Consumer Financial Protection Bureau
Financial Education Metrics Development and Research Support Services—CFP-12-Q-00016
Final Report Synthesizing Research Findings and Providing Recommended Hypotheses for Older Americans

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January 17, 2014

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This report is for the Consumer Financial Protection Bureau. This report is not a public document and not for distribution.

Acknowledgements: The authors would like to acknowledge and thank our partners for their contributions to this report: J. Michael Collins—University of Wisconsin-Madison Center for Financial Studies; Michael Edwards—The Ohio State University; Michael Long—ICF International; John Lynch—University of Colorado-Boulder Center for Research on Consumer Financial Decision Making; Kenneth Orvis—University of Tennessee; Richard Netemeyer—University of Virginia McIntire School of Commerce; Michelle Revels—ICF International; R.J. Wirth—Vector Psychometric Group.

EXECUTIVE SUMMARY

This report lays out a definition of financial well-being for Americans age 62 and older. It draws on the scientific literature and in-depth, qualitative interviews to conceptualize financial well-being in a manner that resonates with older consumers' every-day financial experiences. This report also examines the knowledge, behavior and personal characteristics that influence older Americans' financial well-being. It looks at how these forces act in concert to generate a sense of financial security—or lack thereof.

Several key insights emerged over the course of this work:

- When assessing their financial well-being, older Americans think about both their present and future financial circumstances (and future financial circumstances usually span the end of life). Future-oriented behaviors and personal characteristics therefore seem to play a significant role in older Americans' financial well-being.
- Knowledge of financial facts appears to have less influence on older Americans' financial well-being than older Americans' ability to do financial research (and we define financial research broadly to include consulting friends and family and comparison shopping as well as looking up financial information on the internet, reading financial blogs, etc.).
- Financial knowledge generally only affects financial well-being if it is translated into behavior. Understanding the mechanisms by which this translation occurs is therefore critical to understanding how financial knowledge influences financial well-being.
- One's personal networks, socio-economic circumstances and upbringing profoundly influence one's financial knowledge, behavior and personal characteristics.
- Finally, the knowledge, behaviors and personal characteristics that influence financial well-being are part of a compensatory system in that weakness in one area (knowledge of budgeting, for example) can be counter-balanced by strength in another (being a generally frugal person).

These insights comprise the core findings of the Consumer Financial Protection Bureau-funded Financial Well-being Project to date. This report synthesizes these insights and others to produce a definition of financial well-being and a set of hypotheses regarding the financial knowledge, behavior and personal characteristics that influence financial well-being for older Americans grounded in both the literature and in-depth qualitative research with consumers and practitioners.

BACKGROUND AND PROCESS

The research team, consisting of the Corporation for Enterprise Development (CFED) and its partners including the Center for Financial Security at the University of Wisconsin-Madison, the Urban Institute, ICF International and Vector Psychometric Group, are carrying out the Financial Well-being Project in two stages: 1) developing a definition of financial well-being and identifying the knowledge, behaviors and personal characteristics that may most strongly influence financial well-being and 2) developing a scale to measure financial well-being and a research plan for testing the hypotheses regarding its key drivers. This report presents findings from the first stage of the project, and its conclusions pertain to Americans 62 years of age and older ('older Americans'). Findings for Americans between 18 and 61 years of age are presented in a separate, companion report.

The Consumer Financial Protection Bureau (CFPB) intentionally limited the scope of the Financial Well-being Project to the detailed analysis of financial well-being and its immediate drivers in the areas of *knowledge* and *behavior*, as these domains are most likely to be affected by financial-education-related

interventions. The CFPB also requested that the research team explore the personal characteristics that drive financial well-being because these interact strongly with knowledge and behavior.

The Financial Well-being Project's focus on knowledge and behavior does not discount the critical role played by socio-economic status and factors tied to older Americans' social and economic environment on financial well-being. These forces likely have a tremendous influence on people's financial health; and the Financial Well-being Project does examine their impact by researching their influence on key drivers *within* the domains of knowledge and behavior. Socio-economic and environmental drivers are not the primary focus of this paper, however.

FINANCIAL WELL-BEING DEFINED

The first step in our research into financial well-being was an extensive review of the existing academic literature. This review included an examination of research within the fields of economics, psychology, consumer science and sociology, and it revealed that research on financial well-being has been limited—few attempts have been made to define the concept or understand the forces that influence it.

Next, the research team conducted qualitative research in order to develop a definition of financial well-being based on the insights of older American consumers and input from financial practitioners. The research team conducted one-on-one interviews with 59 American consumers—18 of whom were aged 62 and older—with diverse backgrounds in terms of their gender, race/ethnicity, marital status, employment status, income level and geography (US region of residence and urban/suburban/rural locale within US region of residence). In addition, the team also interviewed 30 financial practitioners from a range of professions (financial planner, elder lawyer, etc.) and clientele characteristics (income, age, race/ethnicity, etc.). These recorded one-hour interviews focused on how each person defined financial well-being for themselves (or their clients, in the case of practitioners) and what factors they felt were related to different levels of financial well-being based on their own personal experiences and the experiences of those around them. The research team coded the interviews once they were transcribed so that comments regarding particular subjects or 'themes' could be catalogued and queried. The research team then shared a summary of these catalogued comments, along with an outline version of the project literature review, with a panel of academic and practitioner experts.

The results of the qualitative analysis tended to converge naturally toward a common set of themes, and the expert panel furthered the process. Although individuals' financial experiences and backgrounds are varied and unique, a single, broadly applicable definition of financial well-being emerged. In this sense, financial well-being can be defined as being free from worry about one's finances; this entails having **control over one's finances**, having the **capacity to absorb a financial shock**, being **on-track to meet financial goals** and being **able to make choices that allow one to enjoy life**. The first three dimensions of financial well-being have strong time-frame dimensions: the first pertains mainly to the present and the second and third to the future.

Each facet of our proposed definition of financial well-being was reflected in the qualitative interview themes. Consumers talked about having **control over one's finances** in terms of being able to pay bills on time, and being able to make ends meet within the limits of a fixed income. The importance of having a financial 'cushion' came up often: consumers reported gaining peace of mind from having savings, long-term care and other types of insurance, and being able to rely on friends and family for financial assistance: factors that increase older Americans' **capacity to absorb a financial shock.** Having financial goals—such as having enough money in savings to cover end-of-life-related expenses—and **being on track to meet** those **financial goals—**also made older Americans feel financially empowered. Finally, being **able to make choices that allow one to enjoy life** such as taking a vacation and enjoying a meal

out now and then were also deemed by a large proportion of interviewees to be an essential ingredient in financial well-being.

Drivers of financial well-being

Beyond the primary goal of *defining* financial well-being for older Americans, the secondary purpose of the current study was to identify the *drivers* of financial well-being within the domains of financial behavior, financial knowledge, and personal characteristics. The research team, in collaboration with the academic and practitioner experts, examined the literature review, existing research on the relationship between knowledge and behavior, and the qualitative research findings and developed hypotheses regarding key drivers of financial well-being. The team also constructed a framework that describes how the key drivers relate to one another and to financial well-being. We describe the drivers in terms of their corresponding hypotheses below.

Financial knowledge

1) Individuals who know how to do financial research will have higher levels of financial well-being. Being able to do financial research well involves knowing the following:
    a. *when it is helpful to seek financial knowledge;*
    b. *how to acquire* reliable *financial knowledge;*
    c. *how to figure out which behaviors/choices are likely to improve one's financial well-being and why; and*
    d. *how and when to engage in financial behaviors.*

Good financial researchers possess a suite of skills. For example, they know when to comparison shop rather than simply accept the first offer that comes along, they know how to find someone they can reach out to in order to get reliable financial information and they have the skills to make the calculations to figure out if they can afford to take on a particular loan.

2) Individuals who know how to translate reliable financial knowledge into financial behavior will have higher levels of financial well-being. As a result, individuals who have the following skills are more likely to experience financial well-being:
    a. *an understanding of how to motivate oneself to act on one's financial knowledge; and*
    b. *trust in one's financial knowledge (this assumes that one's financial knowledge is reliable).*

Knowing that one ought to engage in a behavior is different from knowing how to get oneself to engage in a behavior. Individuals who excel at translating knowledge into action are more likely to achieve financial well-being. For example, one interviewee talked about how she often visualizes her future self when making financial decisions so that she is motivated to use her financial knowledge. Similar logic applies to one's confidence in one's financial knowledge: trusting one's knowledge increases the likelihood that one will actually invest one's money rather than simply think about investing one's money.

Financial behavior

1) Individuals who do the following will have higher levels of financial well-being:
    a. *effectively manage their resources on a day-to-day, month-to-month basis;*

b. *plan ahead and have financial goals;*
c. *actively seek out financial knowledge; and*
d. *act on their financial knowledge, making informed decisions about purchases, financial products, money management strategies, etc.*

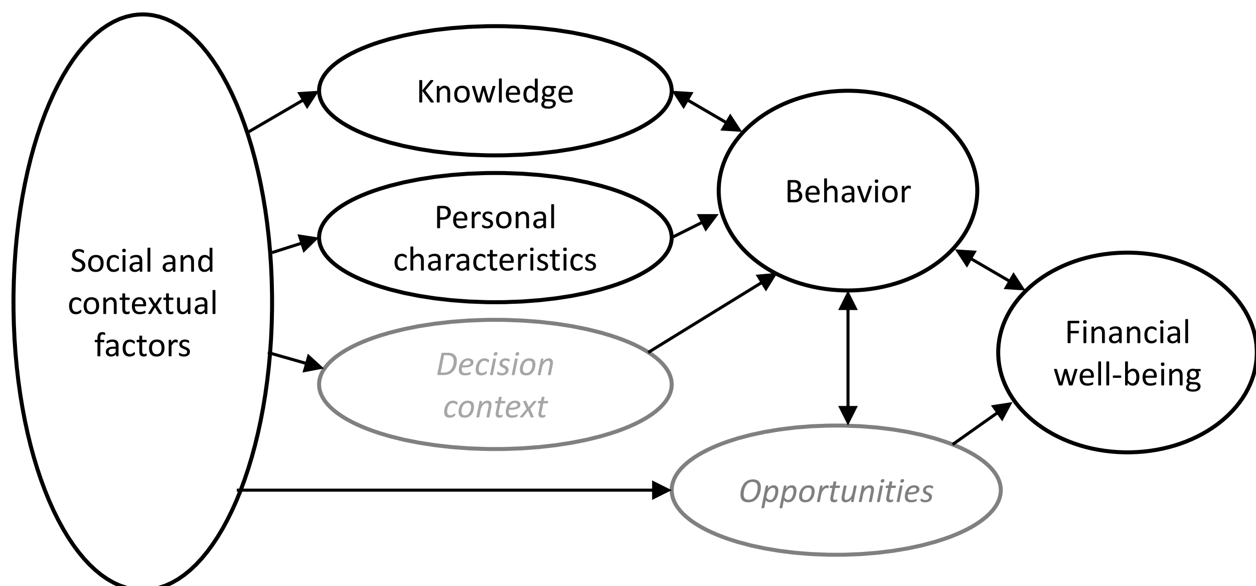
Consumers who stay on top of their bills each month, track their expenses and have financial goals and plans for how to reach them will have higher levels of financial well-being. Individuals who engage in financial research are also more likely to have financial well-being. Finally, individuals who *act* on their financial knowledge (only subtly different from *knowing how* to get oneself to act on one's financial knowledge—but measured, for example, by whether or not one has a will rather than by one's knowledge of strategies one can employ to get oneself to write one's will) are more likely to experience financial well-being.

Personal characteristics

Individuals who have higher levels of the following characteristics are more likely to experience financial well-being:

a. *a propensity to plan;*
b. *future-orientation;*
c. *drive;*
d. *a propensity to work hard;*
e. *conscientiousness;*
f. *self-control;*
g. *ability to delay gratification;*
h. *a propensity to 'measure themselves by their own yardsticks' (i.e. to use an inward frame of reference when assessing themselves rather than comparisons to others);*
i. *self-confidence; and*
self-efficacy.

The larger system of financial well-being drivers



Financial knowledge, behavior and personal characteristics fit within a larger, compensatory system of forces that influence financial well-being. In this system, weaknesses in one domain may be counterbalanced by strengths in another. Further, although the focus of the Financial Well-being Research project is on the personal characteristics, financial knowledge and financial behavior that affect financial well-being, as the diagram above illustrates, social and contextual factors determine one's access to financial knowledge. Social and environmental forces also help to mold one's personal characteristics.

While both the strategies individuals employ and the contexts they operate in differ, our research indicates that people generally pursue the same kinds of financial goals: to be in control of their finances, to be prepared for financial shocks, to achieve financial objectives, and to be able to make the financial choices that allow for enjoyment of life.

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INTRODUCTION

Researchers have relied on measures ranging from FICO scores to the use of predatory financial services to measure personal finance-related outcomes. Although many of these metrics assess the degree to which individuals were able to leverage financial knowledge for financial gain or financial behaviors that increase net worth, it's not clear that these metrics align with older Americans' personal financial goals. This report suggests an alternative. It distills research from the Consumer Financial Protection Bureau-funded Financial Well-being Project into a definition of financial well-being based on consumers' own perceptions of what financial well-being means to them. Subsequent research can use this definition to inform the development of metrics to measure personal-finance outcomes.

This report also provides insight into the forces that affect the financial well-being of older Americans. By triangulating the body of knowledge represented by the literature with in-depth qualitative research into consumer and practitioners' financial experience, the research team and the project's academic and practitioner experts developed a set of hypotheses predicting the contributing influence of various personal characteristics, knowledge and behaviors on financial well-being.

REPORT OVERVIEW AND SUMMARY OF FINDINGS

The literature provided a useful starting point in our investigation of financial well-being and its drivers for older Americans. Building on this, additional insights were gained through an analysis of qualitative interviews with practitioners and consumers examining their understanding of financial well-being and its drivers. By synthesizing what we learned from the literature and our qualitative research, this report is able to offer well-informed hypotheses about what ordinary older Americans want for their lives financially and what may be the best paths for getting there. In addition, it provides insight into a larger, compensatory system wherein individuals may have vastly different levels of financial knowledge, contrasting financial behaviors and distinct personal characteristics, yet their different patterns each combine to yield similar levels of financial well-being.

FINANCIAL WELL-BEING DEFINED

On the surface, Americans' personal financial landscapes differ vastly. The income stream, social networks, financial challenges and options of an older woman struggling to stay in her rented apartment in Los Angeles' rapidly gentrifying Koreatown contrast markedly with those of a Wyoming rancher in his 70s still running cows on his remote Wyoming property. However, at a deeper level, financial well-being has the same fundamental elements for most people regardless of income level, geographic location, age or other socioeconomic characteristics. Financial well-being involves being in **control of one's finances**, having the **capacity to absorb a financial shock**, **being on track to meet financial goals** and **being able to make the choices that allow one to enjoy life.** These facets of financial well-being have strong time-frame dimensions: the first and fourth pertain mainly to the present and the second and third to the future. **Drivers of financial well-being**

In our research, we examined financial well-being drivers within the domains of financial knowledge, financial behavior and personal characteristics. The Consumer Financial Protection Bureau limited the scope of work to these domains because the drivers within them are most likely to be affected by financial education initiatives. Socioeconomic status, social networks and other "environmental" factors likely have a *profound* influence on financial well-being; however, rather than examining social and environmental drivers as a separate domain, this report mainly describes them as influences on drivers in the knowledge and behavior domains.

In the section below we summarize, in condensed form, the testable hypotheses about drivers that we developed from our analyses of the literature, our qualitative interview results, and academics' and practitioners' insights. Later sections of the report explain in detail how we developed and selected this particular set of hypotheses, and present and discuss the hypotheses more formally. In brief:

Personal characteristic-related drivers

Insights from consumer interviews, combined with findings from the literature, indicate that some kinds of people are more likely to experience high levels of financial well-being than others. Interviewees stated that persons who are conscientious and/or hardworking are more likely to experience high levels of financial well-being, mainly because interviewees felt that these characteristics lead to success in the workplace. Interviewees felt that Individuals who are more future-oriented and less impulsive are likely to be better at sticking to a budget and saving regularly and are therefore more likely to have the capacity to absorb a financial shock and be on track to meet their financial goals. Individuals who have higher levels of financial self-efficacy may be more likely to act on their financial knowledge and start a business or invest in the stock market. Finally, individuals who feel less compelled to "keep up with the Joneses" and measure themselves by their own yardsticks are more likely to be able to make the choices that allow one to enjoy life.

Both consumers and practitioners felt older Americans were better at budgeting and saving than younger Americans. This is reinforced by findings in the literature that indicate older Americans have better "crystalized intelligence" or cognitive abilities that are acquired with experience. In the qualitative interviews, however, practitioners indicated that older Americans experiencing the early stages of dementia are particularly vulnerable to financial fraud and are likely to fall victim to scams that would not have ensnared them before their cognitive abilities began to deteriorate.

Financial knowledge-related drivers

The literature and the qualitative interviews suggest that fact-based knowledge has little effect on financial well-being. Rather, individuals need to know how to do financial research—*when* to undertake financial research, *where* to go to get information and *how* to evaluate that information. Individuals also need to know how to get themselves to act on their financial knowledge in service of their long-term best interests and they need confidence in their financial knowledge in order for them to be willing to act on that knowledge. Individuals also need to know how and when to engage in financial behaviors. Although financial blogs, the internet and public libraries are all sources of financial knowledge that were referenced in the qualitative interviews, personal experience and trusted mentors in one's family and social network were individuals' primary sources of financial information—and the qualitative interviews indicate that the financial knowledge base one is able to access via one's networks varies vastly with socio-economic status.

Financial behavior-related drivers

Behavioral drivers of financial well-being are deeply intertwined with the financial knowledge and personal characteristics that influence financial well-being. From the literature and the qualitative interviews, we learned that people who plan ahead are more likely to have the capacity to absorb financial shock and be on track to meet financial goals—and, of course, they are more likely to assess themselves as having a 'high propensity to plan' on a personality assessment. People who do financial research are more likely to experience higher levels of financial well-being and they are more likely to *know how* to do financial research. Similarly, individuals who act on their financial knowledge are more likely to experience higher levels of financial well-being and they are also more likely to *know how* to get

themselves to act on their financial knowledge. Differentiating behavioral drivers from other drivers is likely to be challenging because they are to a large extent driven by knowledge and personality.

REPORT STRUCTURE

The current report summarizes how we arrived at a definition of financial well-being and our hypotheses regarding its drivers, and it discusses how these will inform our research going forward. In the section following the introduction, we hit upon the highlights of our review of the literature. This provided a useful starting point for understanding how these concepts were currently defined and measured and what was known about their relationships to each other within the areas of financial knowledge, financial behavior, and personal characteristics at the level of the individual. Our full financial well-being literature review can be found in Appendix A, and our review of the literature on the connection between knowledge and behavior across a number of different fields can be found in Appendix B. The subsequent section describes findings from our qualitative interviews with older Americans and financial practitioners across the country. These interviews both confirmed much of what we learned from the literature review and provided rich information giving guidance to our definition and key drivers of financial well-being. A more in-depth treatment of our methodology and findings can be found in Appendices C through F. The next section presents a formal definition of financial well-being and the hypothesized relationships that key drivers (based on themes from consumer and practitioner interviews) have with this definition. The report concludes with a discussion of how the findings will inform the development of scales to measure financial well-being and an analysis plan to test its hypothesized drivers.

LITERATURE REVIEW

OVERVIEW

The literature on financial well-being and its drivers is in its infancy. That is, no agreed upon definitions or measures exist for financial well-being. Further, widely agreed upon definitions and measures of financial knowledge and financial behaviors similarly lack clarity; personal characteristics stand out in that the definitions and measures within this domain are better developed. As a consequence, the literature offers only vague insights into how these various measures are related to financial well-being. Presented here is a brief synopsis of the main findings of our literature review with a focus on those elements that are closely related to our research hypotheses. The complete literature review can be found in Appendix A.

We begin with definitions and measures that exist in the literature, move on to relationships between these concepts as described by current research, and conclude with a review of gaps in the field and a discussion of how the literature review informs subsequent phases of the Financial Well-being Project.

DEFINITIONS AND MEASUREMENTS

The first major finding of our literature review is that the consumer science field lacks generally accepted definitions and measurements of financial well-being, financial knowledge, and financial behavior. While definitions and measures of personal characteristics are better developed, exploration into their relationship with the former concepts is still limited.

A formal definition of financial well-being has yet to be articulated in the consumer science literature. Researchers both in and outside of the consumer science field have offered various definitions of financial well-being, but not were developed in a rigorous fashion. Rather, levels of financial well-being (or more accurately, just 'well-being') have been inferred from the presence or absence of other characteristics or behaviors. For example, financial well-being has been described as a consequence of responsible financial behavior (Bucks and Pence 2008; Gerardi et al. 2010; Bayer et al. 2009; Duflo and Saez 2003; Cole and Shastry 2009). That is, if a person engages in one or more behaviors that increase his or her net worth (e.g., contributing to a retirement account), it is inferred that his or her financial well-being has measurably improved, independent of the individual's subjective personal assessment.

Financial knowledge differs from financial well-being in that many measures have been developed and studied in the literature even though 70 percent of studies in this area give no definition of this concept (Huston, 2010). The financial knowledge definitions offered tend to focus on financial literacy. When financial knowledge is measured, it has been assessed both objectively (e.g., ability to calculate compound interest, knowing the distinction between a stock and a bond) and subjectively (e.g., *'on a scale of 1 to 10, how would you rate your level of financial knowledge?'*). Objective and subjective measures of financial knowledge have been shown to correlate well with each other in some studies (Allgood and Walstad 2011; Perry and Morris 2005), but have been shown to diverge when assessing confidence in knowledge in older Americans (Lusardi 2012).

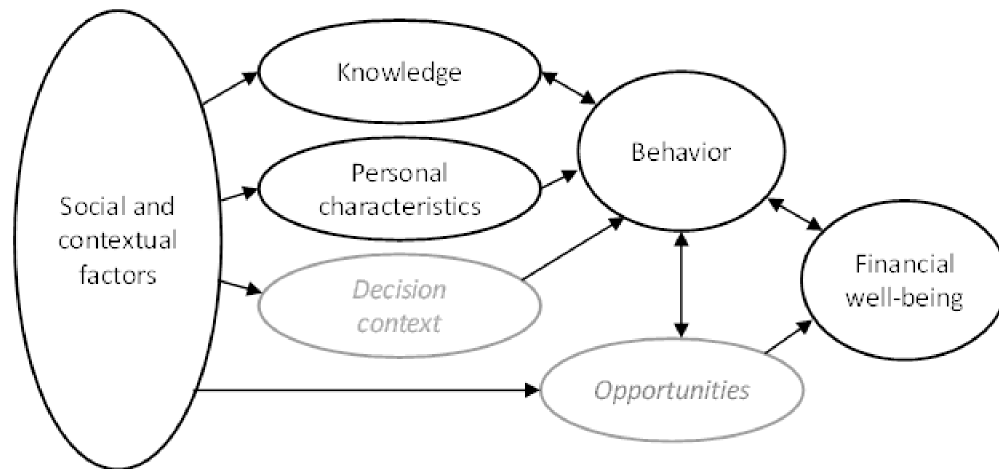
In the literature, financial behavior encompasses a wide range of actions and decisions that affect a household's financial circumstances. Research into financial behavior tends to examine behavior either in a single area (e.g., retirement planning) or across a number of areas at the household level (e.g., cash

flow management, investments). Studies of financial behavior utilize both objective measures (e.g., administrative data on 401(k) participation) and self-reported measures (e.g., *'how often do you exceed your limit on credit cards?'*). The full literature review in Appendix A examines in more detail the financial behavior research in the categories of retirement planning and wealth accumulation; credit usage, debt management, and financial management; mortgage and mortgage default; and investments.

Personal characteristics include demographic characteristics, personality traits, and attitudes. As described earlier, these concepts are fairly well defined in the literature and many of these have been studied in the consumer science field in terms of their impact on knowledge and behavior.

RELATIONSHIPS BETWEEN CONCEPTS

Below is a rough sketch that summarizes the relationships among the major domains related to financial well-being as put forth in the literature. The full literature review in Appendix A examines the relationships between each domain depicted below (with the exception of *decision context* and *opportunities*, presented in gray). This project focuses on those relationships pertaining to personal characteristics, financial knowledge, financial behavior and financial well-being.



The primary relationship explored in the literature is that between financial knowledge and financial behavior. Generally, research has found that more financial knowledge is associated with positive financial behavior, but not in all cases. It should also be noted that the relationship is one of association and not causation. That is, it has not been established that increased financial knowledge causes one to engage in more positive financial behaviors. Part of the issue is that researchers typically overlook the intervening steps between knowledge and behavior including attitude toward the behavior, subjective norms with respect to the behavior (e.g., expectations), and intention (see the Financial Well-being Project's Knowledge Classification Memo (Appendix B)for more information). Further, a recent study (Fernandes et al. in press) has shown that acting on financial knowledge is more likely to occur if the information is learned immediately before (i.e., "just in time") the particular behavior (e.g., buying long-term care insurance). Moreover, the type of measure used to assess financial knowledge appears to

make a difference. That is, some research has shown that subjective measures of financial literacy are better predictors of financial behavior than objective measures (Hung et al. 2009).

A specific subset of financial behaviors, planning behavior, has also been demonstrated to have a positive relationship with financial knowledge. For example, greater financial knowledge is associated with greater planning for retirement, even after accounting for demographic characteristics (Hung et al. 2009; Lusardi and Mitchell 2009). However, some of this same research (Hung et al. 2009) shows no relationship between financial knowledge and dollars saved in 401(k) accounts. Again, these seemingly contradictory findings stress the importance of more research into the complex connection between financial knowledge and financial behavior.

Another aspect of understanding financial knowledge involves distinguishing between explicit (i.e., fact-based) and implicit knowledge (i.e., information that can only be learned by coaching or apprenticeship; considered more complex than explicit knowledge). Research in this area is limited, especially with respect to financial knowledge. However, the underlying theory of increased complexity of knowledge (Bloom 1956; Anderson and Krathwohl 2001) would suggest that implicit knowledge is a better predictor of behavior than explicit knowledge. More information about the relationship between knowledge and behavior, including the distinction between explicit and implicit knowledge, can be found in Appendix B.

