, financial anxiety. Previous literature found that self-efficacy can serve as a significant contributor to personal financial behavior and better financial outcomes (Farrell et al., 2016; Tang, 2021). In this study, based on the theory of self-efficacy and previous research, a conceptual framework is proposed to be tested (Figure 1). Following are justifications for hypotheses presented in the framework.

Financial Capability Factors: Financial Knowledge, Financial Behavior, and Financial Confidence

Financial capability is defined by various researchers in various ways. It is defined as financial knowledge, in which financial literacy is an exchangeable term with financial capability (Lusardi & Mitchell, 2007). Some researchers emphasize financial behavior in defining financial capability (Atkinson et al., 2007). Other researchers emphasize financial outcome (Taylor, 2010) or financial inclusion (Johnson & Sherraden, 2007) in defining financial capability. See a review for discussions of various definitions of financial capability (Xiao et al., 2022). In this study, we used a definition emphasizing both financial knowledge and financial behavior. Financial capability is defined as a personal ability to apply appropriate financial knowledge and perform desirable financial behavior for achieving financial wellbeing (Xiao et al., 2014). This definition suggests that financial knowledge and financial behavior are two important components of financial capability. In addition, financial capability can also be presented as an independent construct, perceived financial capability or financial self-efficacy. In the literature, some researchers also use financial confidence to refer to financial self-efficacy. In this study, we use financial confidence to refer to financial self-efficacy or perceived financial capability. Thus, in this study, we propose following hypotheses:

H1: Financial knowledge is positively associated with financial confidence.

H2: Financial behavior is positively associate with financial confidence.

Financial Capability Factors May Help Reduce Financial Anxiety

Various terms are used to describe the situations in which consumers have financial difficulties and worries about their finances such financial anxiety, financial worry, or financial stress. In this study, we use the term, financial anxiety. Financial anxiety has been defined as a psychosocial syndrome whereby individuals have an uneasy and unhealthy attitude toward engaging with, and administering their personal finances in an effective way (Burchell, 2003). Financial anxiety is shown to be a separate construct from depression and general anxiety (Shapiro & Burchell, 2012). Financial anxiety is linked to probable dyslexia, symptoms of anxiety, attachment anxiety, and attachment dependency (Sochos & Latchford, 2016). Financial anxiety is used as the indicator or one of the indicators of financial wellbeing in the research literature. Financial anxiety is measured as economic status of low-and moderate-income households in the U.S. (Roll et al., 2016). It is also used as a determinant of financial wellbeing (Fan & Henager, 2021). Financial stress is used as a dimension to measure wellness (Hooker et al., 2020). Financial anxiety is highly correlated with a financial stress index with data from UK (Fenton-O'Creevy & Furnham, 2021). Financial anxiety is correlated with indebtedness among a Portugal sample (Ferreira et al., 2021). Financial stress significantly decreased the level of financial satisfaction with 2018 NFCS data (Lee & Dustin, 2021).

Researchers also attempt to identify factors associated with financial anxiety. Recent literature showed that financial socialization, family identification, income and past changes in personal finances are significantly associated with financial anxiety, financial stress, financial worry and rumination (de Bruijn & Antonides, 2020; Stevenson et al., 2020; Vosylis & Erentaitė, 2020). With data from NFCS and focus group, researchers find that lack of assets, high debt, and money management challenges are major contributing factors to high levels of financial anxiety and stress (Hassler et al., 2021). However, research on the potential effects of financial capability on financial anxiety is limited except for one study that shows that financial capability may help reduce financial stress (Xiao & Kim, 2021). Previous research has shown that financial capability contributes to positive life outcomes such as financial wellbeing (Babiartz & Robb 2014; Bannier & Schwarz, 2018; Birkenmaier & Fu, 2020; Fan & Henager, 2021; Henager & Wilmarth, 2018; Huang et al., 2015; Xiao & Porto, 2017) and other domain or general wellbeing (Bialowolski et al., 2021; Fan et al., 2021; Millimet et al., 2018; Serido et al., 2013; Xiao et al., 2009). Literature related to the impacts of COVID-19 also showed that although financial fragility reduces financial optimism during the COVID-19, financial literacy can moderate this relationship between financial fragility and financial optimism (Chhatwani & Mishra, 2021). If financial capability can help enhance positive life outcomes, it should be able assist reduction of negative life outcomes. Based on the above discussion, following hypotheses are proposed:

H3: Financial knowledge is negatively associated with financial anxiety.
H4: Financial behavior is negatively associated with financial anxiety.
H5: Financial confidence is negatively associated with financial anxiety.

Comparing Situations Before and During the COVID-19 Pandemic
Research on financial anxiety in the context of the COVID-19 pandemic is emerging. When the personal finance index was formed during the pandemic, financial anxiety showed variations among various ethnic groups (Yakoboski et al., 2021). Researchers compared financial anxiety with health anxiety among consumers. A study among adults in UK showed that anxiety about health is higher than about financial issues (Maaravi & Heller, 2020). Another study conducted in three countries (USA, the UK, and Israel) found that the levels of economic and health anxiety were essentially equal, and both surpassed routine-change and isolation anxiety (Bareket-Bojmel et al., 2021).

Several studies explored factors associated with financial anxiety in the context of the pandemic. Financial anxiety may affect job insecurity during COVID-19 pandemic shown in a study in India (Bhowmik et al., 2022). COVID-19 risk perception intensified financial anxiety among hotel employees while reducing their social functioning capability (Mensah et al., 2022). Personality types showed differences in financial anxiety based on a study of hospitality students in Hong Kong (Tavitiyaman et al., 2021). Distrust in the government to cope with financial (but not healthcare) challenges of the pandemic was negatively related to the feeling of financial security based on a study in Sweden (Barrafrem et al., 2021). University and lecturer support mitigated the two stressors (employment anxiety and financial anxiety) effects through well-being and purpose in life among university students in Malaysia (Noman et al., 2021). Job insecurity was positively related to financial anxiety shown in a study in Saudi Arabia (Basyouni et al., 2021). However, to our knowledge, no research is found to examine potential effects of financial capability on financial anxiety with data collected during the pandemic. If the pandemic is considered as an external shock in which financial anxiety has increased a lot in the short time period, we should expect the negative associations between financial capability and financial anxiety can be more profound since when people are facing crisis, they should exert more efforts to cope with it. Based on the above discussion, the following hypothesis is proposed:
H6: The negative associations between financial capability factors and financial anxiety are stronger during than before the pandemic.

Method

Data and Sample
Data of this research was from National Financial Capabilities Study (NFCS) funded by the FINRA Investor Education Foundation and conducted by ARC Research. Starting from 2009, the survey has been conducted every three years with aims to understand American adults' financial capability and financial wellbeing, as well as the underlying demographic, behavioral, attitudinal and financial literacy characteristics. Since the objective of this research is to examine and compare the association between financial capability factors and financial anxiety before and during the Covid-19 pandemic, we used 2018 and 2021 NFCS data, containing a nationally-representative sample of 27,091 and 27,119 American adults respectively. The total analytical sample was 24,431 and 24,839 for 2018 and 2021, respectively, after dropping the observations with "Don't know" or "Prefer not to say" answers.

Variables
Financial Anxiety (FA). Financial anxiety is a latent variable constructed by three items: (1) (J33_40) Thinking about my personal finances can make me feel anxious (1-7 Strong Disagree to strongly Agree) (fa1); (2) (J41_1) Because of my money situation, I feel like I will never have the things I want in life (1–5 Does not describe me at all to describes me completely) (fa2); (3) (J41_3) I am concerned that the money I have or will save won't last (1–5, Does not describe me at all to describes me completely) (fa3).

Financial knowledge (fk). Financial knowledge was measured by six financial questions in the survey: (M6) compounding; (M7) inflation; (M8) bond; (M9) mortgage; (M10) stock, and (M31) time value of money. Each question was coded as a binary variable, if the answer is correct then the variable equals 1, otherwise equals 0, so the score of objective financial knowledge ranges from 0 to 6.

Financial behaviors (fb). Financial behavior was constructed based on four questions: (J3) Spend less than income, (J5) Set aside emergency/rainy day funds for 3 months, (J8/J9) Try to figure out how much the respondent needs to save for retirement, and (J42_1) I have money left over at the end of the month (Often/Always). Each answer was coded as a binary variable. If the respondent answered "yes" then the variable equals 1, otherwise equals 0. The responses were summed to construct one index ranging from 0 to 4.

Financial confidence (fc). Financial confidence is a latent variable constructed based by three observed items: (M4) On a scale from 1 to 7, where 1 means very low and 7 means very high, how would you assess your overall financial knowledge? (fc1); (M1_1) I am good at dealing with day-to-day financial matters, such as checking accounts, credit and debit cards, and tracking expenses (1-7, Strongly disagree to strongly agree) (fc2); and (J43) If you were to set a financial goal for yourself today, how confident are you in your ability to achieve it? (1-4 Not at all confident to Very confident) (fc3).

Control Variables. Following previous research, this study also included the following demographic variables as control variables: gender, marital status, whether the respondent has financially dependent children, race, education, employment status, income category, whether the respondent experienced a large drop in income, home ownership, whether the respondent has mortgages, home equity loan, auto loan or student loan. The variable specifications can be seen in Table 1 and the summary statistics are shown in Table 2.

Analyses

In this study, we used Structural Equation Modeling (SEM) to examine the associations between financial capability factors and financial anxiety. SEM is a suitable statistical technique to estimate latent factors through observed items and examine direct and indirect relationships among latent and observable variables (Schreiber et al., 2006). It usually consists of two procedures: a measurement model (confirmatory factor analysis) is conducted first to extract information from observed items and predict factor loadings for latent variables, then a structural model will be performed to analyze the interrelationships among latent and observable variables. Therefore, in this study, we first conducted a measurement model for two latent variables: financial confidence and financial anxiety to examine the significance of each observable item. Next, we conducted a structural model to test the structural associations presented in figure 1. Demographic control variables were also added into the structural model.

Furthermore, we also ran multigroup SEM for three income groups to examine the heterogeneous effects of household income. We classified household income as three groups: low income (<$50,000), middle income ($50,000-100,000), and high income (>$100,000), and then conducted similar SEM analyses for each income group.

Results

SEM Results by Two Waves of Data

Figure 2 and Figure 3 presented the results of SEM model. First, the measurement model showed that both observable items of financial confidence and financial anxiety were significant. For financial confidence, the standardized factor loadings of the three items were 0.585. 0.519, and 0.745 in 2018 data, and 0.520, 0.460, and 0.689 in 2021 data. For financial anxiety, the standardized factor loadings of the three items were 0.716, 0.801, and 0.831 before the pandemic and 0.747, 0.843, and 0.859 during the pandemic, indicating that these observable items were suitable to construct two latent variables.

The results of the structural model are presented in Figure 2 and Figure 3. There are similarities between the results of two waves: financial knowledge was positively associated with financial anxiety while financial behaviors were negatively associated with financial anxiety. Furthermore, both financial knowledge and financial behavior were positively associated with financial confidence, which was in turn positively associated with financial anxiety, indicating the significant mediating effects of financial confidence. Also, model fit indicators suggested that the structural model fits data well. A good model fit usually requires RMSEA to be lower than 0.08 and CFI to be larger than 0.9. In our SEM analysis, RMSEA=0.052, 90% CI = [0.051, 0.053], p=0.000; CFI=0.905 for 2018 data, and RMSEA=0.052, 90% CI = [0.051, 0.053], p=0.001; CFI=0.904 for 2021 data. Therefore, the structural relationship showed a good fit by the data.

SEM Results by Income Groups

For heterogeneous analyses of income groups, results are presented in Figure 4 and Figure 5. For low-income families, both financial knowledge and financial behavior exhibited similar direct and indirect effects as the baseline model before and during the pandemic. However, the differences between before and during the pandemic came up when SEM analysis was performed on middle- and high-income group. Before the pandemic, financial knowledge showed insignificant direct effects on financial anxiety for middle-and high-income group while financial behavior showed significantly negative direct effects on financial anxiety but insignificant for high-income group. This means that for high income group, both financial knowledge and financial behaviors did not display significant direct effects on financial anxiety before the pandemic. Nevertheless, direct effects of financial knowledge and financial behavior were still significant in middle- and high-income group during the pandemic, suggesting the important roles of financial knowledge and financial behavior in possibly reducing financial anxiety when the pandemic proliferating across the country.

Discussions, Conclusions, and Implications

Overall, the findings of this study are similar before and after the pandemic in terms of the association between financial capability factors and financial anxiety. The findings suggest that many approaches used by practitioners in financial counseling, planning, and education before the pandemic may still effective during the pandemic.

The results show income differences in the association between financial capability factors and financial anxiety. Before the pandemic, some factors such as financial knowledge for middle- or high- income consumers may be insignificant, but during the pandemic, this factor became significant among these consumers. Based on the results of this study, during the pandemic, all capability factors such as financial knowledge, financial behavior, and financial confidence have significant effects on financial anxiety at all income groups. Even though service demands of consumers at different income levels are different, but practitioners should be aware that these three financial capability factors may play a role in dealing with financial anxiety of their clients and then different intervention strategies may be used for meeting different client needs. Practitioners working with clients with higher knowledge levels may prepare to find additional strategies to help reduce their financial anxiety

Pay special attention to financial confidence in the intervention. In this study, financial confidence is measured with three aspect, self-perceived financial knowledge, financial ability, and financial goal achieving. Practitioners working with clients should first recognize the importance of financial confidence in reducing financial anxiety. Then provide strategies to help boost confidence of their clients in these aspects, which could help reduce clients' financial anxiety.

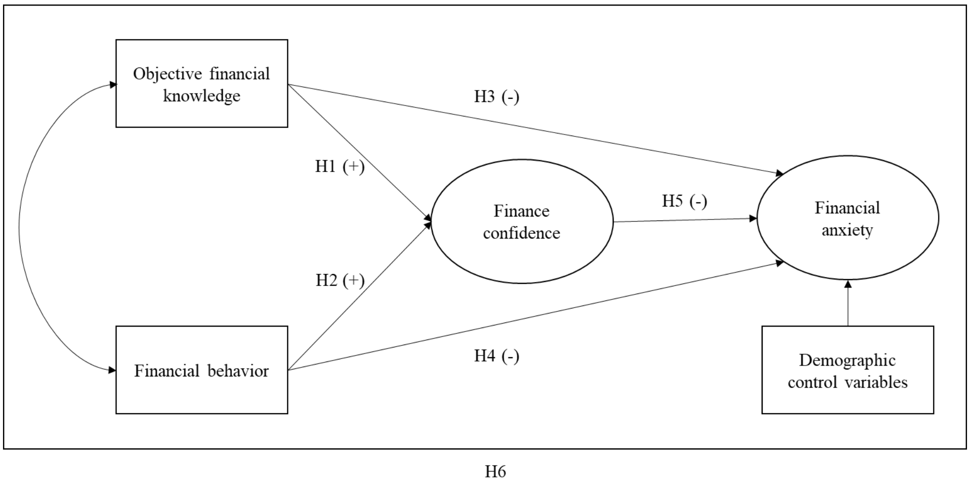


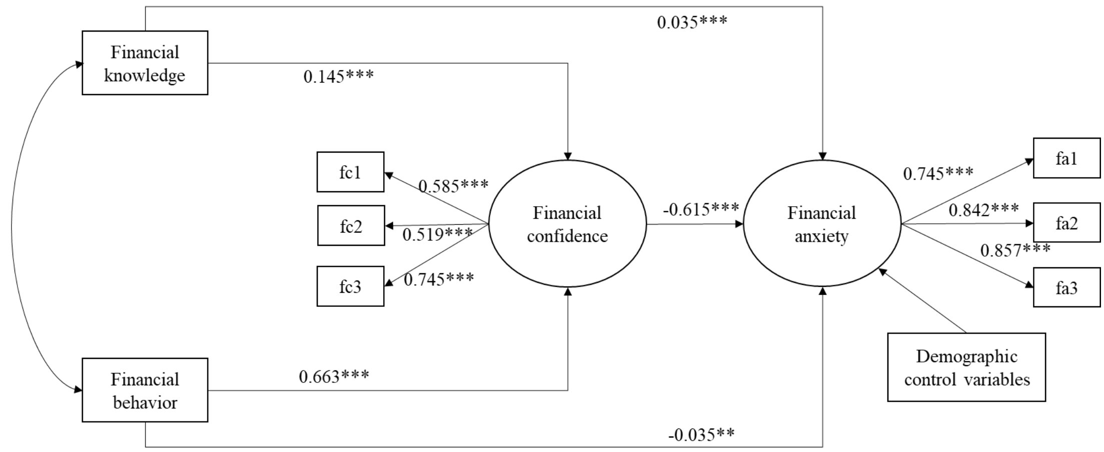
Figure 1: Conceptual Framework

Table 1: Variable Specification

Variable	Specifications
Financial Anxiety (FA)	(J33_40) Thinking about my personal finances can make me feel anxious (1-7 Strong Disagree to strongly Agree) (fa1) (J41_1) Because of my money situation, I feel like I will never have the things I want in life (1–5 Does not describe me at all to describes me completely) (fa2) (J41_3) I am concerned that the money I have or will save won't last (1–5, Does not describe me at all to describes me completely) (fa3)
Objective financial knowledge (fk)	(M6) compounding; (M7) inflation; (M8) bond; (M9) mortgage; (M10) stock; (M31) time value of money. The sum of correct answers to the six financial knowledge questions, ranging from 0 to 6.
Desirable financial behaviors (fb)	(J3) Spend less than income; (J5) Set aside emergency/rainy day funds for 3 months; (J8/J9) Try to figure out how much the respondent needs to save for retirement; (J42_1) I have money left over at the end of the month (Often/Always). Each answer was coded as a binary variable and responses were summed to construct one index that ranged from 0 to 4.
Financial confidence (fc)	(M4) On a scale from 1 to 7, where 1 means very low and 7 means very high, how would you assess your overall financial knowledge? (fc1) (M1_1) I am good at dealing with day-to-day financial matters, such as checking accounts, credit and debit cards, and tracking expenses (1-7, Strongly disagree to strongly agree) (fc2) (J43) If you were to set a financial goal for yourself today, how confident are you in your ability to achieve it? (1-4 Not at all confident to Very confident) (fc3)
Gender	1=Male; 0=Female
Marital status	1=Married;2=Single;3=Separated/divorced/widowed/widower
Dependent Child(ren)	Whether the respondent has financially dependent child(ren)? 1=Yes; 0=No
Race	1=White; 0=Non-white
College	Whether the respondent's educational level is equal or higher than some college? 1=Yes; 0=No
Employment status	1=Employed; 0=Otherwise
Income category	1=Less than $15,000 2=At least $15,000 but less than $25,000 3=At least $25,000 but less than $35,000 4=At least $35,000 but less than $50,000 5=At least $50,000 but less than $75,000 6=At least $75,000 but less than $100,000 7=At least $100,000 but less than $150,000 8=$150,000 or more
Income_drop	In the past 12 months, whether the respondent experienced a large drop in income which you did not expect? 1=Yes; 0=No
Home_ownership	Whether the respondent own a home? 1=Yes; 0=No
Mortgage	Whether the respondent has mortgages? 1=Yes; 0=No
Home_equity_loan	Whether the respondent has home equity loan? 1=Yes; 0=No
Auto_loan	Whether the respondent has auto loan? 1=Yes; 0=No
Student_loan	Whether the respondent has student loan? 1=Yes; 0=No

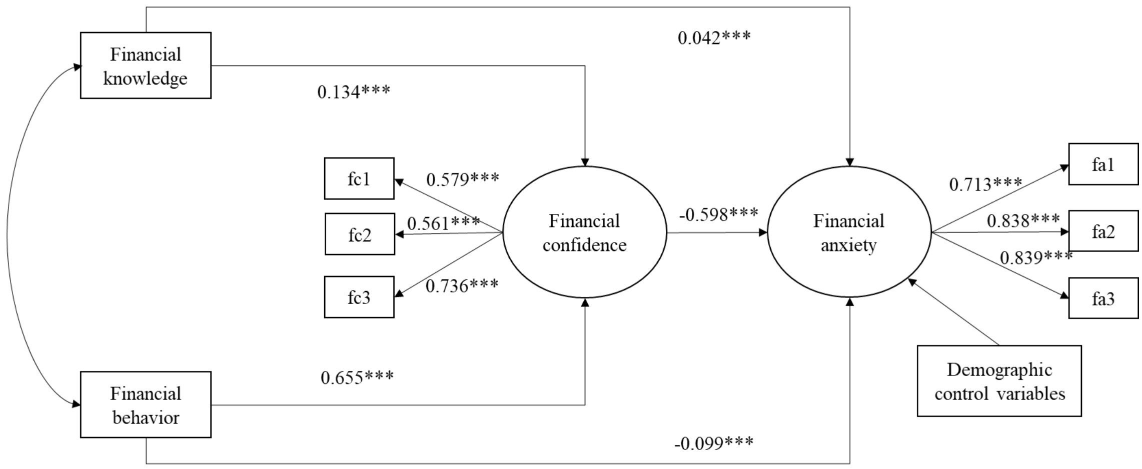
Table 2: Sample Demographics (N=24,431 for 2018 data; N=24,839 for 2021 data)

	2018				2021			
Variables	Mean	SD	Frequency	Percentage (%)	Mean	SD	Frequency	Percentage (%)
Financial Anxiety (FA)								
fa1	4.513	2.036			4.635	1.950		
fa2	2.767	1.394			2.781	1.413		
fa3	3.150	1.334			3.179	1.362		
Objective financial knowledge (fk)	2.859	1.349			2.737	1.383		
Desirable financial behavior (fb)	1.860	1.397			1.912	1.388		
Financial confidence (fc)								
fc1	5.163	1.329			5.091	1.331		
fc2	5.807	1.501			5.658	1.502		
fc3	3.046	0.870			3.026	0.874		
Gender								
Male			10,877	44.52			11,567	46.57
Female			13,554	55.48			13,272	53.43
Marital Status								
Married			13,238	54.19			12,381	49.85
Other			11,193	45.81			12,458	50.15
Child								
With dependent child(ren)			8,727	35.72			8,638	34.78
Without dependent child(ren)			15,704	64.28			16,201	65.22
Race								
White			18,265	74.76			18,532	74.61
Non-white			6,166	25.24			6,307	25.39
College								
≥ Some college			18,046	73.87			18,355	73.9
Otherwise			6,385	26.13			6,484	26.1
Employ								
Employed			13,968	57.17			13,987	56.31
Otherwise			10,463	42.83			10,852	43.69
Income								
Below 15k			2,455	10.05			2,817	11.34
15 to 25k			2,414	9.88			2,573	10.36
25 to 35k			2,567	10.51			2,638	10.62
35 to 50k			3,535	14.47			3,508	14.12
50 to 75k			4,853	19.86			4,681	18.85
75 to 100k			3,598	14.73			3,343	13.46
100 to 150k			3,263	13.36			3,315	13.35
Above 150k			1,746	7.15			1,964	7.91
Home_ownership			15,261	62.47			14,884	59.92
Mortgage			8,754	35.83			7,868	31.68
Home_equity_loan			2,379	9.74			1,832	7.38
Auto_loan			8,651	35.41			7,664	30.85
Student_loan			6,453	26.41			6,060	24.40



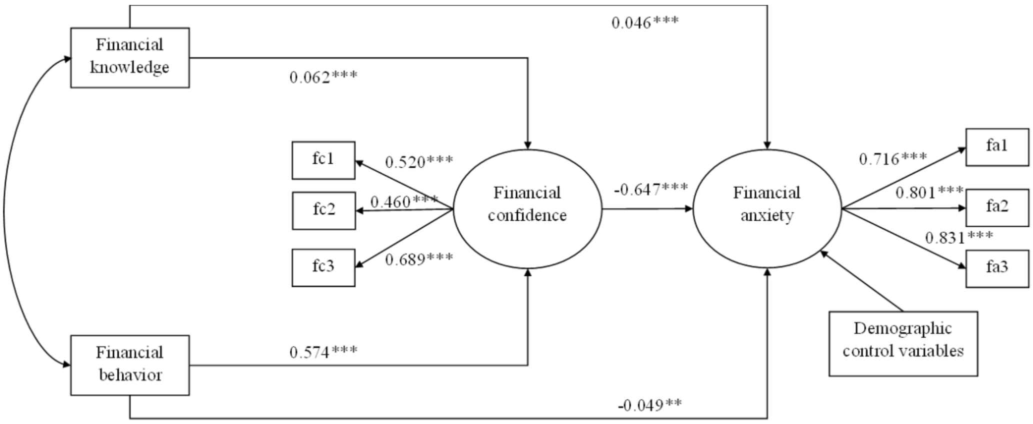
Note: Chi2=7176.773, df=106, p=0.000; RMSEA=0.052, 90% CI = [0.051, 0.053], p=0.000; CFI=0.905. *p<.05, **p<.01, ***p<.001

Figure 2: Results of SEM (2018 NFCS)

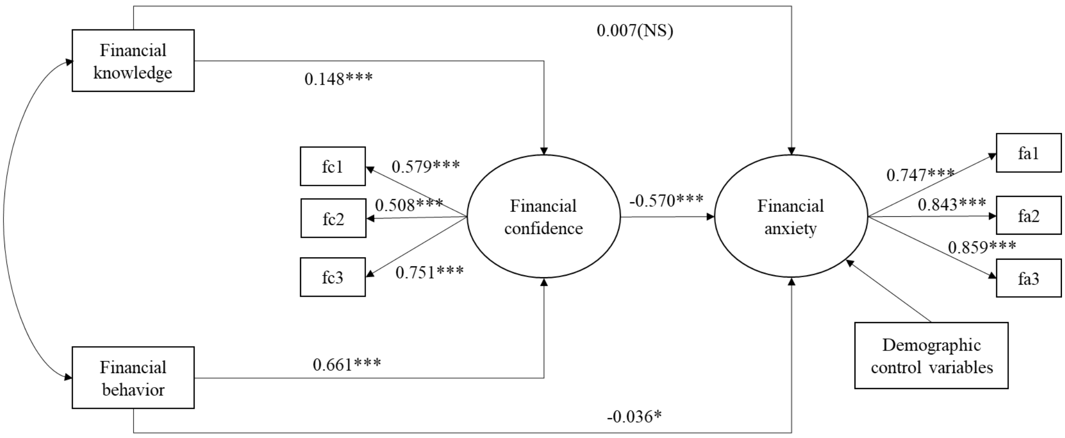


Note: Chi2=7202.157, df=106, p=0.000; RMSEA=0.052, 90% CI = [0.051, 0.053], p=0.001; CFI=0.904. *p<.05, **p<.01, ***p<.001

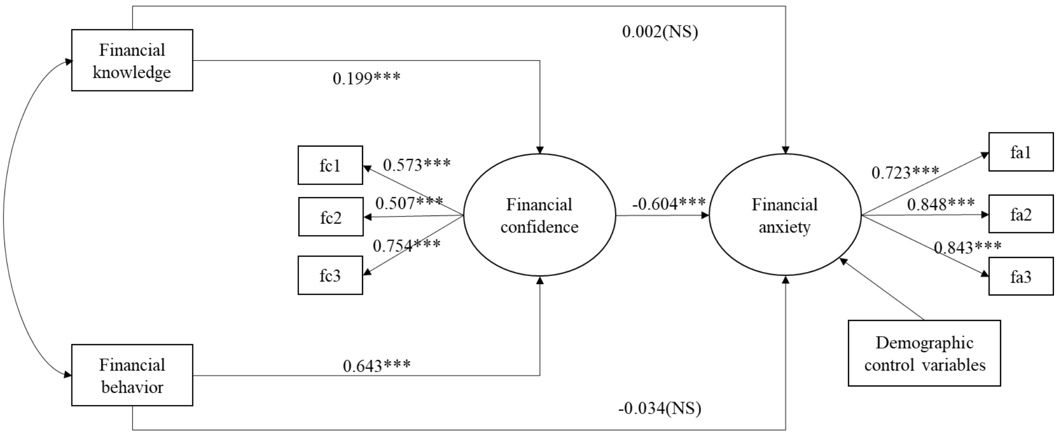
Figure 3: Results of SEM (2021 NFCS)



(a) Income<50k

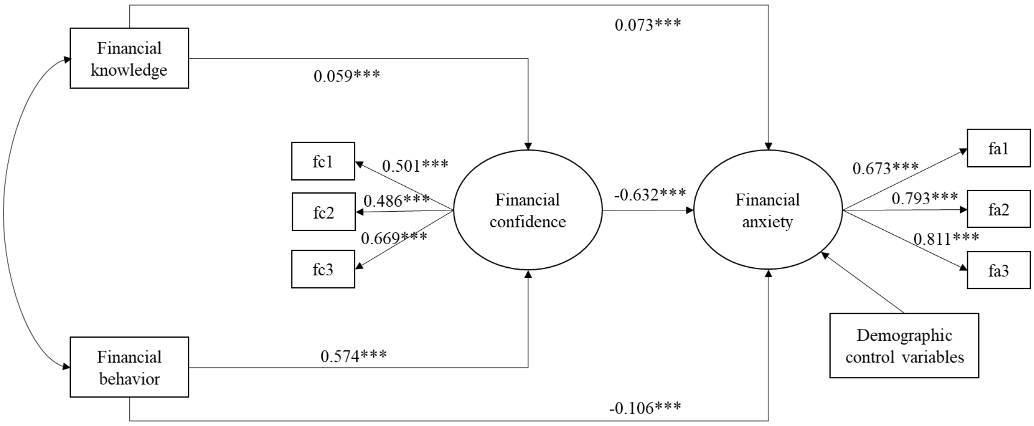


(b) Income 50-100k

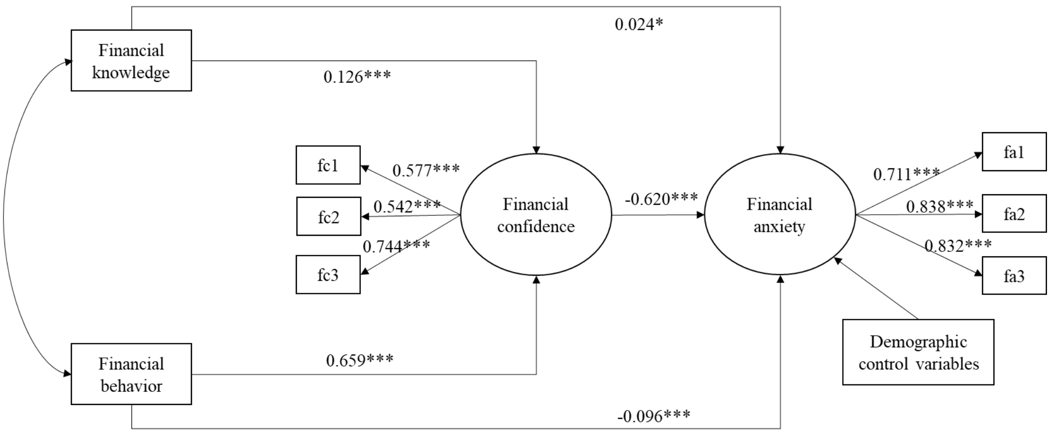


(c) Income >100k

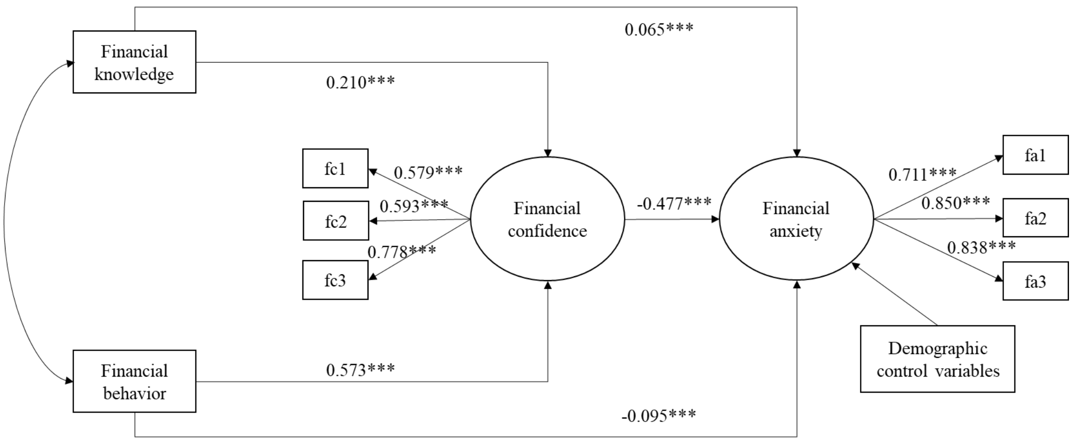
Figure 4: Results of SEM by income group (2018 NFCS)



(a) Income<50k



(b) Income 50-100k



(c) Income >100k

Figure 5: Results of SEM by income group (2021 NFCS)

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Government Stimulus and Its Impact on Savings Behavior During COVID-19

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Keywords: behavior, COVID-19, financial stress, foregone health care, savings

Target Audience

The target audiences for this research include financial planners, counselors, educators and researchers.