The relationship between personal characteristics and financial well-being has not been formally studied. At least in part, this has to do with the lack of a formal definition for financial well-being. What is better understood is the relationship between personal characteristics and financial behavior. Personal characteristics can include demographic information, personality traits, and attitudes. Specific personal characteristics covered in our literature review include age, time preference, and a propensity to plan.

Although cognitive ability is usually assumed to decrease with age, this relationship is not straightforward. Research has shown that cognitive ability is made up of two key components – *fluid cognitive ability* and *crystallized intelligence*. Fluid cognitive ability has been described as the ability to retrieve information from long-term memory and to perform quantitative tasks; this aspect of cognitive ability does decline with age (Finke et al. 2012). However, crystallized intelligence, abilities that are acquired with experience and age, do not appear to be affected by aging. Awareness of this distinction within cognitive ability helps to explain seemingly contradictory findings in the literature about the relationships between age and financial knowledge and behavior. Lusardi and Mitchell (2009) found that individuals over 50 have higher scores on the basic financial literacy index. Other research has shown that good decision-making is highest for middle-aged people and lower for younger and older groups (Agarwal et al. 2009). Older and more experienced investors tend to diversity more, trade less, and hold lower risk portfolios than younger investors (Korniotis and Kumar 2011). These behaviors, to a degree, function as compensation for declines in cognitive ability associated with age.

Other research has connected self-efficacy and confidence to financial knowledge and behaviors. Self-efficacy has been shown to influence consumers' assessments of confidence in their ability to manage finances, perceptions of their ability to achieve financial goals and their ability to stick to a spending plan (Lown 2011). Self-perceived confidence in financial knowledge has been researched in older Americans. Here, it has been shown to remain high even though more objective measures of financial knowledge decrease (Lusardi, 2012). However, other research shows that these perceptions also decline with age, more in line with objective measures (Bruine de Bruin et al. 2012).

Other personal characteristics reviewed in the literature include self-control and time preference. Research has shown that contributions to voluntary retirement accounts are negatively impacted by impatience (Hastings and Mitchell 2010), possibly explaining in part the range of outcomes in retirement savings. That is, those willing to make financial sacrifices in the present (e.g., retirement contributions) for larger gains in the future demonstrate a level of self-control that benefits them in retirement.

GAPS IN THE FIELD

This brief summary of the literature has shown that our understanding of financial well-being is very limited. Currently, there is no consensus on definitions and measures of financial well-being and its drivers in the areas of financial behavior and financial knowledge. Definitions and measures for personal characteristics are more advanced, yet our understanding of the key drivers within this domain that pertain to financial well-being is still very limited.

Seemingly contradictory findings in the consumer science literature underscore the need for widely agreed upon definitions and measures of financial well-being and its key drivers. Since no formal definition of financial well-being exists, one task of the qualitative research described next in this report was to develop a definition based on the experiences of ordinary Americans and financial practitioners that work directly with clients, through the use of one-on-one interviews. A second task of the qualitative research was to learn from Americans and financial practitioners what they view as drivers of financial well-being—that is, determining what those drivers are and in what way they relate, to financial well-being. This research, in combination with lessons learned from the literature and input from experts in the field, sets the stage for developing and refining formal hypotheses about these relationships.

QUALITATIVE RESEARCH

The research team conducted a qualitative study with a, geographically diverse sample of consumers and practitioners in order to understand how older Americans, and practitioners who serve them, define financial well-being and understand its drivers. The study included working-age Americans (between 18 and 61 years old), older Americans (62 years of age and older), and financial practitioners. This report focuses on our research and findings for older Americans; the research and findings for working-age Americans can be found in a separate, companion report. Given the exploratory and sensitive nature of the research topic, the research team decided in-depth one-on-one interviews[1] were the most appropriate investigative approach. One-on-one interviews yield "information-rich" data, and the open-ended question interview format employed by the research team gave respondents the opportunity to discuss financial well-being and its drivers from a variety of perspectives. The research team analyzed the qualitative data and found that in spite of the diversity of the study sample, there were clear themes in the respondents' definitions of financial well-being and their understanding of its drivers. The sections that follow briefly describe the methodology we used to collect and analyze the data; the consumers and practitioners who participated in the research; and the results of the qualitative analysis. A more complete description of the methodology used for the study can be found in Appendix C.

METHODOLOGY

This section focuses on the one-on-one interviews the research team conducted with 18 consumers over the age of 61, although it also references the interviews the research team conducted with 41 working-age Americans. Interview participants resided in Atlanta, Chicago, Washington, D.C., Los Angeles, Wyoming and Tennessee[2]. Each region included between 11 and 33 percent of our older American sample with the lowest numbers in Washington, D.C. while Chicago and Los Angeles were the regions best represented in our sample. There were more men (56%) than women, and persons in their 60s, 70s and 80s were interviewed with the heaviest concentration among those in their 60s and 70s (94%). Study participants were ethnically and racially diverse and had varied educational backgrounds, although persons with at least a college degree were over-represented (56%). The sample included persons with different marital and employment statuses and a range of income sources (pensions, paid work, investments, etc.). The research team also interviewed a similarly diverse sample of 41 working-age Americans. We also present data from these interviews in order to highlight similarities and differences between the responses of older and working-age Americans.

In addition, the research team also interviewed 30 financial practitioners representing a range of profession types (financial planners, elder lawyers, consumer loan officers, etc.) and clientele characteristics (undocumented immigrants, large asset holders, military, agricultural, entrepreneurs, etc.).

The recorded one-hour interviews focused on how each person defined financial well-being for themselves and what factors they felt were related to different levels of financial well-being based on their own personal experiences and the experiences of those around them. The interviews, once

[1] On one occasion we interviewed two practitioner co-workers.

[2] Only working-age Americans were interviewed in Tennessee

transcribed and coded, provided the basis for analyzing prevalent themes that could be incorporated into a definition of financial well-being, and for identifying the key components of financial behavior, financial knowledge, and personal characteristics that drive it.

FINDINGS

FINANCIAL WELL-BEING

We began the qualitative interviews with both consumers and practitioners with the question, "What does the phrase 'financial well-being' mean to you?" We followed with a series of probes and an image exercise to encourage respondents to think deeply about their response. When analyzing the interview transcripts, the research team sorted the respondents' answers into categories or "themes"[3] (see Table 1). For example, the team would have categorized as "savings" a section of interview where an older American discusses savings as something they have done that has had an impact on their current financial well-being.

The financial well-being related themes that arose most often in the interviews included family—as both a financial resource and source of financial knowledge, but occasionally as a financial liability; one's spouse or partner—as a financial resource, source of financial knowledge and enforcer of good financial behavior as long as positive and shared financial outlook and values were present; savings; good employment—most often described in terms of steady employment in a growing field and the ability to pay bills; and lack of financial stress or worry (see quotations below).

Access to healthcare and health insurance was brought up more often in the older-American interviews than in interviews with persons under 62, as was the importance of having a financial plan. Family was mentioned less often in older Americans' discussion of financial well-being, and when it was mentioned, it was generally in the context of avoiding the need for family support. Older Americans brought up good employment less often in the financial well-being discussion, but it was still one of the themes they mentioned most often. Older Americans often talked about paid employment as providing a financial cushion (being able to go back to work if their investments performed poorly) and as a strategy for providing resources to be able to afford vacations and other "wants."

Financial practitioners were more likely to mention capacity to deal with life events in the context of financial well-being, but otherwise the themes they discussed in their interviews were similar to the themes discussed by working-age and older Americans.

These themes provided the basis of the project's definition of financial well-being—the ability to pay bills and provide for one's family relate closely to having control over one's finances; spouse and family as well as health insurance access and savings came up often because they provide a financial cushion and as a result, peace of mind; having a financial plan was central to older Americans' financial well-being—particularly in terms of having a plan to make ones resources last through to the end of one's

[3] Counting the number of times a theme appeared in a set of interviews is one way of assessing its salience. These counts should be interpreted with caution, however. A single person bringing up a theme five times will raise a theme's count total by five points. We double-checked to see if this was a problem in our data, and because we usually included a paragraph of text with each theme, this did not appear to be the case.

life; and being able to make the choices that allow one to enjoy life—essentially being able to afford "wants," not just "needs," was mentioned often.

Ranked themes

Table 1. Ranked themes associated with financial well-being for working-age and older Americans

rank	older Americans	rank	working-age Americans
1	Spouse/partner (knowledge + resource)	1	Able to afford "wants"
2	Family (knowledge + resource)	2	Family(knowledge + resource)
2	Lack of financial stress/worry	3	Good employment
4	Able to pay bills	4	Savings
4	Having a financial plan	5	Able to pay bills
6	Able to afford "wants"	6	Lack of financial stress/worry
7	Good employment	7	Spouse/partner
8	Afford or have access to healthcare/health insurance	8	Home ownership (or lack thereof)
9	Provide for family	9	Afford or have access to healthcare/health insurance
10	Savings	10	Lifestyle

Source: Consumer interviews

Financial well-Being related quotes

"Got to do with planning. I mean if you don't plan correctly, you could have a lot of money and you could be hurting financially month to month because you're not spending wisely, and that's what it takes. It takes - your spending - how you're spending your money. I mean if you can't afford to go to a baseball game - don't go. See what I'm saying? Or if you want to go to dinner and you can't afford to go out for $30-$40 dinner don't go." ***–Older American, Chicago***

"I think over the years, myself and my wife have worked extremely hard and we're very frugal, saved a lot of money in times when we could expect more. And during that period of time when my income and her income was coming in there were many times when we could have purchased a newer car or gone on more vacations or bought the bigger house but we did not. And we ultimately were able to pay off our house very early on." ***– Older American, Los Angeles***

"You know, we went to the Lion King in Omaha. We left here to go to the Lion King. That's a big thing for me because I rather be here than anywhere else in the world. But I wanted to see the Lion King just so much on stage. And it was expensive. So I said you know, is it worth it? Yep. It was worth it to do that. We thought about it. We didn't just impulsively do it." ***–Older American, Wyoming***

"Oh, I think money buys happiness. And, you know, in that it -- you don't have as much stress in your life or worry about the future. I think you can enjoy things. You don't have to worry about every penny that you spend. " ***– Older American, Washington, D.C.***

Financial behavior

Definition of financial behavior

In the qualitative research, we asked older Americans to identify decisions made (or not made) and actions taken (or not taken) that they felt had influenced their financial well-being. We also asked practitioners to describe what their more successful clients tended to do and the kinds of decisions they tended to make. What we heard was that older American developed and adopted many different strategies in order to navigate their financial lives. We also heard that what are normally thought of as singular actions, such as saving, actually encompassed a wide variety of behaviors. Consumers adopted different behaviors or strategies depending on the kinds of problems they encountered or the kinds of goals they are trying to achieve.

The financial behavior-related themes that arose most often in the interviews included being frugal or cheap; managing credit card debt; having a financial plan, budgeting for future expenses, and investing (see Table 2).

Older Americans mentioned managing credit card debt and engaging in financial planning more often than working-age Americans. Older Americans were also somewhat less likely to discuss buying, selling, or owning a home, or mortgages, in their conversations.

Unsurprisingly, budgeting and tracking where your money has gone came up more frequently in interviews with financial practitioners than in interviews with consumers (although budgeting came up frequently in the consumer interviews as well). Overall, however, financial practitioners, older Americans, and working-age Americans tended to focus their discussions around similar behavioral themes.

Ranked themes

Table 2. Ranked themes associated with financial behavior for consumers by age group

rank	older Americans	rank	working-age Americans
1	Being frugal or cheap	1	Savings
2	Credit cards	2	Being frugal or cheap
2	Financial plan	3	Budgeting (future expenses)
4	Budgeting (future expenses)	4	Buying 'wants' versus 'needs'
5	Investing	4	Credit cards
6	Savings	6	Home ownership (or lack thereof)
6	Buying 'wants' versus 'needs'	7	Bad decisions
8	Retirement saving	8	Financial plan
9	Financial advisor	8	Investing
10	Home ownership (or lack thereof)	10	Lifestyle

Source: Consumer interviews

Prominent themes

Being frugal or cheap

Being frugal or cheap was one of the themes that arose most often in the older American interviews. Interviewees described frugalirt as a learned skill, usually acquired during one’s upbringing or through personal experience. Many described being frugal as being disciplined or consciously choosing to spend less money at earlier stages in life in order to save enough for retirement. Similarly, others relied on

tools such as budgets to drive frugal spending habits. For many respondents, being frugal was a lifestyle and it encompassed other habits/behaviors such as saving and buying “needs” and not “wants.”

Credit cards

Many of those interviewed had strong opinions regarding credit cards. Some consumers and practitioners felt credit cards were part of one’s safety net. They said that having access to credit was reassuring because it meant they had financial resources on which to fall back. However, most believed credit cards affected financial well-being negatively. Many interviewees, when discussing the importance of managing resources effectively on a day-to-day, month-to-month basis, did so using behaviors withcredit cards as examples. Interviewees also described acquiring credit card debt as a behavior indicative of one’s inability to plan ahead.

Financial plan

Many older Americans talked about the importance of having a financial plan to manage one’s spending. Interviewees differentiated between financial plans and budgets; they felt financial plans were longer-term and more general than household budgets. Consumers and practitioners said that having a financial plan requires having a goal. Older Americans’ financial plans tended to involve ensuring they didn’t spend down their savings before they passed on and making sure they had the financial resources and/or insurance to afford end-of-life care. A consumer’s financial plan encompasses all of the strategies and behaviors that they use to achieve their goals. For many consumers, budgets are a way of making sure spending habits are in alignment with larger life goals.

Budgeting

Many of the older American interviewees said that they utilized some form of budget. While having a plan to guide spending was a common theme in the project interviewees, the ways that people went about creating and adhering to budgets varied. Some consumers developed short-term, week-to-week budgets in order to manage their money, while others created longer-term budgets. Having a budget made interviewees feel more secure because it allowed them to track where their money was going.

Investing

Many older Americans felt that investing was critical to both long- and short-term wealth creation and a critical ingredient in securing one’s financial future. Older Americans with and without investments both expressed this view. The interviewees described a range of behaviors as “investments” including participation in the stock exchange, purchasing real estate, purchasing a business, etc. One practitioner suggested that all purchases should be viewed as investments as a way of encouraging people to think more strategically about how they spend their money.

Savings

Older-American and practitioner interviewees spoke about saving as a means of securing the future and protecting against unforeseen expenses. For many, saving was a conscious decision and a daily activity, closely tied to being frugal. However, the qualitative interviews revealed that saving is a not a single, discreet behavior, but rather a behavior that encompasses several skills and habits. For some interviewees, saving was depositing money in a bank account. Other consumers felt saving meant spending less or comparison shopping. Consumers and practitioners both agreed that budgeting was an important saving strategy. Some consumers regarded investing as a savings strategy. Interviewees suggested that people employed different saving strategies based on their circumstances and their time horizon.

Home ownership or lack thereof

Many people connected their home directly to their financial well-being, as much of their net worth was tied up in their home. For some consumers, their home was a source of financial stability because it represented their largest asset and gave them access to credit. Many felt their home had intrinsic value—apart from its value as an asset. Some consumers, however, described their home as a detriment, especially in the terms of unaffordable mortgages or unforeseen expenses. Several consumers said that they wished they had not purchased a home just before the 2008 recession.

Summary

The research team grouped the themes mentioned by older Americans and practitioners into a set of key behavioral drivers. First, budgeting, saving, prudent credit card use and other behaviors can be described as **effective managements of resources on a day-to-day, month-to-month basis**. Second, a range of future-oriented behaviors such as financial planning and investing all involve **planning ahead and having financial goals**. Third, **doing financial research** can be conceptualized broadly to include consulting friends and family before making a purchase, relying on one's social network to find a trustworthy financial planner as well as reading financial blogs, books, etc. Finally, buying a home, choosing a retirement savings vehicle, etc. refer to **acting on financial knowledge to make informed decisions about purchases and financial products**. Not described in this section are the financial research-related-behaviors in which respondents engaged.

Quotes related to financial behavior

"I think you got to think restraints, spending restraints. You know, I think that above all. You go to know how much money you have, what's coming in, what's going out, and restrain yourself to what you got, make sure you can really manage your debt well. I think that's probably the biggest thing."
- Older American, Los Angeles

"Yeah, they tell you to write down everything - everything you're spending. Everything. If it was for a candy bar, a pack of gum - keep up with everything. And then ask yourself - did you really need that? Like I said - you may not grow up with that discipline, but you learn it."
- Older American, Chicago

"Financial security in a short statement is – it means that you are not going to panic if something happens. Most people starting don't have that luxury so you've got to plan for it. Have to plan for it."
- Older American, Wyoming

"If I had to do it all over again, I would have went and got a certified inspector and had him inspect the house before I went to settle, before the closing on it because at that time I did that after that happened and then found out there were a bunch more problems. What I thought we had bought had a thorough rehab, but it was just a cosmetic rehab, so there were a bunch of other issues, a bunch of other things that I had to spend money on that would have factored into my decision if I had had that information before I bought the house."
- Older American, Washington, D.C.

Quotes related to financial behavior from financial practitioners

"Never live beyond what you make, always spend less than what you make…. There are people who never spend more than what they make. And then it's just saving. If you can save. What I'm saying is saving is the most central theme to have you know, financial well-being at the later age of your life." (What about for younger clients?) "I would tell them to start saving now. Whatever you could afford. It doesn't matter. Even if you can save 5% or 8% of some financial advisors advise you – whatever you can save. You know, it's a starting point."
- Financial Practitioner, Houston

"Create a plan. Well, we first – be realistic. Being realistic in where you are in your life at that given time. And then creating a plan short term – midterm and long term to get to the point where you want to be. And then, you know, take steps a little bit at a time to get there."
- Financial Practitioner, Los Angeles

"Every bit of financial news or advice that's offered on any news program is being offered by somebody who is getting paid and not by you. I mean there is a lot of knowledge out there. But fluttering it through – letting it go through that filter is critically important."
- Financial Practitioner, Washington, D.C.

FINANCIAL KNOWLEDGE

DEFINITION OF FINANCIAL KNOWLEDGE

We asked older Americans to share with us the most valuable financial lessons they learned over the years, where they learned those lessons, and the information that was most helpful in their financial decision making. We also asked financial practitioners to identify the knowledge they considered most important for their clients to have. What we heard was that consumers gathered financial information from a wide range of sources, but that older Americans relied most heavily on those closest to them for financial information. We also heard that knowing specific financial facts, like the difference between stocks and bonds, was not as relevant to consumers' lives as knowing where to go to get financial information.

One's family, one's upbringing, one's personal experience and financial advisors were the most frequently cited sources of financial knowledge (See Table 3). Knowledge about investing, credit cards and home purchases were the topic-specific items that came up most frequently. Both consumers and practitioners were more likely to mention knowledge regarding optimal behaviors than knowledge of particular facts. Knowing how to do financial research and being engaged in financial research came up often in both the practitioner and consumer conversations.

Older Americans were more likely to discuss the importance of having a financial plan than working-age Americans, and understanding taxes and other government policies came up more often in their interviews. Otherwise the themes that arose in their interviews were similar to the themes that arose in the interviews with working-age Americans.

Financial practitioners often brought up how knowing the resources available in one's community had the potential to improve financial well-being. Practitioners were, however, less likely to cite social networks as a source of financial knowledge.

RANKED THEMES

Table 3. Ranked themes associated with financial knowledge for consumers by age group

rank	older Americans	rank	working-age Americans
1	Family	1	Family
1	Personal experience	2	Personal experience
3	Upbringing	3	Upbringing
4	Financial advisor	4	Financial advisor
4	Watching others/seeking advice from others	5	Watching others/seeking advice from others
6	Spouse/partner	6	Investing
6	Trust in source	7	Trust in source
8	Credit cards	8	Doing financial research
8	Friends	9	Credit cards
8	Investing	9	Savings

Source: Consumer interviews

Prominent Themes

Family and spouse

Older Americans said they relied on those close to them for financial information. Spouses in particular were described a valuable source of knowledge because they could offer a different perspective and serve as a trusted sounding board. Older Americans also felt their children provided valuable financial guidance. Advice from one's family or spouse is often exchanged by way of informal conversations. Some consumers solicited advice by asking what seemed like the best option or by asking how they should go about engaging in a particular financial behavior. Others used their family members simply as sounding boards in order to feel more confident that they are doing the right sorts of things and making the right choices.

Personal experience

Most of the older consumers indicated that they primarily acquired financial information through personal experience. People said that they learned by doing and, frequently, learned from mistakes they have made. This is was especially common with learning how to use credit cards responsibly. Many consumers said they made mistakes and got into debt when they were young, especially if they signed up for a credit card in college. Consumers noted that those bad decisions, as long as the damage from them was not too great, were critical to improving their financial well-being because they taught valuable financial lessons. Many interviewees also indicated that they evaluated information they received from others against their own personal experience.

Upbringing

Upbringing was one of the themes brought up most often in the qualitative interviews. For many consumers, upbringing was their most important source of financial knowledge. Watching one's parents navigate their financial lives greatly impacts how one navigates one's own financial life. Over the course of one's upbringing, one absorbs not only financial facts, but also cultural norms regarding money. Interviewees did not always follow in their parents' financial footsteps—for some watching their parents struggle motivated them to lead their own financial lives differently.

Financial advisor

Financial advisors played an interesting role in the qualitative research. Many consumers cited them as important sources of knowledge, but people said they actually used advisors infrequently. Older Americans indicated that they used financial advisors primarily as a source of knowledge about managing finances or making investments. Others used financial professionals as sounding boards to legitimize knowledge that they themselves already had but lacked the confidence to implement. Perhaps unsurprisingly, financial practitioners were more likely to suggest that financial advisors were important source of financial knowledge. Some consumers, particularly those who had employed a financial advisor in the past, also felt they were critical and that they could be particularly useful for estate planning or in planning the management of their resources through the end of life.

Watching others/seeking advice from others/social networks/friends

For some older Americans, friends and social networks played a similar role to family in enabling access to financial knowledge. Many older Americans used friends and social networks as sources of investment, financial products, financial-planner and comparison-shopping information. In this way, common cultural and social norms are reinforced. Older Americans specifically said that social networks were important sources of knowledge about managing one's financial resources during retirement and estate planning. Financial practitioners also noted that the information consumers get

from friends is not always right and said that social networks can just as easily reinforce bad behaviors as they can good behaviors.

Trustworthiness of financial knowledge

Being able to trust financial knowledge was another theme that came up often in the consumer interviews. Consumers indicated that being able to deem information “trustworthy” was a critical part of translating financial information into behavior. Some practitioners indicated that this may be why consumers tended to gather most of their financial knowledge from family, friends and their own personal experiences. The importance of trust also explains why most consumers said they were referred to their financial advisor through friends or family. Other consumers also said that they trusted their financial advisor because they were introduced in the workplace, which legitimized their advisor’s interests.

Summary

When asked about the financial knowledge older Americans felt was most valuable and the source of that knowledge, they often referred to information shared with them by friends and family. Over the course of the interviews it became clear that consumers, when confronted with a financial decision, consult the financial information sources around them that they trust—and often the source of such knowledge is their personal networks as well as newspapers or books from the local public library. The research team synthesized these insights into an understanding of financial knowledge that involves knowing when it’s helpful to seek financial knowledge, how to acquire reliable financial knowledge and how to figure out which behaviors/choices are likely to improve one’s financial well-being and why and how and when to engage in behaviors likely to improve financial well-being. The centrality of personal networks as a source of financial knowledge provides insight into one of the critical roles that social context plays in financial well-being.

Quotes Related to Financial Knowledge

"Well, my parents always drilled into me that you know, have to - you don't spend more than you can afford. If you can't afford to buy it, then you can't afford to pay for it, you don't want to buy it. I was - I put all my money in - save, save, save, and then really made a big difference. We are able to buy a house. Paid that off in no time because of the - because of my parents basically and the girl that I married. Her parents were the same way too. That was driven into us."
- Older American, Chicago

"Well after my mom then had died and we went through settling the estate then just about, it wasn't immediately after but it's been a couple years ago and then my uh wife, her uh her sister um her husband died, it was just a couple years ago, he was 65 years old, and he had a trucking company, they were, you know, all kinds of assets everywhere, it just took them forever to tease through it, you know? So that experience again, we said ok let's sit down and went back to the attorneys that my mother used and took a look at that again, took my original estate plan and put it with them and although the trust was set up solely based as a trust, they're gonna be able to manage it. So yeah, it was just a process that you go through."
– ***Older American, Los Angeles***

Quotes Related to Financial Knowledge From Financial Practitioners

"Not many people are saving their money for investments. And even if they did, how financially literate are people with respect to investments? I mean people can tell you the difference – price difference between Ross and H&M and Marshalls – but they can't tell you what they would do with that money if I told them to put into something that would earn a return other than a savings account…. Smart people invest their income in income generating assets that add net worth – that grow their net worth over time."
- Financial Practitioner, Los Angeles

"He said you want to sit down with a budget and list out all your expenses and what you think it's going to be every month. And it'll change – for example {too soft} and this and that. Maybe your house might be the same. And then how much money you're bringing in. And then you compare your revenues to your expenses and hopefully at the end, you'll have some money left over."
- Financial Practitioner, Washington, D.C.

"Someone's got to start a conversation. Usually it's the person who's older and seeing this for themselves. But usually or but sometimes it's kids who are coming into the family – in-laws or it's kids themselves who are starting ask questions about you know, what would happen to whatever – personal property or what would happen to – what would you want us to do if something were to happen?"
- Financial Practitioner, Wyoming

PERSONAL CHARACTERISTICS AND ATTITUDES

DEFINITION OF PERSONAL CHARACTERISTICS

During both the practitioner and the older American interviews, we asked respondents whether they felt personal characteristics affected financial well-being. We also provided older Americans with a list of over 30 personality types and asked them to indicate the ones they associated either positively or negatively with financial well-being. During the interviews, respondents described not only the personal characteristics they felt were most strongly associated with financial well-being, but they mentioned attitudes as well (see Table 4).

Self-control, discipline and patience, as well as future-orientation, came up most often as characteristics strongly associated with financial well-being in both the older American and practitioner interviews. Being frugal and not feeling the need to purchase the same consumer goods as one's friends and family were also mentioned frequently. Older Americans tended to discuss the importance of self-esteem in financial well-being while practitioners were more likely to mention self-efficacy (belief in one's ability to reach goals and complete tasks).

Personal characteristics include personality, attitudes, and other individual traits.