Objective/Purpose

While devastating to many families, the aftermath of COVID-19 and the United States government's response with stimulus payments presents researchers with an opportunity to study how families responded. Utilizing a unique set of data collected in the second quarter of 2021, the purpose of this exploratory research was to compare usual savers and non-savers to understand how they responded to the Economic Impact Payments as it pertains to their savings behavior. The results from this study can provide researchers, financial counselors, and financial educators a glimpse into the saving behaviors of consumers in the midst of a global health crisis.

Description

The early months of the COVID-19 public health emergency were a time of much uncertainty for all of us. Many families experienced decreased earnings through cuts in their work hours or loss of employment. Others were faced with unanticipated health care costs. Some families were impacted by both. The primary aim of this analysis was to compare savers and non-savers to understand how they responded to the COVID-19 stimulus payments within the context of their household situations. Using OLS regressions across two models, we attempt to discover where savings behavior changed among our sample in light of stimulus payments.

Several scales were utilized within our primary data as independent variables. We used the Lusardi and Mitchell (2011) three-question measure to assess objective financial knowledge, which accesses a general understanding of interest, inflation, and diversification. To assess respondents' financial stress, we utilized the APR Financial Stress Scale (Heo et al., 2020.) This scale uses a three-dimensional conceptual framework of financial stress. The dimensions include affective reactions (AR), physiological responses (PR), and relational/interpersonal behavior (RB.) A final scale was utilized to assess respondents' decisions to use health care or not as a result of financial circumstances. The National Financial Capability Study (NFCS) is a project of the FINRA Investor Education Foundation (FINRA Foundation). Using the 2018 state by state survey instrument (FINRA Investor Education Foundation, 2018) as a guide, our Forgone Health Care (FHC) scale was comprised of the same three questions.

Our results showed that more non-savers than savers reported being financially impacted by COVID, though savers also reported being financially impacted. While most disruptions may not be as severe as recent experiences with the COVID-19 pandemic, all of us are likely to experience unanticipated increases in expenditure or potential income loss at some time in the future. Educating consumers on the value of establishing or maintaining emergency or rainy day funds is the first step.

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Financial Well-being and Financial Literacy During COVID-19 Among American Households with Student Loan Debts

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Keywords: economic shocks, financial literacy, financial well-being, student loan debt, U.S. Survey of Household Economics and Decision making (SHED)

Higher education prides itself as a champion of opportunities and social mobility (Becker, 1962). Nonetheless, to-date, 45 million people of all ages are being impacted by student loan debt, owing a collective $1.7 trillion in federal and private loans, and surpassing credit card loans by more than $3 billion (Rubin, 2022). In spite of the Federal Family Education Loan (FFEL) program instituted by the government to assist borrowers burdened by debt during the COVID-19 pandemic, as of March 2021, almost one-fifth of all federal student loan borrowers defaulted on their loans (Dept of Education, 2022). Studies however have found that students with **lower** levels of financial literacy were more vulnerable to unexpected and adverse shocks on their student repayment obligations, to the extent of undermining their ability to service debt upon graduation (Artavanis & Karra, 2020; Britt et al., 2015; Nissen et al., 2019). In contrast, students with **higher** financial literacy were more likely to view student loan debt positively, and make better financial and education related decisions (Elliot & Lewis, 2013; Jessop et.al., 2020). It is therefore reasonable to assume that student debt has a profound impact on the borrowers' lives and wellbeing, including financial well-being.

However, many studies on student loan debt and financial well-being tend to concentrate on college students or young adults (Archuleta et al., 2013; Britt et al., 2015; Cadaret & Bennett, 2019; Heckman et al., 2014), as well as on negative outcomes such as anxiety (Britt et al., 2015; Tran et al., 2018;), depression (Chisholm-Burns et al., 2017; Jones et al., 2018), or worry (Cadaret & Bennett, 2019; Jones et al., 2018). Furthermore, a recent report by the U.S. Federal Research also show that debt repayment issue is critical for people of all age groups, not only for young adults. For this study, data was used from the 2019 and 2020 U.S. Survey of Household Economics and Decision making (SHED) and the sample included **all** age groups with a focus on **positive** emotional state or **well-being**. It is possible that the effect of student debt on financial well-being may differ depending on their level of financial literacy after controlling for socioeconomic characteristics and financial resources. The purpose of this study was to examine the role of financial literacy on the relationship between student loan debt and financial well-being using the family resource management theory (Deacon & Firebaugh, 1988) and multinomial regression analysis.

Based on the results, households with student loan debt but exhibit **higher** financial literacy, specifically those with savings, having a retirement plan, access to a savings account and no mortgage, credit card, or medical debt, had **higher** levels of financial well-being than those with lower levels, after controlling for sociodemographic characteristics. Findings from this study are anticipated to help financial planners, counselors, and educators guide their discussions concerning the consequences of having a student loan debt and the importance of financial literacy in achieving higher financial well-being especially during a health and economic crisis.

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Defining and Measuring College Student Financial Literacy

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Abstract

There has been a lack of consensus among researchers and practitioners about how to define financial literacy, but there is agreement that financial education changes depending on the stage of life to which people belong. This study provides consensus on what topics are considered a part of financial literacy specifically for traditional aged undergraduate college students and creates an instrument that can be used to measure college student financial literacy. These findings are relevant for both researchers and financial planning practitioners.

Introduction

The average cost of a college education continues to rise, which in turn has caused the average student loan debt to rise. As of 2017, 70% of college students had student loan debt or planned to have student loan debt by the time they graduated (Ehrlich & Guilbault, 2017). Because cost and debt continue to rise, colleges and universities have a responsibility to provide their students with the financial education necessary to make informed financial decisions in college and after graduation. However, many institutions lack in-depth financial education programs (Geddes & Steen, 2016). Those that do provide financial education to students struggle to measure students' financial literacy and the effectiveness of the available programs.

Literature Review

Financial Literacy in College

Financial literacy does not have a universal definition that is agreed upon in financial planning research. The U.S. Government Accountability Office (GAO) defines financial literacy as "the ability to use knowledge and skills to manage financial resources effectively for a lifetime of financial wellbeing" (as cited in Geddes & Steen, p. 350). Durband & Britt (2012) define financial literacy as "a comprehensive term, which includes knowledge, skills, and resources" (p. 126) and believe that financial literacy is not merely comprehending terms but is the ability to analyze, manage, and communicate about financial topics. Others feel that financial literacy is simply knowledge focused (Lusardi, 2008); FINRA (2003) defines financial literacy as "the understanding ordinary investors have of market principles, instruments, organizations and regulations" (as cited in Durband & Britt, 2012, p. 94). Others view financial literacy as a different (more holistic) construct. In this case, financial literacy includes things such as attitudes, behaviors, application, etc.

Vieira et al. (2020) and Fessler et al. (2020) define financial literacy as a combination of financial knowledge, financial attitudes, and financial behaviors. Financial knowledge is the understanding of financial concepts and risks and the ability to learn and build confidence necessary for making safe future financial decisions. Financial attitude is defined as the information/emotions surrounding financial learning. Financial behavior is the "ultimate dimension" of financial literacy. The behavior is how you put your financial knowledge into practice given your current financial situation.

Financial literacy is a concern for all Americans. Government policymakers are concerned at the low levels of financial literacy among American citizens and feel that it is a basic life skill that many are lacking (Geddes & Steen, 2016). College students have expressed an awareness of their lack of financial knowledge and an interest in financial education (Durband & Britt, 2012; Ehrlich & Guilbault, 2017). This presents an opportunity for colleges and universities to step in and offer financial education in hopes of increasing financial literacy among their students. College students are at a better age for being intellectually ready for financial concepts than K-12 students are (Danns, 2016). For many students, college is the first time they must get a job, have a budget, etc. College may also be the last time for financial education before students become completely independent (Danns, 2016). This makes college the optimal time to provide financial education (Geddes & Steen, 2016). Due to increasing tuition costs and student debt, colleges and universities owe it to their students to educate them on how to manage their debt and what types of financing options they have (Robb et al., 2011; Ehrlich & Guilbault, 2017). Additionally, financial stress is continuing to increase among college students (Robb, 2017). Colleges and universities place value on student wellness in terms of physical wellness, career wellness, etc. so they owe it to their students to equally value financial wellness and give them the education they deserve (Durband & Britt, 2012).

Existing programs & evaluation
There are several different types of financial education programs that exist on college campuses: financial counseling, group education, blogs, podcasts, distance learning programs, etc. Most programs that do exist are not required and the most common type of financial education is a "for-credit" course on personal finance that focuses mostly on investing (not holistic financial literacy) (Durband & Britt, 2012; Geddes & Steen, 2016).

Regardless of the type of financial education, there is no standard evaluation framework for evaluating financial education programs designed for the general undergraduate student. While many programs are attempting to show their effectiveness, some are not. For the ones that are attempting to demonstrate their value, there is no standard way of doing that. Most programs are looking at immediate impact through satisfaction scores or changes in attitudes, knowledge, or skills. 80-90% of these programs are using self-reported measures (Durband & Britt, 2012).

Those that are not using self-reported measures are using pre- and post-tests of financial literacy such as the Jump$tart assessment (McReynolds, 2016; Reams-Johnson & Delker, 2016). The most common two methods being used in program evaluation are anecdotal evidence and satisfaction surveys, neither of which is fully demonstrating program impact, and both should be accompanied with other data for a full evaluation (Durband & Britt, 2012).

Existing Measures
Because of the varying definitions of financial literacy and the lack of established evaluation criteria for financial literacy programs, it is no surprise that there is no "typical" way to measure financial literacy (Knoll & Houts, 2012). There are, however, a few tests that have been repeatedly used in assessing financial literacy: the Big 5, Jump$tart, the ALP, the FLA, and Vieira et al.'s latest instrument. While these instruments each have their own purpose, none of them were designed specifically for use with undergraduate college students. Additionally, most of them lack significant psychometric testing.

Need for this Study/Gap it Fills
Financial literacy has many definitions across different research studies. This lack of a clear and consistent definition makes it hard to accurately measure financial literacy. Additionally, no validated measure of financial literacy for college students has been created. This study clearly defined financial literacy for all undergraduate students, as determined by financial planning professionals, and then provided a psychometrically tested instrument for measuring financial literacy for college students.
The research questions for this study are:
(1) What topics are a part of financial knowledge specific to college students?
(2) To what extent is the designed instrument a valid and reliable measure of financial literacy?
(3) What are the underlying dimensions of financial literacy?

Methodology

Phase One: Delphi Method
Because of the variety of definitions of financial literacy, the present study utilized a Delphi approach to determine exactly what topics are important components of financial literacy for college students. The Delphi method is used to achieve convergence of opinion concerning real world knowledge (Hsu & Sandford, 2007). This is done through a series of questionnaires that solicit expert feedback on the given topic. It is an iterative method and can be continuously iterated until consensus is achieved (Hsu & Sandford, 2007).-

Phase One: Participants/Sampling Information
Purposive sampling was used in phase one; a list of Certified Financial Planning (CFP®) and Association for Financial Counseling and Planning Education (AFCPE®) registered programs was obtained from the CFP and AFCPE websites, as well as contact information for faculty in each program. Faculty members from this list were randomly selected and asked to participate in the Delphi portion of the study. The Delphi method suggests having a minimum sample size of 13; this study had 15 participants that completed all three rounds.

Phase One: Data Collection

Data collection began with the Delphi portion of the study. Financial planning professionals received three rounds of surveys in Qualtrics. The first round was an open-ended question about what topics they feel are important for college students to know during and/or immediately after college. Like topics were combined and listed in a new survey. The second survey listed topics from the first round and asked participants on a scale of 1-5 (1=extremely unimportant, 2=unimportant, 3=neutral, 4=important, 5=extremely important), how important is each topic for college student financial literacy during/immediately after college. Any topics that did not reach consensus after round two were listed in a new survey for round three. This time, participants were asked to "please answer whether you think each individual topic should be included in the final list of financial planning topics that traditional aged college students need to know during/immediately after college". Participants chose yes/no the topic should/should not be included. Participants were also given the opportunity to explain why any topics they chose 'no' on were not necessary for the final instrument.

Phase One: Data Analysis
Responses to round one of the Delphi study were coded qualitatively. Like responses were grouped together before distributing the survey for round two. In round two, each response was listed, and participants were asked to rate how important each topic was. The Delphi method does not provide guidelines on what scores/rankings qualify an item to be retained and used in the final instrument. That decision is made subjectively by the researcher. The retained topics were used to create the new instrument measuring college student financial literacy.

Phase Two
After topics were solidified through phase one, questions were written to measure three components of financial literacy – financial knowledge, financial attitude, and financial behavior. The new instrument was distributed to college students at various institutions. Then EFA, CFA, and IRT models were used to test the instrument and determine which questions need to be adjusted or removed from the final instrument.

Phase Two: Participants/Sampling Method
The phase two sample was comprised of undergraduate college students from various colleges/universities in the U.S. The goal sample size was 500; this study had 502 participants. Convenience sampling was utilized in phase 2. The experts identified in phase 1 were asked to give the instrument to their own students; additionally, the instrument was submitted to the SONA system at [University Name Redacted]. Also, students in Family Financial Planning courses at [University Name redacted] were asked to participate.

Phase Two: Data Collection
The topics and themes from the Delphi portion were then be used to create the new instrument. At least three questions were created for each of them – one measuring knowledge, one measuring attitude, and one measuring behavior. For some themes that were broader or higher ranked by participants, there were more than three questions measuring that theme. Additionally, demographic questions about gender, age, race, year in school, and how much financial education they have received were included in the final instrument.

Phase Two: Data Analysis
Upon looking at the initial eigenvalues of the knowledge data, the first eigenvalue was large enough to suggest that the data could be unidimensional. A Rasch IRT model was fit to the data and local independence was tested using the Q3 statistic (Yen, 1984).

For the attitude data, the dataset was split into two equal sized sets; the first for EFA and the second for CFA. Exploratory factor analysis was used to explore and then confirm the data structure. To determine if EFA was appropriate for the data, the correlation matrix, Bartlett's test of sphericity, and the Kaiser-Meyer-Olkin measure were used.

There are multiple methods of determining how many factors to retain – scree plots, eigenvalues, percent of variance explained, and parallel analysis. These methods were used to make sure there was consensus in how many factors to retain. Initially, an oblique (Promax) rotation was used, assuming that factors would be correlated. However, the initial extraction indicated that factors were not correlated, so a new model was run using an orthogonal (Varimax) rotation.

After the EFA was used to explore the structure of the attitude data, a confirmatory factor analysis (CFA) was used to confirm that the hypothesized structure was correct. Multiple indices were used to evaluate the fit of the CFA, including the comparative fit index (CFI), the Tucker-Lewis index (TLI), root mean square error of approximation (RMSEA), and standardized root mean square residual (SRMR). After evaluating the model-fit statistics, the residuals of the observed and reproduced covariance matrices were evaluated.
Because behavior is not a latent construct and those questions simply measured the frequency of respondents engaging in certain behaviors, it was not necessary to confirm data structure. Instead, response distributions were analyzed to see which behaviors are common among college students.

After confirming the structure of the data, two different Item Response Theory (IRT) models were used to further evaluate the knowledge and attitude scales. IRT shows relationships between ability levels measured by the instrument and an item response.

First, a dichotomous 3PL was used on financial knowledge questions because they were coded as binary responses (right/wrong). The 3PL model estimates three different item parameters: difficulty, discrimination, and pseudo-guessing. Item difficulty tells how difficult an item is. The larger the difficulty parameter, the harder the item is. Because the instrument is meant to measure a variety of ability levels, the difficulty parameter values should fall between -3 and 3. Item discrimination is how well the item discriminates or distinguishes between examinees of different ability levels. The higher the discrimination parameter, the better the item discriminates across ability levels. Pseudo-guessing represents the probability of getting a correct response on an item by pure chance. The larger the pseudo-guessing value, the more likely it is for a respondent to guess the correct answer by chance.

A 2PL model was also run on the knowledge questions and the two models were compared to see which was a better fit for the data. The 2PL model measures two item parameters: difficulty and discrimination.

A Graded Response Model (GRM) was used on financial attitude items. GRM was chosen because these questions utilize a polytomous Likert-type response scale and because the GRM assumes ordinal responses. The GRM estimates two parameters, item discrimination and the threshold parameter. In the GRM, item discrimination is consistent across all categories. The threshold parameter shows where an examinee with an ability level equal to the threshold has a 50% chance of scoring at or above that category. Depending on the parameter estimates and observations from item characteristic curves and item information curves from the IRT models, questions were edited or removed to create the strongest possible instrument.

Results: Phase One

Sixteen participants responded to the first two rounds of the Delphi study. Fifteen of those participants also responded in the third and final round of the Delphi. The participants were all faculty members from Personal Financial Planning programs at four-year colleges and universities from eleven different states and all work with undergraduate students. Fourteen participants were from public colleges and universities and one was from a private college.

In round one of the Delphi study, participants were asked “what financial planning topics are important for college students to know during/immediately after college?”. Participants answered this question with as few or as many topics as they wanted. After taking out repeated topics, there were 55 unique topics listed during round one.

In round two, participants were sent a list of all 55 unique topics and asked “on a scale of 1-5, how important do you feel the following topics are for college student financial literacy?” (1=extremely unimportant, 2=unimportant, 3=neutral, 4=important, 5=extremely important). Average rankings of the 55 topics were between 3.75 and 4.94. Topics that reached consensus during round two were automatically retained to be included in the final instrument. Topics reached consensus if (1) their average ranking was ≥ 4.0 and (2) no participant ranked the topic below a 3. Using these criteria, 26 (47.2%) of the 55 topics achieved consensus in round two.

In round three, the remaining 29 topics were sent back out to participants. This time participants were asked to “please answer whether each individual topic should be included in the final list of financial planning topics that traditional aged college students need to know during/immediately after college’. Instead of ranking topics on a Likert scale, they chose ‘yes’ the topic should be included, or ‘no’ it should not. In round three, consensus was achieved if at least 85% (13 of 15) of the participants said yes it should be included. Following this criteria, an additional 12 topics were retained for the final instrument.

In round three, If a participant responded that a topic was not important enough to be included, they were given the opportunity to explain why. Of the participants that chose to explain why a topic did not need to be included, many said the topics weren't age appropriate (i.e. estate planning) or that the topic was probably covered under a different topic already. Others said that there were simply too many topics to cover with the average student and that they had to pick and choose which were the most important. In total, 39 topics reached consensus as important enough to be covered in a final instrument.

Final Themes/Components

The 39 topics that achieved consensus were then qualitatively coded to determine larger themes within the data among the topics. Coding results were triangulated with a Personal Financial Planning faculty member to make sure topics were grouped appropriately. At the end of this process, there were nine themes/components within the 39 topics: (1) budgeting, (2) credit, (3) insurance, (4) retirement/benefits, (5) investing, (6) debt management, (7) taxes, (8) banking, and (9) other.

Themes to Items

The instrument consisted of three subscales: knowledge, attitude, and behavior (to align with Vieira et al. (2020)'s holistic approach to financial literacy measurement). The knowledge portion of the instrument contained 1-2 questions for each of the 39 topics that achieved consensus. Additionally, there were four or more items developed for each component so that each component was well represented in the instrument. The knowledge subscale had a total of 51 items.

The attitude and behavior subscales did not measure each of the 39 topics, but rather had 1-2 questions from each of the nine components. The attitude subscale contained 15 items with a 5-point Likert response scale (1=strongly disagree, 2=disagree, 3=neutral, 4=agree, 5=strongly agree). The behavior subscale contained 15 items and utilized a 5-point Likert response scale (1=never, 2=rarely, 3=sometimes, 4=often, 5=always) with an option to select "N/A" for behaviors that did not apply to them. The attitude and behavior subscales were shorter to avoid survey fatigue and because some of the topics did not translate into attitude and behavior questions.

Results: Phase Two

Demographics

After creating the instrument, it was distributed to college students via Qualtrics. Respondents were from eleven states. Response frequencies from each state were not tracked to keep the survey completely anonymous. Overall, this sample was primarily female (74.5%), white (64.5%), and had an average age of 20.11 years old. Respondents were distributed across college classifications and just over half (53.2%) have had some amount of financial education.

Scale Refinement: Knowledge

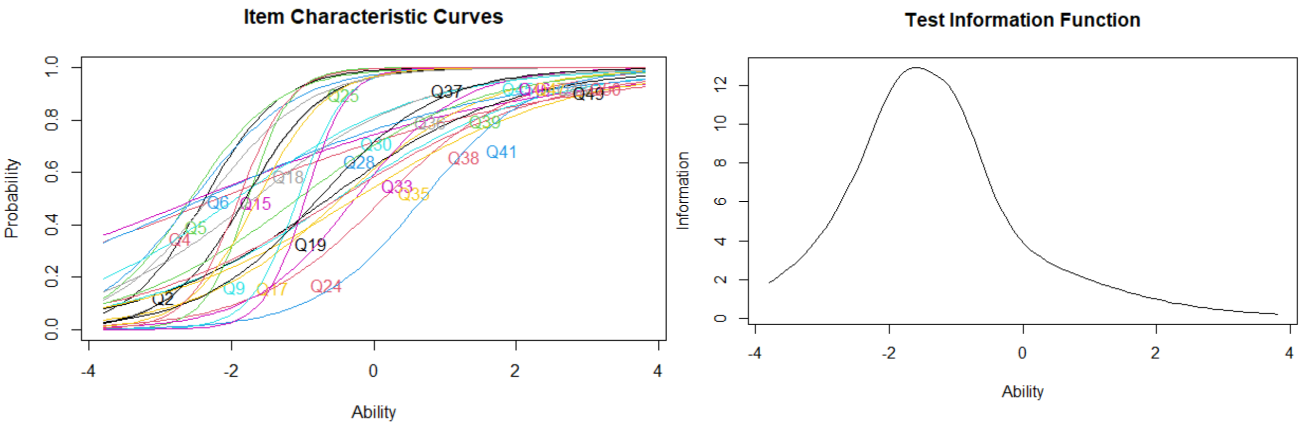
The knowledge items had a binary response. The first step was to investigate the dimensionality using the Q3 statistic. When looking at the knowledge scale, the first eigenvalue was very large (11.762). This indicated a potentially unidimensional scale. A Rasch IRT model was fit to the data to then check residuals and test local independence using the Q3 statistic (Yen, 1984). The Q3 statistic suggests that residuals with absolute values > 0.2 might indicate a violation of local independence. Three pairs of items had non-zero correlations, but each non-zero correlation was less than 0.2, confirming the dataset was unidimensional.

Next, the correlation between each item response and the total score was investigated for internal consistency. All items having a correlation with the total score of < 0.2 were removed from the instrument. Seventeen (33.3%) items had a low correlation and were removed. Then, items that lowered the overall α of the instrument (4 items) were removed. The final α of the knowledge scale was 0.806.

Both a 2PL and 3PL model were run on the remaining 30 items measuring financial knowledge. After comparing the AIC and BIC of both models, the 2PL model fit the data best. Then, items with difficulty values less than -3 (two items) or greater than 3 (two items) were removed (Baker & Kim, 2004). Item characteristic curves (ICCs) and item information curves (IICs) are shown in Figure 1.

The item response theory results show that many of the knowledge items have a low difficulty value (between -2.5 and -0.25), which suggests the test may be best used with individuals with lower levels of financial literacy. Many of the items have similar difficulty values, but are measuring different pieces of financial knowledge. This information confirms that there are not redundant items with similar parameters measuring the same objectives. Figure 1 shows the item characteristic curves (ICCs) for the final 26 knowledge items and their test information curve. The slope of the ICC shows the item's discrimination and the point of inflection of the ICC shows the item's difficulty. The test information curve shows the amount of information a test provides for a given ability level. This shows that the test provides the most information for a respondent with an ability level ~ -1.5, confirming that the test is most suited for lower ability levels.

Figure 1
Item Characteristic Curves and Test Information Curve



Scale Refinement: Attitude
The attitude items had a 5-point Likert-scale response (1=strongly disagree, 2=disagree, 3=neutral, 4=agree, 5=strongly agree). The N = 502 dataset was randomly split into two equally sized datasets. On the first, EFA was conducted and on the second CFA was done. EFA was used to explore the data structure and determine the number of factors present. Then, CFA was used to confirm the hypothesized structure and evaluate model fit. Finally, items were evaluated using a graded response model.

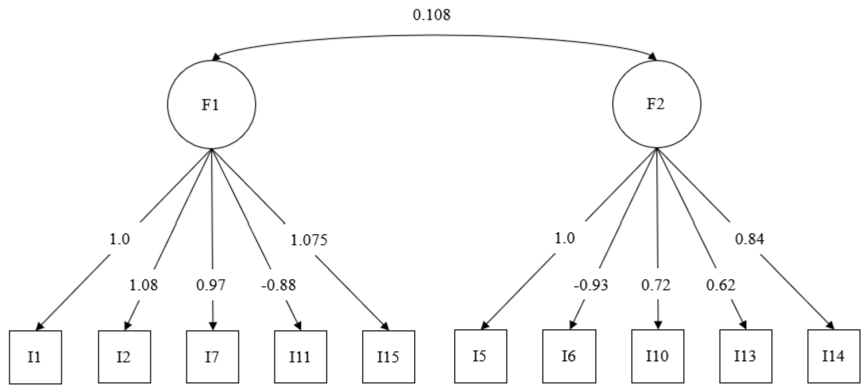
The determinant of the correlation matrix was 0.004. Bartlett's test of sphericity was significant (< 0.05) and the KMO statistic was 0.799, which suggests that the data is sufficient for using EFA. Then, an EFA utilizing a principal axis factoring extraction and a promax rotation was completed, because factors were assumed to be correlated. The results suggested that the factors are not strongly correlated. The correlation between factor 1 and factor 2 was 0.240, the correlation between factor 1 and factor 3 was -0.065, and the correlation between factor 2 and factor 3 was 0.060. Because of these low correlations, a second EFA was run utilizing a varimax rotation.

Utilizing the modified EFA, there were three eigenvalues > 1, indicating three factors present. The scree plot suggested a four-factor solution. Parallel analysis suggested three factors, and a three-factor solution explained 57% of the variance, so a three-factor solution was chosen. Item 4 was removed because of low loadings on each of the three factors.

Using a three-factor solution, the confirmatory factor analysis model did not converge. Estimated variances for items 8 and 9 were very high. Since those were the only items on factor 3, a new CFA model was run without those items, using only a two-factor solution. This solution converged with no issues. Items 8 and 9 were removed from the instrument and a two-factor solution was assumed.

Utilizing a two-factor solution, the model fit improved. The CFI was 0.873 and TLI was 0.841. RMSEA was 0.101 and SRMR was 0.085. Since none of the model fit statistics met the desired metrics, the residuals were examined. Item 12 had 7 residuals > |2| and item 3 had 5 residuals > |2|, so each of these items were removed from the instrument. A new CFA was run after these adjustments were made and the fit indices improved slightly. The CFI was 0.920 and TLI was 0.895. RMSEA was 0.089 and SRMR was 0.055. Figure 2 below shows the final two factor model.

Figure 2
Attitude CFA Model



Factor 1 is financial planning attitudes and factor 2 is financial management attitudes. Financial planning is focused more on taking steps to plan out your current and future finances. Financial planning attitude items are about the importance of budgeting, adequate insurance, debt management, and utilizing financial professionals. Financial management is the use/control of financial resources, so financial management attitude items are focused on attitudes toward using credit cards, investing, taxes, and banking.

After confirming the factor structure, graded response model was run on each of the two remaining factors. All items have moderate to high discrimination parameters. The threshold parameters show where an examinee with an ability level equal to the threshold has a 50% chance to score at or above the given category.

The low threshold parameters on financial planning attitude items suggest that even respondents with low ability levels may respond ‘strongly agree’. The financial management attitude items have a higher threshold to get into ‘strongly agree’. This may suggest that most participants have the right financial planning attitude, but that does not necessarily mean that their financial management attitude is equally as strong.

Figure 3 shows the category response curves (CRCs) for financial planning attitude items. The CRC’s show the probability of each response option based on the respondent’s ability level. For items 2 and 15, the CRCs show that no ability level is most likely to choose ‘disagree’. For items 1 and 7, the range of s that would most likely choose ‘2’ (disagree) is narrow.

Figure 4 shows the CRC for the financial management attitude items. These items responses are more evenly distributed than the financial planning attitude items. Items 10, 13, and 14 do have a narrow range of ’s most likely to choose ‘neutral’. On item 10, the majority of respondents are likely to choose an extreme response (either ‘strongly disagree’ or ‘strongly agree’), regardless of their ability level.