RANKED THEMES

Table 4. Ranked themes associated with personal characteristics for consumers by age group

rank	older Americans	rank	working-age Americans
1	Self-control/discipline/patience	1	Hardworking
2	Hardworking	2	Driven
3	Responsible	3	Self-control/discipline/patience
4	Far-sighted/planner/future-oriented	4	Outgoing
4	Being frugal/cheap	5	Self-esteem
6	Driven	5	Stressed/worried
6	Outgoing	5	Far-sighted/planner/future-oriented
8	Open to new ideas	8	Being frugal/cheap
9	Self-esteem	9	Responsible
9	Nice/friendly	10	Not needing to "keep up with the Joneses"

Source: Consumer interviews

PROMINENT THEMES

Self-control/discipline/patience

Spending money is easier than not spending money. People are constantly tempted to spend rather than to save and the respondents felt that achieving financial well-being required possessing the self-discipline to make choices in support of one's financial goals. Older Americans especially felt that having a long-term perspective was important and often described this in terms of making short-term sacrifices for long-term gains. Some older Americans said that they would be in a much better position financially if they had been more disciplined or had possessed more self-control earlier in life.

Hardworking

Older Americans and working-age Americans both felt that hardworking individuals were more likely to achieve financial well-being. Many older Americans were of the opinion that being hardworking led to

more opportunities in the workplace resulting in more stable employment and higher income. Others recognized that having a spending plan and using a budget were not one-time decisions. Instead, maintaining the self-control necessary to stick to a financial plan requires hard work.

Responsible

Some interviewees suggested that more responsible individuals would be more likely to achieve financial well-being. Responsible individuals were characterized as having better abilities to distinguish between needs and wants, pay their bills on time and not fall into debt. Similarly, interviewees felt responsible individuals were better able to avoid risky behaviors such as over-reliance on credit cards.

Far-sighted/planner/future-oriented

Interviewees often expressed the idea that having a plan to cope with unforeseen events or shocks is critical to achieving financial well-being. The ability to plan for the future was often discussed in close connection with being frugal and having self-discipline. Some older Americans said that they would be in a significantly better position now if they had taken a longer-term perspective earlier in life.

Driven

Interviewees used the word "driven" to describe individuals who are highly motivated to achieve a goal. Interviewees felt that being driven correlated positively with "good" financial behaviors like saving and budgeting. Driven individuals were also perceived as more likely to overcome adversity. Older Americans in particular recognized that achieving financial goals sometimes takes a long time and requires perseverance.

Self-esteem

Many interviewees felt that having good self-esteem improved one's financial well-being. There was diversity, however, in what people felt constituted "good self-esteem." Many of the interviewees suggested that emotion-driven spending stemming from low self-confidence tended to negatively affect financial well-being. Some interviewees expressed that they felt low self-confidence prompts impulse spending.

SUMMARY

The research team grouped the themes mentioned by older Americans into a set of key personal characteristic drivers. First, the theme of **being far-sighted,** a **planner,** and **future-oriented** represents the importance of being mindful of the future and how this mindset impacts choices made at earlier stages in life. For older Americans, many talked about how having this characteristic helped them achieve their current retirement situation or how they wished they had that characteristic and acted upon it earlier in life. Second, a range of personal characteristics such as **hardworking**, **responsible**, and **driven** fit together to describe an attitude of conscientiousness, or doing what needs to be done. Other personal characteristics that stand out are **self-control**, **not needing to keep up with the Joneses**, **self-confidence**, and **self-efficacy**.

QUOTES RELATED TO PERSONAL CHARACTERISTICS

"Those where I see people who have financial well-being tend to be confident about themselves and their future…[T]hey are generally prepared and they're generally calm in the face of crisis that will happen. Once they start working a plan, they become disciplined in the plan and you've got to work hard, either to get it if you've never had it, or to keep it if you have it."
– ***Older American, Atlanta***

"Honesty, hard work, humility and respect. I think if you do those – good things happen to good people."
- Older American, Wyoming

"…suppose that being positive would certainly influence anything, whether if it's your job which in turn leads to financial success. But being positive, being up, being – I don't know whether to use the word frugal, I don't know that it's frugal, but just being – what's the word, thrifty, looking for a bargain."
- Older American, Atlanta

think that -- that they plan ahead and make current sacrifices for future gains for financial security and I think people who don't do that have more of a live-for-today mentality.
- Older American, Washington, D.C.

Social and environmental context

Definition of Social and Environmental Context

We explored the role of external influences on financial well-being—including friends, family, neighborhood, region, programs/policy, the workplace and others. The qualitative research indicated that an individual's social and environmental context greatly influenced their access to financial knowledge, in turn affecting financial behavior. Individuals are also strongly influenced by social norms, which play a powerful role in shaping the expectations an individual has for themselves. These expectations in turn guide the behavior and choices that an individual makes, both consciously and unconsciously. Social context also limits the options that an individual has available. While many consumers and practitioners commonly spoke of the importance of personal agency, they also recognized that communities are defined by structural inequalities that shape individual's lives. The qualitative research suggests that individuals' perceptions of their own financial well-being are greatly influenced by their own personal circumstances.

Ranked themes

Table 5. Ranked themes associated with social and environmental context for consumers by age group

rank	older Americans	rank	working-age Americans
1	Family	1	Family
2	Economy	2	Upbringing
3	Life Event	3	Economy
4	Upbringing	4	Spouse/partner
4	Social networks	4	Culture
6	Friends	6	Good employment
7	Spouse/partner	6	Government policies
7	Culture	8	Friends
7	Good employment	9	Social networks
7	Government policies	10	Community

Source: Consumer interviews

Prominent themes

Family

Older Americans talked about relying on family members for financial knowledge, financial support, housing and care. Family also came up frequently in conversations regarding cognitive decline, estate planning and establishing power of attorney. Older Americans also talked about family as both an actual and potential financial liability.

Economy

The health of the economy has particular import for older Americans because of their reliance on investment income. Many older Americans felt their financial well-being was at the mercy of financial markets.

Life event

Many older Americans worried about their ability to cope with major life events, particularly end-of-life illness and disability. They were concerned that end-of-life events could force them to drain their savings and become financially dependent upon family members.

Upbringing

Older Americans felt that one's upbringing strongly influence one's financial knowledge. Some said they learned how to engage in particular financial behaviors because their parents explicitly talked to them about saving or opening a bank account. Others said they learned just by watching their parents handle money. This was particularly true of older Americans with parents who had experienced the Great Depression. Most of those interviewed felt that people tended to adopt values and cultural norms about money during their youth.

Social networks

Social networks encompass friends, family, co-workers, and their connections. Most consumers thought that having an extended social network positively influenced their financial well-being, as they believed that these networks facilitated access to broader resources including employment information, financial support and financial knowledge. Consumers also felt that social networks act as a source of pressure to buy consumer goods.

Friends

For older Americans in particular, friends provided information regarding health care, Medicare and retirement planning. Friends also provided connections to services and community resources. For example, older Americans with financial planners tended to have found their financial planner through friends.

Spouse/partner

Many interviewees suggested that an individual's spouse or partner played an important role in his or her financial well-being. For some, a spouse or partner was a major source of financial knowledge, able to provide insights based on his or her own life experiences and the life experiences of his or her own friends and family. Spouses also came up in the context of discussions regarding the financial security associated with having two breadwinners in a household. Others talked about how their spouse had a positive influence on their individual's financial behavior. Many interviewees said this was particularly true when partners shared common goals or were working within a common financial plan. When partners did not share the same financial values, many said the opposite was true and that a spouse could actually be detrimental to financial well-being.

Culture

Interviewees also indicated that cultural values and social pressure cause some people to overspend. Some referred to it generally as a "culture of consumption" where status is closely tied to material goods. Others talked about it more specifically as feeling as though they had to keep up with friends and family. The role of culture varied by geography—consumers in big cities were more likely to talk about experiencing pressure to buy consumer goods than residents of more rural areas.

Good employment

Many older Americans said they were able to have a secure retirement because of employer benefits. Most said they started saving for retirement through an employer-sponsored retirement savings account such as a 401(k). Many older Americans still relied on employer-sponsored healthcare. Concerns regarding healthcare costs even prompted some older Americans to seek out employment after retirement.

Government policies

Some older Americans felt that taxes negatively affected their financial well-being. Unlike working-age Americans, however, older Americans were much more concerned with receiving social security and accessing Medicare. Some older American consumers felt that these government support systems were critical to their financial well-being.

SUMMARY

When asked about the social and environmental contexts that older Americans felt were most important to financial well-being, they often referred to people in terms of **family**, their **social networks**, **friends**, and their **spouse** or **partner**. Background factors included **upbringing** and **culture**. Situational factors or opportunities involved the **economy**, a **life event, good employment**, and **government policies**.

QUOTES RELATED TO SOCIAL AND ENVIRONMENTAL CONTEXT

"We're depending on our family and family members. We have some young you know, my niece and she's very level headed. She's a teacher - and she's taking care of a Down Syndrome boy too. It's not an easy decision, but you know, so basically she's going to take care of everything and she's a lot younger. You got to do that. You got to leave it to somebody that you figure is going to handle it.
- Older American, Chicago

"Well, I think I mentioned before being hired by the police dept. was a big thing, and um as times has gone on I mean, I said I didn't go that way because of the retirement situation, but it became over the years it was a big thing….That was a big thing and that influences everything else that you do in your life. If you know that check is always gonna be there, which is, you know? And… you know barring the state blowing up and whatever, but it makes a big difference, so… it anchors everything, is what it does."
- Older American, Los Angeles

"Yeah, because you have to plan for illness. And if you don't plan, people go in through life not thinking they're ever going to get sick. And then all of a sudden, they get sick, and they're stuck with big bills. Because they didn't plan properly with insurances or whatever. Just like a funeral. When you die, you got to pay for it. If you don't plan money for a funeral - buying a policy somewhere or whatever - who's going to bury you? Nobody."
- Older American, Chicago

"The biggest challenge? That gets into my political beliefs because I think the system is set up so that only a few people at the top make a lot of money and most people are kept at the bottom. In my opinion, capitalism is a worldwide Ponzi scheme where a few white guys at the top make all the money and the people at the bottom are kept at the bottom because that's the way the system is set up which is why there are so many problems with this system all over the world."
- Older American, Washington, D.C.

QUOTES RELATED TO SOCIAL AND ENVIRONMENTAL CONTEXT FROM FINANCIAL PRACTITIONERS

"I never believed that you could be born into something and have it…but I have to believe that it's, I see it a lot here. When you are born into a family that is twenty people big, or seventeen people big in a three bedroom house it's hard to…maybe living on whatever government assistance there is, that's all you know. There are so many issues as a result of you being born into that household. I mean, it's going to be hard for you to get to school, probably. You're going to be sick all of the time just because of all the people and the conditions that you live in, probably."
- Financial Practitioner, South Dakota

"And then I think the family is there also there is numerous examples of a family that can help somebody at a crucial time in their life and that little bit of help made a difference in their wealth creation for you know, so it's like if you get a small push and somebody doesn't get a push – where you end up at the finish line could be a lot farther distance than your you know, your just – so if you're both in you know, racers – and somebody's got to do a running start and somebody doesn't have a running start, even if they're both equally – equal athletes, the other person is going to – the person has to go push start is going to end up a lot farther down the way. So if a family can help somebody at a crucial time in their career with an investment, that can make a huge difference."
– Financial Practitioner, Los Angeles

Most important influence on financial well-being

At the end of each consumer and practitioner interview, we asked respondents "Out of everything we have discussed today, what do you feel is the most important ingredient in achieving and maintaining financial well-being?" We noted the responses in the topline summaries we created for each interview and then tallied the responses.

Approximately a third of respondents cited money management—including saving and investment—as the most important ingredient in achieving financial well-being. One in five respondents felt that the closely related behavior of having concrete goals and making plans to achieve those goals was what was most important.

Attitude and personal characteristics came up slightly less often. Hard work, responsibility, self-reliance and self-discipline were each mentioned by approximately a dozen respondents as being the most important ingredient in achieving financial well-being.

The next most frequently cited factors were one's education and one's upbringing. Both consumers and practitioners felt that youth tended to pick up the financial habits of their parents. A slightly smaller number mentioned either resiliency, having a positive attitude or self-confidence. Finally either having a job—for persons at the lower end of the income spectrum—or having the *right* job was brought up by a handful of respondents.

Older Americans differed from working-age Americans in that they felt one's job and education level were not critical to their age cohort's financial well-being. In addition, no older Americans included "upbringing" in their list of most important factors. Overall, however, working-age Americans and older Americans identified the same types of forces in their lists.

The most commonly cited obstacles to financial well-being were unexpected crises—usually health emergencies—and high levels of debt. Racism and the government's obstruction of the free market were also mentioned.

Financial well-being definition and hypotheses regarding its drivers

This section of the report triangulates what is known about financial well-being and its drivers in the literature with the key themes from the qualitative research conducted by the team. It synthesizes these inputs into a definition of financial well-being deeply grounded in consumers' insights as well as a set of hypotheses regarding its drivers informed by both the literature and qualitative research with consumers and practitioners.

Several insights guide how we've grouped the insights that have emerged from the literature and the qualitative research into higher-level hypotheses. First, financial well-being and its drivers have a strong time dimension. Financial well-being involves feeling in control of one's finances today *and* being prepared for tomorrow. Individuals who have more future oriented personal characteristics such as high levels of "propensity to plan" (Lynch et al. 2010) and self-control are more likely to have high levels of financial well-being. Similarly, individuals who engage in more future oriented behaviors such as goal setting and retirement planning are also more likely to have high levels of financial well-being.

Second, both the literature and the qualitative research findings suggest that static, fact-based knowledge about financial products and concepts does not drive financial well-being. Instead knowing when and how to find financial information, assess its merit and predict the consequences of acting on that information are what matter.

Third, financial knowledge largely affects financial well-being by way of its influence on behavior. We have therefore included hypotheses that focus explicitly on the translation of financial knowledge into behavior.

Fourth, the drivers of financial well-being fit together into a compensatory system: despite contrasting levels of financial knowledge, disparate financial behaviors and variations in other personal characteristics, two individuals may achieve the same level of financial well-being by using strengths in one area to compensate for weaknesses in another.

Below we describe how these higher-level insights together with literature review and qualitative research inform both a definition of financial well-being and series of hypotheses regarding the personal characteristics, financial knowledge and financial behavior that drive financial well-being.

Definition of financial well-being

Persons who report high-levels of financial well-being are **in control** of their finances, they have the **capacity to absorb a financial shock**, they are **on-track to meet financial goals** and they are **able to make the choices that allow one to enjoy life**. These facets of financial well-being have strong time-frame dimensions: the first and fourth pertain mainly to the present and the second and third to the future.

Individuals of a relatively high level of financial well-being feel in control of their day-to-day financial lives: they manage their finances; their finances do not manage them. Such individuals are able to cover expenses, pay bills on time and do not worry about not having enough to get by. This aspect of financial well-being was mentioned the most often in the qualitative interviews.

Individuals who have a relatively high level of financial well-being also have the capacity to absorb a financial shock. Because they have a support system, a financial cushion or insurance of various types, their lives would not be up-ended if their car or home needed an emergency repair or if they were laid off temporarily from their job. They are able to cope with unforeseen life events.

Individuals experiencing financial well-being also believe that they are on-track to meet their financial goals. They have a financial plan and they are actively working towards goals such as saving to buy a car or home, or are managing their resources so that they will be able to live out the end of their lives comfortably.

Finally, individuals experiencing financial well-being perceive that they are able to make choices that allow them to enjoy life. They can splurge once in a while. They can afford a few “wants” , such as being able to go out to dinner or take a vacation, in addition to meeting their “needs,” and they are able to be generous toward their friends, family and community.

Support from the literature

Overall, the literature on financial well-being is limited, therefore there was little in the way of previous research for the research team to draw on in developing its definition of financial well-being. Strumpel (1976) suggests that financial well-being encompasses satisfaction with income and savings, perceptions of opportunity, ability to make ends meet, a sense of material security, and a sense of fairness in the rewards distribution system. Our definition references contextual factors less mainly because consumers mentioned them infrequently in their personal definitions of financial well-being.

Porter and Garmen (1993) propose that financial well-being “depends not only upon objective and subjective measures of the financial situation, but also on how a person perceives objective attributes of the financial situation after comparing those attributes against certain standards of comparison” (1993, p. 136). The financial well-being scale we develop will largely be based on self-assessment; it will therefore be heavily influence by personal perception. Our qualitative research indicated, however, that individuals are not similarly influenced by ‘standards of comparison’—interviewees often talked about the importance of learning to resist the temptation to keep up with the Joneses. Adding ‘the propensity to measure oneself by one’s own yardstick’ to our list of drivers of financial well-being provides more nuanced insight into this comparative aspect of financial well-being.

Researchers have tended to infer financial well-being from engagement in particular financial behaviors such as managing credit cards well (Allgood and Walstad 2011), acquiring financial knowledge (Atkinson and Messy 2012), knowing mortgage terms (Bucks and Pence 2008), avoiding mortgage delinquency or foreclosure (Gerardi et al. 2010), participating in employer-offered retirement plans (Bayer et al. 2009, Duflo and Saez 2003, 2002, Hung et al. 2009), and financial market participation (Cole et al. 2009). Some authors have suggested a relationship between happiness and financial well-being (Oswald 1997) and between self-confidence and financial well-being (Bearden et al. 2001). Our research adds to this work by defining and measuring financial well-being directly rather than by inferring it from financial behaviors.

Two of the dimensions of the consumer-based definition of financial well-being proposed in this paper are discussed in the existing literature, although not as a unified concept and not in direct reference to financial well-being. Being in control of one's finances is closely related to the concept of financial self-efficacy. Lown (2011) describes financial self-efficacy as a person's confidence in his/her ability to manage finances without being overwhelmed, including consumer assessments of confidence in ability to manage finances, perceptions of ability to achieve financial goals and ability to stick to a spending plan. The capacity to absorb economic shocks also has parallels in current research on financial resilience and financial fragility (Lusardi et al. 2011).

PERSONAL CHARACTERISTICS AND ATTITUDES

We developed several hypotheses regarding the personal characteristics most likely to affect financial well-being.

Individuals who have a higher propensity to plan and are more future-oriented are more likely to experience financial well-being than are individuals who are "living day-to-day".

The literature generally assumes that patience (i.e. higher discount factors) and greater propensity to plan will encourage behaviors such as retirement planning, savings and more judicious use of credit cards, from which higher levels of financial well-being can be inferred (Meier and Sprenger 2009, Lynch et al. 2010).

In the qualitative interviews, consumers and practitioners averred that "planners" and future oriented individuals are more likely to achieve financial well-being. Several individuals also talked about how their own transition from living day-to-day in their youth to becoming more future oriented adults was a critical part of their achieving a higher level of financial well-being.

Driven, hardworking, conscientious individuals are more likely to experience financial well-being than are less motivated individuals.

A large proportion of consumers felt that individuals who were either driven or hard-working were likely to have high levels of financial well-being, primarily because these characteristics, perhaps separately or in combination, are likely to translate into professional success and a higher level of income. Conscientiousness is a "Big Five" personality factor for which there are very well-developed metrics and extensive research (McCrae and Costa 1987; Heckman 2007). Although conscientiousness may be associated with specific traits or characteristics such as "driven: or "hard-working" in our analysis of consumer and financial practitioner interviews, it remains to be seen exactly how these characteristics are related to each other for any one

individual. We therefore anticipate measuring these characteristics separately to assess how they are related to each other and to financial well-being.

Individuals who possess self-control and are able to delay gratification are more likely to experience financial well-being than individuals with weaker self-control.

Researchers have found that the ability to delay gratification is associated with a range of positive life outcomes (Shoda et al. 1990). During the qualitative interviews, consumers and practitioners talked a lot about the importance of patience and the ability to resist temptation particularly in conjunction with saving. However, an inability to delay gratification has been shown to override the positive effects of being future oriented (Anong and Fisher 2013). This latter finding underscores the complex interplay of various personal characteristics.

Individuals who "measure themselves by their own yardsticks" using an inward frame of reference rather than by comparing themselves to others are more likely to experience financial well-being.

Persons with an inward/internal frame of reference may have higher levels of financial well-being than individuals with an outward/external frame of reference. Persons who are not trying to "keep up with the Joneses" are more likely to be content with what they are able to afford than are persons who seek validation from others by attaining coveted material goods (Moschis 1981, Ward 1974, Wong 1997).

The theme of being able to resist the pressure to keep up with the Joneses came up often in the qualitative interviews and many felt their own ability to resist this pressure was critical to their financial well-being both because it made it easier for them to save and because they felt they could be happy with less. The academic literature provides a number of explanations for "keeping up with the Joneses," including caring about how one's income compares to others (reference-income or rank-income hypotheses; Boyce et al. 2010), materialism being influenced by image management (Wong 1997), or social motivation rather than economic motivation for consumption (Moschis 1981).

Individuals who are more self-confident and have higher levels of self-efficacy are more likely to experience financial well-being.

Practitioners and consumers pointed out that those who felt as if they could affect their circumstances and create a better life for themselves were more likely to engage in financial behaviors that had a high probability of producing that life. Research has shown that investment knowledge confidence has been found to be a reliable individual predictor of investing self-efficacy (Chen et al. 2001), and that some households avoid certain assets (e.g., stocks) because they are aware they lack the skills to invest efficiently (Campbell 2006). Further, working adults' investment knowledge and knowledge confidence are reliably related, but investment knowledge itself was not a reliable individual predictor of investing self-efficacy. However, overconfidence can be a problem, leading consumers not to seek information and encouraging riskier decisions (Hadar et al. 2011, Barber and Odean 2011). Because of the various ways that confidence has been researched, it may be particularly useful to distinguish between general confidence and financial self-confidence in the next stage of Metrics development to better inform this hypothesis.

FINANCIAL KNOWLEDGE

Financial knowledge is what one needs to know in order to navigate one's financial life in support of one's life objectives. Financial knowledge may be both conscious and non-conscious. Non-conscious knowledge would include automatic routines that are activated by a particular decision or circumstance with little conscious thought. For example, someone raised in a family where home ownership was the norm will have a lot of non-conscious knowledge regarding what's involved with purchasing a home that they would not think to mention if asked what one needs to know in order to buy a home. Both the literature and the qualitative interviews suggest that explicit factual financial knowledge, such as knowing the difference between a stock and a bond, has little effect on financial well-being. Instead it's the ability to do just-in-time financial research *well* in parallel with these stored automatic routines and tacit knowledge that drives financial well-being.

Our qualitative analysis of consumer and practitioner interviews and review of the literature identified four potential knowledge-related drivers of financial well-being:

Individuals who know how to do financial research will have higher levels of financial well-being. Being able to do financial research involves knowing the following:

- ***a. when it is helpful to seek financial knowledge;***
- ***b. how to acquire reliable financial knowledge;***
- ***c. how to figure out which behaviors/choices are likely to improve one's financial well-being and why; and***
- ***d. how and when to engage in financial behaviors.***

When: One must first know when to seek financial knowledge—persons who are over-confident in their financial knowledge and/or who are unable to perceive when additional knowledge would be helpful may not seek financial knowledge when it would improve their financial well-being. In today's world, financial knowledge is often acquired "just-in-time" before making specific financial decisions. Therefore knowing when to look for more information is critical.

How: Once persons are able to recognize that they would benefit from additional financial knowledge, knowing how and where to do financial research is critical. Financial research includes an array of activities including comparison shopping, finding out about the programs and resources available in one's community or workplace, understanding the steps one needs to undertake in order to invest, etc. Individuals who have people they trust in their personal networks (family members, friends, financial advisors, etc.) who have financial expertise and can be consulted on a variety of personal finance-related topics will likely have a higher level of financial well-being.

Why: Persons who know that having an emergency savings fund, setting financial goals, budgeting, etc. are important, who are able to envision or have experienced the consequences of engaging in these behaviors (and are therefore likely to be more motivated to engage/persist) and understand that not engaging in these behaviors exposes themselves to risk are more likely to have financial well-being. Skills such as numeracy assist in better understanding the consequence of financial behaviors. For example, the ability to calculate compound interest

helps one to understand the value in saving large sums of money early in life and may incentivize this behavior.

How and when to engage in financial behaviors: Understanding WHAT to do is one thing, understanding HOW and WHEN to do it is another. "How" encompasses knowing the appropriate steps to take to achieve a financial goal—for example, knowing how to open a savings account. "When" implies understanding how to optimally time one's actions—for example, in most cases the earlier in life one starts to save for retirement, the better. This knowledge may be conscious or non-conscious.

ABILITY TO TRANSLATE KNOWLEDGE INTO BEHAVIOR

Individuals who are high in financial knowledge and trust their financial knowledge (but are not over-confident in their financial knowledge) are more likely to experience financial well-being.

Having financial knowledge isn't enough, one most also trust that knowledge in order to have a sense of self-efficacy.

Individuals who act upon their financial knowledge are more likely to experience financial well-being

This is closely related to the final financial knowledge hypothesis in that it involves the actual implementation of the knowledge necessary to achieve high levels of financial well-being.

FINANCIAL BEHAVIOR

Financial behavior includes the actions and decisions that occur in or influence one's current and future financial well-being. The literature review and qualitative analysis of consumer and practitioner interviews identified four potential behavior-related drivers of financial well-being:

Individuals who effectively manage their resources on a day-to-day, month-to-month basis will have a higher level of financial well-being.

Persons who stay on top of their bills each month, are able to manage their debt or have no debt, live within their means, etc., are more likely to have a higher level of financial well-being. The literature shows that financial capability, defined as the ability to control and manage one's own finances, is positively related to the propensity to save and save regularly, household income in later years, and life satisfaction (Taylor 2011). Other research indicates that greater financial knowledge was associated with better cash-flow management, credit management, savings, investment, and other money management behaviors (Hilgert, Hogarth, and Beverly 2003).

The qualitative research yielded many behaviors that may positively impact financial well-being. However, most consumers indicated that simply being able to manage the day-to-day things budgeting or using credit was most important to their financial well-being. Most consumers when first asked to define financial well-being said that it was not having to worry about paying your bills or being able to afford the basics. Consumers and practitioners both agreed that making sure that you had enough to meet your monthly obligations started with managing one's

resources on a day-to-day basis. How to best manage one's resources was contingent upon that individual's particular context.

Individuals who plan ahead and have financial goals will have a higher level of financial well-being.