Figure 3

Category Response Curves (Financial Planning Attitude)

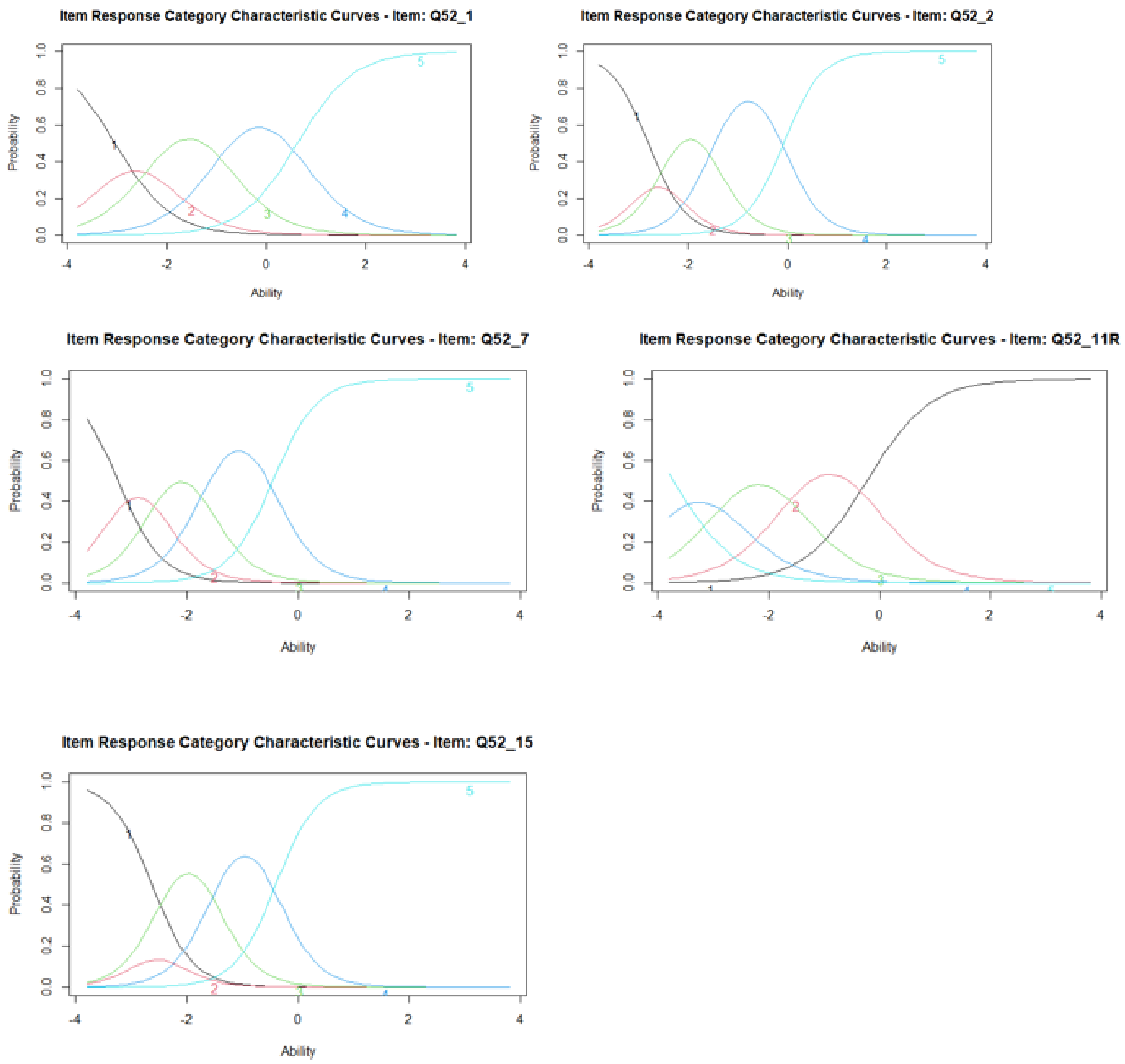
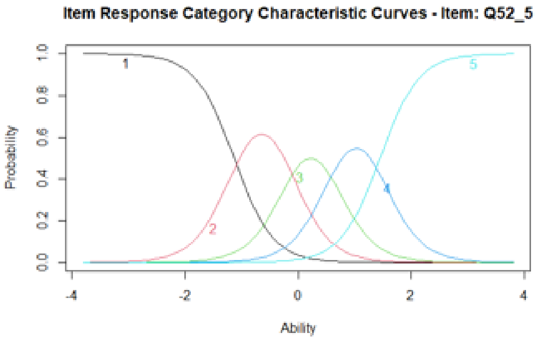
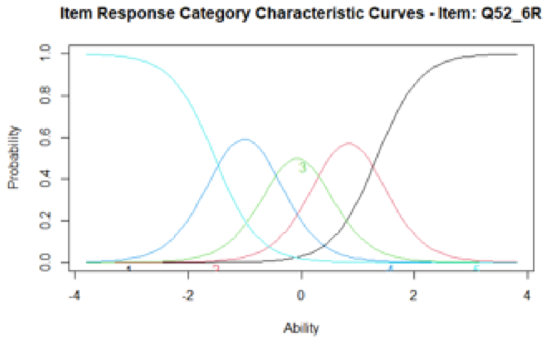
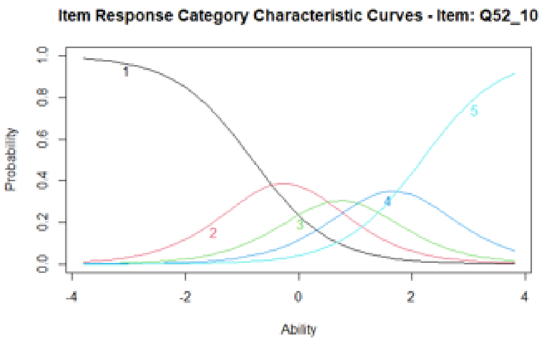


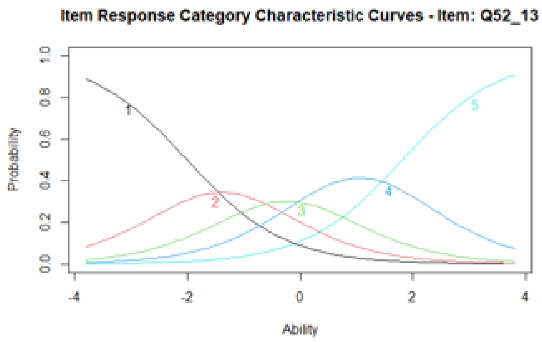
Figure 4

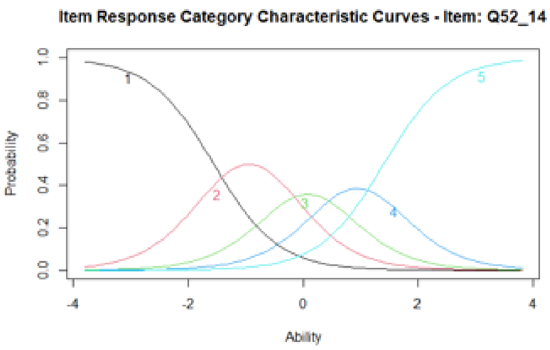
Category Response Curves (Financial Management Attitude)











Scale Refinement: Behavior

Most response patterns were skewed one way or the other and there was a high frequency of ‘Not Applicable’ responses to most of the questions. Items 4, 5, and 13 each had > 25% of respondents select ‘Not Applicable’. Items 3, 6, 8, 9, and 14 each had > 25% of respondents say ‘Never’. Items 13 and 15 had > 25% of respondents select ‘Always’; items 10 and 11 had > 50% of respondents select ‘Always’. Item 12 is the only item that is very evenly distributed across all response options. Cronbach’s α for the behavior scale is 0.838.

Conclusions/Interpretations/Discussion

Phase 1

The findings from the Delphi portion of the study give a clear outline of what topics should be covered in financial education for all traditional undergraduate college students. This provides financial educators a guideline of what topics their programming should focus on. Financial knowledge is a very broad topic and can be overwhelming when trying to cover each piece; this list shows what to focus on but also shows what topics are better taught after college (i.e. estate planning, living wills, mortgages, etc.). No topics were deemed ‘unimportant’ by financial professionals, but rather that they were more appropriate for a different stage of life. Additionally, some topics such as student loans were ranked of high importance in this stage of life that may not be during other stages. It is also worth noting that the process of narrowing down topics was challenging for many financial professionals. Some voted that all 55 topics needed to be retained on the final list. This struggle of narrowing down what topics are most important and pairing down the original list could suggest why this list of topics hasn't been created in the past. It could also be part of the reason why there is such a struggle with measuring financial literacy. Financial literacy is such a broad construct that creating an instrument to adequately measure it that is short enough to be usable in practice is challenging.

Phase 2

Phase 2 involved creating an instrument to measure the nine components of financial literacy, administering the instrument, and analyzing data to evaluate and critique the instrument. Each of the nine components were measured within three subscales: financial knowledge, attitude, and behavior. After administering the survey and making refinements, there were 26 items measuring financial knowledge, 10 items measuring financial attitudes (5 measuring financial planning attitude and 5 measuring financial management attitude), and 15 items measuring financial behavior.

Item analysis from phase 2 of the study showed that items on the knowledge portion of the instrument were easy, based on their difficulty parameters. However, since we know college students have very low levels of financial knowledge, this is not necessarily a bad thing. For the time being, while knowledge levels are so low (Ehrlich & Guilbault, 2017), this could be the ideal instrument to use. Over time, as knowledge levels increase, items with higher difficulty parameters may need to be added so that the modified instrument reflects a wider range of difficulty.

From the knowledge portion of the instrument, students scored highest (based on the proportion of respondents answering the items correctly; > 94%) on items about saving, natural biases regarding money, budgeting basics, and setting financial goals. Students scored the lowest (< 20%) on items covering car insurance, saving vs. investing, health insurance, making big purchases, and building credit scores. These provide guidance on which topics our students need help with the most. When looking at the 9 components, the average scores were highest on budgeting (87%), banking (84%) and other (75%). Average insurance scores were very low (31%), followed by investing (45%), taxes (48%), and credit (49%). These scores also help educators with understanding what broad topics students need help with. Instead of focusing programming on teaching improvements on the topic of budgeting (which students already have a good understanding of), focus may be given on including or enhancing teaching on other topics such as car insurance, saving vs. investing, health insurance, making big purchases, and building credit scores.

Financial planning attitude item responses were not well distributed amongst response values. For items 2 and 15, there was no ability level most likely to choose 'disagree'. For items 1 and 7, the range of ability levels most likely to choose 'disagree' is very narrow. Additionally, on all items, respondents with positive ability levels are most likely to choose an extreme response ('strongly agree' on items 1, 2, 7, and 15; 'strongly disagree' on item 11). These extreme responses could suggest that students know what financial planning attitudes they 'should' have, so their responses are biased. These response patterns may also suggest that fewer response options would allow for more variation in responses. For example, using a 4-point Likert scale that would force participants to choose a 'positive' or 'negative' responses might provide better distribution of responses.

Financial management attitude item responses overall were more well distributed than financial planning attitude items, but there are still some concerns with financial management attitude response patterns. Responses for items 5 and 6 are well dispersed amongst all response options. However, item 10 indicates that most ability levels are going to choose an extreme response (either 'strongly disagree' or 'strongly agree'). Also, for items 10, 13, and 14, the range of ability levels choosing 'neutral' is very narrow. Again, this narrow range of ability levels choosing certain responses may suggest that a different response scale is a better fit.

Financial behaviors can be challenging to measure because college students are in a unique life stage where some financial behaviors deemed as important may not be applicable to them just yet. For example, one of the 9 components of financial literacy determined in chapter IV was retirement/benefits. Many traditionally aged undergraduate students are not in a place to enact behaviors like saving for retirement or making decisions on employment benefits. However, those components of financial literacy are still important because of the need for college students to begin utilizing that information and enacting those behaviors upon graduation.

Also, it is important to note how many students responded 'N/A' to the behavior questions. There were 502 participants in the study and 304 answered 'N/A' to at least one behavior item. Some items it makes sense that students would answer 'N/A', but others should be applicable to everyone. For example, not all college students have student loans, so it makes sense that a student might say 'N/A' to item 10, 'I fill out my own FAFSA'. However, item 2 says 'I set financial goals'. In this case, an 'N/A' response likely should be a response of 'never' instead. While each student's financial goals can and will vary, they are all capable of having financial goals, so 'N/A' does not make sense in this case. It is important to consider this when looking at how often students are/are not engaging in particular behaviors. 266 (53%) participants said that they always fill out their own FAFSA and 324 (64.5%) said that they always keep track of how much money they owe on their debts. 145 (28.9%) participants said they never pull a copy of their credit report, 147 (29.3%) said they do not have a checking and a savings account, and 171 (34.1%) said they do not calculate compound interest on their savings. Credit and savings were highly prioritized topics among financial professionals, so it is worth noting that these are the behaviors that college students seem to be the least engaged in. This provides another focus for current financial educators: teaching students the importance of pulling their credit reports, keeping checking/savings separate, and learning how compound interest works. Regardless of what items are included in the final instrument, it seems clear that students are lacking in these areas.

Implications

Phase 1

The results from Phase 1 provide practitioners with a clear list of what financial planning topics to cover with all traditional aged undergraduate students. It differentiates this stage of life as an undergraduate student from other stages of life that practitioners may be working with. Financial educators, financial planners, financial counselors, financial aid professionals, etc. can all use this information when they are planning programming for college students.

Phase 2

The results from Phase 2 provide a holistic instrument measuring financial literacy in the areas of knowledge, attitude, and behavior, specifically for traditional undergraduate college students, which did not exist before. It provides financial educators, financial planners, financial counselors, financial aid professionals, etc. with a tool they can use in various ways. For example, it can be used in programming efforts to show differences in literacy levels before/after program participation. An instructor teaching a personal finance course could use it to assess their students at the beginning of the semester and tailor the semester's lesson plans based on that group of students' ability levels. They could also use it at the end of the semester to show how financial literacy levels have changed after having completed a personal finance course. It could also be used as an intake tool to see where a student's financial literacy currently stands, which allows a financial counselor or educator to best prepare for working with that student. For researchers, it provides a valid measurement tool they can use when studying financial literacy among traditional undergraduate college students.

Limitations and Future Research

One limitation is that the sample from Phase 2 disproportionately White and female and therefore not necessarily representative of undergraduate students (ACE, 2016; NCES, 2019). Another limitation is the low reliability of both the financial attitude scales. Also, the financial behavior scale is self-reported, so there is some assumed error. Finally, this scale measures general financial education and does not have subscales that allow researchers/educators to measure knowledge on a particular component.

Future research should focus on establishing subscales for each of the nine components that can stand alone. This would allow educators and researchers who are focused on one specific area of financial knowledge to have a reliable and valid tool specific to their programming. Another area for future research is to focus on adding more difficult items to the scale so that the scale is more representative of all ability levels. Finally, the reliability of the financial attitudes needs improvement. Future research could look to improve these scales by shifting to a 4-point Likert scale to see how response patterns might change. Future research could also look to improve the attitude scales by seeing how much students are influenced by their ideas of what attitudes they "should" have, regardless of their knowledge/behavior.

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The Promising Future of Fintech in Closing the Racial Wealth Gap

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Keywords: financial technology, fintech, racial wealth gap, financial security, racial disparities, vulnerable populations

Background

Introduction to The Racial Wealth Gap

The American dream consists of many pillars, one of which is to achieve financial security and live an economically comfortable life; however, this is largely unattainable for some people solely because of their race. It is more difficult for Black households to achieve a satisfactory level of wealth compared to their White counterparts due to persistent financial barriers that have resulted in the racial wealth gap (Aladangady & Forde, 2021). To ensure Black, low-income communities are able to achieve economic security, financial technology (fintech) should be adopted by consumers to help them save money, pay their bills, and take loans for long-term assets with ease — all of which aid in wealth accumulation (Grote, 2020).

Origins of the Racial Wealth Gap

Racial disparities in financial access in the United States began as early as the creation of America's first bank in 1791. Black slaves were prohibited from obtaining membership at financial institutions until the passing of the Emancipation Proclamation, which led to the creation of The Freedman's Savings and Trust Company (referred to as the Freedman's Bank) during the Lincoln administration (Gourrier, 2021). The Freedman's Bank was formed with the intention of "provid[ing] a safe harbor for former enslaved people to deposit savings and build wealth" (Gourrier, 2021, p. 498). Black Americans — with a one hundred year late start — were finally able to begin accumulating wealth. However, the assassination of President Abraham Lincoln and his subsequent succession by President Andrew Johnson led to the "undermining" and eventual dissolution of the Freedman's Bank, leaving many Black families penniless and bankless (Gourrier, 2021, p. 498). The government's failure to provide an alternative financial service following the downfall of the Freedman's Bank led Black communities to view the American financial system with distrust — a sentiment that persists today (Gourrier, 2021).

Since then, little has been accomplished by the government to remedy the dismal financial state of Black communities. A 2004 study conducted by Mark Burkey and Scott Simkins found that there is a negative correlation between the concentration density of ethnic groups in a community and the number of banks; this explains the lack of physical financial institutions (referred to as banking deserts) in predominantly Black neighborhoods (Gourrier, 2021). Banking deserts have resulted in many residents being underbanked or unbanked in addition to an increase in predatory lenders, presenting yet another barrier for Black Americans to accumulate wealth (Alcazar & Bradford, 2020).

Fintech and its Connection to the Racial Wealth Gap

Fintech products digitize financial and banking services and are important in reducing the racial wealth gap because they encourage consumers to take control of their finances by the simple click of a button on their smartphone or laptop. However, not all fintech companies develop products for the average American family; some companies are investing their resources in creating products that aim to bridge the financial gap in Black, low-income communities. Many fintech products encourage consumers to take initiative in building their financial security and create investments that will benefit not only themselves but their families in achieving economic success and wealth for several generations (Broady, 2021).

Purpose

This research paper examines different fintech products on the market and how their services will help reduce the racial wealth gap. This paper also discusses a tool provided by a nonprofit that could help financial counselors and planners connect their clients to fintech products, and the strategic partnership nonprofits and fintech companies have created to increase the usage of fintech in Black, low-income communities.

Research Question

This literature review aims to answer the following questions: *How might fintech help Black, low-income communities? How might access to financial services help reduce the racial wealth gap?*

Methodology

The data used in this literature review was obtained by searching for scholarly articles on Google Scholar using keywords such as banking deserts, financial technology, fintech, and the racial wealth gap. From these searches, articles that addressed the disparities in access to physical banking institutions, described fintech initiatives and their relation to the racial wealth gap, and discussed the services offered by fintech within the United States were prioritized. In addition, only articles that were published after 2016 and discussed the racial wealth gap in the United States were chosen for this literature review. A total of twelve articles were used for this paper.

Results and Discussion

Fintech and its Impact on the Racial Wealth Gap

Fintech is changing the financial industry for the better by introducing new ways of making banking services inclusive. One way fintech is achieving this is by creating alternative measures of "credit-worthiness" that will increase the accessibility of financial services in Black, low-income communities. Many physical banks look for high credit scores when deciding to grant their customer a loan to pay for their home or car, capital to fund their small business, or a credit card to open a bank account (Broady, 2021). However, this assessment of a person's "credit-worthiness" excludes disadvantaged populations with low credit scores. Some fintech companies are addressing this disparity by using other measures to understand one's financial profile (Broady, 2021). For example, PayPal Working Capital provides money to small businesses based on their sales history (Broady, 2021). For this reason, many of the businesses that PayPal Working Capital has funded have been found in Black, low-income communities and areas with a high minority population (Broady, 2021). By using alternative measures to determine an individual's eligibility for capital, fintech helps to create financial opportunities for people in Black, low-income communities that will help close the racial wealth gap.

Another way fintech is making banking services more inclusive of various financial backgrounds is by allowing consumers to pay in installments and providing tools to help them avoid predatory lending services. Some fintech products use a "buy now, **pay more**" model to help consumers with turbulent incomes and unexpected expenses pay the full cost of a good over a period of time (Broady, 2021). This approach helps low-income consumers because it gives them the flexibility to access goods that they otherwise would not have been able to pay the full price of during purchase. For example, a mobile app named Klarna gives consumers the opportunity to pay for goods in a series of four installments "without paying any interest or impacting their credit score" (Broady, 2021, p. 4). In addition, fintech products help consumers avoid predatory lending practices that have only widened the racial wealth gap. BuildCard is a company that provides an unsecured credit card with $500 to low credit score consumers that serves as "a buffer to pay for necessities when their income is unexpectedly lower or when expenses rise without warning" (Broady, 2021, p. 4). By enabling low-income consumers to purchase merchandise in installments without financial repercussions and by providing "buffer" money for emergencies, fintech products help users practice financial well-being in a low-risk way. By adopting fintech into their daily lives, disadvantaged consumers may have the tools to successfully accumulate their wealth and make financial decisions that will better their futures. For more examples of fintech products in the market that will help consumers build their financial security, please refer to Table 1.

Downfalls of Fintech

Even though fintech possesses valuable resources for wealth accumulation that could help narrow the racial wealth gap, it contains flaws that have caused low-income consumers to be wary of adopting fintech into their daily lives. One of the issues faced by these consumers is algorithmic price discrimination (Grote, 2020). This occurs because the software underlying some fintech products do not completely eliminate biases in the money lending process (Grote, 2020). A study conducted by researchers at UC Berkeley found that digital lenders charge racially disadvantaged individuals higher mortgage rates, resulting in about "$756 million in extra interest per year" (Bartlett et. al, 2019, p. 1). Fintech lenders who discriminate against consumers prioritize profit maximization over increasing the financial security of their clients; this has led to a lack of trust by low-income consumers in adopting fintech tools and participating in the overall banking community (Bartlett et. al, 2019). Therefore, reform needs to occur in the fintech industry to ensure that all products are nondiscriminatory and meet the needs of individuals who are struggling to build their wealth (Grote, 2020).

A Nonprofit's Response to Growing Fintech Concerns

To ensure "fintech is designed for equity," nonprofits have taken action to promote the adoption of fintech in disadvantaged communities (Finsel et. al., 2021, p. 94). Change Machine, an organization with the goal of increasing the financial security of low-income individuals, developed a recommendation engine that equips financial practitioners with the tools they need to effectively assess and connect their clients to ethical and reputable fintech products (Grote, 2020). Financial counselors and planners should utilize Change Machine's recommendation engine to ensure their clients are connected to resources that may help them achieve their financial aspirations. By adopting fintech into their daily lives, clients will be given the opportunity to enter mainstream banking, track their expenses to help them meet their goals, and utilize tools that will help them pay for unexpected expenses that may otherwise deplete their savings and wealth.

Cross-Sector Partnerships Push for Fintech in Financial Counseling/Planning
Successful partnerships between fintech companies and nonprofits support the use of fintech in financial counseling and planning. GreenPath, a nonprofit that offers financial counseling services, collaborated with EarnUp "to create the Simple Payment Plan, an automated installment debt repayment service" that manually budgets a client's money and performs withdrawals for them (Sledge et. al, 2019, p. 5). Through this service, 89% of clients were able to accelerate their debt payment process. The National Urban League, a civil rights organization with a focus on accelerating economic growth in Black communities, partnered with five fintech companies: FreshEBT by Propel, Dave, WiseBanyan, Self Lender, SaverLife, and Digit (Sledge et. al, 2019). These partnerships helped 22% of clients increase "their savings by at least $300," improve "their credit score by at least 50 points," and decrease "their debt by at least $1000 dollars" (Sledge et. al, 2019, p. 6). Financial counselors and planners should learn from these cross-sector partnerships to understand how they can utilize fintech products to help their clients economically and ensure they are able to "participate in the wave of fintech innovation" (Sledge et. al, 2019, p. 2).

Conclusion

Fintech is a resource that Black, low-income communities can use to achieve their financial goals and accumulate wealth. Fintech allows consumers to easily repay their loans, invest capital into their small businesses, and pay for surprise expenses. To increase access to fintech in Black, low-income communities, nonprofits and fintech companies are partnering together to ensure everyone — regardless of their race and socioeconomic status — are able to make use of financial services that will empower them economically. Financial counselors and planners can make use of fintech to ensure individuals are given the ability to enter mainstream banking and make decisions that improve their financial wellbeing.

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Tables and Figures

Table 1: Additional Fintech Offerings in the Market (Gorham & Dorrance, 2017)

Product Name	Purpose
Dave	Gives consumers the ability to pay for surprise expenses by providing early access to their paycheck
Mint	Recommends consumers on ways to effectively spend their money to achieve their short-term and long-term financial goals and could be used by financial planners to teach consumers how to effectively budget their money to increase their credit score and pay loans on time
Wise Banyan	Offers financial advice at no cost and relieves the anxiety faced by consumers managing their finances for the first time

LGBTQ+ Financial Inclusion: Challenges for LGBTQ+ Americans and Opportunities for FCS Professionals and Financial Counselors to Work Together

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Keywords: Family and consumer sciences, financial counseling, financial literacy, LGBTQ+finance

Abstract

Financial stability and independence are essential milestones for individuals to make in their lifetime. For LGBTQ (Lesbian, Gay, Bisexual, Transgender, Queer) Americans, these milestones are often more challenging to reach. Due to LGBTQ Americans' financial discrimination, major financial events like The Great Recession of 2007 through 2009 and the COVID-19 pandemic tend to impact the community significantly. This article uses data from the LGBT Financial Experience 2012-2013 Prudential Research Study, the 2018 Experian LGBTQ Money Survey, and the 2018 TD Ameritrade LGBTQ and Straight Millennials Survey to show the financial challenges the LGBTQ community faces. Family and Consumer Science (FCS) professionals and financial counselors have a unique opportunity to work together and serve the LGBTQ community.

Financial Discrimination

LGBTQ+ financial discrimination can be defined as the prejudicial treatment of LGBTQ individuals based on housing, healthcare, estate planning, taxes, family planning, and any area where finances are adversely impacted due to sexual orientation or gender identity. In 2020, the Supreme Court released an opinion on Bostock v. Clayton County, which stated that Title VII of the 1964 Civil Rights Act prohibits discrimination based on sexual orientation and gender identity (Bachman, 2021). Until this landmark case in 2020, LGBTQ Americans were at a significant disadvantage with their daily finances and building long-term wealth as they did not have employment discrimination protection. Although Bostock v. Clayton County was a significant step forward in protections for LGBTQ Americans, discrimination still exists, and further protections are needed.

Twenty-seven states across the United States have no laws protecting individuals from discrimination in employment, housing, and public accommodations based on sexual orientation or gender identity. These states include Alabama, Alaska, Arizona, Arkansas, Florida, Georgia, Idaho, Indiana, Kansas, Kentucky, Louisiana, Michigan, Mississippi, Missouri, Montana, Nebraska, North Carolina, Ohio, Oklahoma, Pennsylvania, South Carolina, South Dakota, Tennessee, Texas, West Virginia, and Wyoming. H.R. 5, known as the Equality Act, is pending legislation passed by the U.S. House of Representatives and is currently awaiting a vote in the Senate that will provide LGBTQ Americans with anti-discrimination protections. This includes protections in employment, housing, credit, education, public spaces and services, and federally funded programs. The Human Rights Campaign (2021) stated that LGBTQ Americans can be denied access to renting a home or apartment or evicted, denied access to a mortgage, and denied medical care due to their sexual orientation.

Survey Results

Prudential conducted the LGBT Financial Experience research study from 2012 to 2013. 1,401 LGBT Americans participated in this study, ages 25 to 68. These Americans lived in different parts of the country (big cities, big-city suburbs, medium cities, small cities, and rural areas). They were at various stages of their coming out process (fully out, mostly out, and not out). Prudential (2013) stated, "The survey contained more than 70 multiple choice and write-in questions, which yielded more than 6,000 written comments about participants' financial experience" (p. 1). The study found that LGBT Americans find their financial planning needs to be different from their heterosexual peers; they feel underserved by financial services companies and need financial professionals to understand their unique needs to properly serve them (Prudential, 2013).

TD Ameritrade conducted the LGBTQ and Straight Millennials survey in 2018. 1,519 Americans that identified as either straight or LGBTQ participated in this online survey with individuals from each part of the U.S. (West, Southwest, South, Mid-Atlantic, New England, and Midwest). The survey found that LGBTQ millennials feel less financially secure currently and for retirement, do not feel prepared to make sound financial decisions, are likely to have a side hustle to earn additional income, and are less likely to achieve what is known as the American dream. TD Ameritrade (2018) stated, "Self-assessed ratings of investing and financial knowledge are lower for LGBTQ than Straight Millennials" (p. 22). Financial education specifically curated for the LGBTQ+ community would help improve this rating as 75% of LGBTQ Millennials do not find themselves financially knowledgeable (TD Ameritrade, 2018, p. 22). This lack of financial knowledge is coupled with lower earnings. “Straight and LGBTQ Millennials agree that heterosexual men are likely to earn more than heterosexual women, LGBTQ men, and LGBTQ women” (TD Ameritrade, 2018, p. 28). As LGBTQ Millennials feel unprepared to make financial decisions and are at an income disadvantage, financial professionals have the opportunity to educate their LGBTQ clients to make them financially confident.

The 2018 Experian LGBTQ Money Survey provides insights into opportunities for financial professionals when serving the LGBTQ community. Experian surveyed 500 LGBTQ individuals and 500 non-LGBTQ individuals. The survey found that:

- 44% LGBTQ respondents struggle to maintain savings
- 34% LGBTQ respondents have lousy spending habits they’d like to improve

As LGBTQ individuals struggle to maintain savings and improve their spending habits, it is essential to understand what they spend their money on. Discretionary spending occurs in the following categories: personal hygiene, health and fitness, clothing, hobbies, dining out, home décor, charitable giving, drinking and partying, sporting events, other entertainment, and travel (Akin, 2018, para. 12). LGBTQ individuals responded that they overspend in travel as it is a main priority for them. Comparing spending habits to the non-LGBTQ community, LGBTQ individuals overspend on personal hygiene, clothing, and dining out at significantly higher rates (Akin, 2018, para. 14).
The Experian survey also looked at bias and discrimination. “A significant majority (62%) of LGBTQ respondents reported having experienced financial challenges because of their sexual orientation or gender identity” (Akin, 2018, para. 18). These financial challenges are due to discrimination at the workplace (which is now illegal due to Bostock v. Clayton County), housing discrimination leading to higher housing costs, and a lower chance of promotion or lower salary. Although an employer can no longer discriminate against an individual in the workplace based on sexual orientation and identity, LGBTQ individuals still struggle in their careers as one cannot predict how an individual, like their manager, would respond to them coming out. As LGBTQ individuals have to constantly come out when they enter new spaces or meet new people, the lack of confidence in being able to come out and live their authentic selves has had a negative financial impact on their experience.

Family and Consumer Sciences (FCS)
The FCS Body of Knowledge (BOK) defined FCS as “the study of relationships between individuals, families, and communities and the social, economic, political, biological, physical, and aesthetic environments in which people function” (AAFCS, 2019, p. 2). Financial literacy plays a key role in individuals, families, and communities’ overall financial success throughout their lifespan. Financial literacy can also be seen emphasized throughout the national standards of FCS. Table 1 will highlight national standards and competencies for FCS education developed by the National Association of State Administrators of Family and Consumer Sciences (NASAFACS) and how they tie to financial literacy.

Table 1. FCS National Standards, Competencies, and Relation to Financial Literacy

Content Standards	Competencies	Relation to Financial Literacy
2.5: Analyze relationships between the economic system and consumer actions in a global context (NASAFACS, 2018).	2.5.1: Analyze the use of resources in making choices that satisfy needs and wants of individuals, families, and communities (NASAFACS, 2018). 2.5.2: Analyze economic effects of laws and regulations that pertain to consumers and providers of services (NASAFACS, 2018).	FCS professionals work with individuals to manage their resources effectively to meet one’s overall needs and wants financially. FCS professionals also understand the economic impact of laws/policies put in place by the government at the federal, state, and local levels.
2.6: Demonstrate management of financial resources to meet the goals of individuals and families across the life span	2.61.1: Evaluate the need for personal and family financial planning (NASAFACS, 2018).	FCS professionals work with families in order to identify and maintain their economic roles within the family unit in order to

	2.6.2: Apply financial management principles to individual and family financial practices	meet various goals throughout life. Personal and family financial planning will keep an individual or family on track to meet overall financial goals.
2.7: Demonstrate the ability to use knowledge and skills to manage one's financial resources effectively for a lifetime of financial security (NASAFACS, 2018).	2.7.1: Demonstrate management of individual and family finances by applying reliable information and systematic decision-making (NASAFACS, 2018). 2.7.3: Manage money effectively by developing financial goals and budgets (NASAFACS, 2018).	FCS professionals work with individuals and families in order to understand the overall impact financial decisions have on one's future. Individuals and families must be able to manage their money effectively in order to face the various financial milestones and challenges of life.
3.3: Analyze factors in guiding development of long-term financial management plans (NASAFACS, 2018).	3.3.2: Demonstrate components of a financial planning process that reflect the distinction between needs, wants, values, goals, and economic resources for a variety of diverse populations (NASAFACS, 2018).	FCS professionals work with individuals and families to stress the importance of having a financial plan for both the present and future which is tailored to their specific needs.
7.5: Evaluate services for individuals and families with a variety of conditions that could impact their well-being (NASAFACS, 2018).	7.5.2: Analyze ways in which individuals with conditions that affect their well-being influence the family and family members financially, socially, physically, and emotionally over the lifespan (NASAFACS, 2018).	FCS professionals work with individuals and families to understand how certain conditions impact them financially. It is important to understand how actions both in and out of one's control impact personal finance.

The content standards and competencies described in Table 1 help guide FCS professionals as they provide resources for the individuals, families, and communities they work with. These also show the important relationship between FCS professionals and financial education. FCS professionals are equipped with the necessary skill set to work with individuals and families toward becoming financially literate.

Molchan (2022) reignited the call to action for FCS educators to help fill the financial literacy education gap for individuals, families, and communities as made originally by Hogarth (2002). As FCS professionals respond to this call to action, they should be aware of the challenges the LGBTQ+ community faces and how they can best support the community through education and outreach.

FCS professionals have a unique opportunity to support the LGBTQ+ community alongside financial professionals as well. To do this, FCS professionals should ensure they are using inclusive financial education resources which discuss the challenges faced by the LGBTQ+ community and how to navigate them. This will not only make the FCS professional more informed on the topic, but create a safe space for all individuals, regardless of sexuality and gender expression. Financial education resources FCS professionals can integrate into their education and outreach efforts include the following:

- BT Financial: BT Financial is a firm that, "specializes in comprehensive financial and business planning for LGBTQ+ entrepreneurs who run mission-driven businesses" (BT Financial, 2022, para. 1). FCS professionals can utilize the firm's blog and podcast in order to provide inclusive financial education. It's also important for LGBTQ+ individuals to be aware of safe financial planning spaces they can go to for help and be their authentic selves.
- Daylight: Daylight is a bank that was made for the LGBTQ+ community as the founders understood that the LBTQ+ community has unique needs, timelines, family structures, and goals. A resource FCS professionals can utilize from Daylight include their library. The library is a free resource that posts various articles on LGBTQ+ personal finance. FCS professionals can also inform the individuals, families, and communities they serve of this bank so they are aware there is a space in banking that tailors to the unique needs of the LGBTQ+ community.

- Debt Free Guys: The Debt Free Guys is a website founded by two gay husbands which seek to help other LGBTQ+ individuals with their personal finances. They have a blog, podcast, and other resources which FCS professionals can integrate into their education and outreach efforts.

Having inclusive financial resources to share is crucial in supporting the LGBTQ+ community. As FCS professionals work with the LGBTQ+ community, they have the opportunity to build relationships between the LGBTQ+ community and financial counselors. For example, for an FCS professional who is a high school teacher leading a financial literacy course, they can bring in financial counselors who have knowledge of the challenges of the LGBTQ+ community as guest speakers at events and classes they lead.

Opportunities for Financial Counselors

Financial counselors have a unique opportunity to serve the LGBTQ community. These opportunities include financial education, budget planning, family financial planning (planning adoption and surrogacy costs), and homeownership education and planning. To seize these opportunities and meet the needs of the LGBTQ community, financial counselors should be aware of the unique financial needs and wants of the LGBTQ community. They should also be open and accepting to the community so LGBTQ individuals feel their office is a safe space. "LGBTs do not require that financial professionals be part of the LGBT community, but they do need these professionals to have an understanding of their unique needs as LGBT individuals" (Prudential, 2018, p. 16). The market for LGBTQ financial planning has yet to fully serve as only 38% of the community work with some financial professional (Prudential, 2018). LGBTQ individuals are also not being contacted by financial professionals regarding LGBTQ family financial planning (Prudential, 2018, p. 16). This is one reason why 62% of the community does not work with some type of financial professional, as they do not have access to one that is understanding and that took the time to reach out to the community and offer services specifically tailored to them.

The financial planning association has a learning center where financial counselors can learn more about the LGBTQ community and their financial experiences and needs. Events sponsored by the learning center include engaging LGBTQ customers, a study group on LGBTQ+ financial planning topics, growing wealth in the LGBTQ community, and understanding the financial needs of LGBTQ older adults. Financial counselors could also access related research journals to learn more about financial planning pertaining to the LGBTQ community. Research journals that financial counselors can look to include the Journal of Financial Planning and the Journal of Financial Counseling and Planning Education. Both of these journals are peer-reviewed.

Next Steps

FCS professionals and financial counselors can collaborate to provide an inclusive experience for LGBTQ+ individuals regarding personal finances. To respond to the reignited call to action by Molchan (2022) and have more inclusive financial counselors, professional development is key. Both FCS professionals and financial counselors should seek out professional development opportunities to learn more about the unique needs and challenges of the LGBTQ+ community. These resources include academic journals and the various blogs/podcasts discussed in this article.

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How Do Underconfident Individuals Fare in Personal Finance?

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Keywords: financial planning behaviors; financial satisfaction; underconfidence; financial knowledge

Abstract

This study investigates the effect of underconfidence on individuals' financial satisfaction. The 2015 US National Financial Capability Study dataset was used. The findings showed that the association between underconfidence and financial satisfaction was partially mediated by passive financial planning behaviors. In other words, those underconfident individuals are less likely to engage in financial planning behaviors, and in turn experience less financial satisfaction. Moreover, men and highly-educated individuals suffer more negative consequences from low confidence. This study makes a unique contribution by providing insights into the mechanism and role of underconfidence in individuals' financial planning and wellbeing.

Introduction

When people are asked about their regrets in life, interestingly, for the most part they are often more likely to regret inaction than action: the investment opportunities forsaken, the career not pursued or the relationship not cultivated. It may be because the outcome of the actions is set in stone, but that of inaction seems like boundless opportunities wasted. According to the theory of regret, "actions produce greater regret in the short-term, whereas inactions generate more regret in the long run" (Gilovich et al., 1994, p. 361). The string of regret for missed opportunity looms much larger in one's mind. When people do not believe in their ability to complete a task, they are unlikely to take action in the first place or put in the effort needed to succeed. Therefore, confidence plays an important role in human behaviors. In the field of personal finance, the risks of overconfidence have been extensively studied, but the pervasive self-limiting costs of underconfidence have been ignored (Heo et al., 2020). Most of the time, underconfidence involves negative consequences as overconfidence does, and it has bigger implications than people might think.

Researchers find that underconfidence has significant negative influence on the short-term and long-term investing decision (Ahmad, 2020). Underconfident investors underestimate their own knowledge and skills but overestimate their downside risk, which result in less trading volume, immobility and the status quo bias (Forbes et al., 2010). Due to their passiveness, underconfident individuals are slow to join beneficial retirement plans, sticking to basic diversification strategies in their retirement saving portfolio, and/or avoiding necessary portfolio changes (Benartzi et al., 2007). Although underconfident individuals show interest in learning more about retirement, their lack of confidence impairs their actual financial planning (Angrisani et al., 2021; Bannier et a., 2017). Research shows that overconfident individuals are more likely to engage in retirement planning behaviors than underconfident individuals (Yhe et al., 2022). It implies that confidence could supplement financial knowledge in spurring planning behaviors. Moreover, underconfident individuals appear to have disengaged, as they are much less likely to be the financial decision maker in their household compared to those with similar skills and more confidence (Peters et al., 2019).

There is increasing research dealing with financial confidence and financial satisfaction, indicating that confidence directly predicts financial satisfaction (Altas et al., 2019; Dare, 2020), even stronger than actual financial knowledge does (Xiao, et al., 2018). For example, individuals with more financial confidence are convinced of their ability to handle financial matters which may translate into positive financial behaviors, such as keeping track of their money, saving their money for future use, and effectively managing their credit. These positive behaviors may prevent them from becoming over-indebted and getting into trouble when experiencing unpleasant financial surprises, and also help them accumulate more wealth and avoid financial difficulties, thereby allowing them to experience greater financial satisfaction (Atlas, 2019).

Therefore, the purpose of this study was to investigate the effect of underconfidence on individuals' financial satisfaction. In particular, we tested whether underconfidence is negatively associated with financial satisfaction via passive financial planning behaviors. Passive financial planning behaviors refer to less financial planning action, such as setting a financial goal or making a budget.

Conceptual Model: Theory of Planned Behavior

The theory of planned behavior is one of the most popular frameworks for the study of human action (Ajzen, 2001). It proposes that an individual's behavior is determined by attitudes, subjective norms and perceived behavioral control. With this theory, attitudes refer to a favorable or unfavorable evaluation of the behavior which entails an expectation of various consequences; subjective norms refers to social pressure to perform or not perform the behavior; and perceived behavioral control refers to the perceived difficulty of performing the behavior. When combined, these three factors result in the formation of a behavioral intention. The stronger the intention to engage in a behavior, the more likely the individual is to perform that behavior (Ajzen, 2001).

In reality, people usually don't act rationally, especially in the area of personal finance. This may be due to underlying individual factors. Kruger and Dunning (1999) put forward the psychological concept of metacognition, referring to the ability of objectively evaluating one's own competence or incompetence. An individual's inaccurate self-assessment leads to either over or underconfidence. Underconfident individuals tend to have a pessimistic mindset and unfavorable attitude when facing challenges, since they are overly anxious about the consequences. For example, underconfident individuals may overestimate the risk of investment, resulting in not participating in stock market (Forbes et al.,2010). Moreover, individuals unconsciously compare themselves with others. Underconfidence contributes to poor self-esteem and prevents individuals who actually have the potential to complete a task from even trying because they falsely believe there are many others who are better than they are (Engele et al., 2021). In general, negative attitudes and perceived social pressure prevent underconfident individuals from taking action.

The key of the theory of planned behavior is the concept of perceived behavioral control which is the belief an individual has in their own ability (Ajzen, 2001). This belief system provides the foundation of human inspiration, motivation, performance, accomplishments, and emotional well-being (Bandura, 2006). Unless people believe that they can produce desired outcomes by their actions, they have little incentive to act or show a deep commitment to the process. Underconfident individuals are more likely to overestimate task difficulty and shy away from it, even though they actually have the ability to manage it. For example, a person who is struggling to manage a chronic illness and does not think he is capable to get back on track may not work hard to improve his health or follow the doctor's recommendations. Moreover, confidence influences life satisfaction, since individuals with high levels of confidence tend to set goals for themselves. Once they commit themselves to a goal, they seek self-satisfaction from achieving them (Bandura,1999).

Therefore, it is reasonable to hypothesize that underconfident individuals are less likely to engage in financial behaviors and be financially satisfied, since underconfidence prevents them from setting financial goals, actively taking action, and making great efforts to achieve optimal outcomes. In this study, we examined the mediating role of planning behaviors between underconfidence and financial satisfaction (Fig.1). Moreover, research on confidence provided evidence that there are gender differences, thus we further tested the model across men and women groups (Ganely et al., 2016). Since a previous study (Bannier et al., 2017) also indicates that education plays an important role in the relationship between financial confidence and behaviors, this factor is included in the model. Finally, we tested the model across highly-educated and low-educated individuals.

Data

The data used for this study came from the 2015 US National Financial Capability Study (NFCS), a large-scale, ongoing project sponsored by the Financial Industry Regulatory Authority in 2009. The NFCS provides detailed measures of the US population's financial literacy, capability, behaviors, as well as demographic characteristics. The analytic sample consisted of 27,590 individuals, comprising all respondents who provided answers to the key questions used for the measurement of variables of interest.

The dependent variable is financial satisfaction. The NFCS survey included one question measuring financial satisfaction, stating "Overall, thinking of your assets, debts, and savings, how satisfied are you with your current personal financial condition?" Responses ranged from 1 to 10, with higher numbers indicating greater degrees of financial satisfaction.

The key independent variable for this study is underconfidence. An individual is underconfident when their actual financial knowledge is higher than their self-perceptions. Following the methodology of Allgood and Walstad

(2013), both objective financial literacy (0-6) and subjective financial literacy (1-7) were split into two categories based on the mean: low and high. From the two splits, four variables were constructed: literate (High-High), underconfident (High-Low), overconfident (Low-High), and illiterate (Low-Low). Objective financial literacy was based on the number of correct answers to six financial literacy questions. "Don't know", or "Prefer not to say" responses were coded as incorrect, in line with a previous study (Allgood, et al., 2003). Subjective financial literacy was measured by a single self-assessed question: "On a scale from 1 to 7, where 1 means very low and 7 means very high, how would you assess your overall financial knowledge?".

Another major independent variable is passive financial planning behaviors. Three measurement were used to access individuals' short-, medium-, and long- term financial planning behaviors. "Over the past year, would you say your spending was less than, more than, or about equal to your income?" (Spending less than income=1, Spending about equal to income=2, Spending more than income=3). The medium-term planning horizon is measured with the question, "Have you set aside emergency or rainy-day funds that would cover your expenses for 3 months, in case of sickness, job loss, economic downturn, or other emergencies?" (Yes = 1, No = 0). Long-term planning horizon is measured with the question, "I set long-term financial goals and strive to achieve them" (on a scale of 1—strongly disagree to 7—strongly agree).

To control for demographic effects, seven sociodemographic variables were included in the model: gender (male 1, female 0), race (white 1, 0 otherwise), marital status (married 1, 0 otherwise), employment status (employed 1, 0 otherwise), education (categories), age (categories), and income (categories). These variables have been found to be related to financial satisfaction and financial planning behaviors (Xiao et al., 2020).

Method

Structural Equation Modeling (SEM) technique is used to model the relationships hypothesized in this study. The Mplus version 8.7 was applied for the mediation analysis and multiple group analysis. In the mediation analysis, a bootstrapping procedure provided by Preacher and Hayes (2008) was employed. The 500 bootstrap sampling has been utilized, with estimations evaluated with a 95% confidence interval that was free of bias (Hayes, 2013). Furthermore, two multiple-group path analyses were conducted to test the hypothesized relationships in the structural model for men and women, and highly-educated and low-educated individuals. We tested for cross-group invariance involved in comparing two nested models: (1) the constrained model (the parameters are constrained equal across groups) and (2) the unconstrained model (no constraints across the groups).

Results

Table 1 reports the sample characteristics. Six financial literacy questions were used to assess objective financial literacy, including compound interest, inflation, bond prices, mortgages, and risk diversification. The mean for objective financial literacy is 3.29 out of 6. As for subjective financial literacy, the mean is 5.26 out of 7. In this sample, around 55% of respondents reported a low level of subjective financial literacy. However, it is worth noting that about half of them (23%) actually underestimated their financial literacy. It shows that being financially underconfident is not uncommon in the U.S. In terms of planning behavior, 49% of respondents indicated that they had an emergency fund; only 40% of respondents indicated they were spending less than income; the mean for setting a long-term goal is 4.86 out of 7. The mean for financial satisfaction is 5.77 out of 10.

The fit of the mediation model in Fig.1 is relatively strong: RMSEA (0.058) was less than the benchmark value (0.06); CFI (0.95) was over the cut-off value (0.90); and SRMR (0.03) was lower than the criterion value (0.08). By evaluating all criteria, the model in Fig. 1 could be considered a good fit. Table 2 presents the effects of direct and indirect relationships between variables. The direct effect between underconfidence and financial satisfaction proved to be significant (β=-0.45; $p<0.001$). Likewise, the direct relationship between planning behaviors and financial satisfaction is also significant (β=6.05; $p<0.001$). The total effect of the relationship between underconfidence and financial satisfaction is statistically significant (β=-0.92, LL CI (95%) = -1.00, UL CI (95%) = -0.86). Indirect effects between underconfidence and financial satisfaction mediated planning behaviors proved significant (β = -0.47, LL CI (95%) = -0.54, UL CI (95%) = -0.41). It shows that planning behaviors is a significant partial mediator, accounting for 50% of the total effect on financial satisfaction. In other words, those underconfident individuals are less likely to engage in financial planning behaviors, and in turn experience less financial satisfaction.

Multiple-Group Path Analysis was used to test whether there were differences in the model between men and women. The Chi-square difference test was used to compare models. First, we compared the constrained model and free model, indicating that men and women are significantly different overall ($\chi2 = 1595.28$, $p<0.001$). The result is presented in table 3. In order to further explore, we freed one path at a time to see in what way men and women are different. The comparison results showed that the parameters coefficient in the path between underconfidence and planning behaviors ($\chi2 = 105.69$, $p <0.001$), underconfidence and financial satisfaction ($\chi2 = 20.22$, $p < 0.001$), and planning behaviors and financial satisfaction ($\chi2 = 10.43$, $p<0.01$) had significant differences between men and women (see Table 4). Notably, the relationship between underconfidence and financial planning seems to be significantly stronger in men ($\beta = -0.39$, $p < 0.001$) than women ($\beta = -0.11$, $p<0.01$); the relationship between underconfidence and financial satisfaction also seems to be slightly stronger in men ($\beta = -0.45$, $p<0.001$) than women ($\beta = -0.44$, $p<0.001$). It suggests that confidence plays an important role in men's financial behaviors and satisfaction. It implies that men suffer more negative consequences from low confidence relative to women.

Finally, we tested whether there were differences in the model between highly-educated (bachelor's degree or higher) and low-educated individuals (lower than bachelor's degree). First, we compared the constrained model and free model, indicating that these two groups are significantly different overall ($\chi2 = 1385.24$, $p<0.001$). The result is presented in table 5. In order to further explore, we freed one path at a time to see in what way highly-educated and low-educated individuals are different. The comparison results showed that the parameters coefficient in the path between underconfidence and planning behaviors ($\chi2 = 9.43$, $p<0.01$) and planning behaviors and financial satisfaction ($\chi2 = 4.73$, $p<0.05$) had statistically significant differences between two groups (see Table 6). It is worth noting that the relationship between underconfidence and financial planning seems to be significantly stronger in highly-educated individuals ($\beta = -0.30$, $p < 0.001$) than low-educated individuals ($\beta = -0.19$, $p< 0.001$). It appears that confidence seems to replace the impact of financial knowledge for highly-educated individuals in terms of financial planning behaviors.

Discussion and Implication

This study makes a unique contribution by providing insights into the mechanism and role of underconfidence in an individual's financial planning behavior and overall financial wellbeing. Results show that the association between underconfidence and financial satisfaction was partially mediated by passive financial planning behaviors. Again, passive financial planning refers to less financial planning activities. Underconfident individuals are less likely to engage in short, medium, and long-term financial planning behaviors (e.g., balancing their expenses and income, having emergency funds, and setting a long-term financial goal). In alignment with previous research, confidence is a critical measurement of financial satisfaction (Dare et al., 2020). The findings indicate that even though individuals have a high level of objective financial knowledge, they are less financially satisfied when they lack confidence.

Results also highlight gender and education-related differences across the associations among underconfidence, financial planning, and financial satisfaction. Surprisingly, men and highly-educated individuals are more adversely affected by underconfidence than women and less educated individuals. More specifically, underconfident men are less likely than underconfident women to engage in planning behaviors and to be satisfied with their financial circumstances. And those individuals who are highly-educated are less likely to engage in planning behaviors when they are underconfident than those who are less educated and underconfident. The results echo the study of Bannier and colleagues (2017). They show that highly-educated men are more likely to engage in positive financial behaviors as a result of their excess confidence, while highly-educated women benefit more from their actual financial knowledge.

Financial planning is not an easy task for most people, especially in today's world where financial products and systems are becoming more complex. If people believe they are not competent enough to make financial decisions based on an incorrect estimation of themselves, they may avoid managing their personal finances or give up quickly without really trying. In the long term, it can affect their overall financial well-being. Therefore, financial service professionals can help their clients to have an accurate estimation of what they already know. Moreover, financial service professionals may not only assist their clients by contributing to an increase in their objective financial knowledge but also help them build confidence and self-efficacy.

Financial confidence is one of the most promising individual factors to improve an individual's financial well-being, especially for those who have a high level of actual financial knowledge but have a lower level of perceived financial knowledge. Those underconfident individuals should use their knowledge to transform their financial behavior in a positive way, which as a result benefits their financial satisfaction (Arifin, 2018). Furthermore, this study emphasizes the important role of financial planning on an individual's financial satisfaction. Financial service professionals can explain the benefits of financial planning to their clients and allow them to recognize the importance of goal-setting and goal attainment. And then they can construct personalized financial plans by identifying their client's intention to plan and develop different strategies to work with them. At last, the common conception is that men and highly-educated individuals should handle their financial matters more actively. However, this study indicated a more nuanced picture: they are less likely to manage their personal finances when they are underconfident in their financial knowledge.

While the findings from this study are noteworthy, several limitations should be considered when evaluating the results. First, the data is cross-sectional which cannot be used to test causality. Future research may address this issue using longitudinal data. Second, the dataset is limited to residents of one country. Culture bears a significant influence on the relationship among the variables assessed in this study. In a different culture, the relationship between these variables could be different. Future research could use data from multiple countries to explore the effects of underconfidence and financial planning on financial well-being. Third, due to the availability of the dataset, the measurement of financial *satisfaction* contained *only one question*. In future research, multiple questions should be used to strengthen the measure of financial satisfaction. At last, the self-reported financial behaviors might not be accurate. In future studies, the actual financial behaviors could be assessed, for instance, by requesting individuals to provide their financial statements or by observing their actual bank account data. Keeping the limitations of this study in mind, this study contributes to the literature by drawing attention to an underlying individual factor, underconfidence bias, since previous research does not focus on this construct.

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Fig1: Conceptual model

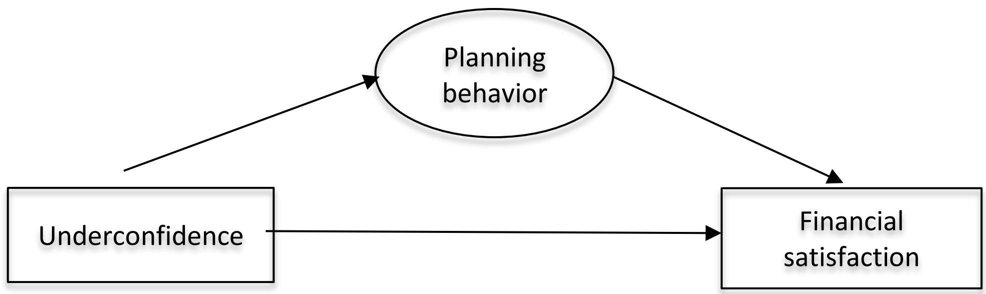

Table1. Descriptive Statistics, 2015 NFCS

Variable	Full sample	Male	Female
Mean			
Financial satisfaction (1-10)	5.77	6.18	5.44
Objective literacy (0-6)	3.29	3.69	2.98
Subjective literacy (1-7)	5.26	5.42	5.13
Having long-term goal (1-7)	4.86	4.73	5.10
Percentage			
Literate (HH)	24.67	32.34	18.51
Illiterate (LL)	31.78	22.80	39.02
Underconfidence (LH)	23.02	26.00	20.63
Overconfidence (HL)	20.52	18.87	21.85
Having emergency fund	49.63	55.65	44.77
Spending & Income			
Spending < Income	42.67	44.26	41.37
Spending = Income	39.17	38.84	39.43

Spending >Income	18.17	16.89	19.20
White	71.96	73.29	70.90
Employment	46.03	55.80	38.16
Bachelor and above	36.52	40.56	32.26
Married	54.44	56.49	52.80
Income >=50,000	52.16	58.81	48.8

Table 2. Direct and Indirect Effects on Financial Satisfaction and Financial Planning Behaviors

Variable	**B**	***SE***	***t***	□
Outcome: Financial planning behaviors				
Underconfidence	-.08***	.01	-13.9	-.10
Age	.01***	.00	7.71	.06
Male	.06***	.01	9.61	.08
Married	-.01	.01	-1.55	-.01
Income	.08***	.00	61.42	.45
Bachelor degree	.09***	.01	18.35	.13
White	-.01	.01	-.90	-.01
Outcome: Financial satisfaction				
Underconfidence	-.45***	.04	-11.87	-.07
Financial planning behaviors	6.05***	.09	66.46	.76
Age	.02	.01	1.87	.01
Male	.19***	.03	6.10	.03
Married	.17***	.03	-7.11	.03
Income	-.00	.01	-.77	-.00
Bachelor degree	-.24***	.03	-7.11	-.04
White	-.02	.03	-.70	-.00
	B	***SE***	**Bootstrapping BC 95% CI**	
			Lower	**Higher**
Total effect				
Underconfidence ⟶ Financial satisfaction	-.92***	.04	-.10	-.86
Direct Effect				
Underconfidence ⟶ Financial satisfaction	-.45***	.04	-.52	-.37
Indirect effects				

Underconfidence ⟶ Planning ⟶Financial satisfaction	-.47***	.04	-.54	-.41

Table 3. Comparison Between Constrained and Free Models

	χ^2	*df*	$\Delta\chi^2$	*Δdf*	*CFI*	*RMSEA*
Constrained model	3159	53			.88	.065
Free model	1563.72	32	1595.28	21	.94	.059
Model without following constraints						
Underconfidence → Planning behaviors	3053.31	52	105.69	1	.89	.065
Underconfidence → Financial satisfaction	3138.78	52	20.22	1	.88	.066
Planning behaviors → Financial satisfaction	3148.76	52	10.43	1	.88	.066

Table 4. Path Coefficients by Gender

	Underconfidence → Planning behaviors		Underconfidence → Financial satisfaction		Planning behaviors → Financial satisfaction	
	B	***SE***	***B***	***SE***	***B***	***SE***
Women	-.11***	.03	-.44**	.05	1.94**	.04
Men	-.39***	.03	-.45**	.05	1.93**	.05

Table 5. Comparison Between Constrained and Free Model

	χ^2	*df*	$\Delta\chi^2$	*Δdf*	*CFI*	*RMSEA*
Constrained model	3100.10	69			.88	.057
Free model	1714.86	40	1385.24	29	.93	.055
Model without following constraints						
Underconfidence → Planning behaviors	3090.67	68	9.43	1	.88	.057
Underconfidence → Financial satisfaction	3099.45	68	0.65	1	.88	.057
Planning behaviors → Financial satisfaction	3095.37	68	4.73	1	.88	.057

Table 6. Path Coefficients by Education Level

	Underconfidence → Planning behaviors		Planning behaviors → Financial satisfaction	
	B	***SE***	***B***	***SE***
Low-educated	-.19***	.03	1.96**	.04
Highly -educated	-.30***	.03	1.93**	.05

Households' Debt and Their Life Insurance Purchase Decisions

Guopeng Cheng, Virginia Tech, & Chen Xu

Keywords: financial behavior, financial education, household debt, life insurance

Abstract

Life insurance provides financial protection for insured and their families. It is one of the most widely used tools in financial planning process which allows clients to leave an inheritance to beneficiaries without requiring them to pay income tax and maintains current standard of living for surviving family members (Forster & Carson, 2000). The life insurance purchase decision depends on a household's demographic and financial structure (Lin & Grace, 2007). The purpose of this study is to investigate how different types of debt affect individuals' life insurance purchase decisions, as well as other factors that associate with their life insurance purchase decisions.

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College Students Self-reflection on Spending Habits and Money Management

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Abstract

Financial literacy establishes a foundation for future financial success and happiness later in life. However, little research exists on effective approaches to help emerging adults gain/improve financial literacy. This study explored whether a reflective budget tracking exercise could be a practical tool for raising financial awareness and teaching college students basic money management skills. Participants were college students enrolled in family and consumer class. A phenomenological approach was utilized to analyze students' responses. Results showed most students were unaware of their spending habits and had never tracked their expenses. Majority realized that their current spending habits could be detrimental to their future goals and plans. This study outcome indicates there is value in having emerging adults track their spending habits. College students confronted with the reality of how they spend their money through budgeting assignment like this raises their awareness of the potential consequences of poor financial management behaviors.

Keywords: budgeting assignment, college students, emerging adulthood, financial education, financial literacy

Introduction

Financial illiteracy is an issue among our young people and our country (Moore & Carpenter, 2009; US Department of the Treasury, 2012). First and foremost, because there is a lack of education regarding money management, and secondly, because our emerging adults experience difficulties in using these skills as a result of our country's significant economic hardships (US Department of the Treasury, 2012). According to Visa's international survey (Practical Money Skills, 2012), only 18.5% of American participants believed their young people were equipped with the financial management skills to adequately manage their money. Furthermore, nearly half of US respondents reported that they neither had a budget nor enough savings to survive an economic crisis beyond three months. Both the belief in the poor money management skills of our young people, and the lack of practical skills demonstrated by older adults in this survey, serve to highlight the lack of financial literacy present in our country and the consequences inherent when financially illiterate individuals become adults without learning the skills, they need to effectively manage their finances (Practical Money Skills, 2012).

Interestingly, being "financially independent" was a prominent factor identified by emerging adults as a marker of reaching adulthood (Arnett, 2001; Obidoa et al., 2018). This notion suggests that while young adults might not be focused on their finances or money management when they picture themselves in the future, financial independence is a part of that picture. What we as educators and service providers need to ask is whether or not emerging adults are receiving the tools and knowledge to be capable of achieving that reality. A study conducted in 2013 on young adults' financial literacy and financial behaviors sought to answer this question, revealing that young adults in the United States do not have the tools and knowledge to achieve financial independence, thus they are financially illiterate. The researchers concluded that promoting financial literacy through financial education helps young adults to minimize the costs incurred in managing their debt and improves their financial safety net in case of unexpected expenses or other emergencies, and greatly enhances their retirement security (de Bassa Scheresberg, 2013).

The purpose of this study is to examine emerging adults' knowledge of their finances and money management habits and to explore whether a reflective budget tracking exercise could be a useful tool for raising financial awareness and teaching young people basic money management skills.

Literature Review

Emerging Adulthood and Financial Literacy

Emerging adulthood refers to the transitional phase between adolescence and young adulthood (Arnett, 2000). Industrialization and the demand for higher levels of education in Western society have resulted in a societal change that no longer rushes young people from adolescence into adulthood, but rather allows them a transitional period of exploration and identity formation before they fully enter the world of adulthood (Arnett, 2000). It is therefore typical for these individuals (ages roughly 18-25) to be attending higher education, traveling, or staying at home while working to save money.

Whether they attend college or begin working straight out of high school, most emerging adults are not making much money. They tend to hold hourly positions rather than salaried and, if attending school, often work only part-time. In some respects, these individuals are "cradled" by their parents or university to the extent that their bills are minimal or lumped into a semester tuition fee (Gallo, 2009; Padilla-Walker, Nelson, & Carroll, 2012). As such, most emerging adults are not exposed to the typical adult responsibilities of paying monthly bills, rent, and health insurance, let alone handling more complicated financial investments such as mortgages or stocks. In fact, an excess of parental support can limit students' ability to take more responsibility for their lives and become financially "mature" (Padilla-Walker et al., 2012).

Financial Attitudes and Perspectives

Emerging adults do not yet have the responsibilities of adulthood (Arnett, 2001); they often do not consider money management important. This point is especially true if young adults do not take the time to develop their own values and attitudes towards money and personal finance (Shim, Serido, Bosch, & Tang, 2013). Furthermore, the high priorities of emerging adulthood are exploring the world, making friends, and "taking in life" (Arnett, 2000). This "seize-the-day" mentality carries over to their money management, resulting in money being frequently used for eating out, entertainment, trips, and so forth, with very little thought dedicated towards savings or the future (Beutler, 2012). Thus, emerging adults' socialization factors are indicative of their financial identity. In fact, it has been reported that approximately 80% of one's financial identity is predicted by socialization factors and financial beliefs (Shim et al., 2013).

Emerging adult spending habits are also dependent on how they regard money specifically. In a study conducted by Moore and Carpenter (2009), college students displaying anxiety about money matters or those who believed that money and power/prestige were closely tied tended to display more negative use of credit cards (i.e. compulsive spending); in contrast, those who did not hold these beliefs were hesitant to spend money. As a result of this study showing the close relationship between attitudes and credit card use, Moore and Carpenter (2009) posed that education could play a prominent role in putting attitudes and perspectives in a more realistic light, in addition to giving students the practical skills to understand and manage their credit cards.

Like Moore and Carpenter (2009), other research also calls for financial education. In her study of Canadian young adults (ages 18-29), Lachance (2012) found that not only did many young people view credit cards as an appropriate way to make ends meet, but they were also more likely to participate in heavy credit use if their friends and/or parents displayed similar attitudes toward credit cards. Lack of financial education in schools and from parents, the author claims, creates a cyclical effect regarding attitudes and knowledge of money; young people who become parents without learning basic money management skills are ill-equipped to both provide for their children and model appropriate budgeting and credit use.

Financial illiteracy of our young citizens could spawn a national crisis. Emerging adults typically live moment to moment, disregarding the importance of saving; once they reach retirement, they may arrive destitute, relying on social security payments for survival. If a significant proportion of society's current emerging adults follow this path, we may have a national crisis (Lusardi & Wallace, 2013). Thus, efforts to educate this population financially is critical because emerging adults are transiting into adulthood and will soon become financially independent and responsible (Arnett, 2001).