Persons who have plans in place to weather illness, layoffs, etc., will have a higher level of financial well-being as will individuals who save and have financial goals. This hypothesis is closely tied to some of our personal traits and attitudes hypotheses.

Consumers and practitioners both emphasized the importance of having clear and realistic financial goals. The importance of having a goal in the process of identifying and evaluating financial behavior was a common theme in the qualitative research. Regardless of what the goal was, people tended to seek out knowledge and choose behaviors that best allow them to reach their goals. The qualitative research strongly indicates that deliberately planning into the future and developing longer-term goals encourage consumers to engage in behaviors that positively impact their financial well-being both presently and into the future.

From the literature, a number of approaches have been used to investigate financial planning and the use of financial goals. For example, asking the question *"How much have you thought about retirement?"* with response options like *A lot, some, a little, hardly at all* is just one way of capturing this information (Lusardi and Mitchell 2009). Also, behavioral intention has been put forth as the most important factor in preventing risky credit behaviors and credit card debt accumulation to college students (Xiao et al, 2011). Further, attitudes toward planning for the future are related to financial capability (Atkinson et al, 2007). Financial planning also affects wealth accumulation (Ameriks, Caplan and Leahy 2003) and promotes greater satisfaction in retirement (Elder and Rudolph 1999). It will be important to consider these various factors and considerations in the development of metrics for this driver of financial well-being.

Individuals who actively seek out financial knowledge will engage in financial behaviors that improve their financial well-being.

Persons who shop around for the best deal, seek out a financial advisor and use their spouse (if their spouse is a good financial partner) for a sounding board before making financial decisions, etc. will have a higher level of financial well-being. This hypothesis is closely tied to knowing when and how to acquire reliable financial knowledge.

The qualitative research suggests that financial knowledge and financial behavior are tightly interconnected. Behavior is guided by both conscious and unconscious financial knowledge. Consumers and practitioners both agreed that the process of actually doing research leads people to make better financial decisions and, thus, engage in better financial behaviors.

Individuals who act upon their financial knowledge and make informed decisions about purchases and financial products, will have higher levels of financial well-being.

Persons who have a savings account, a retirement account in which they invest, who have secured a mortgage with reasonable terms if they own their home, etc., will have higher levels of financial well-being. Testing this hypothesis will likely involve many objective financial capability metrics such as ownership of a savings account, 401K plan, etc. Further, some individuals will have many of these decisions acted upon by others (i.e., a comprehensive suite

of benefits from an employer), minimizing their actual need to act upon this knowledge. Taking this consideration into account in the next stage of research is critical.

The qualitative research demonstrated that there is often a gap between people's intentions and their actions. Simply knowing what one should do was not enough to achieve financial well-being. Consumers and practitioners both indicated that while seeking out financial information is important, people have to act on that knowledge. The qualitative research suggests that a major part of this process is persisting in financial behavior. For example, opening a 401(k) is not enough to save for retirement—an individual must invest and put money into that account over the span of many years before that account significantly impacts their financial well-being. Financial behaviors are not singular actions, but are comprised of many decisions that consumers make every day. Engaging in a particular behavior and evaluating if that behavior fits one's particular needs greatly influences how a behavior impacts an individual's overall financial well-being.

An example from the literature demonstrating a nuanced interaction of knowledge and behavior comes from Hader, Sood, and Fox (2011). They showed that individuals with higher subjective knowledge are more likely to say they would join a 401K plan, understand 401K plans, and choose riskier investments (with higher long-term returns) than those with lower subjective knowledge (Hader, Sood, and Fox 2011).

CONTRIBUTION TO THE FIELD AND TO THE WORK OF THE PROJECT GOING FORWARD

This report offers a definition of financial well-being informed by what consumers feel the concept means to them personally. We arrived at that definition first by reviewing the financial well-being literature (to find that very little headway has been made in defining it), then by interviewing consumers around the country to discover how they define financial well-being. Despite marked differences in the ethnicity, socio-economic status and geography of those interviewed, high levels of financial well-being equated to a remarkably similar list of conditions for most individuals: being *in control of one's finances*, having the *capacity to absorb a financial shock*, being *on track to meet financial goals* and being able to make the choices that allow one to enjoy life. Further, the proposed definition of financial well-being describes both older Americans' and working-age Americans' perceptions of the concept.

Our process necessarily began with defining financial well-being. To date, our project has delivered a proposed definition grounded in expert opinion, the existing literature and, most importantly, the voice of the consumer. With a well-grounded working definition in hand, we developed testable hypotheses regarding a set of personality-, knowledge- and behavior-linked forces that we identified as potential drivers of financial well-being. Those hypotheses build on key insights that emerged from both the published literature and our qualitative research:

- The personal-characteristic and behavioral drivers of financial well-being, like the components of financial well-being itself, include short-term (present) and longer-term (future) considerations. The importance of an individual's capacity to manage day-to-day affairs of the present as well as plan for the future is evident in both the behavior and personality-characteristic-related hypotheses. Setting and making progress towards financial goals is a particularly important future-oriented behavior. Financial goals motivate people to delay gratification, to save and to seek financial knowledge.

- The literature and the qualitative interview results suggest that factual knowledge has little effect on financial well-being. Instead, individuals need to know how to pursue financial research as needed—including *when* to undertake such research, *where to go* to get information and *how* to evaluate and act on the information acquired. This finding frames aspects of both the knowledge and behavior related hypotheses.

- Financial *knowledge* does not necessarily translate into financial *behavior*—or to subsequent financial well-being. Our hypotheses examine the dynamics of this translation explicitly.

- One's personal networks, socio-economic circumstances and upbringing profoundly influence one's access to financial knowledge, acquisition of financial skills, habits and norms and development of attitudes and personal characteristics.

- Finally, the knowledge, behaviors and personal characteristics that influence financial well-being are part of a compensatory system in that weakness in one area (knowledge of budgeting, for example) can be counter-balanced by strength in another (being a generally frugal person).

This report provides an evidence-based, clearly articulated definition of financial well-being that has the potential to provide the field with greater directionality both in research and in policy. There is still much to learn, however. The hypotheses proposed in this report need to be tested and further refined. Scales need to be developed or identified in the literature so that the concepts we have articulated can be measured accurately and reliably. Further, additional research needs to be done to understand how social and environmental factors, the decision context and the availability of opportunities affect financial well-being. It is our hope that this research will help to lay the groundwork for a range of future efforts to better understand financial well-being and its drivers.

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Appendix A: Literature review

Literature Review

Financial Education Metrics Development

Summary of Findings from Literature

Older Americans

Objectives

This review of the literature shows that the financial well-being literature for older Americans (those over age 62) is in its early stages. The literature does not yet identify causal effects of financial knowledge and cognitive ability on financial well-being, and little is known about the relationship between age (and aging) and financial well-being. The literature lacks clear, consensus definitions of the concepts of financial knowledge, financial behavior, and financial well-being. Measures of cognitive ability are more developed, although the interplay of cognitive ability with financial knowledge, behavior, and well-being is not well understood. The absence of widely accepted definitions for financial knowledge, behavior, and well-being hampers the development of valid and reliable measures with strong psychometric properties.

In general, the literature finds that less financial knowledge is associated with suboptimal financial behavior. Research also finds that declines in cognitive ability that begin after age 60 are associated with negative financial decision-making among older Americans. By and large, the literature does not directly measure financial well-being, but rather, infers lower financial well-being from suboptimal financial behaviors.

This literature review draws from fields such as economics, psychology, gerontology, neuropsychology, and sociology with the goals of summarizing what is known from credible research about the specific knowledge and behavior that predicts financial well-being for older Americans and the effects of cognitive impairments in financial decision-making and behavior. Below we summarize: (a) definitions of financial knowledge, cognitive ability, financial behavior, and financial well-being, (b) what is known about how financial knowledge and cognitive ability relate to financial well-being and/or financial behavior, (c) the importance of personal traits and social context in predicting financial well-being, and (d) gaps in knowledge.

Definitions of Financial Knowledge, Cognitive Ability, Financial Behavior, and Financial Well-Being in the Literature

To better understand the channels through which financial knowledge, cognitive ability, financial behavior, and financial well-being interact with one another, it is important to look at how experts have defined these concepts.

Researchers use varied definitions for “financial knowledge” and sometimes use the term interchangeably with the term “financial literacy.” Some studies reviewed, however, provide a conceptual discussion of financial literacy. Looking broadly across the literature (not only literature focused on older Americans), there appears to be a growing consensus that in addition to a knowledge or information component, financial literacy has an action component—that is, the ability to put financial knowledge to use. Older American’s cognitive ability features prominently in the literature, as natural cognitive declines that occur as adults age can negatively impact financial decisions. Cognitive ability has two important components—“fluid” cognitive ability, which is based on cognitive effort and processing, and “crystallized” intelligence, which is based on experience.

Financial behavior is often described not as a concept but as a list of actions related to money management, the most common being retirement planning and wealth decumulation, credit and debt management, cash flow management, and investing. The literature offers little in the way of defining financial well-being. For the most part, financial well-being is inferred from positive financial behaviors or knowledge and in some studies from greater wealth.

Below we summarize how financial knowledge, financial behavior, and financial well-being have been defined in the literature. Under each of these three concepts, we describe how the literature has conceptually defined and operationalized the measures.

Definitions of Financial Knowledge and Financial Literacy

Conceptualization

The terms financial knowledge, financial literacy, and financial capability are often used interchangeably. Definitions of these concepts are typically not provided. Huston (2010) finds that roughly 70 percent of studies of financial knowledge or financial literacy gave no definition. Studies that do propose a definition tend to focus on financial literacy. As the definitions listed below indicate, financial literacy is often seen as having both a knowledge and action component. While various definitions have been proposed, empirical studies tend to select a portion of the concept definition for their purposes, working backwards from the data they have available to indicate the level of literacy or knowledge. Examples of definitions of financial literacy are as follows:

- The President's Advisory Council on Financial Literacy defines financial literacy as “the ability to use knowledge and skills to manage financial resources effectively for a lifetime of financial well-being” (Knoll and Houts 2012, p. 405).
- Atkinson et al. (2007) incorporates knowledge and behaviors into their definition, including an individual’s ability to “understand the fine print,” to choose between products, and to stay informed on product features.

- Hastings and Mitchell (2010) define financial *illiteracy* as the lack of "knowledge of key economic concepts and skills needed to make financial computations, which may cause [individuals] to make suboptimal financial decisions".
- Widera et al. (2011) assess financial literacy through financial decision-making capabilities such as bank statement management ability, checkbook management ability, bill payment skills, and knowledge of financial concepts.
- Mason and Wilson (2000) define financial literacy as "an individual's ability to obtain, understand and evaluate the relevant information necessary to make decisions with an awareness of the likely financial consequences" (p. 31).

OPERATIONALIZATION

Two approaches are taken to measure financial knowledge, sometimes in combination: objective (or actual) knowledge measured through a test instrument, and subjective (or perceived) knowledge measured through a self-assessment of one's level of mastery of financial matters. These two approaches can produce different estimates of knowledge. Perceived financial knowledge has been found to be highly correlated with objective financial knowledge in some studies (Allgood and Walstad 2011; Perry and Morris 2005), but equated with overconfidence in others (Shim and Serido 2011; Perry 2008). Using cross-sectional data, studies that focus on older Americans find that confidence in financial ability (i.e., subjective knowledge) does not decline with age even though objective measures of financial ability do (Lusardi 2012). However, in a paper that compares objective and subjective knowledge of people over 18, subjective financial literacy was found to be a better predictor of several financial behaviors than objectively measured financial knowledge among people currently enrolled in a defined-contribution pension plan (Hung et al. 2009). Below we describe objective and subjective measures of financial knowledge used in the literature.

OBJECTIVE/ACTUAL MEASURES OF FINANCIAL KNOWLEDGE

Current objective measures of financial knowledge range from a small number of questions to longer batteries of questions. Some questions capture domains of household finance (e.g., compound interest and inflation), while others capture people's ability to process numerical concepts. Numeracy questions are less prevalent in the literature for older versus working-age Americans, but have been used as part of larger assessments (Hung et al. 2009; Agarwal et al. 2009). Examples of financial knowledge measures used in the older American literature include:

- A multi-dimensional measure of financial literacy based on questions covering basic financial concepts (numeracy, compound interest, and inflation), investing, insurance and annuities, and dedicated retirement accounts. The measure is developed and evaluated using item response theory (IRT) models (Hung et al. 2009).
- A 20-item scale developed by the authors covering four content areas: basic personal finance, borrowing, investing, and insurance (Finke et al. 2012).
- The "financial capability instrument" which is a "standardized psychometric instrument based on a conceptual model that views financial capacity at 3 levels: specific financial abilities (tasks), broader financial activities (domains) important to independent functioning, and overall financial capacity (global scores)" (p. 929). Specific categories include basic monetary skills, financial concepts, cash transactions, checkbook

management, bank statement management, financial judgment, bill payment, and investment decisions (Triebel et al. 2009).

- A financial literacy index equal to the sum of correct responses to questions: chance of disease, lottery division, numeracy in investment context, compound interest, inflation and risk diversification (Hastings and Mitchell 2010).

Subjective/Perceived Measures of Financial Knowledge

Assessing subjective financial knowledge involves asking consumers to rate themselves on how much they know. This can be based on a single question aimed at assessing overall financial knowledge, or it can be domain specific, where consumers are asked to rate their knowledge in specific areas. Subjective measures of financial knowledge examined in the literature for older Americans include:

- A series of statements about respondents' general financial knowledge and assessment of their understanding of their *specific* financial situation (measured on a six point scale). Statements include: I am pretty good at math, I understand the stock market reasonably well, I am familiar with the different types of investments available to me, and I have a good understanding of the fee structure of my mutual fund investments (Hung et al. 2009).
- Finke et al. (2012) use a set of 4 questions to assess financial confidence. The questions ask participants to rank from 0 to 10 (with 0 being very low confidence and 10 very high confidence): "How confident are you with measuring money?" "How confident are you with managing credit and debt?" "How confident are you with using investment products?" "How confident are you with using insurance products?"

Definitions of Cognitive Ability

Conceptualization

Cognitive ability has two key components—"fluid cognitive ability" and "crystallized intelligence."

Cognitive abilities that are acquired with experience and age are called crystallized intelligence (Bruine de Bruin et al. 2012). Fluid cognitive ability, on the other hand, is based on cognitive effort and processing, which research finds declines with age.

Fluid cognitive ability has been described as analytic functioning and includes concepts such as working memory, reasoning, spatial visualization, and cognitive processing speed (Agarwal et al. 2009). Other definitions describe fluid cognitive ability as reasoning, deliberation, pattern recognition, problem solving (Bruine de Bruin et al. 2012), and the ability to retrieve information from long-term memory and to perform quantitative tasks (Finke et al. 2012).

Articles have also examined dual modes of thinking: affective/experiential (relatively effortless and spontaneous) and deliberative (conscious, analytical, reason-based, verbal, and relatively slow) (Peters and Bruine de Bruin 2012). Affective/experiential thinking is associated with crystallized intelligence, while deliberative thinking is associated with fluid cognitive ability.

Operationalization

Research attempts to measure cognitive ability have used a variety of tools that vary depending on whether they are concerned with measuring fluid cognitive ability or crystallized intelligence.

Fluid cognitive ability has been measured using various standard tests such as (1) a shortened version of Raven's Standard Progressive Matrices (a non-verbal test of inductive and analytic reasoning) (Bruine de Bruin et al. 2012) and (2) the Raven's Progressive Matrices combined with four other measures of inductive/reasoning ability (letter sets, number sets, cognitive reflection test, and numeracy test) (Li et al. 2013). Cognitive ability has also been measured using self-reported self-comparison in perceived decision-making competence (Bruine de Bruin et al. 2013).

Crystallized intelligence has been measured using three standardized tasks: (1) the Shipley Vocabulary task (a 40-item multiple-choice synonym vocabulary test), (2) an antonym vocabulary task (10 multiple-choice antonym selection items), and (3) the WAIS-III Information Task (28 open-ended general knowledge questions about events, objects, places, and people) (Li et al. 2013).

Declines and cognitive impairment are also measured using various scales and inference techniques. Cognitive ability impairment is measured using clinical dementia rating scale and mini mental state examination (Triebel et al. 2009). It is also measured in the scale of Alzheimer's disease progression: normal aging, mild cognitive impairment, mild Alzheimer's disease, moderate Alzheimer's disease, severe Alzheimer's disease (Widera et al. 2011). Cognitive ability impairment has also been inferred from declining investment performance (Korniotis and Kumar 2011).

Definitions of Financial Behavior

Conceptualization

In the existing literature, financial behavior is typically described through a list of actions (e.g., timely bill payment), rather than defined as a concept. The most common behaviors that are included in this category are retirement planning, credit card usage, and cash flow management.

Operationalization

Measures of financial behavior range from household behavior in a single domain (e.g., retirement planning, 401k contributions, credit usage) to household involvement/choices across a set of domains (e.g., cash flow management, investments). Financial behavior includes self-reported measures and actual choices reflected in administrative data. Below we describe the financial behaviors examined in the literature, grouped into the following categories: retirement planning and wealth accumulation and decumulation (building up and drawing down one's assets, respectively); credit usage, debt management, and financial management; mortgage and mortgage default; and investments.[4]

[4] In addition to these financial behaviors, one of the reviewed papers (Hastings and Mitchell 2010) examines physical health behaviors and traits during retirement, including preventative health examinations, exercise, and body-mass index. The authors do not, however, examine the relationship between these physical health measures and financial knowledge.

Retirement Planning and Wealth Accumulation and Decumulation

Metrics of retirement planning vary, with some measuring concrete items such as actual retirement savings and some investigating vaguer concepts, such as whether a person has ever made a plan for retirement or a plan for responsible decumulation of retirement income.

- Hastings and Mitchell (2010) look at positive indicators for financial health, including savings balance and participation in a voluntary pension plan.
- Hung et al. (2009) isolate as key financial behaviors whether an individual has thought about retirement, made contributions to 401k plans (and in what dollar amount), and Lusardi and Mitchell (2007) look at whether individuals have planned for retirement and how much non-housing wealth they have accumulated for retirement.
- Lusardi (2012) and Hung et al. (2009) examine the prevalence of wealth decumulation planning among older Americans, and whether individuals believe that their plans will meet retirement needs.
- Sevak et al. (2004) determine whether older Americans claim social security and other benefits, as well as consumption and decumulation of retirement assets.
- Schmeiser and Seligman (2011) look at changes in total wealth, as well as changes in non-housing wealth.

Credit Usage, Debt Management, and Financial Management

The reviewed articles address components of personal finance that include credit usage, debt management, and financial management behaviors.

Articles that address credit card and debt behavior use borrowing behavior, debt types, and amount of debt as a metrics. Agarwal et al. (2009) consider balance transfers onto other credit cards, while McKay et al. (1998) broadly examine borrowing or owing money on a consumer credit agreement. Lusardi (2012) considers specific borrowing behaviors, including high cost borrowing, exceeding one's credit limit, incurring cash advance fees, and incurring late payment fees on credit cards.

Additional metrics that measure how an individual manages personal finances are captured in behaviors such as budgeting and bank statement management, but also extends to late bill payment and avoiding financial abuse. Widera et al. (2011) focus on the presence of basic financial skills such as "identifying and counting money, understanding debt and loans, conducting cash transactions, paying bills and avoiding financial abuse." The literature also examines checkbook and bank statement management (Triebel et al. 2009), as well as bill payment behaviors and late bill payment behaviors (Lusardi 2012; Triebel et al. 2009).

Mortgage and Mortgage Default

Behavior with respect to mortgages did not appear widely in the literature reviewed. One article considers prevalence of mortgage default (Lusardi 2012), and two others examine the extent to which older Americans have mortgages (Bricker et al 2012; McKay et al. 2008). For example, Bricker et al. (2012) find that in 2007, 47 percent of adults between the ages of 65 and 74 had a loan on their primary house. Agarwal et al. (2009) also examine default rates of home equity lines of credit. Reverse mortgages, which are described by the Consumer Financial Protection Bureau as "a special type of home loan [that] allow(s) seniors to access the equity they have built up in their homes now, and defer payment of the loan until they die, sell, or move out of

the home" were not examined in the literature we reviewed (Consumer Financial Protection Bureau 2012, p. 5).

INVESTMENTS

The measurement of investment behavior primarily focuses on the frequency and magnitude of various investment mistakes and poor stock portfolio management decisions. The full set of investment mistakes explored differs among the papers. Hung et al. (2009) measure investment mistakes through stock portfolio mismanagement. The authors also consider asset allocations in 2008 compared to expert guidelines to identify the prevalence of mismanagement behaviors, such as holding zero equity, having an under-diversified portfolio, or being overly aggressive or too conservative. Similarly, Korniotis and Kumar (2011) identify a set of key investment behaviors that includes stock diversification, year-end tax loss selling, and the frequency of stock trading (portfolio turnover). In another paper, Lusardi (2012) measures investment mistakes through economic losses in investment returns and stock performance differentials among older investors.

DEFINITIONS OF FINANCIAL WELL-BEING

CONCEPTUALIZATION

In the studies reviewed, financial well-being is generally not directly described or measured. Most often it is inferred from the behaviors or, on occasion, knowledge, of consumers. Well-being is usually addressed as an objective state—that is, one that results from responsible financial behaviors—rather than a subjective state in which an individual feels in control of his or her finances. For older Americans, the majority of the literature relates financial well-being to financial security and independence during retirement. Conceptual definitions of financial well-being include:

- Having the ability to remain self-reliant longer in life (Bruine de Briun et al. 2012).
- Having an extended period of independence (Mathieson et al. 2002).
- Avoiding poor financial outcomes (Finke et al. 2012).
- Achieving financial security in retirement (Hung et al. 2009).

OPERATIONALIZATION

In the studies reviewed, financial well-being was generally inferred from behaviors or, on occasion, knowledge, of consumers. For example, reduced well-being is inferred from lower levels of retirement planning. The literature has also considered savings and wealth, with higher levels of well-being inferred from greater wealth. While a step in the right direction, wealth does not directly measure well-being because people have different expenses and needs.

The literature is moving towards creating measures of well-being. For example, the literature broadly considers factors such as wealth totals, having sufficient income to pay bills, and decumulation planning, which research has considered critical to older Americans' retirement satisfaction.

- Inferred from financial capability (Atkinson et al. 2007).
- Inferred from financial return and portfolio size (Korniotis and Kumar 2011).
- Inferred from retirement planning and wealth accumulated (Lusardi and Mitchell 2007).

- Implied to be related to poverty levels and having sufficient income to pay the bills, and ability to maintain desired lifestyle in retirement (McKay et al. 2008).
- Equated with independent decision making and the outcome of decisions (Peters and Bruine de Bruin 2012).
- Total wealth, non-housing wealth, and retirement satisfaction, as defined in the Health and Retirement Study (Schmeiser and Seligman 2011).
- Quality of life for the patient and his/her family discussed as (1) establishing effective protections for patients and families and (2) limiting the psychological, economic, and legal hardship of financial incapacity on patients (Widera et al. 2011).

Research has also looked at the ability of older Americans to weather the financial burdens of negative health shocks (Johnson et al. 2006; Kelly et al. 2010), although the literature reviewed did not examine the relationship between financial knowledge and the ability to afford health shocks.

What is known about the specific knowledge and behavior that predict financial well-being? What specific knowledge predicts financial behavior?

The literature documents associations between financial knowledge and financial behaviors. Greater financial knowledge is generally associated with positive financial behaviors for both older and working-age Americans, although not in all cases. Importantly, the literature does not identify causal effects. In other words, the studies do not provide evidence that increasing the financial knowledge of older Americans will improve their financial decisions or well-being.

By and large, financial well-being is inferred from financial behaviors (e.g., suboptimal financial behaviors are assumed to reduce financial well-being) and general levels of financial knowledge. Some studies examine older American's level of savings and wealth (e.g., Hastings and Mitchell 2010; Lusardi and Mitchell 2007), equating higher resource levels with greater well-being. As mentioned above, wealth does not directly measure well-being because people have different expenses and needs.

The majority of the literature finds that greater financial knowledge is associated with various positive retirement behaviors and outcomes. There is a significant positive relationship between financial knowledge and planning for retirement, even after controlling for demographic characteristics (Hung et al. 2009; Lusardi and Mitchell 2009). Higher levels of financial knowledge at a younger age can impact outcomes for older Americans, as they would be more likely to have planned for retirement from a younger age. Financial literacy also is linked with planning for the decumulation of wealth in retirement investments. Specifically, research has found that a one unit increase in financial literacy (approximately one standard deviation) on an objective scale is associated with an 18 percent increase in the probability that the individual has worked on developing a plan to responsibly spend down their wealth in retirement (Hung et al. 2009).

While higher levels of objective and self-assessed financial knowledge are associated with an increased likelihood of thinking about and planning for retirement, there is not a significant relationship between financial knowledge and dollars saved in 401k accounts (Hung et al. 2009). A study that examines the relationship between educational attainment, financial knowledge, and Social Security benefit receipt finds no relationship between financial knowledge and the age men claim social security benefits, after controlling for educational attainment (Sass et al.

2007). However, higher levels of financial knowledge are associated with higher levels of savings and wealth (Hastings and Mitchell 2010; Lusardi and Mitchell 2007).

The literature also examines how financial knowledge influences decision-making around investments for older Americans. The existing research does not come to a consensus on whether financial knowledge is related to an individual's investment mistakes, such as holding zero equity, having an undiversified portfolio, and having an overly aggressive or conservative strategy. Korniotis and Kumar (2011) find that lower financial knowledge is associated with poorer investment performance. In a 2006 FINRA Investor Education Foundation survey, over half of respondents over age 60 report making a poor investment decision.

Lower levels of financial literacy are, however, associated with a number of other negative financial behaviors and outcomes. Older Americans with lower levels of financial knowledge are more likely to become victims of financial fraud (Lusardi 2012), which can have implications for their subsequent financial well-being. Lower levels of financial literacy are also associated with higher borrowing costs, excessive debt, greater use of cash advances, and a greater likelihood of mortgage default (Lusardi 2012). Lusardi concludes that because older Americans have lower financial knowledge than younger Americans, they are at greater risk of undertaking these negative behaviors.

Relative Importance of Financial Knowledge, Personal Traits, and Social Context

Age is identified as a key factor in Americans' cognitive ability and financial capability. Natural declines in ability that occur with age are a key focus of many studies, although dementia and other disease-related impairments are examined as well. Other demographic characteristics, as well as attitudinal and psychological characteristics, are considered in the literature, but to a much lesser extent than age. We discuss these in turn below.