Financial Education

"Financial literacy is a case in which education (wherever it was received) is likely to bring benefits in the short, medium, and long run to those who have it" (Lusardi & Wallace, 2013, p. 2). Individuals who are financially literate are more likely to plan for retirement and avoid longstanding credit card bills, late payments, payday loans, and other risky financial behaviors (Lusardi & Wallace, 2013). The 2007 U.S. Trust Survey of Affluent Americans revealed that one in four respondents believed their children had received adequate financial education (as cited in Gallo, 2011). Therefore, three out of four parents did not believe their children had received adequate financial education. This finding is problematic because education and income are important predictors of financial literacy (de Bassa Scheresberg, 2013). In fact, those that had at least some college education fared better financially than those with at least a high school degree (de Bassa Scheresberg, 2013).

In addition to formal education, financial literacy can also be influenced by parental role modeling, parental direct teaching, informal financial learning, and self-learning (Shim et al., 2013). Individuals who actively engage in establishing their own financial identity and have parents who model and teach effective financial skills are the most financially successful (Shim et al., 2013). Thus, “opportunities for active learning and social interactions within the financial domain may benefit young adults by promoting financial capabilities” (Shim et al., 2013, p.146). Likewise, Serdio, Shim, and Tang (2013) found that changes in financial knowledge predict an individual’s self-belief in his or her ability to manage personal finances, thus enhancing their financial capabilities. This result is most effective when the individual has internalized and incorporated the financial knowledge into his or her positive self-beliefs. Furthermore, positive self-belief infinancial knowledge yields financial well-being, which improves overall well-being (Serdio et al., 2013).

The current literature asserts the need for financial education, both informal and formal. From the perspective of formal education, there appears to be a lack of financial management classes available in our educational system. Sixty-five percent of four-year undergraduate institutions offer either a quantitative reasoning course (which often lacks sufficient emphasis on practical application) or a personal finance course (which often lacks sufficient emphasis on qualitative aspects that lead to true comprehension) (Lusardi & Wallace, 2013). The authors believe that budgeting assignments, which encourage student reflection and application of budgeting skills, allow students to build upon formal and informal education, to increase their financial capabilities.

In summary, an effort to educate emerging adults is essential if society wishes to improve their financial success. According to Lusardi and Mitchell (2013) “causality goes from knowledge to behavior” (p. 43). That is, through education, we increase emerging adults’ financial literacy, and as a result, we increase their financial decision-making. With this goal in mind, an individual budget assignment was developed, implemented, and evaluated in this phenomenological study. Our study addressed three gaps: (1) limited research related to the benefits of personal budget assignments for emerging adults; (2) lack of research using qualitative methodology to gain a more in-depth perspective regarding course assignments related to personal finance; and (3) exploring the value of a course required individual budget assignment.

Method

The students who participated in this study (n = 114) included all those who completed the Individual Budget Assignment, a course requirement of a Family and Consumer class at a medium-sized four-year public Mid-Atlantic University. In completing the Individual Budget Assignment, students (a) recorded their current spending habits for a month, (b) identified their spending links, (c) assessed what they learned by tracking their expenses, and (d) described strategies they would take to increase their net cash-flow in the near future.

A phenomenological approach was used to analyze student responses. The phenomenological approach is a reduction process of grouping emergent themes of responses (Wolff, 1999). This approach is geared toward collecting and analyzing data in a manner that does not allow judgment of subjective responses by the researchers (Crotty, 1998). The three authors individually reviewed the responses multiple times to understand the students’ experience with the assignment, in order to discern potential themes. Each participant’s responses were analyzed for the occurrence of references to various dimensions of their experiences. Statements and phrases, which were particularly essential in revealing what the students learned from the assignment, were extracted. The themes were later collectively discussed and compared by the three authors, and discrepancies in the interpretations were discussed until a consensus was reached. All authors contributed to the final analysis to increase the credibility and dependability of the findings.

Results

The coding of students’ reflective responses to their individual budget assignment resulted in several emergent themes. Many of these themes addressed elements regarding cash outflow, while others simply focused on overall financial awareness.

I Was So Shocked….

Perhaps the first, and most prominent, an emergent theme found amongst students’ responses was a feeling of shock or surprise regarding their cash outflow. Most students had never completed a money tracking exercise, and therefore were extremely stunned at the results it presented regarding their spending habits:

> “This financial project was an eye opener for me because I had to confront my money problems and get down and see how much I was actually spending.”

> "This project made me realize just how much I actually spend in one month! I was shocked that I was spending as much money as I was."

My Cash Outflow Exceeds My Income…
The majority of students also reported a higher cash outflow than inflow – particularly in the area of miscellaneous spending for things such as coffee or snacks, eating out, or entertainment. Still others described an excessive amount of spending with regard to clothing or groceries:

> "I was aware that I spend too much money going out and spending money on entertainment activities, but I was surprised to see how much I actually spent within one month. Entertainment was my third highest spending category, which is unacceptable."

> "…the cash outflows that surprised me the most, due to the amount that was spent, was on shopping and eating out. I knew that my husband and I ate out more than we should, but this really showed me that we are spending entirely too much money to eat out, when we already put out a good deal of money each month for groceries."

This Will Affect My Future….
While the earlier discussed theme of shock was a frequent first reaction to the visualization of their spending habits, these feelings were magnified and longer lasting among students who, upon deeper reflection, realized the consequence the continuation of that lifestyle could have on their present life and perhaps, more importantly, their future:

> "Looking at my expenditures as well as my savings income has made me come to one realization: I need to think and act for my future rather than the present."

> "…it was evident that I could cut costs in more than two categories and add that to my savings, something very beneficial long-term."

Many students also verbalized the realization that failure to think futuristically could have a severe effect on their future goals and personal well-being:

> "My spending could affect my career goals as well because if I don't track my spending better I can possibly not be able to handle my money effectively in the future."

> "I am in no position to start saving and start reaching any of my goals, long-term, or short-term. I always knew I was living paycheck to paycheck but there is something about seeing it right in front of you on the paper that is really scary. It means that if I ever have any sort of emergency, such as a health scare or accident, that I will be in very big trouble. I do have some empty credit cards I could always fall back on, but that is nothing to depend on."

How I Spend My Money Can Affect My Loved Ones….
In their contemplation of the consequences of poor money management, some students even broadened their reflection beyond the egocentric to contemplate the effect their spending could have on other individuals such as romantic partners, family, or friends:

> "This [current spending] will also affect my husband due to the fact that most of the money I make will go into savings or paying off debt. Also I might have to wait to get married and have kids in order to save up money and get rid of some debt, so that will affect my life being put on hold because of money issues."

> "Being careless with my budget could cause me to not be able to afford to live independently. This could potentially indirectly impact my family if I were to have to move back home to save money."

I Need To Make Some Changes….
While a few students did not feel compelled or deem it necessary to take active steps to make changes to their budget, for most, the experience of confronting the reality of their budget and spending habits inspired almost every student to change some aspect of their current spending behaviors in order to save more in the future. For

some it was cutting back on spending, for others it was utilizing saving techniques such as coupons, buying alternate brands, or more consistent tracking of spending:

> "I have determined that there are multiple items that I could cut from my spending in order to save money. Primarily, there is no reason to spend as much money on eating out as I did this past month. My house is usually full of groceries and I should eat what food I have."
>
> "I need to prioritize things in my life, and for me that means keeping my ability to see my family in the front of my mind. I also need to cut back on the frivolous spending. I do a lot of it without even noticing."

Even for the few students who reported either previous budget tracking or good money management experience, there was a motivation to change. For them, their budget was confirmation of what they were doing well rather than the shock experienced by the majority of students, but even so, most still used this exercise as an opportunity to evaluate their budget and see if there were any areas for improvement:

> "In making these changes to my cash outflow, I am likely to have much more money to save. With more money in my savings, I will be less dependent on my parents and I will be able to help my boyfriend with our joint expenses."
>
> "In order to reduce our overall grocery budget, some modifications need to be made to our shopping habits."

Money Management Takes Work…

Completion of the individual budget assignment appeared to give students a new perspective regarding the time and effort necessary for proper money management. Most students prior to this assignment acknowledged that that they give little thought to the current state of their finances as long as they had money to buy the things they wanted; most would have also likely described themselves as "doing okay, money-wise." But after facing the reality of those spending habits, most realized that their idea of what they were spending was nowhere near what their cash outflow was in reality. The resulting clash of perspectives forced many to acknowledge that if they wanted change to occur in the present and create savings for the future, they would have to work for it:

> "This experience has also made it clear to me that it is imperative that I save and invest now…. and I know that in order to reach my goals I must work diligently and meticulously."
>
> "Budgeting your money does take a long time, but is well worth it."

I Learned So Much…

Finally, regardless of whether the changes to their budgets were big or small, almost every student described this assignment as a positive learning experience and one whose lessons and techniques they would use in the future. Some of these lessons referred to an overall appreciation of the experience:

> "This assignment has helped me to be more realistic with the money I make and what I can afford. It made me take a long and hard look in the mirror at my finances and my situation. It also made me think about the small things I can do now to bring my debt down and more income in."
>
> "This exercise has taught me how much I take for granted how little things such as eating out add up to equally big monthly and yearly spending leaks."

Other student comments, however, described specific strategies to be used in the future:

> "This assignment has taught me a lot about how to budget my money. From this experience I have already began to look at what I spend my money on. Now when I go to the store I only take a certain amount of cash in with me. This way I can't spend more than I have. I found that using my debit card to purchase everything wasn't the best idea …because sometimes I would swipe my card before knowing exactly how much I had to spend."
>
> "We use our debit cards all the time and I think that prevents us from seeing actually how much we are spending. I plan on taking an amount of money for my husband and myself to use for just spending

money. With us having the cash on hand we can better see when we have spent too much before it is too late."

Discussion

The results of this study provide educators with some great insight. The fact that most students had never completed an assignment such as this, and that most were shocked at the results of their spending habits, is testimony to the truth that students for the most part are unprepared to properly handle their finances. However, what this assignment also demonstrated is that a simple budget tracking exercise forces students to confront the reality of how they spend their money and reflect upon how that budget will affect their future. As a result, almost every student indicated a desire to change some aspect of their budget in order to save more for the future.
Given the emergent themes that have come from increased self-reflection with regard to spending habits and money management, we can surmise that including this element in the assignment is just as important as the actual budget itself. As a result of this reflection, not only were students able to view their current budget, but many realized that their current spending habits could be detrimental to their future goals and plans. A few even moved beyond the egocentric aspect of self to reflect on how their money management could affect others, such as loved ones. As was done with this assignment, topics of reflection were encouraged through questions listed by the professor; however, further reflection might also be stimulated through more specific questions or even class group discussions.

When we look at this situation from a family life and human development perspective, we understand that the students in our classrooms will become the mothers and fathers of our future American families and the individuals that make up our workforce. The future is always unstable, but it is even more so in our country's current economic state. Young people cannot afford to be lacking in money management skills and we, as educators, should not neglect the development of these necessary practical skills. Furthermore, we could perhaps argue that by taking preventative action to teach money management skills through assignments such as this one, we might be able to reduce the likelihood of individuals becoming dependent on welfare in the future, thus avoiding a national crisis.

By asking students to conduct the budget tracking exercise with their bank accounts, we not only made the experience personal (in contrast to the impersonal scenario exercise often done in school),but also forced a degree of self-reflection regarding money and spending priorities. Many students found the challenge of facing and reflecting upon their present budget and how that budget could affect their future plans to be a positive experience. Furthermore, the fact that even the students with previous budgeting experience could find something to tweak regarding their spending suggests that even for those who manage their money well, an exercise such as this one is beneficial to one's current and future financial management success.

Limitations

Study limitations should be considered in a review of our study findings. Because students received a grade for this assignment, they may not have taken the time to fully evaluate their financial habits and situation, possibly limiting the long-term impact of the course assignment. The students were encouraged to take their time and truly evaluate their finances, as this assignment was created to increase their financial success. To increase the generalizability of the results, it will be necessary to conduct a longitudinal analysis with a larger sample, combining both quantitative and qualitative methods, and using more standardized measures to document whether participants retain the skills acquired through completion of the Individual Budget Assignment.

Conclusions

As evidenced by students' responses, the experience of participating in an assignment that called for financial self-reflection and provided the opportunity to learn basic budgeting skills was a very positive one. Students' reflections also revealed an appreciation for the usefulness of the skills in their financial future. There is clearly a need for financial literacy education among emerging adults and receptivity toward experiential budgeting exercises.

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Financial Capability of Undergraduate Students: An Analysis of Time Comparison Data

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Keywords: personal finance, financial education, undergraduate students, financial capability, financial literacy

Background

In general, college students lack financial literacy and feel ill prepared and underconfident to manage their finances (Ezarik, 2022, Zapp, 2019). Research suggests that college students often make financial decisions without adequate information, guidance, and support (Johnson et al., 2016). Although there has been an increase in the number of university financial education programs in recent years (McCarthy, 2021), there is still an ongoing need for financial education in higher education (Durband & Britt, 2012; Zapp, 2019).

Purpose

The purpose of this study was to explore and contrast measures of undergraduate students' financial capability before and after taking an undergraduate basic personal finance course in two time periods, spaced five years apart, almost equidistant from the start of the COVID-19 pandemic.

Research Questions

The three research questions were: 1)What were pre- and post-test results from introductory personal finance courses completed in 2017?; 2) What were pre- and post-test results from courses completed in 2022?; and 3) What were similarities and differences between 2017 and 2022 pre- and post-test results?

Methodology

In 2017 and 2022, students completed a financial literacy pre-test during the first week of class and a post-test during the final week of class. The pre/post-test included the "big three" financial literacy questions (Lusardi & Mitchell, 2011) with questions about compound interest, inflation, and investment diversification. It also included questions about seven financial management behaviors. Pre- and post-test differences in financial literacy and financial behavior questions were tested using a chi-square test. Students' perceived confidence regarding their ability to make financial decisions was tested using a paired sample t-test. Financial confidence was measured by responses to the statement "I feel confident about my ability to make financial decisions needed for my life situation" using a five-point Likert-type scale with responses ranging from "strongly disagree" to "strongly agree."

Results

From the start of the course to the end, students in the 2017 subsample were more likely to answer the "Big Three" questions correctly, report positive financial behaviors, and become more confident in their ability to make financial decisions. Positive financial behaviors increased from the pre-test to the post-test and a chi-square test found statistically significant increases in the proportion of students who reported saving for an emergency, checking their credit report, having financial goals, and tracking income and expenses. A statistically significant increase in confidence regarding ability to make financial decisions for their life situation was also noted.

Discussion

This study found evidence of positive results following course completion with improvements noted in students' financial knowledge; performance of recommended financial practices, and financial confidence. Implications for financial counseling and education include 1) implementation of a pre-test/post-test to measure students'/clients' baseline knowledge and financial behaviors to inform instruction and measure program impact over time, and 2) inclusion of multiple learning activities that require personal involvement in the subject matter.

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Barriers to Homeownership: Mortgage Loan Denials in Travis County, Texas

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Keywords: down payment assistance, homeownership, HMDA, mortgage loan denial, race

Background

A racial homeownership gap (RHG) exists in the U.S. (Neal & McCargo, 2020). Common barriers to homeownership include unfavourable loan terms, insufficient down payment, inadequate credit, and unaffordable home prices (Grinstein-Weiss et al., 2008). These barriers may be experienced more regularly by minorities (e.g. Asians, African Americans, and Hispanics) who also may face cultural differences navigating the financial system (e.g. being banked and building traditional credit; Federal Deposit Insurance Corporation, 2020). Austin, Texas has one of the most expensive and consequently unaffordable housing markets in the state (National Association of Realtors®, 2022; Root Policy Research (RPR), 2019). A recent report assessing Fair Housing in Central Texas, where Austin is located, documented a RHG and noted barriers to housing for minorities including difficulties qualifying for a mortgage (RPR, 2019).

Purpose and Research Questions

The purpose of this research is to examine the mortgage loan denial rate among mortgage applicants in Travis County, Texas (where Austin is located) using data from the Home Mortgage Disclosure Act (HMDA) collected in 2020. The research questions for this study are 1) What is the effect of race on the likelihood of being denied a mortgage loan? 2) What are the documented reasons for being denied a mortgage loan by race?

Methodology

Travis County, Texas 2020 HMDA data was used to answer the research questions stated above. The sample consisted of 8,931 individuals applying to purchase a single-family dwelling for their primary residence. The majority were aged 25-44 (73%), male (59%), and were White non-Hispanic (63%). The dependent variable was loan action (1=denied; 0=approved). Independent variables included age, gender, race, income, loan type, loan amount requested, presence of a co-applicant, and front-end ratio. Logistic regression and a chi-square test were used to answer research questions 1 and 2 respectively.

Results

For research question 1, it was found that compared to White non-Hispanic applicants, the odds of being denied a mortgage loan increased 2.07 times for African American, 2.26 times for Asian, and 1.64 times for Hispanic applicants. Regarding research question 2, the most common reason for being denied a mortgage loan was debt-to-income ratio (DIR) followed by credit history. Insufficient cash for a down payment was not a common reason for being denied among African American and Hispanic applicants. Additional details regarding the results will be shared in the poster presentation.

Conclusions/Implications

The results support the conclusions of the RPR (2019) report which documents difficulties qualifying for a mortgage among minorities. One solution they provide is to focus on down payment assistance programs. However, the findings from the present study suggest that helping minority applicants with their DIR and credit history may also be advantageous in helping them qualify for a mortgage. Consumer advocates, housing professionals, and city administrators seeking to improve the RHG in the area may consider also emphasizing homebuyer education and financial counseling which can be used to aid residents in preparing for homeownership long before a down payment is needed. Additional conclusions and implications will be shared in the poster presentation.

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Renting, Homeownership, Home Equity Borrowing, and Financial Well-being Among Older Americans

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Keywords: baby boomers, home equity loan, financial education, financial well-being

As longevity has increased, there have been a number of changes to how American individuals are facing retirement. For those who may have expected pensions that they did not receive or who did not contribute sufficient funds to retirement accounts while employed, their wealth may be primarily found in their home ownership. However, some older Americans may still be renting or paying mortgages. Others may own a home and be relying on the equity in their home to pay expenses. In particular, while homeownership is a source of wealth, homeowners may accumulate higher than sustainable amounts of debt when purchasing their home (Gathergood & Weber, 2017). Large mortgages may create substantial, long-term financial issues in these cases. Out of pocket medical expenses are another common source of financial strain for many older adults, and may impact their financial well-being and their use of home-equity loans (Murray, 2019).

Given the challenges that Americans may be facing as they retire, we investigated differences in financial well-being among older Americans (54+). Using data from the 2018 National Financial Capability Study (NFCS), we looked at five different groups based on their housing status (i.e., renters, homeowners with mortgage and home equity loans, homeowners with mortgage, homeowners with home equity loan, and homeowners without mortgage or home equity loan) and explored how the levels of financial well-being differed across the five groups. Specifically, we addressed two research questions: RQ1) Are there differences in financial well-being among the five groups of older adults based on their housing status? RQ2) What role do medical costs play in the financial well-being of older Americans?

Our sample included 4,566 Americans aged 54+; 55% of the sample was retired. The descriptive results showed that of these older adults, the largest group (44.4%) was those who owned a home and had no housing related debt (i.e., they had paid off their mortgage and had no home equity loans). The next largest group was those who owned a home but still had a mortgage (29.4%). About 12% of the sample reported having home equity loans, with 5.8% having both a mortgage and a home equity loan, and 5.8% having only a home equity loan. Only 14.6% of the sample were renters. Regarding medical expenses, 8.6% of the sample reported having unpaid medical debt. However, nearly the entire sample (97.2%) reported having health insurance.

In examining RQ1, we ran an OLS regression model, in which we used those who owned a home and had no housing related debt as the comparison group. The OLS results showed that all of the four other groups reported significantly lower levels of financial well-being as compared to homeowners who paid off their mortgages and no housing debt. Looking at the standardized beta coefficients, we found that renters had the strongest negative association with financial well-being of the four groups. In examining RQ2, we also found a significant association with holding medical debt and lower financial well-being.

Results suggest that homeownership is an important financial resource for older Americans, and that even when individuals hold mortgages and home equity loans, they may be better off than if they were renting. The findings of this study can also contribute to the literature on the financial challenges older Americans are facing. Further, the study provides implications for financial educators, financial practitioners, and policy makers working with older adults.

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Budget Your Dreams

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Area of focus: Educational tool used in private financial counseling or a workshop setting.

Keywords: keeping and instilling motivation, defining wants vs. needs, budgeting, goals/dreams, Step-down-principle, dream boards, Appreciative Inquiry, 5-D cycle, hope.

Summary: Changing financial habits often requires clients to reduce their spending and/or work more to bring in income. This can be hard to maintain for the length of time required to reach client goals. Maintaining the motivation to complete these goals can be increased if goals are attached to a client's dreams and the end-date for the hard work seems "do-able." Archuleta, Asebedo and Palmer's (2019) Appreciative Inquiry and Five-D cycle states that motivation increases when counselors help clients "articulate their vision of their preferred future-self which influences their current behavior." In other words, to motivate and maintain progress, a client needs to clearly define the *what* and *whys* of their dreams. AI posits that once a client clearly defines their dreams, clients will innately desire to change their behavior (Archuleta et. al., 2019). Once clients attach lifestyle changes to their values and see/understand that it has a "do-able" end-date, hope is created—one of the greatest of all motivators!

Budget Your Dreams. BYD is a tool counselors use to assist clients in experiencing AI's Five-D cycle in discovering their dreams and creating a vision of a future based on their deep-seeded values. Clients attach the hard work of budgeting, lifestyle reduction, and/or increased labor to their dreams; they estimate end dates; and they create a dream board that keeps those dreams continually present.

Step 1: Complete the Expense & Debt (E&D) form. Though it is best for clients to have already tracked expenses for three months to get accurate numbers, Alena Johnson (personal communication, Aug., 2022) stated, "This is where we often lose clients." Staying motivated to track for three months is difficult for many clients. Counselors can either require clients come with the E&D worksheet completed or walk them through it.
Step 2: Choose dreams. Clients write down 3 dreams: short, mid and long-term. Counselors need to make sure dreams address client's most pressing concerns. Some clients may not be in a position to dream about buying a car right now when they are just trying to put food on the table. Clients will also estimate the cost of the dreams.
Step 3: Transfer Expense & Debt information to BYD form. Clients will transfer their current spending categories and amounts into one of the 3 BYD spending groups: Essential, Important, and Enjoyment. This opens doors for difficult conversations between clients and/or counselors about wants vs. needs.
Step 4: Decide on actions. Clients consider each spending category and decide on ways to reduce spending. Counselors can help by giving examples of what other clients have done or teach them the Step-down Principle (Johnson, A.C. 1999, November. Proceedings of the Association of Financial Counseling and Planning Education Conference. Scottsdale, Arizona). For example, instead of "never eating out at restaurants", clients could "for 3 months eat at fast food restaurants" instead. Clients will enter their actions and estimate how much that action will save every month.
Step 5: Apply savings to dreams. Clients choose to which of their 3 dreams the saved money will be applied.
Step 6: Estimate the time required to achieve the dream. Clients will total the amount of money allotted to each dream and then divide the estimated cost of that dream by the amount allocated to determine how many months it would take to fulfill that dream. Often, this is shorter than clients believed possible.
Step 7: Create dream boards. Dream boards serve as tangible reminders of the dreams they desire. Counselors can show examples that reflect all 3 learning styles and assign it for homework.
Step 8: Answer questions below "Unsecured Debt" table. When clients begin to see how much more quickly they can accomplish their dreams by paying off their debt—that there is a "do-able" end-date—hope is created.

Results: In both private counseling and workshop teaching, participants found the "do-able" timelines motivating. They enjoyed discovering relevant solutions to decrease spending; and they recognized value differences between spouses/partners and/or society and began to make decisions about their spending based on their own dreams.

Subsequent Counseling Sessions: Counselors could teach clients how to use PowerPay to eliminate their debt., have clients bring in their Dream Boards to share; begin 3 months of tracking for real numbers; and coach clients through their planned actions.

Future Research: The Budget Your Dreams process could be implemented in qualitative research to test for increased motivation and goal achievement.

Reference

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When Money Can't Be Avoided: Helping Money Avoidant Widows Using the Changes and Grief Model

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Abstract

Widows represent one of the fastest-growing demographics due to the global COVID-19 pandemic. Many widows also lost their family's financial manager because more men hold the role of household financial manager. When the husband dies, the widow can experience unhealthy attitudes towards finances and financial anxiety. The Changes and Grief Model for Financial Guidance pairs financial therapy techniques and inquiry methods, such as The Work® of Byron Katie®, with the grief process and the change cycle. Using this model enables financial practitioners to recognize the stage of grief the widow is experiencing and use the proper financial therapy modalities to support the money avoidant widow. The model presented will provide the process to deepen client relationships through meaningful communication, while compassionately supporting money avoidant widows through financial decisions during the difficult initial stages of grief.

When Money Can't Be Avoided: Helping Money Avoidant Widows Using the Changes and Grief Model

Grieving spouses represent one of the fastest growing demographics in a century due to the global COVID-19 pandemic (Wall Street Journal, 2021). Verdery et al. (2020) developed a metric to estimate the number of Americans grieving the loss of a spouse. At the time of this writing, the reported death toll from COVID-19 in the U.S. is 790,000 and 5.2 million worldwide (The New York Times, 2021). Applying the bereavement multiplier to this death toll indicates the number of surviving spouses has increased by approximately 363,000 in the U.S. and possibly 2.4 million worldwide during the COVID-19 pandemic.

To narrow the scope, this paper is focused on widows for several reasons. First, various research shows women represent between 60% and 80% of the widowed population in the United States (Statista, 2021). Reportedly, 70% of widows fire their financial practitioner after their spouse dies (Rehl et al., 2016). Next, women tend to be more likely than men to exhibit money pathologies (Furnham et al., 2015), and women are more likely to experience longer periods of financial dependence (Furnham et al., 2015). Furthermore, a recent study by Streeter (2020) found that both men and women are negatively impacted by widowhood but in different ways; female participants in their study appeared to suffer financially after the loss of their husband and men suffer more emotionally after the loss of their wife. More specifically, they found women suffer a 22% decline in income and a 10% loss in wealth, whereas men's financial situation tends to remain stable (Streeter, 2020). This may be due to the fact that many widows also lose their family's financial manager when they lose their spouse.

Fallaw et al. (2020) refers to the person in the household responsible for household financial management as the household CFO. Their research indicates there are more men who hold the role of household CFO than women (Fallaw et al., 2020). Household financial management includes a myriad of tasks, knowledge, and behaviors related to budgeting, bill paying, tax planning, credit decisions, investments, retirement planning, etc. Having to step into the role of household CFO may cause a sense of inadequacy or even financial anxiety in some widows. Financial anxiety has been defined as "a psychosocial syndrome that results in someone having an unhealthy attitude toward thinking about, engaging with, or administering their personal financial situation in an effective manner" (Grable et al., 2015, p. 6). While financial anxiety in surviving spouses has been referenced in previous research (e.g. Dabergott, 2021; Hasler et al., 2021), little has been done to help financial practitioners with tools and techniques to help widows during the transition to widowhood (Korb, 2010).

In many cases this financial anxiety manifests due to underlying money beliefs that subconsciously cause the widow to want to avoid money (e.g., money avoidant beliefs) (Klontz et al., 2016) or develop money avoidant behaviors (e.g., money denial disorder), where they act similarly to an ostrich with its head in the sand unable to face their finances (Klontz & Britt, 2012). This avoidance of money can have dire consequences, as there are some important financial decisions that need to be made during the initial grieving period (Rehl et al., 2016). This paper hypothesizes that having a more precise understanding of how money avoidant beliefs can relate to financial anxiety and the grieving process, may offer more solutions to the widow and financial practitioner (Grable et. al., 2017; Sommer & Lim, 2020).

While there are generic grief support resources (e.g., counseling, grief support groups, community programs) for financial practitioners' recommendations, they do not always incorporate a research-based approach or the actionable items that need to be addressed during this crucial period. This paper will examine the grieving process, the application of acceptance commitment financial therapy techniques, and how these align with the financial planning process. It will also provide tactics a financial practitioner can employ to develop better communication skills, help clients move through the financial planning process during the grieving period, and deepen client relationships by compassionately supporting their money avoidant widowed clients in achieving financial empowerment (Mattia et. al., 2020). By pairing the process of grief with techniques and tools developed in the emergent field of financial therapy, which "integrates the cognitive, emotional, behavioral, economic, and integrative aspects of financial health" (Grable et al., 2010, p. 1), we intend to provide financial practitioners with resources, including the integration of financial therapy techniques, to support money avoidant widowed clients following a spousal loss when emotional financial decisions need to be made.

Literature Review

Although there have been studies on the financial health of widows (e.g., Grable et al., 2017; Mattia et al., 2020), to the authors' knowledge, very little has been published on equipping financial practitioners with financial therapy tools to aid their widowed clients after the loss of a spouse. Combining emotional grief with financial anxiety and stress can cause a widow to make poor financial decisions (Rehl et al., 2016). One coping strategy for individuals experiencing anxiety is avoidance (De Castella et al., 2018). After all, as aforementioned, a majority of women had delegated their financial responsibilities to their husbands before their passing (Fallaw et al., 2020), thus avoidance would seem natural. However, this money avoidant tactic may result in an increase in the stress of the surviving spouse as important financial decisions are made in settling the estate. Even if there are no negative financial consequences to the avoidance, avoiding tackling finances would prevent the development of financial confidence and a sense of empowerment. Thus, this literature review will explore the common belief system that leads to money avoidance aptly named the money avoidant money script, the basics of grief, and the financial planning needs of widows before introducing a model to assist financial practitioners in transitioning widowed clients from grief and financial anxiety to financial empowerment.

Money Avoidance: Scripts and Disorders

Financial empowerment is difficult to embody when underlying beliefs lead to money avoidant behaviors. Klontz & Klontz (2009) introduced the idea that underlying money beliefs tend to result in problematic financial behaviors when they coined the terms money scripts and money disorders. There are four money script categories: money avoidance, money vigilant, money worship, and money status (Klontz & Britt, 2012). This paper will look specifically at money avoidant beliefs. Often individuals with money avoidance scripts believe "that money is bad and anxiety-provoking and rich people are greedy" (Klontz et al., 2016, p. 80), thus they may avoid dealing with their finances. In addition, certain money scripts can lead to disordered money behaviors, including money denial disorder. Of course, as the names would imply, money denial disorder is highly correlated with money avoidance scripts, but money denial is also associated with money worship (e.g., money fixes *all* problems) and money status (e.g., my self-esteem is a reflection of my net worth) (Klontz & Britt, 2012). Regardless of the underlying script, money denial disorder's manifestation in widows would cause feelings of shame and anxiety related to finances in the wake of their spouse's passing.

In fact, it is common for widows to experience guilt in receiving responsibility for investment accounts or, more often, insurance proceeds (Guckin, 2001). Consequently, it becomes more difficult for a money avoidant surviving spouse to use these funds for reasonable and necessary purposes (Klontz & Britt, 2012). In her book *Living Through Personal Crisi*s Ann Kaiser Stearns (2010), a widow herself, includes a case she examined of another widow who, for the first time in her life, faced financial challenges and grappled with the feeling that the life insurance payout reminded her of her loss with every dollar she spent. An immediate infusion of life insurance money can be overwhelming and eventually depressing for a surviving money avoidant widow who equates enjoyment of said funds with the loss of her spouse.

Impact of Grief on Identity

The anecdote Stearns (2010) presents is not unique, for when someone loses a spouse, their lives are thrown into chaos. This discontinuous change disrupts the status quo of life the instant their spouse passes away (Smith-Acuña, 2011). There are three essential identities impacted: self, social, and financial (Anthes & Lee, 2002). The widow is no longer part of a couple, which may impact social relationships with other couples. Friendships based primarily on a connection with the decedent may become distant. The widow may feel uncomfortable being single attending gatherings with other couples.

Studies have shown that grief is impacted by a widow's age and life circumstances. Younger widows are rarely prepared for it as they typically lack personal relationships with other widows their age (DiGiulio, 1992). Younger widows have additional stressors of becoming the sole financial and maintenance provider while rearing children as a single parent (Haase, 2008), while older individuals, including widows, display an overreliance on informal support for financial matters (Tanner et al., 2015). Younger widows suffer more psychological consequences, such as higher intensities of grief in the initial phase of grief (Sanders, 1989), while older widows suffer more physical consequences (Parkes & Weiss, 1983). Financial practitioners should be aware of these challenges and observe carefully how age and life stage play a role in complicating the already challenging difficulties of money avoidance in widowhood.

Within two to four months after the funeral services, the grieving spouse often experiences social estrangement, due to family and friends' discomfort with communication during grief. Not knowing how to support the widow, they distance themselves, leaving her to grieve alone (Kenen, 2021). It is a common misperception that people feel they are helping the griever by avoiding topics surrounding the loss of the deceased spouse. Unfortunately, this well-intentioned behavior can leave the surviving spouse to feel left without anyone to turn to for support (Kenen, 2021).

The financial practitioner often becomes a prominent figure in the widow's life as financial decisions are made throughout the first year after the loss. The financial practitioner may feel uncomfortable with grief conversations thereby running the risk of alienating the client and losing the relationship. Knowing how to support the money avoidant surviving spouse within their competency, and when to make a referral to a licensed therapist, is crucial for the financial practitioner's success with the client relationship (Anthes & Lee, 2002; O'Neil, 2011).

For the money avoidant surviving spouse, their new financial identity may be the hardest of all to accept. As Anthes & Lee (2002) note:

> "Because major life changes can trigger deep, unexpected and profound emotions, an individual's ability to actively participate in decision-making – the cornerstone of a successful relationship between planner and client – may be negatively affected. Worse, emotions and psychological reactions to life-changing events actually can become a barrier. In fact, people in these situations may feel they need a shoulder to cry on more than they need financial advice. It can be disturbing, overwhelming, and even offensive to try to focus on money and financial matters when a client is experiencing a personal crisis" (Anthes & Lee, 2002, p. 76).

For money avoidant surviving spouses, their financial decision-making ability is further disrupted by feelings of anxiety, distrust, and even shame associated with both the grieving process and their past experiences with money (Klontz et al., 2011). They are psychologically unprepared to deal with financial matters and are at risk of making poor financial decisions that have a long-lasting detrimental impact on their family's financial future (Anthes & Lee, 2002).

The Process of Grief

Grief work is the cognitive process of confronting the reality of a loss, going over events that occurred before and at the time of loss, focusing on memories, and working toward detachment from (or relocating) the deceased (Stroebe, 1992). Normal grief encompasses a broad range of feelings, cognitive mental processes, physical sensations, and behavioral changes that are common after a loss (Worden, 2018). Normal grief behaviors can be generalized as feelings (sadness, anxiety, yearning, and loneliness), thought patterns (disbelief, confusion, and preoccupation), behaviors (crying, distractedness, absentmindedness, and social withdrawal), and physical sensations (lack of energy, tightness in throat and chest, and oversensitivity to noise) (Worden, 2018).

As Hughes (2011) notes, normal grief and bereavement have a period of sorrow, numbness, anger, and even guilt. Gradually these feelings ease and it's possible to accept the loss and move forward into a new and different stage of life. When severe mourning, daily yearning, and preoccupation with the deceased are experienced to a disabling degree for at least six months, it may be considered Complicated Grief. When a widow is experiencing Complicated Grief, she may also experience extreme confusion about one's role in life, difficulty accepting the loss, avoiding anything that is a reminder of the death, an inability to trust others, and difficulty moving on with life (Hughes, 2011).

Research on the symptoms and causes of Complicated Grief found it occurs more often in females and in those of older age. Factors that may increase the risk of developing complicated grief include an unexpected or violent death, a dependent relationship to the deceased that leads to social isolation or a loss of a support system, and other major life stressors, such as major financial hardships. Prolonged money avoidant behaviors can also be indicators of complicated grief, further proving the need for financial practitioners to become familiar with each of these subjects (Mayo Clinic, 2017).

Grief Work and Coping Process

Grieving takes time. The process by which a bereaved person comes to terms with the loss can vary from person to person. Stroebe & Schut (1999) introduced the Dual Process Model (DPM) to describe how people cope with loss. According to the DPM, coping with bereavement is a complex regulatory process of confrontation and avoidance, causing oscillation between the two types of stressors necessary for adaptive coping: loss-oriented stressors and restoration-oriented stressors (Stroebe & Schut, 2010). Loss-orientation refers to the bereaved person's concentration on, appraising, and processing of some aspect of the loss experience itself and as such, incorporates grief work. It involves a painful dwelling on, even searching for, the lost person. Restoration-orientation reflects a struggle to reorient oneself in a changed world without the deceased person. Rethinking and replanning one's life in the face of bereavement (a part of restoration orientation) can also be regarded as an essential component of grieving (Stroebe & Schut, 2010).

The oscillation between positive and negative reappraisals is a critical part of the coping process and is a component of both loss-oriented coping and restoration-oriented coping. While working through grief by ruminating on past events can be a negative reappraisal, it is an important part of accepting loss. Similarly, positive reappraisals and forward-looking activities (wishful thinking and revising goals) can help individuals with the coping and restoration process. Yet if the individual continues to be in a constant positive reappraisals state, the grieving process may not be fully internalized, leading to possible emotional issues in the future related to the loss (Stroebe & Schut, 2010). The DPM closely reflects the concepts associated with acceptance and commitment therapy (Hayes et al., 1999), including accepting the reality of loss and a changed world, experiencing the pain of grief, adjusting to life in a changed environment, and developing new roles, identities, and relationships.

Financial Planning Needs After Spousal Loss

While it is common to advise a widow to avoid making major life or financial decisions for the first year, there are some important financial decisions that need to be made during the initial grieving period (Rehl et al., 2016). The most crucial financial decisions a widow makes in the first year of spousal loss may include filing insurance claims, deciding how to use, save or invest life insurance proceeds, consolidating and rolling over retirement accounts, applying for Social Security survivor benefits, attending to probate matters, and budget construction if income has changed drastically due to the loss. For some widows, comprehensive cash flow planning may occur later in the grieving process, when the client is more receptive, however, not all are fortunate enough to have such a luxury. Financial practitioners should be prepared to address this even if the client is resistant to change. Financial practitioners should also keep in mind that seemingly simple tasks, such as dealing with passwords to access online accounts and signing debit cards on bank accounts, can seem monumental to a money avoidant widow.

Impact of Money Avoidant Widowed Spouse Managing Family's Finances

Existing research does not adequately address the impact of money avoidance on widows. Research exists on grief (e.g., Hughes, 2011; Worden, 2018) and money avoidant thoughts and behaviors (e.g., Klontz & Britt, 2012; Klontz et al., 2016) separately. However, value can be added to the research by exploring the crossroads of the two and providing therapeutic modalities that can help financial practitioners guide clients through the difficult time after a loss. Money avoidant widows may be especially fearful of handling personal finances and may demonstrate resistance for many months, stalling the financial planning process. Worse, there can be negative long-term financial consequences for the family's financial future due to a widow's inaction. It can be frustrating for financial practitioners to deal with widows who resist taking action. However, financial practitioners run the risk of permanently fracturing the client relationship if they are not empathetic to the grieving process and any underlying financial anxiety potentially causing this delay (Lawson & Klontz, 2017). As the theory section will discuss, when financial practitioners understand the grieving process (Stroebe & Schut, 2010), the change cycle (Beck, 2001, 2021), and financial therapy techniques (Wada & Klontz, 2015), they are better equipped to provide the right support for their widowed clients.

Theory

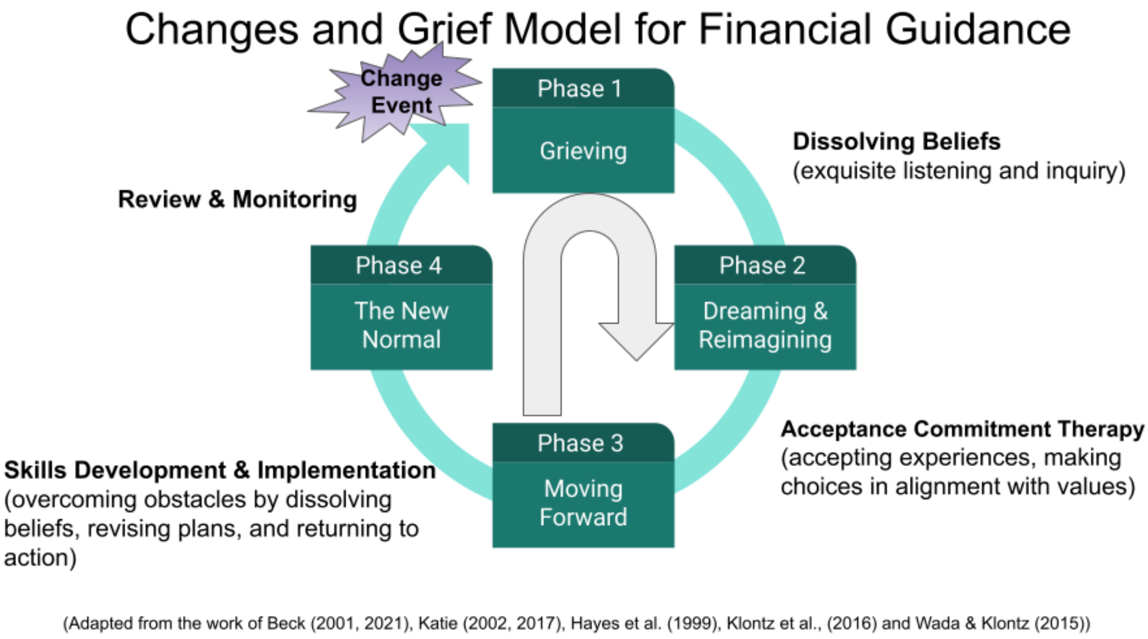
The grieving process can be uncomfortable for most, including some financial practitioners. Many times the deceased was the financial practitioner's main contact for the family, so this may be the first opportunity to build a trusting relationship with the widow (Rehl et al., 2016). If a financial practitioner's discomfort with the grieving process interferes with the client relationship, the relationship may be lost to a competitor, or worse, the widow remains permanently stuck. Being prepared with practical applications for clients to build confidence in well-informed, professional advice is an important piece of a financial practitioner's toolkit.

This paper proposes that financial practitioners equipped with an understanding of both the change cycle associated with the grieving process and various financial therapy and reflective listening techniques will better serve their money avoidant widowed clients (Katie, 2002, 2017; Stroebe & Schut, 2010; Wada & Klontz, 2015). Certain behaviors are associated with each phase of the change cycle (Beck, 2001). By recognizing these behaviors and the various stages of grief, the financial practitioner can employ appropriate communication skills and financial therapy techniques to meet the client where they are in grief. Knowing which tasks, big or small, a money avoidant widow can handle to avoid feeling overwhelmed enables the financial practitioner to support the widow as she moves forward in the financial planning process and transitions from financial avoidance to financial empowerment. Demonstrating compassion throughout the financial planning process helps the financial practitioner become her trusted advisor for the long term.

Using a financial therapy approach involves personal finance and personal well-being considerations when working with widows. For those who are already money avoidant, they may be tempted more than ever to avoid money responsibilities in an attempt to reduce their overwhelming and compounding grief. These individuals may be working directly with a financial practitioner for the first time following the loss, as they transition into what can sometimes feel like a completely new identity. Additionally, the loss may require a move, adding physical transitions to the list of many emotional transitions experienced in grief.

Based on professional experiences and an exploration of research on the grief process and the cycle of change, the authors have developed the Changes and Grief Model for Financial Guidance that is particularly impactful in financial planning for money avoidant widows. This four-part model pairs financial therapy techniques (Wada & Klontz, 2015) with the grief process (Stroebe & Schut, 2010), the change cycle (Beck, 2001, 2021), and The Work® of Byron Katie® (Katie, 2002, 2017). Using this model enables financial practitioners to recognize the stage of grief the widow is experiencing and use the proper financial therapy modalities to support the widow while moving the financial planning process forward. The modalities researched that can be adapted to assist widowed clients include exquisite listening, inquiry techniques (e.g., facilitation of self-discovery to reflect internally on our thoughts and understand their true meaning) (Katie, 2002, 2017), and acceptance and commitment financial therapy (Wada & Klontz, 2015). By using reflective listening skills and inquiry techniques, financial practitioners will collaborate with the money avoidant widow in the creation of value-oriented financial goals. Several of these phases may need to be revisited during the process until the widow gets to the final phase of creating a new normal that hopefully encapsulates a more confident approach to their finances.

Figure 1: Changes and Grief Model for Financial Guidance



Treatments for Money Avoidance when Financial Planning for Widows

The first few months after a spousal loss are chaotic, confusing, and disorienting, as the widow oscillates between loss-orientation and restoration-orientation (Stroebe & Schut, 2010). She may experience this oscillation between loss and restoration daily and it can last for weeks to months. As sociologist Martha Beck (2001) notes in her book *Finding your own North Star*, it's a time of both death and rebirth, as the widow's life and identity are in the process of transforming. This is the first phase of the change cycle. A widow is letting go of her life. Feeling grief enables it to dissipate more quickly, however it may take several weeks or even months before she fully realizes that her life will never be the same. The process of grieving slows one down. During this phase, even routine activities require more time. After the shock of spousal loss, it's best for the widow to make no decisions until emotions calm down (Beck, 2001). During this period, the financial practitioner may see the widow present with a lack of clarity or confusion during discussions.

Recognizing what stage of the change cycle a grieving spouse is experiencing enables the financial practitioner to provide proper support by meeting the client where they are in the change cycle (Beck, 2001). Pushing a grieving widow into action before she's ready can cause friction in the client relationship. Active listening and being patient while slowly moving forward will be key in helping a widow go through the change cycle effectively. This is a time when the financial practitioner can build rapport and trust by taking small actions with the widow (Rehl et al., 2016). One small action step can be to use this time to uncover the widow's hidden money scripts to better understand and empathize with her emotional state around money.

To understand a client's unconscious money beliefs, their behavior tendencies, and the degree to which these beliefs and behaviors might lead to financially destructive money disorders, a financial practitioner can use the Klontz Money Script Inventory, Revised (KMSI- R) and the Klontz Money Behavior Inventory (KMBI) assessments (Klontz et al., 2016). A money avoidant widow can also keep a money script log, noting her behaviors, feelings, and thoughts associated with financial activities (Klontz et al., 2016). This helps her develop an awareness of the events that cause her thoughts and feelings around money.

One of the simplest and best ways to support a money avoidant widow in the initial stages of grief is to be present, listen attentively, and respond accordingly by reflecting her own words back to her. Hearing her own words helps her develop awareness. As a widow grieves, often her greatest fears will be expressed. A financial practitioner can actively listen for any limiting beliefs that might prevent a money avoidant widow from taking action or moving forward. For example, during a financial meeting, the widow might complain that she doesn't handle money well. When the financial practitioner's curiosity is piqued, it's an opportunity to support the widow in dissolving and reframing the thought in a way that's truer for her and helps her build financial confidence.

Phase 1: Grieving through Dissolving Beliefs
A powerful intervention designed to dissolve and reframe cognition comes from Spiritual leader Byron Katie. Katie (2002, 2017) developed Inquiry: The Four Questions and Turnaround, which she calls The Work® to help someone dissolve these limiting beliefs. These four questions will help a financial practitioner facilitate the widow's self-discovery by reflecting on the limiting belief that is creating discomfort or obstacles in moving forward:

1. "Is it true?
2. Can you absolutely know that it's true?
3. How do you react, what happens, when you think that thought?
4. Who would you be without the thought?" (Katie, 2017, p. 287).

Turning the limiting belief around helps loosen the thought's grip (Katie, 2002, 2017). A money avoidant widow may carry limiting beliefs that prevent her from taking financial actions (ex. "My family thinks I'm bad with money."). Katie (2017) suggests three ways of turning the thought around. First, examine the opposite of the thought (ex. I'm good at handling small amounts of money."). Second, when another person is involved in the limiting belief, consider turning the thought towards the other person (ex. "I think my family is bad at managing money."). Lastly, turn the thought to the Self (ex. "I'm bad with money when…").

With each of these turnarounds find three ways in which each could be truer than the original thought (Katie, 2017). Finding three ways each turnaround could be true helps to reframe the belief into something truer, relieving stress. Review all of the turnarounds and find the truest of them all. Finally, supporting the widow in discovering and implementing new behaviors based on that newfound truth helps her begin to take action and move forward. As Katie (2002, 2017) notes, often what shows up in our limiting beliefs is a lesson we need to learn about ourselves. Our thoughts are a projection of our inner selves (Katie, 2017). Allowing for reflection to discover what may be truer than the original thought, reframing it, and finding ways to live in alignment with a more positive belief is the gift of this exercise in self-reflection. This method of inquiry helps the financial practitioner support the client by providing a meditative state that quiets the mind, establishes the mind-body connection, and helps the client detach from the thought that is creating her pain and obstacles to action. The use of these exquisite listening and reflective inquiry skills deepens the client relationship (Klontz et al., 2016).

Phase 2: Dreaming & Reimagining through Acceptance and Commitment Therapy
Acceptance and commitment therapy (ACT) emphasizes mindfulness, acceptance, and a commitment to take action (Hayes et al., 1999). ACT also focuses on reducing experiential avoidance, improving behavioral flexibility, aligning with values, and developing congruent actions (Hayes et al., 1999). As Hayes et al. (1999) notes, an individual's problems arise from their rigid and inflexible beliefs and their avoidance of experiences that stir up uncomfortable thoughts and feelings. Wada & Klontz (2015) introduced integrating financial therapy with ACT to help women learn how to "identify and accept their own difficulties with money and encourage their willingness to move forward despite the circumstances" (Wada & Klontz, 2015, p. 273). Acceptance and Commitment Financial Therapy is key to supporting a money avoidant widow during the first year of spousal loss.

Discovering and Aligning with Values. Within two to four months post spousal loss, a widow may begin to feel estrangement from family and friends who aren't comfortable communicating about grief (Meekhof & Windell, 2015). Early in this phase, the financial practitioner may notice indications of loneliness or identity conflict in their discussions with the widow. Beck (2001) notes that anthropologists call this a liminal period, a time when the widow is on the threshold between identities. A widow is tempted to climb back into her old identity, but it no longer fits and her new identity hasn't yet been discovered (Beck, 2021).

In the quiet existence of this estrangement period, a widow can begin paying close attention to the inner yearnings of her essential self, the self she may have abandoned while keeping up with social norms and everyday life (Beck, 2001). It's important for the widow to tune into herself and ignore the false benchmarks offered by friends and neighbors. By leaning into her yearnings and deep desires, she's learning to trust her internal compass (Beck, 2021).

As the widow continues to examine her thoughts and dissolve beliefs using inquiry and self-discovery techniques, such as journaling or recording short voice memos, she's developing awareness and becoming mindful of her internal and external experiences. This is the stage when a financial practitioner can employ exercises developed using acceptance and commitment financial therapy to help a money avoidant widow begin to reimagine her future.

As Wada and Klontz (2015) note, financial therapies built on the ACT theory can "help women move towards financial behaviors that are congruent with their values, despite possible limiting beliefs and emotions" (Wada & Klontz, 2015, p. 269). Many women spend a significant portion of their lives as a caregiver, whether by choice or by chance. Caregiving may be a core value for many women, especially a widow with children. Wada and Klontz (2015) note "women often do not adequately consider the role money plays in providing for and keeping family members safe and secure" (Wada & Klontz, 2015, p. 268). When a money avoidant widow can connect with her values such as caring for others, it becomes easier for her to envision her future, set appropriate financial goals, and commit to changing financial behaviors.

Reimagining the Future. Further along in the phase, three to six months after losing her spouse, the widow may begin to feel a glimmer of hope and a bit of excitement for the future (Beck, 2021), indicating she's moving to the dreaming and reimagining stage referred to in Figure 1. The financial practitioner will recognize this shift when the widow laughs more easily or she might appear more adventurous. The widow may demonstrate creativity, such as painting, donning a new wardrobe, changing her hairstyle, or renovating her home (Beck, 2001).

It's important to allow the widow to dream without restrictions during this phase of the change cycle (Beck, 2021). The financial practitioner should allow them to dream without being directive (Archuleta et al., 2015). A cornerstone of acceptance and commitment therapy is allowing oneself to think anything without attempting to restrict and/or critique the thoughts. So allow the widow to daydream and turn those daydreams into tangible goals. By taking steps to move towards their goals while also learning to accept their thoughts and psychological experience, widows will be able to feel both tangible and emotional progress. A financial practitioner can support the widow by reflecting her dreams in a manner that helps her discover her values and ways to align her financial goals congruently (Wada & Klontz, 2015).

Phase 3: Moving Forward through Skills Development and Implementation

During the skills development and implementation stage of the change cycle, the widow has moved from discovering her hopes and dreams of the future to taking action towards achieving those goals. The widow often finds that taking these necessary actions is a lot harder than she expected it would be (Beck, 2021). It's important for financial practitioners to remember that the processing of grief is a journey that involves widows oscillating between loss- related feelings and forward-looking feelings (Stroebe & Schut, 2010). As the widow moves forward in developing skills and implementing her plans, it's natural for her to revisit various phases of the change cycle as she processes grief. For a money avoidant widow, the unresolved money scripts arise and create obstacles to action. The financial practitioner will recognize this when the widow resists following through on requested financial actions and tasks (Klontz et al., 2016).

When the financial practitioner faces a widow's resistance, the way forward is to revisit the limiting beliefs. Using exquisite listening skills to uncover the limiting belief and dissolving the thought using The Work® of Byron Katie® (Katie, 2002, 2017) can lead to a breakthrough. Sometimes the narrative in the widow's mind is more of a story than simply a thought. This is an opportunity for the financial practitioner to support the client in unwinding the story of the unconscious money avoidance script. Self-discovery tools to assist the widow in her exploration include the Money Egg exercise (Klontz et al., 2016) and the money genogram (Gallo, 2001). These exercises help the widow review and understand her childhood experiences with money and familial money patterns that have transcended generations. Using active listening skills, a financial practitioner can uncover times when the money avoidance script didn't hinder the widow (Ford, 2015). She thrived, financially, in those moments. A financial practitioner's curiosity will lead them to discover these moments because curiosity wants to know more. Use active statements (such as “tell me more”), ask open questions, and use reflective listening skills to help the money avoidant widow connect with these positive past experiences with money to help shift the cognitions that suggest she is incapable of money management (Klontz et al., 2016). Encourage her to feel these moments in her body, so she’ll learn to trust her internal compass (Beck, 2021). As she moves into the phase 4 process of the new normal, the financial practitioner can continue to support her as she feels drawn back to her previous identity and behaviors. Beck (2021) refers to this as a “change-back attack”- a temptation, whether internally or externally driven, to slip back into what feels comfortable. Being aware of this occurrence provides financial practitioners an opportunity to remind the widow of her progress and reorient her towards her newfound goals.

Phase 4: The New Normal requires Review and Monitoring
As Stroebe & Schut (2010) note, the grieving process lasts longer than a year. As the widow moves through the stages of grief and continues to develop financial confidence, she will regain her independence (Beck, 2021). New goals will arise but now the widow is familiar with the process of creating congruent goals on her own. During client meetings, the financial practitioner needs to continue to revisit the widow’s goals, adjust financial plans accordingly, and continue to support the widow as she moves forward in life with an emphasis on the widow’s sufficiency and abilities.

There will come a time when another change event, for example, a remarriage, begins the cycle of change and grief. Even though remarriage may be a happy event, it still begins the cycle of change (i.e., a new combined household, perhaps stepchildren, or a relocation). The financial practitioner trained in financial therapy techniques can support the client in addressing not only the financial aspects associated with these changes, but also by recognizing which stage of change the client is experiencing, and supporting the emotional elements of these events, using the Changes and Grief Model for Financial Guidance.

Ethical Considerations

This paper was written with the intention to provide financial practitioners with tangible skills and techniques to use when serving a growing population with unique needs. While this paper represents the first of its kind, it’s important for financial practitioners to recognize some ethical considerations when employing these financial therapy and grief support techniques. Financial practitioners should be aware that undertaking this more in-depth client engagement may necessitate a different fee model than the financial practitioner currently uses in practice. Several of the authors of this study engage in fee-only financial planning using complexity-based retainers that can account for the increased time commitment required to support the client through this process. Other financial practitioners who charge based on assets under management or similar fee models may not be able to profitably support this much engagement for money avoidant widows.

Further, when employing these basic therapeutic skills and techniques, financial practitioners are encouraged to understand their limits regarding their scope of competence. Always strive to do no harm when using financial therapy techniques with clients (Klontz et al., 2016). Recognizing the difference between normal grief and complicated grief can help the financial practitioner know when to refer to a therapist. Collaborating with financial therapists and marriage and family therapists is encouraged. These relationships provide resources for the financial practitioner to evaluate when they should stay the course in supporting a client or engage a therapist.

Smodic et al. (2019) refers to a simple matrix taught to assess the need for therapy by doing a self-check, a client-check, and a problem-check. A financial practitioner can perform a self-check by noticing if they are excessively worried about the client or if the client relationship feels draining, dreadful, or exhaustive. A client-check helps the financial practitioner gauge the emotional stability of the client by noticing the presence of constant tears, emotional outbursts during meetings, or derailment of the planning process due to the widow’s emotional state. Lastly, a problem-check seeks to evaluate whether the problem is interfering with your ability to accomplish any of your agenda items, financial tasks or financial goals. In other words, supporting the widow’s grief interferes with the ability to move financial matters forward. If any of these three checkpoints result in a “yes” response, then consider referring the client to a therapist (Smodic et al., 2019).

As financial practitioners collaborate with therapists, it is recommended they practice how to make the referral to the therapist. Practicing referral scripts helps the financial practitioner overcome any discomfort associated with making a referral to a mental health professional. Additionally, financial practitioners should become familiar with their professional standards and ethics, as well as those required of therapists, in order to be proactive in recognizing when clients need services beyond the scope of their competency (Ross et al., 2016).

We would be remiss if we did not address the implications for mental health professionals, as financial therapy is a discipline encompassing both financial and mental health practitioners (Grable et al., 2010). Although some of the therapeutic skills described in this paper may be familiar to mental health professionals, the adaptation to financial therapy is unique and may be beneficial for mental health professionals to integrate into their work. As Klontz & Britt (2012) note, mental health professionals tend to be money avoidant themselves. It is essential for mental health professionals to attend to the potential for countertransference in sessions with money avoidant widows if they themselves exhibit money avoidant tendencies (Hayes et al., 2011). Further, money avoidant widows may be more inclined to see a mental health professional due to both the toll of grief and their disinclination for dealing with their financial situation. Therefore, mental health professionals can act as the proverbial front line in triaging financial issues that are within their scope of competence and making appropriate referrals to financial practitioners when there is a need. The aforementioned simple matrix for determining referral needs described in Smodic et al. (2019) would be beneficial for mental health professionals, as well.

Conclusion

In the aftermath of the COVID-19 pandemic, financial practitioners will likely see an influx of prospective opportunities to serve widows due to the gravitas of this worldwide pandemic and due to the fact that 70% of widows fire their financial practitioner after their spouse dies (Rehl et al., 2016). It is important to note that a fair percentage of these widows will be assuming responsibility for their family finances for the first time and many may be experiencing money denial behaviors. So, although grief counseling is not a part of the traditional training financial practitioners receive, many financial practitioners may find themselves the primary point of contact for widows during the initial process of grief as financial matters transition. Understanding the grieving process and the change cycle will help financial practitioners meet the client where they are in the grieving process. Knowing how to respond using financial therapy techniques at each stage of grief enables the financial practitioner to support the money avoidant widow, while also moving financial matters along in a timely manner. In doing so, the financial practitioner builds rapport and trust, works collaboratively in developing value-oriented financial goals, helps the client develop financial empowerment, deepens the client relationship, and increases the likelihood of business retention for the long term.

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Get Ready, Get Set, Get Going: A Guide to Money Management is a Free New Curriculum

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Keywords: independent living skills, money management adults with learning disabilities, money skills for adults with learning disabilities

Target Audience

According to a National Disability Institute report, people with disabilities include 19% of the U. S. population. They face many economic challenges, including banking status, access, sustainability, growth, and financial well-being (Goodman & Morris, 2019) including affording necessities. Nearly half have no credit, and two-thirds do not save for unexpected expenses. Cognitive impairment is one symptom of mental illness. Triebel *et al.* (2009) found individuals with cognitive impairments reported a noticeable decrease in financial competencies.

The Americans with Disabilities Act prohibits discrimination against individuals with disabilities in all areas of public life. This includes equal opportunity to build the knowledge and skills to make informed financial decisions. The online Financial Inclusion Essentials course advocates for including access to financial education and coaching, affordable and accessible financial products and services, inclusion in career pathways and employment, and the ability to save and build assets (Association for Financial Counseling and Planning Education [AFCPE], 2020).

Janney et al. (Journal of Consumer Affairs, 2021) assessed the needs of social service providers who completed a train-the-trainer session on financial literacy and evaluated their perceptions of the Your Money, Your Goals financial empowerment toolkit (Bureau of Consumer Financial Protection, 2016) for adults with mental illness and/or cognitive impairment. Eighty percent of providers reported they would recommend the training to other social service providers, with adaptions to provide shorter, hands-on approach multi-sessions and including real life examples. Focus groups and interviews with mental illness service recipients and with providers were also held to determine key needs and barriers as well as perceptions of various financial education tools. Needs assessment findings were used to develop the *Get Ready, Get Set, Get Going: A Guide to Money Management* curriculum for adults with a cognitive disability.

Objective/Purpose

The objective of this study was to determine the needs of adults with cognitive disabilities for financial capability education. The purpose of this session is to present an overview of the curriculum developed for this audience based on the results of the needs assessment. It is intended for staff and volunteers of community service organizations who work with this audience.

Description

Get Ready, Get Set, Get Going: A Guide to Money Management is a financial literacy education program consists of 12 lessons and an accompanying facilitator guide. It provides action-oriented strategies and tools to support adults with intellectual or developmental disabilities. Concepts are explained using visual prompts and hands-on practice to build skills plus motivation for participants to adopt the behaviors learned by making their personal financial wellness goals. The curriculum intends to build participant confidence and a sense of control when dealing with money management. Some topics covered include making good money decisions, organizing and keeping records, saving, making and managing a spending plan, protecting your money, paying bills, understanding credit, and controlling debt.

The Facilitator Guide provides an explanation of the social cognitive theory of Albert Bandura as well as James Prochaska's stages of change model (Braun et al., 2014) upon which the curriculum is based. It also gives a clear explanation of the lesson format, a list of additional materials to prepare, and general instructions to present the curriculum. The lessons are arranged into individual sections available for free download. Each of the 12 lesson plans includes a session overview, resources to prepare to maximize your workshop facilitation, a list of the materials you will need, and detailed presenter notes to guide you. The lessons contain a wealth of handouts for participants to take part in hands-on learning as well as appendixes to supplement the facilitator's teaching. The lesson structure is consistent and predictable for learners with developmental or intellectual disabilities.

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Community Connections and the Spectrum of Prevention: Informing Strategies to Address Housing Needs

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Keywords: housing, Extension, Spectrum of Prevention

Target Audience
Educators, counselors, and coaches working with individuals and families regarding housing issues

Objective/Purpose
University of Minnesota Extension Family Development Housing team conducted a survey of housing professionals and advocates to understand housing concerns of families from metro areas to rural communities. At the conclusion of the survey, respondents were invited to participate in one of two online conversations to continue the discussion. The Spectrum of Prevention framework was used to discuss the survey results during the conversations. As a result of the survey and conversations, webinar series were held January-August 2022 focusing on expanding the knowledge of consumers, housing advocates and professionals related to housing issues.

The purpose of the housing survey and the conversations was to create a shared understanding of housing issues in the state; discuss current/potential housing programs; and create connections across the state to address housing needs more effectively.