Age and Other Demographic Characteristics

Over their lifetimes, Americans are able to benefit from financial experiences they gain at a younger age, but they also experience cognitive declines that impair their ability to make sound financial decisions. Cognitive impairments are associated with lower levels of financial capability, with financial capacity declining as cognitive impairments become more severe (Widera et al. 2011). These changes in cognitive ability with age have implications for Americans, as cognitive decline can negatively impact financial behavior and well-being.

Agarwal et al. (2009) find that middle-aged consumers are the most likely to make good financial decisions compared both to older consumers (who have declines in fluid cognitive ability) and younger consumers (who lack crystallized intelligence or experience); peak likelihood of good financial decision-making is at about age 42. Further, older and younger adults tend to make more financial mistakes (e.g., pay more on fees and interests rates) than middle-aged adults (Agarwal et al. 2009).

As Americans get older, their levels of financial literacy steadily decline. Hung et al. (2009) find that financial literacy declines at a rate of approximately 2 percent each year after age 60. Investment skill has also been found to deteriorate sharply around age 70, and the skill declines are stronger for less educated, lower income, and Hispanic investors (Korniotis and Kumar 2011).

While financial literacy has been shown to decline for Americans over 60, researchers are still debating how age impacts older Americans' perceptions of their own financial literacy levels. Despite research showing that financial literacy declines with age (especially among older women), older adults continue to rate their self-assessed financial knowledge very high (Lusardi 2012). Some research has even found confidence in financial ability to increase with age (Finke et al. 2012), which corroborates the belief that older generations may have an "inclination to reject evidence of declining mental abilities." However, there is research that finds that perceived competence declines with age; older adults seem to "base self-ratings on perceived declines in fluid cognitive ability, rather than on perceived improvements in experience" (Bruine de Bruin et al. 2012).

There appear to be benefits of age in terms of accumulated knowledge, with improved performance resulting in part from older people's higher levels of crystallized intelligence. Having greater experience and acquired knowledge from a lifetime of decision-making may provide older people with another way to make good decisions (Li et al. 2013). Furthermore, research into decision-making competence has found that declines with age are concentrated in decision-making tasks that require fluid cognitive ability, and tasks that rely heavily on crystallized intelligence experience no such decline (Bruine de Bruin et al. 2012).

Experience, affect (good/bad reaction, emotion), and the selective use of deliberative processes may allow older adults to adapt to age-related changes and preserve decision-making quality (Peters and Bruine de Briun 2012). Older adults may allocate deliberative resources only to decisions where personal relevance is high, such as personal finances and the management of retirement income. Experience with a given decision or environment (e.g. personal finance) can lead older adults to behave like experts in some contexts, making faster decisions and considering fewer pieces of information (Peters and Bruine de Briun 2012). Additionally, Korniotis and Kumar (2011) find that older and more experienced investors tend to exhibit positive behaviors such as holding less risky portfolios, diversifying their investments more, trading less, and exhibiting weaker behavioral biases (weaker disposition effect, less likely to hold on to their losses) and weaker local bias (less likely to hold local stocks).

Research has also examined the implications of divorce/separation and widowhood on older Americans. McKay et al. 2008 find that divorced/separated adults have higher rates of credit use, which is perhaps being used to address an income shock. Further, studies show that widowhood is associated with lower income and an increased likelihood of entering into poverty, especially among older women (Gillen and Kim 2009; Sevak et al. 2004).

Attitudinal and Psychological Characteristics

Research has addressed the importance of various psychological characteristics that influence older Americans' financial outcomes during retirement, including time preferences, self-control, and the ability to adjust to income shifts. McKay et al. (2008) find that retired people are very careful money managers who live within their means, primarily due to four factors: (1) adjustment to live on lower income, (2) concern about commercial credit, (3) features about ability to pay bills, and (4) desire to prolong savings.

Time preferences and self-control characteristics may also play a significant role in retirement outcomes by influencing individuals' likelihood of saving for retirement. Hastings and Mitchell (2010), for example, find that impatience has a negative influence on voluntary retirement account contributions, as well as overall financial literacy.

Gaps in Field

While the current research base on the financial knowledge and behaviors of older Americans can provide key insights into the financial challenges that face this population, there are still key gaps in the literature that need to be addressed before definitive conclusions can be reached. A critical gap is the lack of a definition of financial well-being. The literature does not lay out a conceptual framework or measure for financial well-being, so it is unclear how older Americans are faring overall.

Also, the drivers of financial well-being are not understood. The literature does not clearly distinguish between the role of financial knowledge and cognitive ability in determining financial behaviors and well-being of older Americans.

The existing literature is limited by its lack of consideration of (1) variations within the group of older Americans, and (2) the potential impact of key life events and/or decisions that determine how well an individual is able to manage their finances in old age. There is no recognition of variation within a given age bracket of older Americans. Most studies to date have examined an age group (e.g., 60 to 69) rather than variation within that age group. Additionally, no study was found that examines key life events or decisions that determine how well an individual is able to manage older ages financially. For example, the research should seek to determine if there are certain points or decisions earlier in life where financial knowledge and behavior determine financial well-being post-age 62. The research should also look into the points in life when an individual sets himself/herself on a trajectory toward financial well-being (or not). Specific examples might include the decision to start monthly automatic saving deposits or enrolling in a company 401k.

Informing Subsequent Phases of the Project

Given that the field lacks a clear definition of financial well-being grounded in rigorous research, the task of the qualitative research was, therefore, not to refine previous definitions, or to ask respondents to select among competing definitions, but to provide consumers and financial practitioners with ample time and encouragement to articulate their own thoughtful definitions of financial well-being grounded in their personal experience. Positive financial behaviors (e.g., less credit card debt, having retirement savings, etc.) are associated with greater financial knowledge, as well as personal traits and social context. The qualitative research spotlighted these associations and examined them in greater detail. The interviews also explored the degree to which researchers' inferences that positive financial behaviors improve financial well-being are supported. Very few studies assess the *relative* importance of personal traits, behaviors, financial knowledge, and external factors. The qualitative research was designed to clarify these interrelationships from the consumer's perspective.

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APPENDIX B: KNOWLEDGE CLASSIFICATION MEMO

OVERVIEW

The relationship between financial knowledge and financial behavior is complex. The household finance field is still in early stages of exploring how different types of financial knowledge influence financial behavior and what circumstances either limit or catalyze the translation of financial knowledge into behaviors conducive to financial well-being. We explored other literatures—health, health counseling, energy consumption, education, cognitive psychology, sociology, social marketing—to gain insight into strategies useful for classifying financial knowledge and for understanding its behavioral implications, even though these literatures do not present an agreed-upon model for the interaction between knowledge and behavior.

This document describes the knowledge classification schema that emerged from this research. It further explores a range of intermediary factors that may affect the translation of financial knowledge into financial behavior, presents a series of insights that will inform qualitative research and hypothesis development regarding drivers of financial well-being, then concludes with descriptions of potentially fruitful directions for future research.

Overall, our research into the relationship between knowledge and behavior uncovered several key insights:

1. The relationship between knowledge and behavior has not been resolved by any of the fields we surveyed;
2. Knowledge disseminated in the form of rules of thumb has been shown to be more likely to influence behavior than the dissemination of explicit, or fact-based knowledge;[5]
3. General knowledge is positively correlated with good financial behaviors;
4. Knowledge appears to affect behavior through intermediary factors. These intermediary factors include:
    a. personal efficacy—one's judgment with regard to one's ability to perform an activity;
    b. subjective norms—one's perception of the social pressure to engage in a behavior;
    c. attitudes towards the behavior—one's positive or negative evaluation of a behavior;
    d. intention—one's plan to engage in a behavior;
5. Social networks are a critical source of financial knowledge;

[5] The influence may not always be positive because rules of thumb are not always correct or applied appropriately.

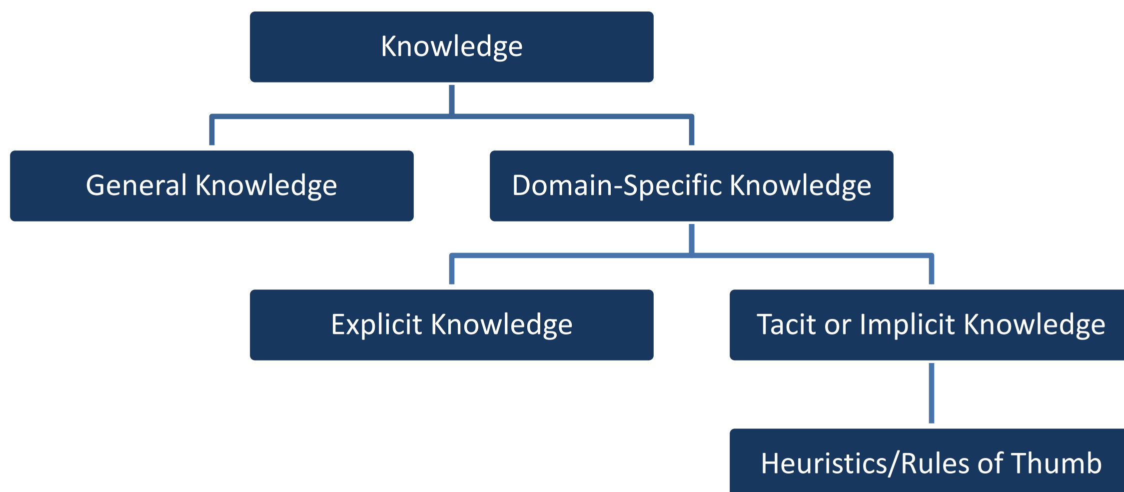
6. In order for knowledge to be processed so that it can inform behavior, one must be motivated to process the knowledge and have moderate prior knowledge of the topic.

KNOWLEDGE CLASSIFICATION

The fields we surveyed harbor dozens of knowledge classification schemes. All have their uses, but ultimately what separates one classification scheme from another is superior utility for the end user.

Review of the household finance literature suggests that financial knowledge likely influences financial well-being through effects on behavior. This led us to select a knowledge classification scheme that groups knowledge into categories that have been shown to affect behavior in particular ways. Below we discuss the perceived relationship between types of knowledge and behavioral outcomes.

Figure 1: Recommended Knowledge Classification Scheme



RECOMMENDED FOR INCLUSION IN KNOWLEDGE CLASSIFICATION

At the highest level our recommended knowledge classification scheme divides into General Knowledge and Domain-Specific Knowledge (for more discussion of these concepts see Alexander et al 1991, Ackerman 1996, Penner & Klahr 1996). General Knowledge refers to schooling or education that is not specific to a particular situation or topic (e.g., basic literacy or numeracy). A basic liberal arts education, for example, yields a useful underpinning of General Knowledge. While indicators of General Knowledge such as years of education or numerical ability have proven to be highly correlated with behavior and outcomes, this may be due to unobservable differences that are signaled by these measures (Fuchs, 1982). Domain-Specific Knowledge is germane to a particular subject area such as health promotion or energy consumption—or credit behavior. Domain-specific knowledge comprises two important types.

- Explicit Knowledge is knowledge that can be expressed in words, numbers and/or formulae and thereby transferred in classrooms or via formal media (Kiviat and Morduch 2012, Berry & Broadbent, 1984, 1987, 1988; Evans, 1982; Hays & Broadbent 1988; Reber, 1967, 1976, 1989; Reber & Allen, 1978). Acquiring such knowledge—for example facts and an understanding of their interrelationships—does not require interpersonal contact or personal experience. Explicit knowledge can be stored in a book, internet site or other media, then later and independently retrieved and learned. Examples offered by the consumer science literature include numeracy (as it applies to specific financial concepts and equations, like interest calculation), awareness of financial products, and understanding of compound interest, bond pricing, inflation, the time value of money, diversification and more (Carpena et al 2011, Robb and Woodyard 2011). From the health literature, examples of explicit knowledge with implications for well-being include health literacy, consequences of smoking, or a basic understanding of physiology (Nutbeam 2000, Osborne et al 2011).

- Tacit or Implicit Knowledge is personal knowledge acquired through experience that resists articulation or codification and transfers primarily through social interactions or apprenticeships (Berry & Broadbent, 1984, 1987, 1988; Evans, 1982; Hays & Broadbent 1988; Reber, 1967, 1976, 1989; Reber & Allen, 1978; Gorman, 2002). Both "tacit" and "implicit" are terms used to describe this concept. Knowing and interacting with people who possess tacit knowledge are prerequisite to an individual's gaining or benefitting from such knowledge. Examples include working with a financial coach or advisor, building expertise from the personal experiences of those in one's social circle (Alba and Hutchison 1987) and situational knowledge, or knowledge gained through handling situations as they come up (Jong 1996). Elements of tacit knowledge can be extracted and made explicit. Heuristics[6] is tacit or implicit knowledge that has been made into explicit knowledge through imperfect rules of thumb. In using heuristics, one does not solve problems or make decisions, but simply takes an approach that normally seems to work (Tversky & Kahnemann 1974). Heuristics can be personal or social, acquired through membership in a family or group. Examples include mental budgeting and accounting (Antonides et al 2011, Kamleitner et al 2011), acting based on history, for example of attempts to change behavior (DiClemente et al 1991), and knowledge of the association between behaviors such as smoking, drinking or exercise and health outcomes.

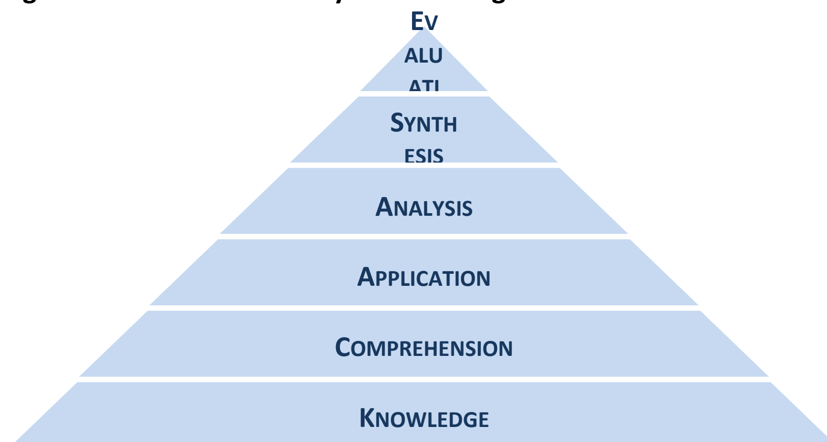
[6]Note: fields outside cognitive psychology employ a broader definition of heuristics than the one we use here.

It should be noted that tacit/implicit and explicit knowledge are dynamic, not fixed categories. Tacit knowledge can be become explicit knowledge through the development of rules of thumb. Similarly, explicit knowledge can serve as the intellectual foundation that allows for the absorption of more sophisticated tacit or implicit knowledge.

NOTE 1: While there are many ways to acquire knowledge, one of the most interesting to consider is financial knowledge obtained through one's social network. Social Capital can provide access to explicit and tacit financial knowledge (see Coleman 1988). For example, individuals do not need to have a personal knowledge of the stock and bond markets if they have access to friends or family members with explicit and/or tacit financial knowledge who will teach them how to allocate their investments optimally. Similarly economic capital can be leveraged to purchase such knowledge and support through paid financial services.

NOTE 2: Bloom's taxonomy of knowledge is foundational within the education literature (see Bloom 1956). Bloom categorized behaviors in the cognitive domain from least complex (knowledge, or the ability to recall data and information) to most complex (evaluation, or the ability to use knowledge to make judgments and informed choices). This taxonomy has been tweaked over the years, most notably by Anderson and Krathwohl (2001), who viewed synthesis as the most complex behavior rather than evaluation, but the basic idea remains the same—being able to interpret and apply a concept to varied situations represents a higher level of understanding than basic awareness of a concept. The relationship between financial knowledge (explicit or tacit) and financial behavior is likely to vary as one ascends the hierarchy. Research linking this taxonomy to well-being related behaviors and the categories of tacit and explicit knowledge is sparse. However, this taxonomy suggests that when individuals engage in higher levels of processing, knowledge is more likely to be translated into behavior because behavior is inherent in application, analysis, synthesis and evaluation.

Figure 2: Bloom's Taxonomy of Knowledge



EXPLORATION OF THE LINK BETWEEN KNOWLEDGE AND BEHAVIOR –MOVING FROM MICRO TO MACRO INSIGHTS

MICRO-LEVEL INSIGHTS INTO THE LINKS BETWEEN EXPLICIT AND TACIT KNOWLEDGE AND BEHAVIOR IN THE CONSUMER SCIENCE LITERATURE

There is considerable debate in the consumer science and other literatures about the role of explicit, domain-specific knowledge with respect to behavior. Some studies have demonstrated a clear link between explicit, domain specific knowledge and positive financial behavior. Explicit, domain specific knowledge of financial concepts such as inflation and the time value of money and compound interest have all been shown to be correlated with better financial decisions (Lusardi and Mitchell 2009, Hung, Parker and Yoong 2009, Geradi, Goette and Meier 2010). Several studies have, however, shown that *participation* in financial education (i.e. the dissemination of explicit knowledge) does not necessarily lead to improved financial knowledge (Mandell and Klein 2009, Yates and Ward 2011), although more years of general education—particularly college education—does lead to improved financial knowledge (Yates and Ward 2011). Studies suggest that financial training based on rules of thumb (i.e. implicit knowledge) leads to *greater* improvement in financial behavior than does training that focuses on explicit knowledge (Drexler , Fischer and Schoar 2010).

The consumer science, cognitive psychology and health literatures also point to the importance of self-efficacy, defined as one's judgment with regard to one's ability to perform an activity, as a mediating factor between knowledge and behavior.

- Allgood and Walstad note that perceiving one's financial knowledge as high (self-efficacy) was a better predictor of positive behaviors related to credit card management than correct answers to explicit financial knowledge questions (e.g. asking individuals to calculate interest) (2011).
- Self-efficacy and current self-care behavior are better predictors of positive health status than explicit knowledge (Osborn et al. 2011). Individuals who were more confident in their ability to quit smoking showed more positive non-smoking behaviors (DiClemente et al. 1991).

In addition to self-efficacy, the literatures we reviewed suggested other situational factors that affect the likelihood that knowledge will be translated into behavior. For example, individuals presented with too many choices when making a decision may become paralyzed as a result (Scheibehenne et al 2010). Health research has found that smokers are less likely to quit when stressed even if they understand the health risks associated with smoking (DiClemente et al 1991). Similarly, individuals were more likely to make positive health changes if they felt motivated to use their existing knowledge (Nutbeam 2000).

MACRO-LEVEL INSIGHTS INTO THE LINKS BETWEEN KNOWLEDGE AND BEHAVIOR FROM OTHER LITERATURES

THEORIES OF BEHAVIOR

The majority of studies examined in the literatures we reviewed for this report started from knowledge and asked whether there was an association with behavior. Another approach is to examine theories of behavior that seek to understand the factors driving behavioral intentions and behavioral outcomes. Such theories provide an opportunity to examine the role of knowledge.

The Theory of Reasoned Action is a longstanding theory of behavior and behavioral intentions (Fishbein & Ajzen, 1975, 1980). It posits that two factors drive behavioral intentions—the attitudes and beliefs one holds, and one's perceived subjective norms for behavior. The core assumption is that people make decisions based in large part on their overall attitudes toward their possible choices.

Figure 3: Theory of Reasoned Action

Over the years, there have been several reactions to the Theory of Reasoned Action model. The Theory of Planned Behavior incorporates the concept of behavioral control which suggests that even if my attitude and perceived norms support the behavior, I will not engage in the behavior unless I have a belief as to how challenging performing it is likely to be. Bagozzi's Theory of Goal Pursuit incorporates self-regulatory processes, treating them as critical to understanding how attitudes influence behavior.

While knowledge per se plays no explicit role in these theories, the general thought is that knowledge operates as one avenue through which attitudes and beliefs can be altered. Self-efficacy, or belief in one's ability, would be one of the attitudes or beliefs that might be affected by knowledge gained. A major effort in attitude theory research is exploring when and why attitudes are updated. If knowledge can change attitudes, it can affect behavior. The question, then, is what types of information (from above) are most likely to impact the attitudes held by an individual.

THEORIES OF INFORMATION PROCESSING

Possessing information or knowledge is a necessary, but not sufficient, condition for applying information or knowledge to a particular decision or response. The ability and motivation to apply or process one's knowledge is a critical factor. In one study, persons with moderate prior knowledge did more processing than those in either high- or low-knowledge groups (Bettman and Park 1980). This is because prior knowledge is required before processing can occur and experts are more likely to rely on well-tested heuristics and less likely to consider new knowledge when making a decision.

Decision-makers use the information available or accessible at the moment of decision. Better decisions result if individuals have well developed or even automatic routines stored in memory for the occasion, although having the evaluative capacity (see Bloom 1956) to adapt stored routines to new situations enhances one's ability to optimize decisions. Availability of wrong or incomplete heuristics, however, can result in suboptimal decisions (Tversky and Kahnemann 1984).

If consumers do not have complete heuristics stored in memory, they are often forced to construct rules of thumb on the fly (Bettman and Park 1980). Such constructed heuristics are more likely to lead to suboptimal outcomes and to incorporate information from the immediate environment. The roles of personal mood, the atmosphere of the environment (e.g., high pressure sales or relaxed/supportive) and even the payment method can influence constructed heuristics.

Information processing depends, among other things, on the attention a consumer is able and willing to give to the decision. Attention or inattention not only influence the amount of processing, but can lead to present bias in intertemporal choices or self-control failures. External monitoring and coaching has been shown to increase attention to the targeted decisions with positive financial or health outcomes (Collins et al. 2013).

EXAMPLES OF KNOWLEDGE AND BEHAVIOR FROM TWO FIELDS – HEALTH AND ENERGY CONSUMPTION

Health Literature

Health knowledge is conceptualized as the consumer's ability to associate behavioral choices with the health states that they are likely to produce. For example, smoking leads to lung cancer or excessive drinking leads to liver damage. The result is a list of good practices that are expected, on average, to lead to better health outcomes. Examples of good practices include getting 7–8 hours of sleep each night, eating breakfast, exercising regularly, not smoking, etc. In addition to this domain-specific knowledge, general education or schooling is also included in many studies of health behavior. Knowledge in this domain does not necessarily include understanding of explicit mechanisms by which the health choice produces the outcome. An

individual does not require detailed understanding of anatomy, physiology, epidemiology or nutritional science to have health knowledge[7].

This approach to health knowledge is supported by very clear measures of physical well-being that have evolved over time, and extensive research on the practices that enhance or detract from that well-being. Early in the literature, the focus was on disease prevention and identifying the current behaviors that were most closely associated with the occurrence of disease. Solid data on disease incidence helped to focus research and the development of good practices to avoid the disease. More recently the focus has shifted to health promotion, which is somewhat more difficult to define. You know whether a disease is present or absent. Defining a desired health state requires the decision of whether to apply a normative lens—how healthy medical science says the individual should be—or a personal preference lens—the individual's desired level of health—or some other criterion.

The majority of research on the linkage between knowledge and behavior in the health field is purely correlational, suggesting that higher levels of knowledge and higher levels of positive behavior and outcomes tend to occur simultaneously. What cannot be determined is whether improved knowledge or education leads to behavior, behavior leads to knowledge or education or something else causes both.

While most correlational studies have shown an association between an increase in health knowledge and a decrease in negative behavior, there is little evidence of a causal relationship. In fact, a large percentage of consumers with the highest level of specific knowledge of the negative impact of certain behaviors engage in those exact behaviors (Kenkel 1991).[8] For example, in *Health Behavior, Knowledge and Schooling*, Kenkel states, "The proportions of the highly knowledge individuals who smoke, drink heavily, and fail to exercise regularly are substantial, with often roughly a quarter of the highly knowledgeable groups adopting the unhealthy behavior (p. 302, Kenkel 1991). This suggests that perhaps we need to look beyond education to marketing and law as means of influencing lifestyle and behavior (Rothschild 1999).

There is also little evidence of a causal relationship between health knowledge or general education and health outcomes. Most of the causal studies have relied on changes in

[7] In household finance, the focus tends to be much more on explicit knowledge of economics and financial concepts. Rather than assessing knowledge as recognizing links between savings and financial well-being, the tendency is to ask consumers to calculate compound interest and conclude that they have poor financial knowledge if they cannot.

the minimum number of years of education. These studies do suggest an impact in going from little education to moderate education, but no evidence exists regarding any causal effects of higher levels or higher quality of education (Cutler et al. 2006).

Energy Consumption Literature

In this field knowledge is typically studied as an intervention designed to increase conservation behavior. Examples of such knowledge-based interventions include energy feedback, problem-solving strategies, and monetary impact. Problem-solving strategies include the provision of tips for saving energy and have not been found to have a measureable impact on conservation. Nor was monetary impact, or the communication of the price of one's energy habits, found to reduce consumption (some studies even saw an increase).

The idea behind energy feedback is that conservation can be triggered by making consumption and the need to conserve more salient to the individual. Experiments have demonstrated the positive impact of personalized, real-time feedback on an individual's energy consumption and the high involvement forms of feedback such as home energy audits. Providing peer comparisons, especially in a group setting or workplace, also demonstrated positive impacts through their ability to provide non-price signals of desired or expected behavior.

Lack of knowledge is one barrier to conservation. Others include lack of motivation, forgetfulness, lack of social pressure and structural barriers (e.g., safety, time, money and weather). One important challenge is the invisibility of energy usage. Current interventions are attempting to overcome this through the use of technology to provide real-time feedback.

The primary methodology employed in this literature is the behavioral experiment with field experiments currently being deployed in some residential dorms. There are, however, many methodological issues to be overcome including small samples, short observation periods and level of granularity. Most studies do not control for factors such as weather, seasonality and demographics.

SUMMARY

Although there's considerable debate regarding the nature of the relationship between knowledge and behavior across disciplines, some key lessons can be drawn out:

1. Knowledge disseminated in the form of rules of thumb has been shown to be more likely to influence behavior than the dissemination of explicit, or fact-based knowledge[9];

[9] The influence may not always be positive because rules of thumb are not always correct or applied appropriately.

2. General knowledge is positively correlated with good financial behaviors;
3. Knowledge appears to affect behavior through intermediary factors. These intermediary factors include:
    a. personal efficacy—one's judgment with regard to one's ability to perform an activity;
    b. subjective norms— one's perception of the social pressure to engage in a behavior;
    c. attitudes towards the behavior—one's positive or negative evaluation of a behavior;
    d. intention—one's plan to engage in a behavior;
4. Social networks are a critical source of financial knowledge;
5. In order for knowledge to be processed so that it can inform behavior, one must be motivated to process the knowledge and have moderate prior knowledge of the topic;
6. Real-time feedback encourages positive behaviors.

HOW THESE INSIGHTS WILL INFORM OUR WORK GOING FORWARD

This section discusses the team's reflections and those of the external experts we consulted regarding our work going forward and other areas for potential future research.

1. Hypotheses regarding the connections between knowledge and behavior that we will explore in the qualitative research include:
    a. General and domain specific knowledge and tacit and explicit knowledge are likely to have qualitatively different influences on financial behavior. Domain specific, explicit knowledge is likely to have the weakest relationship with financial behavior; general knowledge and tacit knowledge are likely to have stronger relationships with financial behaviors. Evidence from the health literature suggests, however, that the role of financial knowledge in financial well-being may in fact be quite limited.
    b. The financial knowledge of persons in one's social network likely plays a large role in consumers' lives. Probing to understand when individuals seek financial advice, whom they seek advice from, their level of trust in the advice and if they followed it will yield insight into social capital's influence on financial behavior. Accessing financial knowledge via one's networks may also affect attitudes, subject norms and intentions around the knowledge and behaviors with which it is associated.
    c. Probing consumers and practitioners to talk about what makes people confident in their financial knowledge (i.e. their self-efficacy) may help to explain why some knowledge gets translated into behavior while other knowledge does not.
    d. Theories of information processing suggest that probing consumers and practitioners to understand additional factors that facilitate information processing around financial knowledge may also help to explain why some knowledge gets translated into behavior while other knowledge does not.

e. Asking questions that get after the reasons why people have engaged or not engaged in wise financial behaviors in terms of planning, confidence, risk aversion, self-regulation, impulsivity, delayed gratification and other traits may be just as important as knowledge based constructs.

2. Other hypotheses or ideas:
   a. Explore the tacit knowledge of experts to derive useful 'rules of thumb' and test those heuristics to determine whether they lead to desired behaviors and outcomes when applied.
      i. Assuming that such heuristics can be derived, we will also need to explore what is required to ensure the entire heuristic is stored in memory and available when needed.
   b. Examine knowledge as the ability to recognize connections between behavior and outcomes, as found in the health literature.
      i. This effort would require the identification of 'financial diseases,' meaning circumstances of poor financial well-being of social concern (i.e., with social costs or externalities), and the most problematic behaviors producing these diseases. Limitation in the health literature should be borne in mind.
   c. Identify the most common habits influencing financial behavior.
      i. As viewed in the energy consumption literature, habits formed over years of life drive many actions. These habits cannot be considered heuristics as there is no conscious processing or, in many cases, awareness involved. Instead, these are automatic routines triggered by the environment, encouraged by the current structure of the market and continuously reinforced in the individual.
   d. Assess changes in financial outcomes as consumers' level of financial understanding ascends Bloom's taxonomy of knowledge.
      i. If desired increases are observed, it may be fruitful to design financial education programs that move consumers along this continuum (or to evaluate existing for their position).
   e. Financial education programs that provide extensive training to a few well-networked individuals may produce better financial well-being outcomes than trying to educate a broader population.
   f. The theory of information processing suggests that new knowledge is likely to have a greater effect on behavior if an individual already has a financial knowledge base. Research to better understand what should be a part of that base would be fruitful.
   g. Research the heuristics people currently have regarding financial matters and identify incomplete or incorrect heuristics.

h. Research whether or not knowledge can be used to change subjective norms and attitudes around financial behaviors.

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Appendix C: Qualitative research methodology

Use, Benefits, and Limitations of One-on-One Interviews

Qualitative research involving in-depth interviews yields "direct quotations from people about their experiences, opinions, feelings and knowledge" (Patton 2002, p.4). These quotations can be sorted, coded and catalogued using a computer-aided qualitative data analysis software (CAQDAS). The software can, in turn, be used to identify often occurring themes in a large set of interviews as well as to facilitate understanding of how concepts relate to one another and play out differently in different contexts. Qualitative research lends itself well towards understanding *how* things work and *why.* Below we describe the qualitative research approach we used to gain insight into financial well-being and its drivers.

Given the exploratory and sensitive nature of the information we hoped to gather, the team decided in-depth, one-on-one interviews would be the most appropriate investigative approach. One-on-one interviews yield "information-rich" data and offer a flexible tool for exploring how respondents from varied backgrounds understand financial well-being and its drivers in a confidential environment.

This approach is not without its limitations, however. Findings from one-on-one qualitative interviews are neither quantitative nor generalizable to the population as a whole. This methodological approach generates insight and in-depth understanding of a topics; it does not employ a rigorous sampling methodology that would be necessary for drawing widely applicable conclusions.

Identification and Recruitment of Respondents

In recruiting older American respondents, our goal was to obtain a sample that was diverse and broadly representative of the US population. Similarly, we reached out to practitioners in a variety of professions with a range of client bases. Table 1 provides an overview of our approach.

Table C1. Data Collection approach

	Older Americans	Financial Practitioners
How do we define this population?	• Individuals ages 62 and older	• Financial planners, credit counselors, financial educators, financial advisors, financial coaches and tax preparers
Method	• One-on-one and dyad interviews conducted in-person	• One-on-one interviews over the phone and in-person
Eligibility criteria for participation[10]	• Age 62 and older	• At least one year of experience working directly with clients • 25% or more of client base must be age 62 and older
Number and length of interviews	• 16 one hour interviews	• 10 one hour interviews
Recruitment method(s)	• Use of professional focus group facilities • Purposive sampling	• Personal networks of financial practitioners on the CFPB metrics team and CFED's financial practitioner network
Incentive amount	• $50	• $50 for in-person interviews • None for phone interviews
Geographic area of recruitment	• Greater Atlanta • Greater Washington, D.C. • Greater Los Angeles, CA • Greater Chicago, IL • Central Tennessee • Southeastern Wyoming	• Nationwide with particular focus on the geographic regions where the consumer interviews were conducted

In addition to the eligibility criteria listed above, we also recruited a mix of male and female consumers who had diverse backgrounds with respect to the following:

- race/ethnicity
- marital status
- age
- employment status (employed part-time, employed full time, unemployed, self-employed)
- income level
- household status (dependents vs. no dependents)
- geographic region (urban, suburban, rural)

Among older Americans we also sought individuals with diverse backgrounds with respect to

- employment status (not retired, retired but working, fully retired)

[10] Eligibility criteria indicate specific criteria that participants MUST meet in order to be considered for inclusion in the data collection effort. Additional factors that further describe the target audience are provided later in this section.

- presence/absence of retirement savings or defined benefit/defined contribution pension
- living arrangements (living alone, living with family, living with others including senior apartments, in facility)

We also recruited individuals who had experienced a significant change in income within the past 5 years due to factors such as:

- health/medical issues (for self or a loved one)
- death/loss of a loved one
- child/dependent returning to household

In our practitioner recruitment, we reached out to:

- financial planners, credit counselors, financial educators, financial advisors, financial coaches and tax preparers who worked with consumers and had at least one year of experience working directly with clients.

In addition to the eligibility criteria listed above, we also worked to recruit a mix of practitioners whose backgrounds were diverse with respect to the following:

- profession type (financial planner vs. financial coach vs. credit counselor, etc.)
- geographic region (urban, suburban, non-metro)
- average income of clientele
- race/ethnicity of clientele
- average age of clientele

Interview Guide

The Team developed interview guides informed by the project based on the following central research questions:

1. How do consumers and financial practitioners define financial well-being for working-age Americans and for older Americans? What kinds of topics do consumers and financial practitioners incorporate in their definitions of financial well-being (presence/absence of savings, not being worried about money, etc.)?
2. What personal traits do consumers and financial practitioners associate with financial well-being among working-age and older Americans?
3. What behaviors do consumers and financial practitioners associate with financial well-being among working-age and older Americans? What choices have consumers made in the past that influence their financial well-being now?
4. How do environment, social context and social capital shape financial well-being among working-age and older Americans? How do a person’s spouse/partner, family, friends, neighborhood and community influence his or her financial well-being? What events do people feel have the greatest influence on financial well-being?

5. What do people need to know in order to be able to manage their finances?
6. Of the influences on financial well-being listed above, which are most important?

The Team used the interview guide to conduct semi-structured interviews that were uniform in the topics they covered but were flexible enough to allow respondent to share from their own experiences.

Grounded Theory-Based Analysis

The team employed a modified grounded theory-based approach to generate initial codes and themes (Corbin and Strauss 1990; Glaser & Strauss, 1967). Grounded theory is a semi-formal method for analyzing qualitative and other types of information that relies on deep understanding of each subject and analysis of patterns across subjects. The objective is to establish a theoretical understanding of everyday experiences.[11] This type of analysis begins with the initial collection of data and evolves until major themes and insights are identified and confirmed. Because we wanted consumer and practitioner insights to directly inform the project's definition of financial well-being and the identification of its drivers, we opted for a data analysis approach that drew the key organizing themes from the data themselves. To assist in the process of identifying significant themes in the more than 1000 pages of code transcripts, interviewers completed topline summaries after each interview. The team reviewed these topline summaries and used them to compile a list of key themes (examples of themes include budgeting, credit cards, upbringing, etc.) that formed the basis of the project codebook.

Data Capture

Audiotapes from each interview were transcribed verbatim and imported in the qualitative software package, ATLAS.ti, a qualitative data analysis (QDA) software program for facilitating the organization and management of text data. ATLAS.ti supports the coding process by allowing the text to be marked for subsequent search, retrieval, classification, and cross classification. The software contributes to interpretation of the data by permitting the construction and testing of hypotheses about coding patterns and facilitates reporting results on the basis of the coding patterns and accompanied by representative quotes/text segments.

The Team analyzed the data for themes, patterns, and interrelationships relevant to the study objectives. Because of the involvement of multiple people in data analysis, activities were incorporated into the analysis process to provide the level of analytic rigor and systematization necessary to reduce the effects of subjectivity and selection bias. These activities included codebook development, assessment of inter-coder reliability, and the use of ATLAS.ti.

[11] Note that "theory" in grounded theory does not typically refer to grand or formal theories, but more to an understanding of concepts and how they relate to each other in everyday experience in a particular geo-historical position.

Codebook Development

Codebook development was a multistep, iterative process involving the development and definition of codes and pretests to refine the codes and definitions. The team only began codebook development after the first interviews in Washington, D.C. and several practice interviews. The team used these initial interviews as a basis to guide the codebook development. The team developed three types of codes: content, intent and supercodes. Content codes tag specific themes such as savings, upbringing or depression. Intent codes tell us what topic areas the respondent was discussing (e.g., financial knowledge, financial well-being, etc.). Supercodes identify actors (e.g., financial advisors, family, employer or military), the direction of the comment (e.g, positive or negative) or the presence of a special topic we would like to capture later (e.g., cognitive decline or use of rules of thumb).

Assessment of Inter-coder Reliability

To ensure that the project's eight coders had a shared understanding of the codes and were applying them consistently, inter-coder reliability was assessed. To calculate reliability, each coder independently coded sections of the same focus group transcript and their codes were assessed against a gold standard. Coders whose reliability was less than 80% had their coded transcripts reviewed and they received corrective feedback.

Participant Characteristics

Broadly, the older American samples were regionally and socio-demographically diverse. One notable difference was the concentration of those with higher household incomes among the older Americans (39% over $100,000 as compared to 20% for working-age).

Sampled geographic areas included Atlanta, Chicago, Washington, D.C., Los Angeles, Tennessee, and Wyoming. Each area included between 12 and 22 percent of our sample with lowest concentrations in Washington, D.C. and Tennessee and highest representation from Chicago and Los Angeles. Older Americans were very similar with the exception of those from Tennessee; for this geographic area, there were none.

There were more women (68%) than men for the working-age Americans but the reverse was true for older Americans (44% women). All age groups were represented across the two samples with the heaviest concentrations among those 36 to 45 years of age (39% of working-age) and 62 to 69 years of age (half of the older Americans). Study participants were ethnically and racially diverse and had varied educational backgrounds, although persons with at least a college degree were somewhat over-represented among working-age (51%) and older Americans (56%). The sample included persons with different marital and employment statuses.

Although we found it difficult to recruit persons age 80 and older through focus group facilities and through our personal connections in Southeast Wyoming and Tennessee.

Table C2. Demographic characteristics of consumer participants

		Working-age Americans (n = 41)		Older Americans (n = 18)		Total (n = 59)	
		n	%	n	%	n	%
Geography	Atlanta	6	14.6	3	16.7	9	15.3
	Chicago	9	22.0	6	33.3	15	25.4
	D.C.	5	12.2	2	11.1	7	11.9
	Los Angeles	9	22.0	4	22.2	13	22.0
	Tennessee	5	12.2	0	0.0	5	8.5
	Wyoming	7	17.1	3	16.7	10	16.9
Segment	Working-age	41	100.0		0.0	41	69.5
	Older		0.0	18	100.0	18	30.5
Gender	Female	28	68.3	8	44.4	36	61.0
	Male	13	31.7	10	55.6	23	39.0
Age	18-25	5	12.2	0	0.0	5	8.5
	26-35	8	19.5	0	0.0	8	13.6
	36-45	16	39.0	0	0.0	16	27.1
	46-61	12	29.3	0	0.0	12	20.3
	62-69	0	0.0	9	50.0	9	15.3
	70-79	0	0.0	8	44.4	8	13.6
	80+	0	0.0	1	5.6	1	1.7
Ethnicity	African American	7	17.1	3	16.7	10	16.9
	Asian	2	4.9	1	5.6	3	5.1
	Hispanic	7	17.1	2	11.1	9	15.3
	Caucasian/White	25	61.0	12	66.7	37	62.7
Education	High School or less	7	17.1	3	16.7	10	16.9
	Some college or technical degree	8	19.5	5	27.8	13	22.0
	College/Graduate/Professional degree	21	51.2	10	55.6	31	52.5
Marital Status	Single, never married	11	26.8	0	0.0	11	18.6
	Married/living with partner	23	56.1	11	61.1	34	57.6
	Divorced	2	4.9	3	16.7	5	8.5
	Widow/Widower	0	0.0	4	22.2	4	6.8
Household Income	$0-$49,999	16	39.0	3	16.7	19	32.2
	$50,000-$100,000	17	41.5	2	11.1	19	32.2
	Over $100,000	8	19.5	7	38.9	15	25.4
Employment Status	Full time	17	41.5	0	0.0	17	28.8
	Part time	4	9.8	0	0.0	4	6.8
	Self employed	2	4.9	1	5.6	3	5.1
	Unemployed	9	22.0	0	0.0	9	15.3
	Fully retired	0	0.0	8	44.4	8	13.6
	Partially retired	1	2.4	7	38.9	8	13.6
	Other	1	2.4	2	11.1	3	5.1

Source: Consumer Demographic information sheet

The financial practitioner sample was diverse with respect to profession, experience, race/ethnicity and income. If more than 25% of a practitioner's client base was made up of persons 62 and older, they were classified as having an older American client base.

Table C3. Characteristics of financial practitioners

	n	%
Self-identified roles of finanical practitioners*		
Financial planner	3	10.0
Financial coach	8	26.7
Credit counselor	4	13.3
Social worker	1	3.3
Tax preparation advisor	4	13.3
Financial educator	4	13.3
Financial service professional	7	23.3
Other	5	16.7
Number of years working directly with clients		
0-5 years	6	20.0
6-10 years	7	23.3
11-15 years	2	6.7
16-20 years	3	10.0
More than 20 years	8	26.7
Primary residential setting of clients		
Urban	12	40.0
Suburban	7	23.3
Non-metro	7	23.3
Primary age segment of clients		
Working-age Americans (18-61 years old)	20	66.7
Older Americans (62 years or older)	10	33.3
Race/ethnicity of clients served*		
American Indian or Alaska Native	1	3.3
Asian	4	13.3
Black or African American	9	30.0
Hispanic or Latino/a	12	40.0
Native Hawaiian or Other Pacific Islander	0	0.0
White	18	60.0

(continued)

Table C3. Characteristics of financial practitioners (cont.)

	n	%
Household income of clients served		
$0-$49,999	19	63.3
$50,000-$99,999	10	33.3
$100,000 or more	7	23.3
Highest level of education obtained by clients*		
Less than high school	6	20.0
High school/GED	12	40.0
Some college/Associates degree	13	43.3
Undergraduate college (Bachelor's degree)	16	53.3
Graduate school (Master's or professional degree)	5	16.7
Employment status of clients*		
Part-time	4	13.3
Full-time	18	60.0
Unemployed	5	16.7
Self-employed	8	26.7
Retired	5	16.7

Source: Financial practitioner post-discussion information sheet

Notes: *Multiple responses possible - combined percentages may exceed 100.

Financial practitioners (n = 30)

Appendix D: Qualitative research ranked themes

Table D1. Ranked themes associated with financial well-being by age group

rank	older Americans	rank	working-age Americans
1	Spouse/partner	1	Afford wants
2	Family	2	Family
2	Lack of financial stress/worry	3	Good employment
4	Able to pay bills	4	Savings
4	Financial plan	5	Able to pay bills
6	Afford wants	6	Lack of financial stress/worry
7	Good employment	7	Spouse/partner
8	Afford or have access to healthcare/health insurance	8	Home ownership (or lack thereof)
9	Provide for family	9	Afford or have access to healthcare/health insurance
10	Ability to enjoy simple things	10	Lifestyle
10	Lifestyle	11	Being employed
10	Savings	12	Agency
13	Home ownership (or lack thereof)	13	Managing financial emergencies/crises
13	Secure retirement/able to retire	13	Not living paycheck-to-paycheck
15	Debt	15	Debt
15	Having a cushion	16	Ability to enjoy simple things
17	Investing	16	Happiness
18	Agency	18	Having a cushion
18	Credit cards	19	Buying 'wants' versus 'needs'
18	Managing financial emergencies/crises		

Source: Consumer interviews

Table D2. Ranked themes associated with financial behavior for consumers by age group

rank	older Americans	rank	working-age Americans
1	Being frugal/cheap	1	Savings
2	Credit cards	2	Being frugal/cheap
2	Financial plan	3	Budgeting (future expenses)
4	Budgeting (future expenses)	4	Buying 'wants' versus 'needs'
5	Investing	4	Credit cards
6	Savings	6	Home ownership (or lack thereof)
6	Buying 'wants' versus 'needs'	7	Bad decisions
8	Retirement saving	8	Financial plan
9	Financial advisor	8	Investing
10	Home ownership (or lack thereof)	10	Lifestyle
10	Bad decisions	11	Hustling/doing what it takes to find work
10	Entrepreneurship	12	Getting a good education
13	Doing financial research	13	Rule of thumb
13	Able to be generous	14	Financial goals
		14	Debt

Source: Consumer interviews

Table D3. Ranked themes associated with financial knowledge for consumers by age group

rank	older Americans	rank	working-age Americans
1	Family	1	Family
1	Personal experience	2	Personal experience
3	Upbringing	3	Upbringing
4	Financial advisor	4	Financial advisor
4	Watching others/seeking advice from others	5	Watching others/seeking advice from others
6	Spouse/partner	6	Investing
6	Trust in source	7	Trust in source
8	Credit cards	8	Doing financial research
8	Friends	9	Credit cards
8	Investing	9	Savings
8	Workplace	9	Financial Plan
12	Getting a good education	9	Teaching children about money
13	Doing financial research	13	Home ownership (or lack thereof)
13	Financial plan	14	Bad decisions
13	Savings	14	Budgeting (future expenses)
13	Social networks	14	Afford or have access to healthcare/health insurance
17	Home ownership (or lack thereof)	17	Financial institution
17	Government policies	17	Government policies
17	Retirement		
17	Retirement saving		
17	Taxes		
17	Timing of knowledge acquisition		

Source: Consumer interviews

Table D4. Ranked themes associated with personal traits and attitudes for consumers by age group

rank	older Americans	rank	working-age Americans
1	Self-control/discipline/patience	1	Hardworking
2	Hardworking	2	Driven
3	Responsible	3	Self-control/discipline/patience
4	Far-sighted/planner/future-oriented	4	Outgoing
4	Being frugal/cheap	5	Self-esteem
6	Driven	5	Stressed/worried
6	Outgoing	5	Far-sighted/planner/future-oriented
8	Open to new ideas	8	Being frugal/cheap
9	Self-esteem	9	Responsible
9	Nice/friendly	10	Not needing to keep with the Joneses
9	Confident	10	Being materialistic
9	Type A	10	Risk
9	Planning	13	Self-efficacy
14	Stressed/worried	14	Nice/friendly
14	Not needing to keep with the Joneses	14	Positive attitude/optimism
14	Positive attitude/optimism	14	Planning
14	Ability to enjoy simple things	17	Confident
14	Lazy	18	Ability to enjoy simple things
19	Being materialistic	18	Knowing yourself
19	Risk	18	Open to new ideas
19	Self-efficacy	21	Type A
19	Knowing yourself	21	Not being a burden/self-sufficient
19	Not being a burden/self-sufficient	23	Pragmatism
19	Pragmatism	23	Lazy

Source: Consumer interviews

Table D5. Ranked themes associated with social and environmental context for consumers by age group

rank	older Americans	rank	working-age Americans
1	Family	1	Family
2	Economy	2	Upbringing
3	Life event	3	Economy
4	Upbringing	4	Spouse/partner
4	Social networks	4	Culture
6	Friends	6	Good employment
7	Spouse/partner	6	Government policies
7	Culture	8	Friends
7	Good employment	9	Social networks
7	Government policies	10	Community
11	Church/religious organization	11	Not needing to keep with the Joneses
12	Inequality/discrimination	11	University
12	Knowing the resources in the community	13	Children
12	Workplace	13	Being employed
12	Death	13	Multiple income sources
16	Being employed	13	Inequality/discrimination
16	Children	17	Knowing the resources in the community
16	Cognitive decline	17	Workplace
16	Family support	17	Life event
16	Geography	17	Getting a good education

Source: Consumer interviews

APPENDIX E: QUALITATIVE RESEARCH THEME DESCRIPTIONS

FINANCIAL BEHAVIOR

Able to be generous

Many older American consumers described their financial well-being in part by their ability to be generous. Some older Americans said that this was not only generous with their money but also being generous with their time as well. Both consumers and practitioners warn though that being overly generous could negatively impact their financial well-being. Being too generous made older Americans more susceptible to fraud, but even being overly generous with family members was thought of as a potentially negative behavior.

Bad Decisions

Many consumers indicated that they learned much of their financial knowledge through personal experiences, particularly from mistakes they have made. This was particularly true of credit and learning to use credit responsibly. However some consumers and practitioners both suggested that there are behaviors that often can irrevocably damage someone’s ability to achieve financial well-being. Commonly these behaviors included substance abuse problems such as alcoholism or drug use. Similarly consumers and practitioners both said that smoking and tobacco use was expensive and drained money, particularly among low-income populations.

Being frugal or cheap

Being frugal or cheap was one of the most common themes among working-age Americans in the interviews. The qualitative research commonly described being frugal as a learned behavior and that people use knowledge they gain from various sources and experiences to develop strategies to spend less money. Financial behavior was thought of both as the day-to-day choices everyone makes. Many described being frugal as being disciplined or consciously choosing to spend less money. Similarly, others relied on tools such as budgets to inform their spending habits. For many working-age Americans, being frugal was thought of as a lifestyle, taking into account other behaviors like saving and buying needs and not wants. Consumers also described comparison shopping or shopping around in order to get the best deal. Working-age Americans had many different vocabularies for talking about frugality. Some said it was living within your means or making do with less. Others called it not living an excessive lifestyle or not throwing money away. Some had specific example, such as cooking and not eating out, shopping second-hand or not buying something new. Others just called it being savvy. The different ways that consumers described being frugal reflects the different strategies that they adopt to accomplish their goal.

Budgeting

Most consumers said that they utilized some form of budget. While having a plan to guide spending was a common theme throughout the qualitative research, the ways that people went about creating and utilizing a budget were varied. Some consumers developed a budget on a week-to-week basis, while others developed budgets with a longer-term perspective. Some consumers relied on online tools or phone apps, while others felt more comfortable using pen and paper or their checkbook. More in depth conversations about budgeting revealed that consumers changed and refined their budgets depending on their purpose. For example, some

said they budgeted for future expenses. Having a budget made them feel more secure because they knew where there money was going to go from week to week or month to month. Others said they tracked where their money was going or budgeted past expenses. In this way, budgeting was a used to identify and cut excess spending. Many of the interviewees used both past and future budgets simultaneously as a saving strategy.

Buying, selling and/or owning a home

Many people connected their home directly to their financial well-being, as much of their net worth was tied up in their home. For some consumers, their home was their stability because it represented their largest asset and gave them access to credit and. Some consumers talked about how owning a home was important to their financial well-being in and of itself. Many believed that the home has an intrinsic value. For others a home was seen as an investment in the future. However, some consumers described their home as a detriment, especially in the terms of unaffordable mortgages or unforeseen expenses. Several consumers said that they wished they had not purchased a home just before the 2008 recession.

Buying 'wants' vs. 'needs'

Many described the importance of differentiating needs versus wants as a way of prioritizing spending. For others, differentiating between needs and wants was a way to being sure to set aside enough for basics. For most consumers, needs included making sure you are able to pay bills and provide for your family. Beyond that, many said needs were spending money on what is important. For working-age Americans, this was commonly children. How consumers defined needs and wants often contingent on social and environmental context. As a consumer's financial situation changed, their needs often changed as well. Buying needs and not wants was commonly talked about in the context of budgeting. Some consumers talked about how tracking where you spend money was a good strategy to identify and cut excess expenditures. How consumers defined needs and wants often contingent on social and environmental context. As a consumer's financial situation changed, their needs often changed as well. Buying needs and not wants was commonly talked about in the context of budgeting. Some talked about how tracking where you spend money was a good strategy to identify and cut excess expenditures.