Description
This project was twofold in nature, involving an online survey and two online community conversations. Housing advocates and professionals were invited to participate in an online survey related to housing needs. The survey asked what agency the individual works with; what county(s) they work in; who their target audience (typical client) is; what unique housing needs their clients encounter; what specific housing issues have resulted from the pandemic; what housing programs they offer; what are additional needs and gaps; and how they might be willing to collaborate to meet housing education needs.

At the conclusion of the survey, respondents were invited to participate in one of two online conversations. The conversations were designed to share the survey responses within the Spectrum of Prevention framework and allow participants to further discuss housing needs.

The Spectrum of Prevention was used to frame the survey responses. The framework guided conversations as community partners reflected on the complex nature of housing issues and identified multi-level strategies to address housing needs. The Spectrum of Prevention is a tool designed to address complex public health problems within 6 levels of interventions. "At each level, the most important activities related to prevention objectives are identified. As these activities are identified, they lead to interrelated actions at other levels of the Spectrum. All six levels are complementary and synergistic: when used together, they have a greater effect than would be possible from a single activity or initiative," (Prevention Institute, 2022).

The housing survey was sent to over 330 housing professionals/advocates across the state. One hundred thirty-two surveys were returned with 64 individuals providing complete surveys. Housing conversations were held with 37 people in two Zoom sessions. State, regional, and local organizations participating included Community Action Programs, community and economic development, community services, county governments, education, foundations, HRA/housing organizations, LGBTQ+ community, Legal Services, military and veteran service organizations, temporary housing/homelessness prevention, and Tribal organizations.

Qualitative analysis was used to identify survey themes using the Spectrum of Prevention framework. The online conversations were designed to share the survey responses, allowing participants to further discuss current and future housing initiatives.

Survey results identified affordable housing as the greatest need statewide. Safe and family-friendly housing, lack of housing options, and less restrictive rentals were also identified as barriers. The COVID-19 pandemic created additional housing challenges including an inability to pay rent, lack of rental housing, and an anticipated high number of evictions.

Survey and conversation responses were grouped into the six levels of the Spectrum of Prevention. Challenges and opportunities for each level of the spectrum are summarized.

Strengthening Individual Knowledge and Skills: Participants recommended providing financial literacy and housing education for various audiences including young adults, people with limited income, those at risk of homelessness, and underserved and BIPOC communities. Impact of trauma, and landlord/tenant rights were identified as potential landlord education needs. Additionally, participants recommended creating housing mentorship programs.

Promoting Community Education: Community education strategies identified included having booths at community events; utilizing social media to share information; providing resources in multiple languages and making a concerted effort to provide energy assistance information.

Educating Providers: Participants identified the need to educate landlords and housing service providers. It was suggested that agency staff join coalitions to learn and share with one another. Additionally, participants identified the need to provide assistance/education in multiple languages and to update websites for housing availability and waitlist status.

Fostering Coalitions and Networks: Recommendations to foster coalitions and networks included meeting with housing coalitions and housing authorities; partnering with landlords and across housing programs, agencies and municipalities to identify and prevent homelessness.

Changing Organizational Practices: Participants recommended creating systems to solve problems among renters before calling police; creating funds to support reentry into communities; providing transportation, especially in rural areas; offering a variety of types and sizes of housing; providing alternate lending opportunities to meet the needs of many cultures; and improving how we understand and work with each other.

Influencing Policy and Legislation: Participants identified the value of working with program participants and people of different races/ethnicities and cultural backgrounds in decisions to solve local issues. Potential strategies included creating a statewide housing coalition and encouraging organizations to do advocacy work at the Capitol.

The conversations revealed that while many financial and housing education programs are offered by a variety of organizations, there is a lack of awareness about the collective work happening statewide. Furthermore, this leads to families having a lack of awareness of available resources. Throughout the conversations, participants acknowledged that individuals and families across the state have varying housing needs and lived experiences. This highlights the necessity for more culturally inclusive and language-specific programs, resources, and education. Intentionally identifying the diverse needs of families throughout the Spectrum of Prevention would positively impact housing for all families.

The survey responses and conversation outcomes were summarized in a Fall 2021 written report which was shared with participants and key stakeholders. The findings informed our team's programming as we focused on expanding the consumer, advocate and professional knowledge. The team collaborated with Extension educators from other disciplines, University partners, and staff from state and national housing organizations to design educational opportunities. Inclusive programming was provided in Spanish and language interpreters, as requested by participants. Webinar series were held from January-August 2022 as described below.

No Place Like Home: Twelve webinars were planned to focus on home energy, healthy homes, hoarding, housing for all, rural housing, renting, as well as two book reads. Eight webinars held January-early June 2022 had 268 participants with 4 additional webinars planned June-August.

Charlas en Español: Six webinars with 53 participants addressed building credit; creating a healthier home; transferring non-titled property; organizing important papers; and renting tips.

Making Cents of It All: Thirteen webinars were held discussing taxes, money management, credit, budgeting for increased living costs, borrowing, saving and investing with 411 participants.

This study highlights the need to create opportunities for ongoing conversations to collectively address changing housing needs and gaps statewide. It emphasizes the critical nature of partnerships in meeting the needs of families and communities. The study and collaborations resulted in numerous webinars illustrating that partnerships enhance the richness of webinar content, providing a variety of perspectives to participants. Extension can convene partners to discuss critical issues, providing an academic framework. One learning from the study is that numerous organizations were unfamiliar with the Spectrum of Prevention. Sharing the framework with other organizations provides a common lens for collaborators to address housing issues. Taking a holistic approach, we leverage University resources and partners to address the dynamic housing needs of our state's families and communities.

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Planning AHEAD: A Tool to Ease End-of-Life Planning

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Keywords: directives, end-of-life, estate, final wishes, planning,

Target Audience
The audience for this program includes anyone over age 18 interested in preparing for their own passing—to make things easier for family members—and for those who have or are in the process of losing a loved one and are dealing with the transition. Due to this broad range, it can impact the work of many financial practitioners and educators.

Objective/Purpose
Planning AHEAD is designed both to help people ensure that their end-of-life wishes are known and met and to ease the transition for those who lose a loved one. By having all necessary information gathered in one place, those who are left behind can easily and quickly take action on tasks like closing accounts, transferring assets, and honoring the person who has died. This allows loved ones to focus more on the memories and better manage emotions rather than worry if they are making the right decisions.

Description of Content and Method
Ninety-two percent of people think it is important to talk about end-of-life wishes with their loved ones, but only 32 percent have done so (Conversation Project, 2018). Indeed, few adults have made any preparations for future care, such as talking with family or friends about care needs in the future (34%), setting aside funds to cover additional expenses (41%), signing living wills or health care power of attorney (40%), or purchasing disability or long-term care insurance (Schulz 2010). End-of-life planning is associated with improved well-being for both individuals at the end-of-life, and their bereaved family members (Carr 2019).

The Planning AHEAD (Advance directives, Handling Financial Changes, Estate planning, and Arriving at Decisions for the end of this life) curriculum is a 7-session series (one-hour each) that guides participants through examining health care wishes, financial responsibilities, legal requirements and documentation, distribution of personal property, end-of-life decisions, dealing with grief, and the emotional ramifications of all of the above. This course features a workbook to help make manageable the tasks associated with end-of-life decisions. The seven topics are: Getting Started, Handling Financial Changes, Advance Directives, Estate Planning, Choices in End-of-Life Care, Final Wishes, and Understanding Grief. Participants in the practitioner's forum session will learn about the two-year process of creating and testing the curriculum to ensure its responsiveness to community members' needs and tips for implementing Planning AHEAD programs in their own locales.

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Innovative Community Capacity Building with the Volunteer Income Tax Assistance Program: An Overview of Implementation and Outcomes of University-Community Partnerships

Suzanne Bartholomae, Iowa State University & Lance Palmer, University of Georgia

Keywords: volunteer income tax assistance, tax preparation, financial practitioners, financial education

Target Audience
Financial practitioners, researchers, and university and community-based professionals who want to establish or expand Volunteer Income Tax Assistance services and tax-time asset-building strategies.

Objectives
The aims of this practitioner's forum are to advance the knowledge and understanding of financial practitioners, researchers, and community organizers about implementing the Volunteer Income Tax Assistance (VITA) program. The presentation will emphasize how partnerships between universities and community organizations can be mutually beneficial and reduce the overall burden of VITA programming. The forum will enable participants to:

- Understand what VITA is and how it supports low-income households claiming refundable tax credits,
- Identify tangible ways to partner with other organizations to deliver VITA in their community,
- Persuade undergraduate students and community partners to become involved in VITA.

Description of Content and Method
The Volunteer Income Tax Assistance (VITA) program is a national initiative sponsored by the Internal Revenue Service (IRS) to train community volunteers to provide free, accurate, and trustworthy tax preparation to low- and moderate-income families in their local community. This session shares an overview of the VITA program, strategies for implementation, findings from a recently fielded survey with several hundred universities, and VITA program impacts. Participants will learn about this innovative program and its performance with students and community volunteers.

The goal of the VITA program is to help low- and moderate-income households avoid tax preparation fees (the IRS estimates that the average tax preparation fee is $300) and secure sizable refunds that circulate in the local economy and bolster family financial well-being. Universities and community organizations partner to increase the number of VITA programs, the availability of qualified tax preparers, tax-time savings interventions, and other "point of service" financial literacy outreach to low- and moderate families. Creating awareness of eligibility for the Earned Income Tax Credit (EITC) is also an essential purpose of VITA programs. Approximately 20% of EITC-eligible households don't apply for it by filing a tax return, yet the average EITC amount is substantial, averaging $2,411 according to the IRS. Furthermore, EITC-eligible families in rural communities are nearly twice as likely not to claim this important credit that can help bolster household income (Mammen et al., 2011).

This session provides an overview of the VITA program and insights from a national survey of universities participating in the VITA program. The summary includes activities such as 1) recruiting and supporting student and community volunteers, 2) training requirements and technical assistance, 3) activities involved with coordinating a VITA site (e.g., equipment, funds, publicity, scheduling), 4) developing local partnerships, and 5) liaison responsibilities to the IRS, funders, and a statewide network.

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“When Should I Begin Taking Social Security Retirement Benefits?”: Tax Planning Considerations

Axton Betz-Hamilton, PhD, AFC®, Assistant Professor and Undergraduate Program Coordinator of Consumer Affairs, South Dakota State University

Keywords: retirement, Social Security, tax planning

Target Audience
The target audience for this practitioners’ forum is current and aspiring financial counselors and planners.

Objective/Purpose
This practitioners’ forum has a primary objective of educating financial counselors and planners about tax considerations to address when helping a client decide when to take Social Security retirement benefits. A secondary objective is to provide greater clarity on the taxation of Social Security retirement benefits.

Description of Content and Method
A common question older adults have for financial counselors and planners is, “When should I begin taking my Social Security retirement benefits?” Tax planning is a critical component in making this decision and will be the focus of this practitioners’ forum. Depending on a client’s age, Modified Adjusted Gross Income (MAGI), and monthly Social Security retirement benefit, up to 85% of his/her benefit could be taxed (Langdon, et al., 2021). The first third of this practitioners’ forum will include a review of relevant taxation terminology and definitions, such as Adjusted Gross Income (AGI) and MAGI, as well as an overview of the taxation of Social Security retirement benefits. The next two-thirds of this session will involve a discussion of tax considerations for financial counselors and planners to address when assisting clients in making the decision of when to begin taking Social Security retirement benefits. Considerations include the impact of continuing to work, Roth accounts, and items that affect MAGI. Attendees will engage in completing fictional client scenarios to apply the content shared in this session.

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Unexpected Debt: How to Help Clients Manage an Overpayment Debt with the Social Security Administration

Nancy Boutot, National Disability Institute

Keywords: Debt with social security administration, financial coaching, financial counseling, financial capability, people with disabilities, practitioners, social security administration

Target Audience
Financial Professionals, Practitioners who work with individuals that currently receive or formerly received disability benefits from the Social Security Administration

Objectives/Purpose
This forum will help you:

- Understand the complex financial lives of people who receive social security disability benefits and how best to support their journey to financial stability.
- Learn how debt or overpayments with the Social Security Administration occur
- Receive practical tools to use to research options and provide guidance for managing an overpayment including a possible reduction or waiver of the debt owed.

Description of Content and Method
A national survey sent to financial counselors and carried out by The National Disability Institute showed that 18%, or nearly one in five clients they provided financial counseling to were individuals with disabilities. The rate of poverty for adults with disabilities is more than twice the rate of adults with no disability.

Many individuals with a disability want to break this cycle and decide to increase their income by working. However, individuals receiving Social Security Disability benefits that choose to work may incur overpayment debt from the Social Security Administration (SSA). Financial practitioners and educators play a crucial role in assisting their clients with addressing and reducing this type of debt.

An overpayment can sometimes go on for one or two years before SSA identifies the error. Overpayments can be in the tens of thousands of dollars.

SSA may withhold all or part of the recipient's monthly benefit to recover the overpayment, thereby reducing an already insufficient benefit. A report from the SSA Office of Inspector General found that an estimated 45% of SSI/SSDI recipients received overpayments at least once over a 10-year period. On average beneficiaries are paying back an average of $4,363 (the equivalent of 5.5 months of SSI payments). These overpayments and their aftermaths can be traumatic experiences.

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(Author's calculation based on data presented in report).

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A Care-losophy for Financial Counseling

Heath Carelock, MPS, PMP, AFC, NeighborWorks® America Financial Capability Coach, KSU Financial Therapy Certificate, Program Director of Financial Empowerment Center at Prince George's Community College, Founder & Executive Practitioner of Carelosophy Social Impact Solutions, LLC

Keywords: Trauma-sensitive financial counseling, financial therapy, video-game methodology, imperfection, character arc progression

Target Audience

Invitees to this session include new and aspiring financial counselors and coaches. It also includes college students and more tenured financial counselors and coaches. Counselors and coaches who work with general population adults should find this helpful, as should counselors who work with veterans, re-entry population, LGBTQTIA+ population, religious communities, and survivors of trauma, abuse, and addiction.

Objectives/Purpose

The focus, here, is on equipping practitioners with a variety of perspectives to draw on during unique exposures to client circumstances, which is key to a 'Care-losophy'.

Description of Content and Method

A 'Care-losophy' for financial counseling is a powerful and rewarding complement to fundamental financial counseling techniques. Essentially a 'Care-losophy' for financial counseling equips practitioners with resources and versatility to adapt from more common financial counseling encounters to be functional and viable in some outlier financial counseling encounters. The content of this discussion covers areas and strategies that - while not always intuitive or expected - tend to fly beneath the radar, or consciousness, yet may prove to be convenient for financial facilitators of all grades - especially those who find themselves in certain uncommon - and even some common - situations.

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Empowering Financial Wellness Education for Women During Economic Uncertainty

Amanda Christensen, AFC®, Melanie D. Jewkes, Andrea Schmutz, Lendel Narine, Vincenza Vicari-Bentley, AFC®, Alicia Nelson-Bell, HCHC, & Lisa Cox, Utah State University Extension

Keywords: financial education, financial wellness, women and money

Target Audience

This presentation is aimed at financial educators, counselors, coaches and Extension faculty.

Objectives/Purpose

The Utah State University (USU) Extension Empowering Financial Wellness (EFW) team empowers women to act to improve financial wellness. Financial education was delivered through innovative methods combining impactful live webinars, a self-paced video-based online class, free downloadable resources, educator toolkits, webinar train-the-trainer events, social media education outreach, and timely educational resources to comprehensively address ongoing financial stress from the COVID-19 pandemic, the impact of inflation, and specific factors that make it critical for women to engage with their personal finances. Using the Targeting Outcomes of Programs (TOP) framework (Rockwell & Bennett, 2004) to evaluate short, medium, and long-term outcomes of the EFW program, results demonstrate excellent outcomes with significant increases in participants' personal finance knowledge and skills immediately after participating (Christensen, et al., 2021).

Description

Specific factors make it critical for women to engage with their personal finances. Women are more likely to stop working in the middle of their career. Fidelity estimates that for every year a woman stays at home as a caregiver, she must work five years to recover lost income, retirement, and career promotion (2021). The gender wage gap clearly shows women make less money than men. The Utah Financial Empowerment Coalition (2021) reports that women in Utah earn only .70 cents on the dollar compared to men. Women are less confident in their financial capability, score lower on financial literacy tests, and are more worried about their financial future than their male counterparts but are often less willing to engage (Fonseca, et al., 2012). Furthermore, women, on average, live longer thus their resources must stretch farther. While there are certainly many great financial resources available, few are designed from a woman's perspective.

Funded in August 2020 by a grant through the Utah Department of Workforce Services, the EFW program focuses on personal finance best practices to help women navigate their finances and improve their financial literacy and overall financial well-being. Educational opportunities empower women in both rural and urban counties, to act to improve their financial wellness. Program coordinators work closely with county Extension faculty and community partners statewide. The EFW team relied on innovative programming techniques and resources to reach women, combining impactful live webinars, a self-paced online class, free downloadable resources, educator toolkits, webinar train-the-trainer events, social media education outreach, and timely educational resources to comprehensively address emerging issues.

Impacts. With over 6,000 participants since October 2020, EFW evaluation results demonstrate excellent program outcomes with significant increases in participants' personal finance knowledge and skills immediately after participating (Christensen, et al., 2021). Based on a three-phased evaluation process following the Targeting Outcomes of Programs (TOP) framework (Rockwell & Bennett, 2004) to evaluate short, medium, and long-term outcomes of EFW, almost all participants maintained best-practices two months later and after four months, participants reported an increase in savings (38%), increase in their ability to handle unexpected financial burdens (55%), and a general increase in their financial well-being (75%). Evaluations show that innovative financial education makes a positive impact in participants' financial literacy and financial well-being. Innovative methods of financial education can be successfully geared to engage women.

Innovative Resources Developed. Estate Planning Toolkit; 2021 & 2022 Finance Calendars; PowerPay Debt Elimination Educator Toolkit and How-to Guide; Free Monthly Webinar Series; Train-the-trainer education; Cutting Expenses Guidebook. The online availability of these resources makes it easy for other professionals to use in counseling, coaching and educational settings. The efforts made in combining these innovative methods of financial education show resources can be successfully geared to engage women.

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Mindfulness as an Approach to Dealing with Financial Stress and Anxiety

LaQueshia Clemons, LCSW AFC® candidate & Shadra Praks, MSW AFC® candidate

Keywords: mindfulness, stress, anxiety, social work

Target Audience
Financial counselors, educators, financial planners, and therapists.

Objective/Purpose
The purpose of this session is to assist practitioners in identifying mindfulness techniques they can use to implement when providing financial literacy. In this interactive session, financial practitioners, educators, and program developers will learn how to (a) understand what mindfulness is (b) learn how to connect with their clients on a deeper level, (c) use mindfulness therapeutic modality to implement financially prudent life decisions, (d) and explore the impact on racial trauma related to finances. Individuals will engage in open discussion and exercises around how to use mindfulness techniques. This session will also provide financial educators and practitioners with understanding when to make appropriate outside referrals. Providers will be able to identify when their client needs are beyond their skill set with the use of motivational interviewing techniques (Klontz, 2016).

Description of Content and Method
Many individuals are experiencing financial stress and anxiety. Due to this stress and anxiety, it is impacting the individuals on the physical, psychological and emotional lives. Since COVID-19 the numbers continue to rise and some interesting statistics from a research brief: Financial Stress Amplified:

- **As of September 2020, 84% of the respondents in a survey reported feeling financially stressed.** 84% of Americans are feeling financial stress, which is an extraordinarily high percentage. The percentage of those who said they were very or very worried dropped from 43% to 34%, according to the survey results. However, there was a significant difference across ethnic groups in terms of financial worries, with 30% of white respondents, 40% black/non-Latino respondents, and 45% Latino respondents.
- **84% indicated that assisting their family and/or friends caused some strain while 31% indicated that they had received financial and non-financial support from others.**

Impact/Value to the Field
Mindfulness provides insight into a person's human dynamics of personal financial behaviors (Smith, Richards,& Shelton, 2015). Financial counselors and planners will be able to assist their clients to stop in the moment and recognize the emotions being felt, which then the client is able to analyze if a decision is being made through emotional fluctuation or if it is a calculated and productive decision.
According to Harvard Health Publication: Positive psychology: Harnessing the power of Happiness, Mindfulness, and Personal strength:

> ***Mindfulness improves well-being.*** By focusing on the here and now, many people who practice mindfulness find that they are less likely to get caught up in worries about the future or regrets over the past, are less preoccupied with concerns about success and self-esteem, and are better able to form deep connections with others (Siegal, 2016).
>
> ***Mindfulness improves physical health***. Mindfulness can help relieve stress, treat heart disease, lower blood pressure, reduce chronic pain, improve sleep, and alleviate gastrointestinal difficulties (Siegal, 2016).
>
> ***Mindfulness improves mental health.*** In recent years, psychotherapists have turned to mindfulness meditation as an important element in the treatment of a number of problems, including: depression, substance abuse, eating disorders, couples' conflicts, anxiety disorders, and obsessive-compulsive disorder (Siegal, 2016).

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Generational Differences in Financial Literacy and Education

Schane D. Coker, AFC®, FFC®, Dee Gardner, AFC®, M. Elaine Harrison, AFC®, FFC®, Zeiders Enterprises; Jason Simpson, AFC®, FFC®, Private Practice

Keywords: Baby Boomers, Financial Practitioners, Generational Differences and Similarities, Generation X, Millennials

Target Audience

The target audience for this session are financial practitioners who looking to deepen their practice when working with clients from similar or different generational backgrounds to ensure that financial counseling and advising is encompassing of any generational events that could impact who an individual views money.

Objectives/Purpose

By the end of this session the following objectives will be met:

- Identify generational differences that impact perspectives on money
- Discuss the economic trends that defined the Baby Boomer, Generation X, and Millennial generations
- Explore similarities and differences amongst different generations as it relates to personal finance
- Provide practice-based guidance on how to engage effectively with clients from various generational backgrounds
- Understand what key events in time define the Baby Boomer, Generation X, and Millennial generations

Description

This session will be split into two (2) parts with the first half focusing on the financial practitioner's generational background including what preferences and values they were raised or taught with that informed their financial practice. Panelists, including the facilitator, will self-identify with what generation they were born in as well as some of the economic trends or values that they were exposed to growing up.

The latter half of this session will be a "talkback" session where practitioners will answer a few questions from the facilitator concerning generational "hot topics" in financial literacy currently. Audience members will also be encouraged to pose questions to the panel of financial practitioners regarding their responses to the facilitator prompts as well as other questions and comments they may have for the panelists and facilitator.

Attendees will leave this presentation with tools, tips, and an expanded understanding of how to work with clients from any generational background while acknowledging if a client's generational background is guiding their core values and preferences as it relates to financial decision making and goal setting. This presentation incorporates the values and beliefs embodied by AFCPE to provide financial education to all clients regardless of their background.

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Understanding New Credit Scores Available: How They Work and When to Use Them

Lucy M. Delgadillo & Erica Abbott, Utah State University

Keywords: counseling, credit scores, education, financial tools

Target Audience
Credit scores are a perennial issue in the financial world. Credit is a topic that impacts the work of nearly all financial professionals, educators, practitioners, and researchers. The topic is critical to successfully serving clients and advancing practitioners' impacts and success in their businesses or organization.

Objective/Purpose
Many consumers are familiar with the Classic FICO score but are less familiar with how it compares to other scoring methods. The heart of this forum will be dissecting four credit scoring models and comparing them with the Classic FICO. In addition, this forum will provide information on who uses these scoring models and the costs associated with each model. Since credit scores are essential to our everyday life, this forum will help empower consumers to take control and make wise financial decisions.

Description
In this forum, we will explore five different credit score models currently available: Classic FICO, Ultra FICO, Experian Boost, Vantage, and Credit Karma. Credit scores determine much more than the loans one can apply for, the rental unit, the insurance premiums, and the interest rates a borrower pays. Insurers use credit scores to set premiums for auto and homeowners' coverage. Property managers use them to decide who gets to rent their apartments. Loan officers use it to qualify or deny credit. Credit scores also determine who gets the best credit cards and who must make bigger deposits to get utilities connected. In addition, we will briefly compare Experian Boost & Ultra FICO, how Experian Boost affects FICO Scores for users and how UltraFICO *should* affect FICO Scores for users.

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Student Financial Wellness Programs: Planning and Hosting a Signature Event

Dorothy B. Durband, Texas Tech University, Tiffany Murray, Society for Financial Education & Professional Development, & Elizabeth Massengale, Texas Tech University

Keywords: College students, financial wellness, financial education, signature event

Target Audience
The target audience for this presentation includes financial educators, financial coaches, and college students who work with college students.

Objective/Purpose
The purpose of this practitioners' forum is to share ideas for planning and implementing a signature event within a college student financial wellness program. The presenters will share specific strategies for providing signature event programming to engage college students.

Description
Montalto et al. (2019) suggested that to effectively plan and implement financial wellness initiatives on a college campus, understanding the needs of college students and how finances influence their day-to-day lives is critical. Financial wellness programs for students are offered by numerous colleges and universities. Approaches to reaching students and resources provided, whether through individual or group settings, vary by institution.
One method of reaching students is through an annual specialized signature event. This proposed presentation will review the processes of planning and implementing an annual signature week-long event within a college student financial wellness program. The presenters will share their experiences hosting both face-to-face and virtual annual signature events to raise awareness of personal finance issues and educate college students on personal finance topics in interactive settings.

Presentation topics will include campus and community venues, partnerships, activities, themes, leadership, timelines, schedules, media coverage, and evaluation. This discussion will incorporate lessons learned while hosting signature events for more than a decade and strategies to enhance future events.

Impact/Value to the Field
With recent survey results (Ezarik, 2022) that point to students' concerns about finances, more than half of the respondents shared that they talked with their peers about budgeting, credit cards, and student loans, with the price of college being the top conversation. Just-in-time financial education is offered as a solution that can assist students by breaking down large personal finance topics into smaller, fun, engaging, educational, and practical information. Additionally, given the experiential learning nature of these activities, lessons learned can provide valuable insights into program evaluation.

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Expanding Estate Planning Education in Financial Counseling

Sasha Grabenstetter, MS, AFC®, eMoney Advisor

Keywords: estate planning, financial education, professional development

Target Audience

This presentation is for financial counselors, military members, and private practitioners looking to help their clientele more broadly with estate planning education topics. Additionally, academic professionals teaching financial planning students can use this information to help bring in more colloquial conversations around estate planning. Death and money are two of the most challenging topics to discuss. Participants will have the opportunity to learn techniques to make these topics more approachable in conversations with their clients.

Objective or Purpose

The purpose of this presentation is to employ current estate planning concepts that financial counselors feel secure in discussing with clients. Financial counselors will also gain a better understanding of the current estate planning landscape to have a better sense of why this expansion in estate planning education is needed. In addition, practitioners will discover new estate planning education topics and techniques to bring into their financial practices that leverage research on aspects of human emotions, behavioral finance, financial psychology, and financial counseling.

Description

During the Covid-19 pandemic, many Americans faced financial uncertainty and loss — from being laid off to missing special events and milestones. But perhaps no greater loss was experienced than that of a loved one. As a community of helping professionals, we are often called upon in times of a client's greatest need, as they look for guidance, reassurance, and comfort. Yet, there is limited estate planning education available to financial counselors. Could we be doing more? This presentation will explore universal approaches to financial counseling, weaving in research and education to help navigate this sensitive topic of estate planning education with clients. Estate planning is briefly mentioned in financial counseling curriculum, which does not go beyond basic education on wills, trusts, powers of attorney, and medical directives. When financial counselors become more comfortable with discussing these basic estate planning education concepts with clients, they gain the potential to increase estate planning rates for individuals and families. According to Caring.com's 2022 Wills and Estate Planning Study, 67% of American adults still do not have a will.

In addition, expanding into other estate planning topics such as funeral planning, estate sales, sale of large assets, and executor duties/documentation may help facilitate conversations and bolster client support for tasks that are not commonly discussed. Lastly, incorporating more of the emotional side of estate planning into financial counseling, such as life events research, empathy, emotional granularity, and emotional intelligence, can help financial counselors and professionals become more holistic in their practice and the services they provide.

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Utilizing Podcasts in Financial Education

Sasha Grabenstetter, MS, AFC®, eMoney Advisor, Kathryn L. Sweedler, MS, & Camaya Wallace Bechard, PhD., University of Illinois Extension

Keywords: Content development, financial education, podcast, professional development

One of the main principles of investment education is diversification, the idea that you do not put all your eggs into one basket. As financial educators, have we left diversification out of curriculum development? We have all seen the massive, hundred-page, educational curriculum binders. Times have changed, and educators need to consider different educational mediums -- such as podcasts -- to supplement learning experiences.

Target Audience

All AFCPE members, especially those creating content and education around financial topics to share with educators, counselors, coaches, other financial professionals, and clients. They will have an opportunity to explore the benefits of using podcasts to share financial knowledge and perspectives.

Objective/Purpose

The objectives of this presentation are multi-prong and will fit the needs of people with different levels of familiarity with podcasting. These objectives include:

- Explore strategies for incorporating podcasts into teaching, financial coaching, and counseling.
- Understand when podcasts fit best in instruction, based on research-based information.
- Encourage podcast content creation from financial professionals to use a new lens (podcasting) to explore familiar money topics.
- Examine the benefits and challenges of being a podcast content creator.

Description of Content and Method

Financial education podcasts can provide complementary research-based information and resources to individuals looking to improve their financial lives. This presentation will take a close look at how to incorporate podcasts into curriculums and how to use podcasts to meet our own professional development needs.

Podcasting is a newer medium with a familiar twist. It is a little bit like a radio show, an educational lecture, and blogging all mixed together. Some people have quickly adopted this medium, but not all. According to Statistia.com, 62 percent of Americans have listened to an audio podcast, (Götting, 2021). Financial education lends itself well to using podcasts, as podcasts provide an opportunity for research-based information sharing. At the same time, it allows the educator to have a voice and build a bond with their audience. It allows the listener/learner to hear nuances (such as the shame or fear that exists around financial topics). It is also timely and accessible in the privacy of one's home, car, or other personal spaces.

University of Illinois Extension educators launched the *Family Financial Feuds* podcast in November 2018. Over 7,500 listens and 40 podcast tracks later, the educators are ready to share their best tips (and challenges) for creating a successful, research-to-practice focused podcast. *Family Financial Feuds* focuses on translating evidence-based results to help people conquer their household feuds and personal financial challenges. Additionally, the podcast provides on-the-go, up-to-date, and relevant money management topics to financial professionals, non-profit staff who provide financial literacy programs, Money Mentor volunteers, All My Money participants, and others who may not attend our classes or webinars. The podcast is a unique way to provide continuing education.

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Estate/Legacy Planning for Parents/Grandparents Raising Minor Children

Marsha Goetting & Mandie Reed, Montana State University Extension

Keywords: estate planning, legacy planning, wills, trusts, minor children

Target Audience: parents, grandparents, financial educators, counselors, funders, evaluators

Objective/Purpose:
The goals for this session are to first, share the process of offering a virtual, live Extension program about estate planning for parents and grandparents who are raising minor children and second, to share what actions participants took because they attended the webinars.

Description of Content and Method
Need for Program: According to a survey from AARP, 78 percent of millennials (ages 18 – 36) and 64 percent of Generation Xers (ages 37 – 52) do not have a will, leaving a substantial number of children at risk if a parent dies. The need for wills and other estate/legacy planning goes beyond parents with minor children. There are over 7,880 grandparents raising 9,768 minor children in Montana. To address the educational need for parents and grandparents to become aware of the importance for estate/legacy planning, MSU Extension educators teamed up to deliver a virtual webinar series, "Estate/ Legacy Planning for Parents and Grandparents Raising Minor Children."

Description of Program: The team offered the series over the noon hour on four consecutive Thursdays in February 2022. A website provided easy registration with a listing of specific estate/legacy planning resources for each webinar. https://www.montana.edu/estateplanning/epforparentsandgrandparents/index.html. Registrants who missed the live webinars were able to view recorded sessions at their convenience. https://www.montana.edu/estateplanning/epforparentsandgrandparents/recordings.html. As of August 31, there have been 106 viewers of the recordings.