Credit cards

Many of those interviewed had strong opinions on credit cards. Some consumers and practitioners positively described credit as a safety net. They said that having access to credit was reassuring because they knew they had something to fall back on if something were to happen. However, most believed credit cards generally negative impacted their financial well-being. Many consumers used credit cards as a way of talking about more generally about responsibility. Consumers described using excessive credit as not thinking about the future. Many talked about the importance of avoiding debt and how getting in over your head could negatively affect your financial well-being for many years. In this way, credit cards were a way for consumers to talk about poorly managing your money and spending what you do not have.

Debt

Many working-age Americans thought that debt was a major threat to their financial well-being. Some described that being in debt made them feel not in control of their finances. Both consumers and practitioners both said that many people were unsure of what was the best way to effectively manage their debt. Like many other financial behaviors, consumers gather information from their social networks and from their own personal experience to develop

strategies to fit their own situation. For example, some consumers said that it was important to pay off the highest interest debt first, to avoid paying more in the long run. Others suggest that you should pay off the largest debt first, regardless of interest. Others suggested that it is best to pay off the smallest debts first, so that you can eventually commit more to the larger debts and so you do not become discouraged.

Doing financial research

Both working-age Americans and practitioners agreed that actually doing financial research was important. However, many of those interviewed described the sheer volume of financial information available and knowing where to start can be overwhelming. With this in mind, many said that doing research is the act of seeking out information *and* evaluating its fit for an individual's particular situation. How and where people actually did financial research was varied: Some read financial books by practitioners like Suze Orman. Others said they read the business section of the newspaper everyday. Some said that when they need information they could go to the library. Many of those interviewed said that almost anything you needed to know was available on the internet. Some consumers reached out to a financial professional either as a source of knowledge or to use as a sounding board.

Financial plan

Many people talked about the importance of having a financial plan as a way to guide spending. Financial plans differed from budgets in the interviews because financial plans were often much longer term and more generalized than budgeting. Most consumers and practitioners said that at the heart of a plan is a goal, or something to work towards. As the situations of working-age Americans changed, so did their goals. For example, so consumers said that after they had children their financial goals changed. As their goals changed, consumers changed their plans to better fit their goals. A consumer's financial plan encompasses all of the strategies and behaviors that they use to achieve their goals. For many consumers, budgets were a way of making sure spending habits match up with their plans for the life they want to live.

Getting a good education

Interviewees suggested that one of the best things that you can do for yourself financially was making sure you got a good education. Many in the qualitative research noted that income and education were positively correlated and talked about education opening doors to higher paying, more stable employment. Others indicated that education in and of itself provided financial knowledge that allowed you to make better informed decisions. Others, particularly younger working Americans, said that getting an education was very important but that taking out the necessary student loans has negatively impacted their financial well-being.

Hustling or doing what it takes to find work

One of the most common drivers of financial well-being in the qualitative research was having stable employment. In the event of a job loss many interviewees said that it was important to do whatever you had to do to provide for yourself and for your family. For some, this meant taking jobs that they would not normally take in order to secure a paycheck. Some talked about hustling to find work as being entrepreneurial and taking risks. Often consumers talked about hustling to find work in the same as they talked about being hardworking or being driven.

Investing

Investing was commonly considered an important behavior to generate wealth in the short-term as well as a way to secure an individual's future. Like other financial behaviors, the qualitative research suggests that investing encompasses many different kinds of behaviors. For some consumers, investing was participation in the stock exchange. For others, however, investments were more general and included purchasing a home or a car. Some practitioners suggested that all purchases should be viewed as investments as a way of encouraging a more future-oriented perspective.

Lifestyle

In the qualitative research, many interviewees suggested that part of their financial well-being meant being able to maintain their current lifestyle into the future. Many working-age Americans used lifestyle to refer to their current spending habits, such as going out to eat or spending money on "wants." Some suggested that an excessive lifestyle was a detriment to their financial well-being because it represented not thinking about the future. Consumers and practitioners both said that being content with what you have or maintaining a more frugal lifestyle is one way to achieve financial well-being.

Financial goals

The importance of having a financial goal was a common theme throughout the qualitative research. For many, a financial goal provided meaning to particular financial behaviors such as saving or creating a budget. However, working-age Americans and practitioners said that financial goals only affected behavior if they felt realistic and attainable to the individual. Some of the consumers and practitioners also suggested that the kinds of strategies that an individual adopts are guided by the kinds of financial goals that they set for themselves. Many working-age consumers set long-term goals, like having a secure retirement or paying off their mortgage. Others set shorter-term goals, like paying of credit card debt. Some working-age Americans talked about goals such as travel or a new car that guided their financial behavior. Financial practitioners commonly said that the hardest thing to set realistic financial goals.

Rules of thumb

Many of the financial behaviors that consumers described as beneficial for your financial well-being are strategies they synthesized developed from financial information they gather from different sources and from personal experience. "Correct" or "beneficial" financial behaviors are often communicated in the form of rules of thumb, such as "pay yourself first." Some consumers talked about learning rules of thumb from their parents.

Savings

Throughout the qualitative research, working-age consumers and practitioners spoke about the importance of saving as a means of securing their future and protecting against unforeseen expenses. For many, saving was thought of as a conscious decision and most interviewees thought of saving as a daily activity that is tied to being frugal. However, the qualitative interviews showed that saving is a not a singular behavior, but rather it encompasses multiple behaviors and strategies. For some interviewees, saving was putting money in a bank account. Other consumers spending less or shopping around was a way of saving money. For others, investing was different kind of saving strategy. In particular, using a retirement account as a savings investment was common among working-age Americans. Many of those interviewed suggested that people employed different saving strategies based on their circumstances and

their time horizon. Most consumers and practitioners both agreed that budgeting was an important saving strategy.

Watching others or seeking advice from others

Working-age Americans commonly described the importance of actively using the people around them as resources. Many consumers described gaining knowledge from watching others who have gone through the process and made mistakes. Many people talked about soliciting advice from family and friends in their social networks. For others just having friends or family to use as a sounding board to be confident they were doing the right things or making the right choice was important. Working-age commonly sought out information on investing, saving strategies, buying a car or buying a home.

FINANCIAL KNOWLEDGE

Home ownership (or lack thereof)

Many consumers expressed that they knew very little about purchasing a home when they first went through the process. Older Americans in particular were able to reflect back on the process. Many said that they wished they knew what you need to know before buying a house, or needed to know what owning a home entails. For some understanding the terms and conditions concerning their mortgage was something they wished they had known more about. Others said they wish they had inspected the home prior to purchasing it. Others still said that they had difficultly knowing when it was safe to purchase or when they were financially secure enough to purchase. Others said that they had underestimated the costs and expenses that come along with owning a home.

Credit cards

Many consumers had reservations about using credit cards and suggested that using credit and credit cards responsibly was important for achieving financial well-being. Most older consumers said that they learned how to use credit through personal experiences and mistakes. Some consumers also talked about that once they were in debt, it was important to know how to manage debt effectively. Older Americans in particular emphasized that debt greatly undermined their sense of stability. Some consumers said that it was important to pay off the highest interest debt first, to avoid paying more in the long run. Others suggest that you should pay off the largest debt first, regardless of interest. Others suggested that it is best to pay off the smallest debts first, so that you can eventually commit more to the larger debts and so you do not become discouraged. While the strategies varied, it is apparent that consumers feel that debt has a major impact on individual's financial well-being and knowing how to manage credit card debt effectively is important.

Doing financial research

Both older Americans and practitioners agreed that doing financial research was important for acquiring financial knowledge. For older Americans, doing research was thought to be important for managing investments and planning for retirement. However, many of those interviewed described the sheer volume of financial information available and knowing where to go for information is critical. How and where people actually did financial research was varied: Some read financial books by practitioners like Suze Orman. Others said they read the business section of the newspaper every day. Some said that when they need information they could go to the library. Many of those interviewed said that almost anything you needed to know was available on the internet and blogs. Some consumers reached out to a financial professional either as a source of knowledge or to use as a sounding board.

Family

Both older Americans and working-age Americans said they relied on those close to them for financial information. Many older Americans in particular, their spouse or partner was a source of knowledge with their own lived experiences and available resources. Others said they acquired financial information from their children. Many of the conversations consumers described were informal. Some consumers solicited advice by asking what seemed like the best option or asking how they went about engaging in a particular financial behavior. Others used their family members as sounding boards in order to feel more confident that they are doing the right sorts of things and making the right choices.

Financial advisor

Financial advisors played an interesting role in the qualitative research. Many consumers cited them as important sources of knowledge, but people said they actually used an advisor less frequently. Some older Americans indicated that they used financial advisors as a source of knowledge about managing finances or making investments. Most older Americans tended to use financial advisors to plan their estate or manage their resources through the end of their life, particularly when they rely heavily on investments. Some consumers wanted to use a financial professional as a sounding board to legitimize the knowledge that they already had but were unsure of. Perhaps unsurprisingly, it was most commonly financial practitioners who suggested that financial advisors played a major role in people's lives. This should not take away from financial advisors, because for some consumers, especially as they age, having a financial advisor can greatly impact their financial well-being.

Financial plan

Many of those interviewed described having a financial plan as a critical part of achieving financial well-being because it gives meaning to other behaviors. Both consumers and practitioners both said that developing financial plans is not easy and strategies are not universal. Most consumers and practitioners said that the most successful financial plans were ones that were anchored by realistic goals. Most people develop them on their own or with input from close friends and family. Some create budgets to see how they spend their money and create their plan accordingly. The kinds of goals older Americans set for themselves were different than the kinds of goals working-age Americans set, and therefore the plans they develop are different. For most older Americans, financial plans revolved around maintaining their lifestyle throughout their retirement and ensuring they have enough. For some, this meant being sure to obtain insurances, and for others it also included estate planning. For other older Americans, their goals were also about enjoying their money in their retirement and being able to afford 'wants' without worry.

Getting a good education

Older Americans commonly said that education was one of the drivers of financial well-being and that one of the best things that you can do for yourself financially was making sure you got a good education. Many consumers indicated that education in and of itself provided financial knowledge that allowed you to make better informed decisions. Other consumers suggested that going to college was not particularly helpful for acquiring financial knowledge, instead emphasizing the importance of personal experiences.

Government policies

Some consumers said that they did not know as much about paying taxes as they thought they should. Others thought that having to pay taxes in general undermined their financial well-being. Older Americans however were most concerned with understanding how to government programs such as MediCare and Social Security. Many relied on older friends who had already gone through the process.

Investing

Throughout the qualitative research, consumers commonly said that they would feel more confident in their financial knowledge if they had more information about investing. Many consumers considered investing was commonly seen as the "next step" beyond what the average person knew with regards to finances. Many older Americans talked about wishing

they knew more about investments when they were younger, as a saving strategy for the future. Many older Americans have retirements that are in some way built upon investments, many in the form of 401(k)s. Many older Americans described investments as unconscious behavior—just a part of having a job was having a 401(k). Often they relied on others for investment knowledge or to actually do the investing for them.

Personal experience

Most of the older consumers indicated that they primarily acquired financial information through personal experience. People said that they learned by doing and, frequently, learned from mistakes they have made. This is was especially common with learning how to use credit cards responsibly. Many consumers said they made mistakes with getting into debt when they were young, especially if they got a credit card in college. Consumers noted that those bad decisions, as long as they were not too great, were critical to improving their financial well-being because they learned from them. Many interviewees also indicated that they evaluated information they received from others against their own personal experience. In this way, consumers often learned and developed strategies around behaviors over the course of time.

Retirement and timing of knowledge acquisition

Many older working-age Americans and older Americans in the qualitative research indicated that they were unsure of how to go about planning for retirement. The qualitative research suggests that retirement is thought of as an event. Some thought that if they maximized their 401(k) that they would have a secure retirement. Many relied on investment portfolios other than their 401(k). Older Americans commonly said that they wished they had started to plan for retirement earlier than they did. Both older Americans and practitioners said that consumers most often seek retirement-based knowledge only as they get closer to retirement. Some suggested that it would be better if they had acquired this information earlier and/or they recognized that information was important earlier.

Saving and retirement saving

Throughout the qualitative research, consumers commonly said that saving and knowing how to save was an important step for most people in reaching a higher level of financial well-being. Many consumers had different approaches to save money. Some consumer suggested that the different saving strategies reflected differences in knowledge. Some consumers learned saving behaviors from friends and family. Older Americans commonly said they learned from personal experiences. This was especially true if they had lived through the Great Depression or if they had parents that had. For some older Americans, saving was often described in the context of being frugal and where to get bargains. It was less about knowing how to invest in their future and more about how to ensure they had enough. For others, saving was something they learned to do throughout their lives. It was important that they learned to save early. Older consumers and practitioners both said that best way to save was to have a goal. For older Americans, this was commonly maintaining their current lifestyle, to be able to enjoy their retirement, or to plan for health-related costs.

Trust in source

Being able to trust financial knowledge was a theme that came up among consumers. Consumers indicated that evaluating the information presented to them was a critical part of translating financial information into behavior. Some practitioners indicated that this may be why consumers tended to gather most of the their financial knowledge from family, friends

and their own personal experiences. Trust may also play a role in why most consumers said they were referred their financial advisor through friends or family. Other consumers also said that they trusted their financial advisor because they were introduced in the workplace, therefore legitimizing their interests. Both older and working-age Americans throughout the qualitative research discussed the importance of trust and trusting the source of the knowledge.

Upbringing

Upbringing was among the most common themes in the qualitative literature. For many consumers, upbringing was the most important source of knowledge. Watching parents and how they navigated their financial lives greatly impacts the way an individual will behave for the rest their life. For some, upbringing was the "first classroom," a place to learn financial knowledge but also the primary place to learn cultural norms. Practitioners commonly said that individuals learned how to engage in financial behaviors from their parents, but also why to engage in financial behaviors. Some consumers also said that watching their parents struggle was motivation to do things differently.

Watching others and seeking advice from others

For some consumers, friends and social networks played a similar role to family with regards to acquiring financial knowledge. Many working-age Americans used friends and social networks as information resources about investing, financial products, choosing between financial institutions, and any number of financial behaviors. In this way, common cultural and social norms are reinforced. Older Americans relied on their friends and social networks as a source of knowledge particularly about retirement. Watching others retire and go through the process was how many older Americans learned about what to do and not do to have a secure retirement. Financial practitioners also noted that the information consumers get from friends is not always right and said that social networks can just as easily reinforce bad behaviors and they can good behaviors.

Workplace

For most of the older Americans that were interviewed, their retirement saving was primarily tied to their employer-provided retirement accounts. Unsurprisingly, some consumers mentioned specifically changing occupations or working into their retirement years to take advantage of these benefits. Other consumers said that much of the information they received was through their workplace. Between retirement accounts and other employer-provided benefits such as health insurance and access to financial knowledge, the workplace often played a crucial role in an individual's financial well-being.

Personal characteristics

Ability to enjoy simple things

Older Americans in particular emphasized knowing what makes you happy. Some suggested that it was ok to enjoy your money as long as it was for what really makes you happy. For others, enjoying the simple things meant being able to enjoy activities that do not cost money. Most commonly, this was being able to enjoy time with family, but for others it could be being able to relax or enjoy activities like reading.

Being frugal or cheap

In the qualitative research, frugality was thought to positively influence an individual's financial well-being. Many interviewees indicated that some people are better able to make do with less. Some talked about frugality as a mindset and that they consciously decide to spend less. For some this accompanied being far-sighted or future orientation. Others suggested that some people simply just do not like to spend money. Some Older Americans said that they would be in a much better position if they had been more frugal when they were younger.

Driven

Being driven was used to describe highly motivated individuals. While often spoken in the same breath with hardworking, being driven reflected having a goal and being motivated to achieve that goal; it does not necessarily constitute the willingness to work. Most of those interviewed felt that being driven correlated positively with "good" financial behaviors like saving and budgeting. For others, driven individuals were seen as more likely to overcome adversity. Older Americans in particular recognized that achieving financial goals sometimes takes a long time and requires perseverance.

Far-sighted/planner/future-oriented

The ability to cope with unforeseen events or shocks was commonly thought of as critical to achieving financial well-being. Many interviewees recognized that some people tended to be better at planning for the future than others. For some, those that were future-oriented or far-sighted tended to be more frugal, have more self-discipline, or were better at sticking to a financial plan. Some Older Americans said that they would be in a much better position if they had taken a more long-term perspective

Hardworking

Older Americans and working-age Americans both felt that hardworking individuals were more likely to achieve financial well-being. Many older Americans felt that being hardworking led to more opportunities in the work place, providing those individuals with more stable employment and allowing them to climb the income ladder. Others recognized that having a spending plan and using a budget was not a onetime decision. Maintaining the self-control necessary to stick to the plan requires work.

Not needing to keep up with the Joneses

Many of the interviewees indicated that social pressure was one reason that people overspend. Individuals feel the need to "keep up" or "fit in" with family members, friends or others in their social network. Older Americans tended to believe that this was more prevalent among working-age Americans. Some described the ability to not give into these social pressures was

influential on an individual’s financial well-being. For others it was describe more as really knowing what makes you happy and not needing to spend money on things you do not need.

Responsible

Some of the interviews, Older Americans suggested that more responsible individuals would be more likely to achieve financial well-being. For some, responsible individuals were thought of as more likely to be able to distinguish between a need and want. Others believed that responsible individuals were more likely to pay their bills on time and not fall into debt. Similarly, responsible individuals were thought of as better able to avoid risky behaviors like overly using credit cards.

Self-control/discipline/patience

Many of those interviewed suggested that at times spending money was easier that not spending. We are constantly presented with choices, and most felt that achieving financial well-being required having the self-discipline to be able to make choices that work towards our goals. Older Americans especially tended to take a more long term perspective, and often described this as making sacrifices in the short-term for long term gain. Other interviewees described that there are social and culture values that encourage consumption. Having the self-control and the discipline to resist these pressures to keep up with the Joneses and “delay gratification” is thought to be beneficial for achieving financial well-being. Some Older Americans said that they would be in a much better position if they had been more disciplined or had more self-control.

Self-esteem

Having good self-esteem was commonly thought of as important for achieving financial well-being, but what constituted “good self-esteem” varied. For some it was having confidence, or being able to handle what comes your way. Many of the interviews described spending that was driven by emotion tended to negatively affect financial well-being. Some thought that being insecure or not feeling good about yourself led to impulse spending or spending that was primarily meant to make themselves feel better in that moment.

Stressed/worried

Throughout the qualitative research, stress and worry was thought of as a product of a low-level of financial well-being. Living paycheck to paycheck and not knowing where the next money was coming from was stress inducing. Some, however, thought that stress was itself a driver of financial behavior. For some, being stressed led to impulse spending or spending that was primarily meant to make themselves feel better in that moment. Others thought that being stressed made people focus on only the obstacles at hand and made planning for the future more difficult. On the other hand, some thought that being stressed or a worrier made some people focus on the details and actually made it easier to make better-informed financial decisions.

Type “A”

Many Older Americans consumers described how being able to pay attention to the details positively impacted an individual’s financial well-being. Many recognized that some people are more apt to be detail-oriented. Some thought this made them better planners. Others thought this would make them more successful in the workplace.

Social and Environmental Context

Culture

Older Americans also indicated that cultural values and social pressure caused some people to overspend. Older Americans thought this was especially true of younger generations. Some referred to it generally as a "culture of consumption" where status was intrinsically tied to material goods. Others talked about it more specifically as feeling like they had to keep up with friends and family. The role of culture varied between geography, and some consumers even noted this. For example, consumers in Wyoming felt much less pressure to have a nice car whereas in LA the pressure to own a luxury vehicle was much greater.

Economy

The role of the greater economy on people's financial lives was particularly important for older Americans in the qualitative research. Many older Americans were concerned that much of their stability was tied up in investments. Some even lost money in the recent recession, which made them feel a lot less stable. As much of their wealth and income stems from investments, many felt they were not in control of their finances.

Family

Similar to working-age Americans, family was among the most common themes in the qualitative research. Older Americans relied on family members as a source for financial knowledge. Other older Americans talked relying on children for support, either financially or in terms of care or housing. This was especially true in cases of cognitive decline. Older Americans worried that children were still drivers of spending, such as covering missed payments.

Friends

Friends were thought of as similar to family or spouses. For older Americans in particular, friends were viewed them as sources of financial knowledge around accessing health care or learning about retirement. While no longer concerned with job opportunities, friends still provided connections to services and community resources. This is especially true of financial practitioners and estate planners.

Good employment

Many older Americans said they were able to have a secure retirement based on their employment benefits. Most said they started saving for retirement through an employer-sponsored retirement savings account such as a 401(k). Many older Americans still relied on employer-sponsored healthcare. Due to the worry around health events, some even sought out employment after retirement just for the benefits.

Government policies

Older Americans were similarly concerned with paying taxes in the qualitative literature. Unlike working-age Americans, however, older Americans were much more concerned with receiving social security and accessing MediCare. Some older American consumers expressed that these government support systems were critical to their financial well-being.

Life event

Many older Americans worried about their ability to cope with major life events. Most were particularly concerned with their health as they aged, and some thought that health was the largest determinant of their financial well-being.

Social networks

Social networks encompassed friends, family, co-workers, and their connections. Most older Americans thought that having an extended social network positively impacted their financial well-being, as they believed that they had more resources to draw from. Many older Americans attributed past employment to social networks. However, older Americans also agreed that social networks also were a source of social pressure, and greatly shaped and individual's expectations for their financial lives.

Spouse/partner

Older Americans and working-age Americans both suggested that an individual's spouse or partner was a driver of financial well-being. For some a spouse or partner was a major source of financial knowledge, providing their own life experience and social networks. Some described having two incomes as greatly improving their stability because they had something to fall back on. For others, a spouse had a positive influence on an individual's financial behavior. Many interviewees said this was particularly true when partners shared common goals or were working from a common financial plan. When partners did not share the same financial values, many said the opposite was true and they may actually be a detriment to financial well-being. Some described how one partner is affected by the behavior of the other, like if one partner has a poor credit score.

Upbringing

Older Americans agreed that upbringing was incredibly influential on financial knowledge as upbringing. Some said they learned how to engage in particular financial behaviors because their parents explicitly talked to them about saving or opening a bank account. Others said they learned just by watching their parents handle money. This was particularly true of older Americans, some of whom had parents that had gone through the Great Depression. Most of those interviewed agreed that childhood was a key time period where individuals adopt values and cultural norms that greatly structure the way they behave financially.

APPENDIX F: QUOTES FROM OLDER AMERICANS AND PRACTITIONERS

FINANCIAL KNOWLEDGE

"I know a fair amount about how this stock market works. I know about the relationship between bonds and their interest rates and the stock market. That's part of my personal education. But I think everyone should have that kind of education too. They should understand things about how our financial system works. I have a pretty good idea of how our financial system works. " **– Older American, Chicago**

"Not many people are saving their money for investments. And even if they did, how financially literate are people with respect to investments? I mean people can tell you the difference – price difference between Ross and H&M and Marshalls – but they can't tell you what they would do with that money if I told them to put into something that would earn a return other than a savings account…. Smart people invest their income in income generating assets that add net worth – that grow their net worth over time." **– Practitioner, Los Angeles**

"I mean having your investments perform well is obviously will result in you feeling better about your finances. However, that cyclical and that changes literally day-to-day. So I think another I guess basis of financial well-being would be making sure you're not overly exposed to market risks. Trying to you know, participate in market – upside – while at the same time have your money in other vehicles or products that minimize the market risk that you're exhibiting. Yeah. I mean – go ahead. I guess I was going to say having the wide variety – like the diverse portfolio, and I don't mean just diverse – mutual funds – diverse types of investments. You know, having things in very safe places which don't have the volatility." – **Practitioner, New York**

"They need to understand what a credit report is, what a credit score is and how to access and leverage capital – and that credit is a good tool when applied appropriately. It can be a bad tool when applied incorrectly." **– Practitioner, Florida**

"So we're in the process of putting together a series of seminars that we hope to launch in January geared through that GenX, GenY about that exact thing. So again, some of the things that we came up with are things like just even understanding … simple things like credit scores. Understanding how the different debt instruments work that maybe mortgage interest debt is not nearly as bad as credit card debt." **– Practitioner, Washington, D.C.**

"I would like to see an actual class in a high school level that teaches the kids how to balance a checkbook, how to use a credit card. The simple, what your credit score is, why it's important. I mean it affects everything – your car insurance – and that's just something they don't teach in school. They don't have time." **– Practitioner, Wyoming**

"When I started the job, I expected them to have this I guess – everyone kind of has this basic knowledge of credit cards. But how that affects your credit – you think you know, the idea of credit – yeah. I think ah – kind of fixing it before it gets too bad. You know, doing little things here and there instead of just letting everything go and not paying anything." **– Practitioner, Los Angeles**

"I remember coming out of school getting my first credit card and you know, realizing as I spent it – that I only had to pay back a certain amount. That seemed pretty easy. And then after about a year I realized I was paying a higher amount. And the number kept on growing, and then I started thinking about well, what would it really pay to get this paid off? And I realized that the

credit card companies weren't helping me pay off. In fact, what I was doing was digging a bigger hole…. Then I realized the minimum amount of pay off on my credit card was not getting me ahead. That was something I learned on my own at least back then. I was paying enough but my balance wasn't going down. I thought that was rather insidious." – **Practitioner, Washington, D.C.**

"I didn't really know everything I needed to know because if I had to do it over again, before buying I would get a housing inspector to inspect it. I didn't do that until I already moved into the house. The first week in the house, a water pipe burst in the ceiling above my living room…. If I had to do it all over again, I would have went and got a certified inspector and had him inspect the house before I went to settles…. What I thought we had bought had a thorough rehab, but it was just a cosmetic rehab, so there were a bunch of other issues, a bunch of other things that I had to spend money on that would have factored into my decision if I had had that information before I bought the house." **– Older American, Washington, D.C.**

"The mortgage lenders, be they online, somebody I contacted online or because we have gone through people that I've [inaudible] does it and was a little skeptical, but it's fine. I mean, actually they're not brick and mortar places, but you save money when they're not brick and mortar places that you're dealing with. So just asking a lot of questions of professionals, people from the industry, not through any kind of formal training." **– Older American, Atlanta**

"Depending on how long you had that house and how long ago you bought it. Even if you acquire a house, there needs to be information that talks about the cost of home ownership. Everybody brags about how wonderful it is to own a home, but I don't hear anybody just in casual conversation talking about how much it costs to own a home. There needs to be specific education on that – even if it's after they make the big purchase. You know, so you make the big purchase, you didn't know about a whole first time home buyer program, or you didn't qualify. So now the education afterwards of how do you financially live where you are and make this thing work without going into foreclosure." **– Practitioner, Los Angeles**