The Extension faculty authored promotional articles for state-wide newspapers to attract parents and grandparents from diverse groups. The team also used posts on Facebook to expand the reach younger audiences. The Extension Communications & Technology Coordinator reported the posts "had the highest organic reach and shares of any Extension program in the past 12 months." Sixty-five Montana residents and nine "out of staters" registered for the webinars. The total attendance was 46.

Topics for the series were: (1) Who Gets Your Kids and Assets When You Die? (2) What You Can Do with a Will and What You Cannot! (3) Revocable & Testamentary Trusts: Solutions to Children/Grandchildren Inheriting Assets at Age 18, (4) Avoiding Probate on Your Assets at Death to Bequest More for your Children/Grandchildren.

The webinars were team-taught by the Extension professionals. During each session two parent guest panelists shared their experiences with estate/legacy planning. Instructors used poll questions to increase participant engagement and to gauge their knowledge. At the beginning of the second, third, and fourth webinars, they were asked the following question, "As a result of last week's session, what action, if any, did you take?" This allowed the instructors to evaluate effectiveness of the prior webinars.

The team sent a Qualtrics Evaluation Survey to the participants in September 2022. Unfortunately, by the deadline for the paper submission there were not enough returns to quantify the actions taken by the participants. We will include the results when the presentation is recorded by the end of October.
This program is easily replicable by AFCPE members. Practitioners who are teaching, mentoring, or counseling parents and grandparents who are raising minor child could use the PowerPoints and resources for live classes or webinars in their communities. https://www.montana.edu/estateplanning/epforparentsandgrandparents/index.html

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Teaching Family Resource Management Skills within Financial Education

Nichole Huff, University of Kentucky

Keywords: family resource management, financial education, experiential learning

Target Audience

The target audience for this presentation includes financial practitioners, educators, researchers, and students. As financial professionals, it is vital to seek creative ways to engage and educate audiences on comprehensive financial education topics. This includes family resource management, which encompasses more than a family's finances, but also their belongings, time, energy, health, and relationships. To remain relevant, it is also important to use a variety of delivery platforms and experiential activities that reinforce educational concepts and provide action steps that promote sustained behavior change. This session will equip financial professionals with useful ideas, information, and tools for more successfully serving clients.

Objective/Purpose

This Practitioners' Forum will showcase a recent educational program success story that highlights how family resource management can be incorporated into financial education. Specifically, a three-unit series was developed by Kentucky Cooperative Extension Service. This award-winning statewide initiative was built upon a resiliency framework and was specifically designed to strengthen family resource management skills during and after the COVID-19 pandemic. Curriculum participants complete experiential activities (or "challenges") between educational sessions to equip them with smarter ways to stretch consumer dollars and resources while discovering cost-effective ways to connect with others.

Presentation participants will: (1) learn about a three-session series designed to build financial and resource management skills; (2) discuss the importance of comprehensive financial education post-pandemic; and (3) examine ways to increase client resilience during challenging financial times.

Description

As a result of the COVID-19 pandemic, families experienced a multiplicity of economic stressors, from supply chain shortages to inflation to unemployment. Rising prices on household necessities, transportation, and housing resulted in tighter budgets and the need for many families to stretch their resources. Further, travel and social relationships were also challenged by pandemic-related safety protocol and subsequent inflationary times. During the pandemic, families were tasked to find ways to connect with loved ones while adhering to strict social distancing and safety practices. Post-pandemic, the high cost of travel continues to challenge households socially, whether visiting loved ones or affording a family vacation.

Because family resources such as mental health and social capacity can serve as buffers against adversity and stress, the ill-effects of the pandemic made it vital to create more comprehensive financial education that included family resource management skills while sustaining familial and social relationships. The *Use Less, Spend Less, Stress Less* curriculum (originally the *USE LESS, SPEND WI$E Challenge*) is intended to help state constituents become more mindful consumers as they learn ways to "use less, spend less, and stress less" while maximizing their resources (Lesson 1), finances (Lesson 2), and relationships (Lesson 3).

The multimodal program includes print and digital resources; archived educational videos, webinars, and podcasts; and social media engagement strategies. Each lesson contains an Extension publication(s), facilitator's guide, presentation slide deck, lesson activities, evaluation, and marketing package for either online or in-person delivery. Deliberate attention was given to creating more comprehensive, cross-disciplinary collaborations between four distinct Family and Consumer Sciences Extension content areas: Family Finance and Resource Management; Nutrition and Dietetics; Parenting and Child Development; and Family Health.

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A Follow-Up: What We Learned from Teaching a Financial Counseling Class Online

Alena Johnson, Alana Stowe & Jenni Whiteley, Utah State University

Keywords: financial counseling/coaching education, online course

Target Audience
Counselors, coaches, and educators training individuals to be financial counselors/coaches

Objectives/Purpose
The purpose of this presentation is to provide valuable information for improving online education and training for financial counselors/coaches.

Description
At the 2021 AFCPE Symposium, a presentation was made about creating an effective online counseling/coaching class based on research. This presentation is a follow-up of that presentation and will present what was learned from the first, fully online, financial counseling/coaching class.

This presentation will share the research results, what was implemented in the new online course, what the instructor learned, and feedback from students. Also, portions of the created videos that demonstrated counseling skills and techniques to the students will be shown.

Research Finding	What was Included in the Course	Student Response
Provide information for students upfront (Wasik et al, 2019 and Bates, 2019)	-a detailed syllabus at the beginning of the course and weekly video posts about upcoming assignments	*"I loved how the class was set-up. …everything was orderly and very easy to understand."*
Provide scaled assessments that measure progress (Wasik et al, 2019 and Snow and Coker, 2020)	-two practice counseling sessions with instructor feedback before the graded session -feedback on presentation outline before the graded presentation	*"I liked that we were able to practice counseling with each other before being graded because it took a few tries for the techniques to come naturally."*
Provide assignments where self-evaluation and self-reflection are the main take away (Wasik et al, 2019 and Snow and Coker, 2020)	-practice counseling sessions, graded counseling sessions, and presentations were recorded for students to watch and self-reflect	*"The self-reflection allowed me to celebrate my strengths… and think about the next step to improvement rather than just focus on all my mistakes."*
Provide relevant activities (Sells, et al, 2012)	-all assignments were evaluated for relevance	*"I loved all the assignments that were applicable in real life. For example, the case study. Or when we ran PowerPay for a mock client. All the assignments in the class were relevant and hands on."*
Consider three main channels of communication and interaction: • Digital • Material • Human (Shea, et al, 2006)	-Digital: weekly video announcements, video lectures, assignment explanation recordings, and videos of sessions and skills. -Materials: Durband/Law/Mazzolini book and worksheets for counseling and the Case Study -Human: video recordings and feedback through Zoom	*"The one thing I would change would be more interactions between class members."*
Creating a Positive Learning Environment Online • Consider how students learn • Discussion boards • Set office hours • Recorded greetings and check-ins (Shi, 2019 and Benshoff and Gibbon, 2011)	-assignment instructions written and recorded -discussion boards required student responses -virtual office hours (not attended) -weekly recordings of assignment instructions -instructor and students posted an introduction video	*"I wish lectures could have been in person, but I did sign up for an online class."*

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Educational Strategies for Identifying and Addressing Financial Exploitation Perpetrated by Financial Planners

Jess Jussel, B.S. Student, & Axton Betz-Hamilton, PhD, AFC® Assistant Professor and Undergraduate Program Coordinator of Consumer Affairs, South Dakota State University

Keywords: financial exploitation, older adults

Target Audience
The target audience for this presentation is financial planners, older adults, and family members of older adults.

Objective/Purpose
The purpose of this practitioners' forum is to provide attendees with strategies to identify and address FEOA perpetrated by financial planners.

Description of Content and Method
An estimated 4.7% of older adults in the U.S. will experience financial exploitation in their lifetime (Peterson, et al., 2014). Offenders range from family members to caregivers to financial planners (Barrett, 2019). Financial exploitation of older adults (FEOA) has significant negative impacts on victims and family members, including diminished health and financial strain (Vincenti et al., 2014). In recent years there has been increasing empirical attention on FEOA (e.g., Hall, et al., 2022; Peterson, et al., 2014) and on FEOA perpetrated by family members (e.g., Betz-Hamilton, et al., 2022), but little attention has been directed to FEOA perpetrated by financial planners. This practitioners' forum will propose educational strategies for identifying and addressing FEOA by financial planners by providing an overview of FEOA including prevalence rates, effects on victims and their families, offender characteristics, and strategies to identify and address FEOA perpetrated by financial planners.

This information will be presented using both lecture and discussion. Attendees will be asked to share their experiences, ideas, or possible solutions to use when working with colleagues and clients who experience FEOA by a financial planner. Both in-person and online (e.g., Padlet) discussion opportunities will be provided. An electronic copy of the presentation slides will be provided to all attendees. This practitioners' forum will be co-presented by an Accredited Financial Counselor who has published research on FEOA and an AFCPE student member.

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New Era of the Thrift Savings Plan (TSP)

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Keywords: automatic virtual assistant (AVA), fund reallocation, fund transfer, investment election, retirement income modeler, secure participant mailbox, thrift savings plan, TSP distributions, TSP thriftline service center, TSP distributions, TSP investment funds, TSP mobile app, TSP mutual fund window, TSP my account.

Target Audience
Personal financial program managers (PFMs), educators, and counselors working in military environments.

Objective/Purpose
The objective is to equip the military financial program managers, counselors, and educators with the knowledge of the TSP changes to craft their own TSP education curriculum and enhance their clients' TSP learning experience.

Description of Content and Method
The TSP is the federal government's defined contribution plan for federal employees, uniformed service members, and spouse beneficiaries. TSP has launched many new features and tools to make participants' TSP experience even better than before.

The new "**My Account**" access security and the **TSP Mobile App** enable participants to complete most transactions smoothly and securely online. Participants can activate the **Account Lock** feature in My Account to prevent fraud by voluntarily placing a secure hold that disallows transactions that remove money from their TSP account. The user-friendly, customizable homepage gives participants quick access to account information. Participants will receive messages, documents, and statements about their TSP account in their **Secure Participant Mailbox**.

The **Automatic Virtual Assistant (AVA)** provides personalized support for account-specific questions and connects directly to a ThriftLine Representative during business hours for a live chat session. The enhanced **ThriftLine Service Center** offers Rollover-In Concierge Service to support participants rolling over the balance of other eligible retirement plans into the TSP. Rollover Contributions to TSP accounts allow participants to consolidate their retirement savings in one place; this makes it easier to evaluate whether they are on target to reach their retirement goals. The **Retirement Income Modeler** is a new personalized retirement calculator to help participants keep track of their savings goals.

The low-cost TSP funds participants know and love are still the same, and their TSP savings remain invested in their chosen funds. TSP has also added a new investment option through the **TSP Mutual Fund Window** (MFW). The MFW is for TSP participants interested in greater investment flexibility. If their account meets specific eligibility criteria, they can choose to access a selection of several thousand mutual funds. As with most mutual funds, this flexibility comes with additional fees. TSP introduces new transaction terminologies-**Investment Election** (formerly Contribution Allocation), **Fund Reallocation** (formerly Interfund Transfer), and a new **Fund Transfer** option to move money within the TSP account and to and from the MFW account.

TSP streamlines the **Withdrawal and Distribution** processes by online submission and electronic signatures. Participants have the flexibility in setting up direct deposit, choosing the payment start date, rolling over partial or complete installment payments, and receiving Required Minimum Distributions (RMD) automatically.

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All in the Family: Parent-Child Financial Engagement

Dorothy Nuckols, MPH, AFC®, University of Maryland Extension

Keywords: Financial education, financial socialization, parents

Target Audience
Parent educators

Objective/Purpose
The impact of parents and families on financial socialization is well established. Parents and caregivers provide a key role in their children's financial education (Van Campenout, 2015). The family environment has a strong influence on both successful and limiting financial behaviors. A family literacy approach can break the cycle of poor economic outcomes that is frequently passed down from parent to child (Jorgensen et al., 2017) and parent-child learning activities promote children's school readiness and success (Bierman et al., 2015). Financial knowledge has a significant and large influence on financial attitudes, which in turn has a significant and large influence on financial behaviors (Jorgensen & Savla, 2010). Additionally, Positive and negative emotions from money-related childhood experiences shape our behaviors into and throughout adulthood (Kahler et al., 2007).

Description of Content and Method
Family money conversations are a mechanism to financial well-being (Agnew, 2018). However, financial education is almost all compartmentalized by age. There are school programs, youth programs, college programs, and adult financial literacy programs, but family programs are nearly non-existent. This practitioner's forum is appropriate and useful for both educators and counselors. During this session, multiple ideas, plans, and content for a two-generational approach to financial literacy will be introduced, along with examples of family engagement in youth personal finance programs. These examples include parallel workshops for parents and their children, parent information sessions, educational family game nights, and talking points within curricula. Forum participants will engage in sample activities and share ideas. They will receive resources and templates. The session will include time for presentation, experience, and conversation.

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Beyond Legal Documents: 12 Planning Strategies for a "Good Ending"

Barbara O'Neill, Ph.D., CFP®, AFC®, Money Talk: Financial Planning Seminars and Publications

Keywords: personal finance, financial education, estate planning, financial planning

Target Audience

The target audience is AFCPE members who teach or counsel clients about estate planning and end-of-life planning topics. While the program described below was originally developed for, and delivered face-to-face to, an older adult audience, it is applicable for adult audiences at all ages and stages of the lifecycle.

Objectives/Purpose

1. Participants will learn about the concept of a "good ending" to someone's life.
2. Participants will learn about 12 estate planning strategies that do not involve legal documents.
3. Participants will utilize workshop information in their personal estate planning and/or with clients.

Description

Typical presentations about estate planning topics at classes for adult consumers and at professional conferences for financial practitioners focus on federal estate tax laws that are currently in effect and the importance of having key legal documents that are regularly reviewed and revised as needed. Typically, lawyers prepare these documents (e.g., a will and/or trust, living will, and durable power of attorney) for their clients, although some people prefer to use online resources, instead, to prepare them.

While extremely important, legal documents are only part of what people need for a "good ending" to their life. "Good ending" is a subjective term and includes different things to different people (New Thinking, 2022). Participants will be asked the question "What does a 'good ending' mean to you?" Answers might include dying in peace, "burying hatchets" with estranged persons, having advance directive documents in place, sharing important financial data with trusted parties before and/or after death, preventing confusion/anger after death for survivors and heirs, appointing trusted surrogates, lifetime and testamentary gifting, and sharing preferences for burial, funeral and memorial services, and memorial donations.

This session will approach estate planning from the unique vantage point of steps people can take, themselves, to get their "personal affairs in order." The topics that will be covered are much less commonly presented to consumer and professional audiences, which makes this session a unique value proposition for a Practitioner's Forum. The content is based on a program that was developed for an audience of older adults. The twelve non-legal estate planning strategies that will be discussed in the presentation include: 1. simplification and downsizing, 2. calculating and analyzing net worth, 3. emergency contact cards, 4. a financial "notebook" (paper or electronic), 5. a digital assets inventory, 6. a beneficiary and personal representative designations list, 7. untitled property planning, 8. a letter of last instruction, 9. a personally authored obituary, 10. a pre-planned and/or pre-paid funeral, 11. lifetime gifts and philanthropy, and 12. communication with surrogates and heirs about documents, extra-ordinary care, burial, etc.

Benefits of incorporating the above strategies into personal estate planning include control over asset distribution, peace of mind, and reduced administrative expenses and/or estate taxes. Of course, financial practitioners should refer clients to an attorney for legal advice, especially as related to items 6, 7, 11, and 12, listed above. Presentation materials for the subject of this presentation (i.e., the financial education class delivered for older adults) will be made available to workshop participants so they can adapt or replicate the program in their own practice settings. Program evaluation results will also be shared. Questions for related research include: 1. What are barriers that prevent people from addressing end-of-life issues? and 2. What are younger/older adults' perceptions about estate planning and has COVID had an impact?

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Income Tax Issues for Older Adults

Barbara O'Neill, Ph.D., CFP®, AFC®, Money Talk: Financial Planning Seminars and Publications

Keywords: personal finance, financial planning, financial education, income taxes, older adults

Target Audience
The target audience is AFCPE members who teach or counsel clients age 50+ about income taxes and related financial planning topics, such as required minimum distributions and Roth IRA conversions. The program described below was developed for, and delivered face-to-face to, an older adult audience. There are also valuable insights (e.g., tax diversification) for adult audiences at all ages and stages of the lifecycle.

Objectives/Purpose
4. Participants will learn about thirteen unique income tax issues of concern to older adults.
5. Participants will learn about 2022 and 2023 annual limits related to income tax planning.
6. Participants will utilize workshop information in their personal income tax planning and/or with clients.

Description
In recent years, many financial education programs about income taxes have focused primarily on financial concerns of working families and parents of minor children. In other words, young and middle-aged taxpayers. Examples of topics that are frequently covered include the earned income tax credit (EITC), the child tax credit or CTC (and the expanded and advance CTC in 2021-2022), the child and dependent care tax credit, and how to split tax benefits that involve the children of divorced spouses. Other topics of interest to younger audiences include tax benefits of flexible spending accounts, health savings accounts, 529 college saving plans, and tax-deferred retirement savings plans such as 401(k)s, 403(b)s, and the Thrift Savings Plan or TSP (2022 Tax Updates, 2022).

There is another area of taxpayer financial education that also needs the attention of financial educators: tax issues that are of unique (or primary) concern to older adults who no longer need to make use of the EITC, CTC, etc. That is the unique value proposition for this Practitioner Forum presentation. Income tax preparation can be a challenge for older adults with multiple streams of taxable income (e.g., Social Security, pensions, annuities, required minimum distributions from tax-deferred savings plans, capital gains from taxable accounts, earnings from employment or freelancing, and other sources) and generally more complex finances than younger adults.

This session will describe an educational program titled *Income Tax Issues for Older Adults* that was presented to a class of older adults in February 2022. The class covered current income tax laws, basic income tax concepts, and 13 tax issues that are applicable to many older adults. The thirteen issues are: 1. required minimum distributions or RMDs (including Roth conversions to reduce RMDs), 2. qualified charitable contributions or QCDs, 3. increased standard deduction, 4. the 1040-SR form for taxpayers age 65+, 5. taxable Social Security benefits (including the tax impact of continuing to work or "un-retiring"), 6. catch-up contributions for tax-deferred retirement savings plans for workers age 50+, 7. IRMAA premiums for high-earning Medicare Part B and Part D recipients, 8. no more early withdrawal penalties for tax-deferred savings plans after age 59½, 9. tax impacts from the death of a spouse when the survivor files as a single taxpayer, 10. income tax-related scams, 11. medical expense tax deductions (if higher health care costs in later life), 12. taxable dividends, interest, and capital gains on larger balances (vs. younger taxpayers), and 13. a slightly higher income threshold (vs. younger taxpayers) to be required to file a tax return.

This AFCPE session will wrap up with a discussion of anecdotal observations about older adults' experiences and class evaluation results. Presentation materials for the subject of this presentation (i.e., the community financial education class delivered for older adults) will be made available to workshop participants so they can adapt or replicate the program in their practice settings. Questions for related research are 1.What can working age adults do to prevent tax "issues" in later life? and 2. What are some common income tax "blind spots" of older adults?

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DEI: Why Awareness about Equitable Hiring Practices is Critical to Financial Counselors' Toolkit and Client Engagement

Lauren Richetti, Junior Achievement of Greater Washington & Catalina Laschon, IBM & Career and Money Coach

Keywords: DEI, equitable hiring platforms, equitable hiring practices, financial wellness, job opportunities

Target Audience
AFCPE Symposium participants who work with clients coming from diverse backgrounds, as well as participants who currently work with an organization that is hiring new employees or are involved with their company's hiring.

Objectives/Purpose
This session will enable AFCPE Symposium participants to gain awareness and improve their counseling toolkit with practical examples, to apply equitable hiring practices in their day-to-day work with clients. Participants will also learn about why it is important to be aware of programs and hiring platforms they could recommend to clients from diverse backgrounds, and how such information brings value to their clients. Symposium participants will also receive tips and tricks about how to advise clients to consider companies'/organizations' DEI initiatives and practices when looking for a job, in addition to advising clients to assess salary and benefits while job searching. Finally, during this session, Financial Counselors will be invited to reflect about their role and how they can become involved in how their organizations adopt DEI practices in their hiring practices.

Description
The intent of this presentation is to do a practical deep dive on the relationship between employment and financial goals and reveal how we can address employment, in our work with clients, as a critical area deeply interlinked with our clients' financial health and financial wellness.

Financial Counselors working with diverse populations often notice that despite a very dynamic current job market, not all opportunities are equal. In some cases, diverse populations do not have access to information about opportunities. In other cases, the companies/ organizations' hiring practices are not tailored to the needs and specificities of diverse populations. All this hinders the path to financial health and financial wellness for diverse populations. As Financial Counselors, we need to build awareness around equitable hiring practices and how our involvement impacts our clients' long term personal and financial goals.

The session will include information about current hiring statistics, hiring platforms, advice to financial counseling clients, and DEI hiring practices. It will also include practical use cases, based on client personas, and guidance on how you can incorporate advice about equitable hiring practices in working with your clients. At the end of the session, participants will receive a set of four questions for post-session self-reflection.

We believe that this session will help participants to gain an increased understanding and application of DEI concepts better equips financial professionals to work with diverse clients through improved cultural sensitivity and awareness.

Topics for reflection:

- If you have clients who come from diverse backgrounds, think about the programs and hiring platforms you recommend to them. Do these platforms have a focus of providing diverse communities with job opportunities? (e.g. job platforms link, link)

- For your clients from diverse populations, how do you advise them to assess salary and benefits while job searching? Are they considering companies' DEI initiatives and practices when looking for a job? Are you aware of companies leading in the DEI space and do you mention these to your clients?

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New Partnerships for Bringing Financial Wellness to the Workplace

Laura Rowell, FINRA Investor Education Foundation & Suzanne Bartholomae, Iowa State University

Keywords: financial wellness, workplace, financial education, employer-sponsored small-dollar loan

Target Audience
Nonprofit leaders, financial education practitioners, financial institutions, program developers, funders

Objectives
The objectives of this practitioners' forum are to increase attendees' knowledge and understanding of:

- Potential outcomes and program models undertaken by nonprofit and/or community-based organizations leading workplace financial wellness initiatives.
- How to explain the differences and strengths of workplace-based financial wellness initiatives compared with other types of financial wellness or education programming.
- Service components that can comprise a community-based financial wellness at work initiative and how they were implemented at Iowa State University.
- Training opportunities and other supportive resources to assist with the development and implementation of a workplace financial wellness program.

Description
Financial stress has detrimental effects on the health of individuals, the quality of family and interpersonal relationships, and the bottom line of employers (Consumer Financial Protection Bureau, 2014; French & Vigne, 2019). National data shows that a majority of Americans are feeling financially anxious and stressed (Hasler, Lusardi, & Valdes, 2021). A 2020 Iowa State University Extension and Outreach well-being survey found 79% of employees reported some level of financial stress. As a result, Extension staff at Iowa State began to explore ways to incorporate financial wellness services into employee benefits offerings.

Since 2014, the FINRA Investor Education Foundation has collaborated with United Way Worldwide, Catholic Charities USA, and other partners like universities to support effective workplace financial wellness practices, providing tools, training, and resources to ensure that working Americans have the support they need to make capable financial decisions. Known as Financial Wellness at Work, the program supports community-based approaches to advancing financial capability, with emphasis on middle- and lower-income wage earners (but employees of all income levels can benefit).

Iowa State University began the implementation of their workplace financial wellness program for employees in 2020. The presenters shared the financial wellness services provided to employees during 2021–2022, an initiative that was supported by the Financial Wellness at Work program. The services offered to employees included financial education, resource coordination, financial counseling, and a small-dollar loan program. Strategies for developing, promoting, and evaluating programs will be summarized, along with a summary of program impact.

The presenter from the FINRA Foundation will share tools, resources, and training opportunities provided by the Foundation to support workplace financial wellness programming. Featured items included live and free online training opportunities, research and tools related to the design and implementation of a local employer-sponsored small-dollar loan, and opportunities for implementation grant funding.

References

Consumer Financial Protection Bureau. (2014). *Financial wellness at work: A review of promising practices and policies.* https://files.consumerfinance.gov/f/201408_cfpb_report_financial-wellness-at-work.pdf

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Hasler, A., Lusardi, A., & Valdes, O. (2021). *Financial anxiety and stress among US households: New evidence from the National Financial Capability Study and focus groups*. FINRA Investor Education Foundation. https://gflec.org/wp-content/uploads/2021/04/Anxiety-and-Stress-Report-GFLEC-FINRA-FINAL.pdf?x85507

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Financial Atomic Habits: The Power of Small Changes for Big Results

Cherie Stueve, Plancorp, & Beth Watts, Financial Avenues

Keywords: Atomic habits, financial behaviors, financial habits, financial wellbeing

Target audience
New and experience practitioners, students in personal financial planning

Objectives/Purpose
The session will focus on learning the process to take any financial goal and overlay a framework of strong habit-building. First, participants will learn more about how to brainstorm action steps with clients, utilizing the concept of systemizing atomic habits. Then, a typical financial goal example will be outlined, centered on the power of tiny habits. Practitioners will be able to apply these strategies to their own facilitation style to support clients making small, possible changes to achieve lifelong positive financial habits to ultimately reach financial goals.

Description of Content and Method
Consumers' financial behaviors can be influenced by additional knowledge, but can also be strongly embedded in established habits. The last several years of a global pandemic, market downturn, and current high inflation means individuals must learn to adapt and pivot their money management. Old financial habits may not work anymore or can no longer be endured.

The ideas presented in *Atomic Habits* (Clear, 2018) exploded onto the mainstream a few years ago for application to any aspiration or desired habit, from flossing daily to learning a new language. Most people incorrectly associate new habits or goal achievement with a huge, massive change rather than a series of tiny, sustainable changes over time (Clear, 2018). Yet, a daily 1% change in a positive or negative direction can compound into either an improving or a declining state of wellbeing.

The author champions wellbeing improvements based on habit formation *systems* instead of specific *goals*. Goals in and of themselves represent more of a destination, a singular binary event, rather than an ongoing state of being. Achieving a goal in the future falsely creates the belief that full attainment will bring happiness. Rather, progress and effective routine habits can allow for an immediate and sustaining sense of success and happiness even before reaching the intended destination!

Shifting the focus of financial counseling and coaching sessions to a discussion of small, routine habit changes can help clients create their own *systems* to progress towards a current goal. Practitioners can build and strengthen a client's confidence on how small, possible changes can help create new healthy habits or breaking a bad money habit. Regular engagement with the client helps to monitor progress, celebrate every success regardless of how small, reevaluate systems, and even apply the framework to other financial goals. Consistent atomic habits have the potential to transform a new routine into a new status quo!

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Financial Counseling and Ebenezer Scrooge

David Winfrey, AFC®, Financial Advisor, Soldier Recovery Unit, Fort Sam Houston, Texas

Keywords: Psychological Aspects of Money, Decision Making, Self-destructive behavior, Self-actualization Transforming your relationship with money, Money Scripts, Nearpod, Virtual Learning

Target Audience
Financial Counseling often requires our clients to Change Behaviors. This class explains the steps needed to change behavior, using the story, "The Christmas Carol" as a guide.

1. Scrooge was visited by someone he TRUSTED. Jacob Marley
2. Scrooge explored his PAST
3. Scrooge understood the PRESENT
4. Scrooge was shown a future that HE COULD CHANGE
5. When Scrooge "woke up" his first action was GIVING

Objectives/Purpose
This class with discuss how to change clients' relationship with money, using transformational change of Ebenezer Scrooge and the classic Christmas Story "The Christmas Carol". The purpose of this class is to be both educational and entertaining. The class will be given using the NEARPOD teaching platform. The class is highly interactive. Attendees will take part in a wide variety of online activities, including polls, "post-it" notes for answers, virtual discussion, all the activities showcase the advantages of Nearpod in a virtual classroom.

Description
Come to the Breakout Session to hear how to transform relationships with Money. As counselors we often ask client to change behavior. This class uses the Classic Christmas Story "The Christmas Carol" as our guide to behavioral change. In addition, the class will be taught using the Nearpod teaching platform, Nearpod can make any class very interactive and fun for your clients and or students.

Reference

Klontz, T., Kahler, R., & Klontz, B. (2005). *The financial wisdom of Ebenezer Scrooge.* Health Communications, Inc.

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Breaking Out of Financial Aid Fog

Lorna Saboe-Wounded Head, PhD, AFC®, South Dakota State University Extension

Keywords: financial aid, high school students

Target Audience
Financial educators

Objectives/Purpose
The objectives of this session are to:

1. Explain how the program and tool were developed.
2. Discuss strategies for implementation.

Description of Content and Method
High school students who are pursuing secondary education are making a significant financial investment in their future. Many are borrowing thousands of dollars with a limited understanding of what that means for their financial future. Understanding the cost of secondary education and funding options will empower them to make decisions that won't negatively impact their financial future.

There is more to the cost of college than tuition. According to Ma, Pender, and Labassi (2020), the average cost of attending a 4-year college is $26,820 (in-state), $43,280 (out-of-state), and $54,880 (private). Financial aid is any form of funds to pay for colleges such as grants, scholarships, work-study, and federal and private loans. Not only do teens need to understand the cost of college, but they also need to learn how each type of financial aid can be accessed and the benefits and consequences of each.

The website Federal Student Aid (https://www.studentaid.gov) has multiple resources for prospective college students to help them learn the terminology and steps they should take to apply for financial aid. Post-secondary school websites provide the total cost of attending. The program *Breaking Out of Financial Aid Fog* provides the opportunity for students to apply what they learn about financial aid and college costs to make decisions about their situation. Activities within the program are designed to empower high school students to recognize the cost of college, make decisions to reduce the amount of money borrowed, and understand the repayment process.

This session will describe the educational tool developed for this program. The tool is modeled after an Escape Room activity. The results of a pilot of the project will be discussed and how the program will be disseminated to high school personal finance teachers and youth development educators.

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Financial Abuse: The Subtle Signs and Signatures-What to Do and When to Refer

Shara Young, BS, AFC®

Keywords: Economic abuse, elderly abuse, neglect, credit, debt, fraud, identity theft, legal, intimate partner violence (IPV)

Target Audience

Professionals who assist individuals & couples regarding: financial transactions, credit counselors, financial coaches, financial planners, risk professionals, couples' therapists, trusted friends of victims, clergy, guidance counselors, law enforcement, Victim Services & Support, engaged couples

Objective/Purpose

Attendees of this session will acquire a better understanding of the various ways financial abuse manifests and the vast resources available to counselors to help victims. The purpose is to aid professionals with accurate information, resources, and services to base critical decisions.

Description of Content and Method

While most relationships don't start out abusive, over time unhealthy dynamics can lead to emotional abuse and control issues which can manifest in financial abuse.

Financial counselors and coaches, trusted friends and clergy (hereafter referred to as "counselors") can find themselves advising an individual or mediating between two parties to resolve conflict stemming from an imbalance of power. Counselors who aren't trained in recognizing financial or emotional abuse may shy away from assisting those who need help the most because of uncertainty in how to advise clients.
On the other hand, trained financial counselors can be key in recognizing and bringing to light unhealthy dynamics in order to address problematic behavior before it becomes a crisis situation.
This presentation educates counselors on how to recognize both the signature signs and often missed subtle signs of an imbalance of power and the financial, verbal, and non-verbal signs that accompany them.
The presentation has 3 portions:

1) The first addresses 18 signs of financial abuse.
2) The second outlines steps a counselor can take to keep power balanced between clients in a session, helpful phrases to reassure individuals/victims, the point when one needs to refer to more resources, and best practices in working with other legal and victims advocate groups.
3) The last portion has attendees review short cases to put into practice learned content.

Attendees will come away with higher awareness of financial abuse signs and a solid action plan of steps to take when faced with these critical situations.

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