"Buying a house they have to know how much they have to put down, and the interest rate, what their monthly payment's going to be how is going to impact their monthly finances and their future ability to accomplish their goals. You know, where to save the money to save for the down payment, how long it's going to take." – **Practitioner, New York**

"The one thing I remember was save your money. You know, live as basically as you can. So we didn't, when I saw what my husband had, I said we're not touching that. We're not touching that. We're going to keep adding to it as we can, and we did. We had all the dividends put back in. We never touched any of them." **–Older American, Wyoming**

"Knowing how much you can spend safely without damaging – if I were taking money out, I would say I want to take what has been the dividends rather than taking the. (Principal.) The principal. I don't want to touch that principal. I can take some of that other, and that's as far as I can go. We had some other things we wanted. We wanted to redo our deck. We're going to have to wait. It's too much money. We just are going to stop now." **–Older American, Wyoming**

"…older folks I guess I think they always make good decisions when they have taken the time to really think about retirement. To really understand what life is going to be like afterwards. He had an employee here who worked here like 40 years. She didn't want to retire. I think she was scared to retire. But her son-in-law is a major financial like a wealth management type person. And so he told her he said you know what you're supposed to get social security wise. She said

yes. He said live on that for 9 months and she said okay. And he said put everything else in savings." **–Practitioner, Wyoming**

"Another thing that we think is very important is making sure people are saving money. The average American does not save very much money and it's causing some serious issues right now with people who are leaving the work force. (Definitely yeah. It's only going to get worse.) Yeah, absolutely. People just are saving small, small quantities of money when they should in fact be saving 15-20% of their gross income every single year." **- Practitioner, New York**

"My oldest son – you know, he an Xbox and it broke and he said dad, I don't know what to do. I can either send it into Microsoft and they may or may not fix it – but I won't get my $100 bucks back, or I can go buy a brand new $300 one. And I told him I said – [x] are you ever going to be without an Xbox in your life? And he looked at me and he said no. I said okay, so I said you know, when you buy an Xbox, you immediately start putting $10-15 bucks away every month for that replacement so that once you build up that replacement but you've taken such good care of your Xbox – it's in great working order, and you don't need to replace it. Now you're working on the second replacement – so you continue to do that so you don't have to – when you come up with these decisions, it'll be easy for you because you can just buy the new one. So at the end of the day he sent it in and got it fixed. But what he's done now is he has a reserve set up that he can then replace that broken Xbox if and when it ends its lifecycle which it eventually will. That was an example of you know, trying to teach my kids about you know, money." **– Practitioner, Montana**

FINANCIAL BEHAVIOR

"I think you got think restraints, spending restraints. You know, I think that above all. You go to know how much money have, what's coming in, what's going out, and restrain yourself to what you got, make sure you can really your debt well. I think that's probably the biggest thing." **– Older American, Los Angeles**

"Set a budget. You know, total your income for the year - and then if you have Blue Cross, it's going to go up. Medicare charges you, taxes go up, things like that. That's a priority. With me, I have to take that into consideration for every year. So I can - I keep a budget for that." **– Older American, Chicago**

"You need to balance your budget and make sure that you're budgeting properly – that stays with you – and you utilize that no matter what the level of income you have. You know that you only have you know, a certain amount of money per week – then, you budget that out so you can survive inside of that week. And then you also become resourceful when you realize that the amount of money that you have is not going to make ends meet." **– Practitioner, Los Angeles**

"The successful clients know what a balance sheet is, and they don't just look at oh, here's my income. Here are my expenses. This is and what I – the money I have to spend. So they spend beyond their real capacity – and they get themselves in trouble with that." **– Practitioner, Wyoming**

"He said you want to sit down with a budget and list out all your expenses and what you think it's going to be every month. And it'll change – for example {too soft} and this and that. Maybe your house might be the same. And then how much money you're bringing in. And then you compare your revenues to your expenses and hopefully at the end, you'll have some money left over." **– Practitioner, Washington, D.C.**

"That's their choice on what they need to do. But that's why I say it's old school – you know, you write things down. You keep track of things. And you know where you're at each month. You adjust your spending habits accordingly." **– Practitioner, Montana**

"They need to know how much it's costing their family daily – annually. They need to know what the costs of products and services are. They need to understand the formula to determine how much revenue they need to have in order to save for their retirement which is defined in the manner that they choose to define it. They need to actively be monitoring their spending habits to ensure that they are incorporating their goals into their spending habits and monthly budget management." **– Practitioner, Florida**

"They also need to know a budget but like I said before, they kind of do, but practicing it would be better. And maybe understanding the importance of tracking where you actually spend money. I mean because if you don't keep a budget, that's fine. But you at least you should know do you go out to eat 4 times a month – or do you go out to eat 20 times a month? I mean you should know where your money is going." **– Practitioner, Wyoming**

"Planning. If you don't plan, there's no plan. If you don't have a plan, you're running and doing things on the go. You got to sit down and draw your plan. We drew our plan years ago - after we start, went through some hard times and we got into better times and we planned for our future." **– Older American, Chicago**

(Out of everything that we've talked about today, what do you feel is the most important ingredient to maintaining financial wellbeing?) "Well, a skillset, you have to plan what you want, and you have to work your plan. I used to use that for my work, plan your work and then work your plan. You have to be diligent in that." **– Older American, Atlanta**

"I don't know exactly what causes people to make good decisions other then they have been trained well. Maybe they have big goals. And they are really doing it the way they should – taking it step by step and figuring out what do they need to do to get there? And so those people make – tend to make good decisions because they are really trying to work towards something. " **– Practitioner, Wyoming**

"It's one thing to have more but if – to save money is harder if you don't know what you're saving for. But if you have aspirations to buy a home or if you have a home and you aspire to have rental property – then you need to know what you're saving for. You need to know what you're trying to accomplish because otherwise, there's no – even if you're saving just for retirement – if you don't know what the cost of that retirement is – it's going to be harder for you to save even $100." **– Practitioner, Los Angeles**

"Financial security in a short statement is – it means that you are not going to panic if something happens. Most people starting don't have that luxury so you've got to plan for it. Have to plan for it." **– Older American, Wyoming**

"At this stage, it probably had a lot do with planning, how you plan for the future. And then the ability to stick to it. Unless you're very wealthy or you have a capacity to somehow gain a lot of money, very high paying job or something like that. Most people have to save. That requires really knowing what it is you want and being able to establish a plan or a method for getting it and sticking with that plan." **– Older American, Atlanta**

"Set yourself a plan and try to stick with it. Although you know things are gonna change, and you're gonna have…to make, you know, adapt to different things but still you need to set a plan. And understand that if I'm disciplined and I have a plan then by this point certain things can happen for me." **– Older American, Los Angeles**

"Create a plan. Well, we first – be realistic. Being realistic in where you are in your life at that given time. And then creating a plan short term – midterm and long term to get to the point where you want to be. And then, you know, take steps a little bit at a time to get there." – **Practitioner, Los Angeles**

"So I had this little bit of this whatever it was – I can't think of how much it was, and um, I had that set up where it would – goes to my grandkids. Because the kids would get the house or [x] and my thought was – what I did was put my grandkids on as the beneficiary. Right now might have to keep me in a home someday." **– Older American, Wyoming**

"We made up a living will - so a lot of things are taken care of in there where we name if something should happen to us who would take over and they would get the power of attorney and everything. We have actively sat down and did that. That was a difficult thing to do. I still don't even know if that's the right thing or if I still need something else besides that. It needs to get updated too. A lot of things happened." **– Older American, Chicago**

"Someone's got to start a conversation. Usually it's the person who's older and seeing this for themselves. But usually or but sometimes it's kids who are coming into the family – in-laws or it's kids themselves who are starting ask questions about you know, what would happen to

whatever – personal property or what would happen to – what would you want us to do if something were to happen?” **– Practitioner, Wyoming**

“We could have been in a better financial situation if we had not bought a larger home in 2001 and the economy went south in 2007 because we totally did that as an investment. The equity that we made on that house we invested, so we had benefited there. But we’ve got that decision about this house. But then we wouldn’t have enjoyed it. So it’s a wash.” **– Older American, Atlanta**

“We don’t have any mortgage payments which was a big thing. And so all we’re really going to need is 75% of what we’re making now. We just picked a figure out of the air. We thought if we took a dollar, for every dollar was 75 cents we’d be okay. So far. I have no problem.” – **Older American, Chicago**

“But then we also bought an annuity that is going to double. That will come in when you know, if it probably, my Social Security drops. You know, if that drops, if we lose that, that’ll take over for that. So we had a great deal of help from a wonderful financial planner.” **– Older American, Wyoming**

“I mean I think the big thing it’s what people invest in. So successful people tend to invest in assets that grow – that appreciate and create revenue streams.” **– Practitioner, Los Angeles**

“Well, you know, I have some clients they go into the stockmarket and lost a bunch of money – and I think some of them that don’t really go and look at the background or really don’t do a research I think stock investing you really need to know what you are doing and they don’t. They just go in and just follow the crowd and lost a bunch of money.” **– Practitioner, Houston**

“I think, over the years, myself and my wife have worked extremely hard and we’re very frugal, saved a lot of money in times when we could expect more. Going through our careers and, so yeah, and then that established, you know, part of a base I have of retirement that will stay with me for the rest of my life. That is it is extremely nice retirement.” **– Older American, Los Angeles**

“What do you need when you stop working? Right, once you stop punching in at work, you stop getting a paycheck. But you still want to eat food – maybe travel in your retirement. So the reason why we’re working is not only to sustain our lifestyle, but to do what? You want to save money to maintain a future lifestyle.” – **Practitioner, New York**

“My wealthy clients tend to be extremely cost conscious about everything. I have noticed that. Someone once said to me there’s a reason why they still have a couple million bucks in the bank. They don’t let go of the money.” – **Practitioner, New York**

“$3 a day – $2 a day – you know, over the course of a lifetime, that’s easily a $30,000 decision that you’re making a chunk at a time. A small chunk at a time. Doesn’t really hurt you. But what if you had $30,000 extra dollars. Would that make life better for you?” **– Practitioner, Wyoming**

“You got to discipline yourself. You got to set that dollar amount if you can afford it. Set that dollar amount and be convicted. You know, stick with it. You say you’re going to save $20 a month - save it. Do it. I learned that I would say.” **– Older American, Chicago**

“That’s the thing is patience. You can’t have it all at once. You can’t try to have it all at once because when you do, you’ve got to pay the price. And usually that price is much higher than what is showing. That price is interest that accumulates 24/7. Is a payment that never stops. Is

a something else that you can't afford to buy because you're paying all of this interest." **– Practitioner, Montana**

"Yeah, sure I can put it on a credit card and make a purchase. Satisfy an immediate need. A felt need. We talked about needs vs. wants. We have to be careful about the terminology. Anyway, they felt they needed it at the time. And then not really thinking about the downside. Thinking about the scenarios. If something were to happen to their earning ability and they weren't able to make a credit card payment, what would happen? What would that mean further down the road?" **– Practitioner, Wyoming**

"And even if we go shopping - if you go grocery shopping - little things well, okay this costs this much, but we can get this for a little less so we'll - you know - and you just do that automatically. When it comes time, I'm 74 right now. So I figure it's time to start enjoying a little bit more than I used to." – **Older American, Chicago**

"The rule of 3 when you go in and you have to make a decision about a new sort of a purchase – perhaps a large sort of a purchase – let's say it's life insurance – let's say you're buying a new refrigerator or something like that. Take a look at three vendors and compare apples to apples. Put them in a little chart so you've got them and you can compare features of all of them." **– Practitioner, Wyoming**

"When we first got married, we didn't have a washer and dryer. We saved money until we could buy a washer and dryer. And I was very fortunate in marrying a woman that agreed with that philosophy. You know, and there today you know, if you – you know, if everything is pointed toward how many payments or how much interest or whatever – if young people would realize what it costs to buy on time, I would hope that they wouldn't do it. But and it's not a big deal to go without something until you can afford it because it's such a good feeling to go in and pay cash for it." – **Older American, Wyoming**

"Many of the clients who make the better financial decisions are better educated. So they um, and they have their own resources to put into the business rather than having it come from the debt place, rather than an asset place – which of course, the {too soft} savings accounts are perfect for assisting with some of that." **– Practitioner, Wyoming**

"I think that's probably the greatest threat to financial well-being is the debt. That's something that my elderly clients do not have. They do not – they don't even like debt. Most of my clients will tell me that they don't use a credit card for anything unless they're buying a major appliance and they just don't want to walk into a major appliance store with $1,000 of cash. Most of these people they know what they have in their pocket, and they know what they have in their checkbook." **– Practitioner, New York**

"I think the biggest thing is not buying something that I couldn't afford." **– Older American, Chicago**

"Work hard and save money. I do tell them that to start with. And then I keep telling them the same thing." – **Practitioner, Houston**

"Especially in terms of credit, a lot of people to the people specifically who improve credit – are focused on the future so that they either have positive accounts – that they either have been paying on time or start paying on time – and they first make their efforts concentrated on establishing positive credit. And then they worry about cleaning up any bad information." **– Practitioner, New York**

"It's just like I don't know what you want to use as an analogy but it's if you don't work at it, you lose it. If you don't – and so if you don't keep working at your savings account, then eventually you're going to spend it all and end up with nothing. And so that's why I tell people that. You know – do what you can." **– Practitioner, Montana**

"Never live beyond what you make, always spend less than what you make…. There are people who never spend more than what they make. And then it's just saving. If you can save. What I'm saying is saving is the most central theme to have you know, financial well-being at the later age of your life." (What about for younger clients?) "I would tell them to start saving now. Whatever you could afford. It doesn't matter. Even if you can save 5% or 8% of some financial advisors advise you – whatever you can save. You know, it's a starting point." – **Practitioner, Houston**

"You know, and sometimes we get clients who they may have one aspect, like I have a woman like she doesn't really have permanent work, but she saves every dang penny she has. And I was so shocked when I see it – okay, so even though you're not working consistently, you're a really good saver. You know what? If we could just get you that permanent job, you're set." **– Practitioner, Los Angeles**

"Credit card is good. It gives you that rate that if you want to buy a car or whatever, then it's available to you. Especially if you're going to travel or going to go see family across the country, things like that. It's a convenience. It's a very convenient thing to have. I like to have them. I like to know that I have them there." **– Older American, Chicago**

"Your credit cards and your debit card when they came in, and even some credit cards. They give you a limit. You know, your debit card, you don't have no more money, but your bank may say that's okay - you go ahead and charge that. Even though you don't have one red cent - we'll pay it for you, and we'll hit you up for that nonsufficient funds. The same with the credit cards. You have gone over, no problem. You know you're going to pay us, and we're going to hit you with that interest. I would say that was a behavior that was negative." **– Older American, Chicago**

"So the people then, so again, back to what they never understood that they have to plan for you know, the possibility that their life may change in the future. And so people they live at 99% of their income every – we can put – every month or every year – so in other words, people are leveraged at least to their income if not more – when we throw in credit cards. So the issue when something like that happens to them, out of their control, that is devastating to them because they can't just stop on a dime and change their lives." – **Practitioner, Montana**

"Oh, credit cards is a huge one. Do a lot of coaching on that. You should never use more than 30% of your limit. Always make your payments on time. Try not to carry a balance, but you need to use it in order for it to affect your credit." – **Practitioner, Wyoming**

"They need to know how much it's costing their family daily – annually. They need to know what the costs of products and services are. They need to understand the formula to determine how much revenue they need to have in order to save for their retirement which is defined in the manner that they choose to define it. They need to actively be monitoring their spending habits to ensure that they are incorporating their goals into their spending habits and monthly budget management. They need to understand what a credit report is, what a credit score is and how to access and leverage capital – and that credit is a good tool when applied appropriately. It can be a bad tool when applied incorrectly." **– Practitioner, Florida**

"Especially in terms of credit, a lot of people to the people specifically who improve credit – are focused on the future so that they either have positive accounts – that they either have been paying on time or start paying on time – and they first make their efforts concentrated on establishing positive credit. And then they worry about cleaning up any bad information." – **Practitioner, New York**

"People just kept borrowing and borrowing and not really thinking about having to pay it back. They just felt like well, we're just taking the equity out of our home as if it was spending – I guess they were. They were spending their equity but they really weren't thinking that the day they would have to keep paying that money back. So I think that's probably the greatest threat to financial well-being is the debt." **– Practitioner, New York**

"I went into police work not for the retirement but as, but that decision of going into police work ultimately made a really decent retirement." – **Older American, Los Angeles**

"It's a hard thing to think about right, but I know well, I have the peace of mind because I know if anything were to happen to me that my gentleman at Smith Barney, he's got it set up so my wife's going to be alright. I mean a lot of things that he set up for us - big huge death benefits for her. So if something happens to me, she's going to be taken care of. I don't worry about that. But it's hard to think about it." **– Older American, Chicago**

"But then we also bought an annuity that is going to double. That will come in when you know, if it probably, my Social Security drops. You know, if that drops, if we lose that, that'll take over for that. So we had a great deal of help from a wonderful financial planner." – **Older American, Wyoming**

"But letting them know that's okay – like I'm here with you even when you – when you make that bad choice that's going to – you know, we looked at this, and we both agreed that we should go this way but you chose to do this anyway – to know that I'm still here. Okay, you made that choice, but I'm still here, and I'm still going to point you in the right direction – that at least allows them to look within themselves and say hey – well, [x] still here. And no I don't have what I wanted by doing what I wanted. So now maybe I'll be more open to the fact that maybe what he told me made a lot of sense." – **Practitioner, Los Angeles**

"Now maybe the successful ones that haven't had experience – they again, from that mentorship from somewhere know that they should – they know in their budget how much payment they can afford. Maybe they searched online for a loan calculator to find out how much that means I can borrow. And maybe they have seen somewhere that it's better to put down a little bit of money because then you can get a lower interest rate. I mean there's some other benefits to doing your homework – whether you've gone through it before or not." – **Practitioner, Wyoming**

"Staying current with financial information seems to be another one. I mean they actually look at the columns in the newspaper that are money oriented or perhaps even subscribe to money type magazines. I don't see many people doing that honestly. Buying money books. There's tons and tons of them out there, and they're essentially free. So they buy books. They talk about it with people. They do a little bit of research. That seems to be one of the things that really translates." – **Practitioner, Wyoming**

PERSONAL CHARACTERISTICS

"You want to be disciplined on how you spend your money. You want to be cautious. You don't want to buy something that you can't afford - overpay. You want to be confident that you could do it. I'm confident that I'm going to live the rest of my life without losing everything. That's - I'm confident and I'm prepared." – **Older American, Chicago**

"Disciplined I think is a big part of it, and hardworking, you got to work hard. You can't, you know….and you got to be patient because, you know, it doesn't happen overnight." – **Older American, Los Angeles**

"Everyone knows how to lose weight. They do two things. They eat less and they move more period. Everyone knows that answer, but yet not many people do it…. You have to discipline yourself not to eat the food. You have to discipline yourself to get up and run. With your money you have to discipline yourself not to spend. It's nice to go to the nicer restaurant or buy the new pair of clothing. I mean why not? Looks good, feels good, all that stuff. But you have to discipline yourself not to do it because it's better to have the money for something else." – **Practitioner, New York**

"Even at this juncture in my life where there is the incomes and the investments and the savings, etc that uh that they go into the seven figures, we still have a relatively modest life." – **Older American, Los Angeles**

"Flashy, to me, represents somebody, maybe they're spending on things that they – living beyond their means is what that kind of conveys to me. Lucky, sometimes you're lucky, sometimes you're not. They could be stressed because they don't have the money." **– Older American, Atlanta**

"Are you doing to do what you said you're going to do at the time you said you were going to do it? That goes back to making payments on time. That goes back to overextending yourself. People who have a high character level are usually not going to try to keep up with the Jones." **– Practitioner, Los Angeles**

"People that have a strong sense of value with respect to managing expenses and living a simple life. I think those people have a huge advantage on other folks that buy into keeping up with the Joneses." **– Practitioner, Los Angeles**

"I think an individual and/or family that feels oppressive – has a sense of feeling depressed and being in an oppressive situation is – has to clear that lens first – before they can move to that next paradigm, and as soon as they can clear that lens – they are stuck. That's one of the hard lessons learned in any type of financial coaching and counseling that if you – you can bring all the tools and the products that are available. But the individual has to have that motivation and desire to learn." **– Practitioner, Florida**

"I also know friends and whatnot that have spouses who the only way they can kind of build their self-esteem or feel good about themselves is a new wardrobe every month or every two months or whatever it may be. And or you see people with obesity – they feel good by overeating or they feel good by spending more money on food that I think people who are very confident with themselves and are much able to do the things that they need to do – they don't get caught in those financial – or whatever it is – traps." **– Practitioner, Washington, D.C.**

“Stubborn people don’t believe in anything. There’s people that won’t - they will go to work for their total life - and don’t believe in saving. They don’t listen to people that give them advice.” **– Older American, Chicago**

“I think my more successful clients I think are more open to options. My – yeah, my less successful clients they’re very I guess closed minded in some ways. They don’t like change.” – **Practitioner, Los Angeles**

“It’s just an open mind, and knowing like I said before – where your strengths and someone else’s strengths begin. And being able to listen to other people. And not be just so proud that you take no advice from anyone else. I guess open minded. Open minded – being open minded and listening.” **– Practitioner, New York**

“Not thinking about the future. It’s just like it’s tough because the definition of financial well-being vs. like what I would say is you know, what they would say cause they’re saying I’m financially well off. I feel fine. My well-being is high. It’s good. Because all everything is running properly. All cylinders are going or are on high gear. But that’s assuming everything keeps working. I keep getting my positive rates of return…. I stay healthy, all these things. So yeah, they’re well. But from my point of view I’m like if anything breaks, your whole machine falls apart.” – **Practitioner, New York**

“But the point is, we were thinking about not just today but the future. That’s hard for little kids. It’s hard for a lot of adults. Especially when you start off. You think oh, I’ve got all this money…. Just people who don’t think that far enough in the future. And they don’t listen to news because it’s ugly. So I think personality does have a lot to do with it. I wish it didn’t, but I think it does.” **– Older American, Wyoming**

“Personal responsibility – your work ethics. Efficiency. I’m trying to pass this on to a grandson right now, and it seems to be much more difficult to do this today than it was.” **– Older American, Wyoming**

“Those where I see people who have financial wellbeing tend to be confident about themselves and their future. Things that come up, they tend to have a patient attitude towards them. And I think much of it is because they are generally prepared and they’re generally calm in the face of crisis that will happen. Once they start working a plan, they become disciplined in the plan and you’ve got to work hard, either to get it if you’ve never had it, or to keep it if you have it. Dependable, I think all those just kind of point to a person that’s trustworthy and successful. I think this is understated often to be financially secure.” **– Older American, Atlanta**

“Okay, the person who is um, willing to make sacrifices, willing to achieve goals, who is focused. I think they make that commitment, they will have a better sense of financial well-being vs. the person who plays the victim role and always blames others and always try to um, say it’s somebody else’s fault and not take any responsibility.” **– Practitioner, Washington, D.C.**

“Are you doing to do what you said you’re going to do at the time you said you were going to do it? That goes back to making payments on time. That goes back to overextending yourself. People who have a high character level are usually not going to try to keep up with the Joneses.” **– Practitioner, Los Angeles**

“You can’t just sit back and expect the world to take care of you. I had one mother years ago say to me – why are you working so hard girl? She said I sit back and Social Security takes care of me, and I can watch TV all day. I thought yeah, you wait until you get older.” – **Older American, Wyoming**

SOCIAL AND ENVIRONMENTAL CONTEXT

"And then I think the family is there also there is numerous examples of a family that can help somebody at a crucial time in their life and that little bit of help made a difference in their wealth creation for you know, so it's like if you get a small push and somebody doesn't get a push – where you end up at the finish line could be a lot farther distance than your you know, your just – so if you're both in you know, racers – and somebody's got to do a running start and somebody doesn't have a running start, even if they're both equally – equal athletes, the other person is going to – the person has to go push start is going to end up a lot farther down the way. So if a family can help somebody at a crucial time in their career with an investment, that can make a huge difference." – **Practitioner, Los Angeles**

"*(How do you decide who to turn [the day-to-day paying bills] over to?)* That was a discussion that my wife and I we had to sit down and make that choice. We're depending on our family and family members. We have some young you know, my niece and she's very level headed. She's a teacher - and she's taking care of a Down Syndrome boy too. It's not an easy decision, but you know, so basically she's going to take care of everything and she's a lot younger. You got to do that. You got to leave it to somebody that you figure is going to handle it." – **Older American, Chicago**

"But I am seeing it more so now where the younger group is leaning more on their parents. *(That's really interesting.)* I'm also seeing— and maybe off subject on this— I am also seeing a lot of mid generation taking care of their elderly parents. And so where their elderly parents are no longer able to support themselves, so they're – so that middle kind of has their college kids and their parents that they're trying to match so they're struggling in the middle and doing cash out refinances from their properties in order to support their children and their parents." – **Practitioner, Wyoming**

"So surveys also say that we learn from our parents, and if our parents aren't getting it from school when they were in school and they're not learning it anywhere else, so they have got poor habits to begin, then it's kind of a bad cycle. So it's a total mix. Lots of people make lots of bad decisions. Everyone does."**- Practitioner, Wyoming**

"I was raised by my grandparents who came from Poland. You know, they immigrated to the United States when they were young. Got married, had children, and I seen that they had nothing. My grandfather died, no bank account, nothing. And I said to myself there's one thing I'm going to do in my life - I'm going to be smarter with money - day one. They didn't know any better. They weren't educated. That's what it is. No education." **- Older American, Chicago**

"The kids who are raised in a family setting where they talk about money definitely are going to be and are much more mature in this environment where they're understanding. I mean there is the access to information which is incredible. Where they understand the consequences of decisions. They can go and find any software package that will help them manage their money, but their motivation and their desire to do that is going to also come from other aspects of their emotional well-being that are not necessarily tied to their financial knowledge." **– Practitioner, Florida**

"I have seen families where the parents are not they don't really care if they make their payments on time. It's not a big deal if they have savings accounts. Their children have the same mentality. I have also seen it go the absolute opposite where the children are now young

adults, and they say I have watched my parents struggle. I have been very diligent, I have a savings, I make my payments on time. It can go either way." **– Practitioner, Wyoming**

"Also family makes a big difference because that's where we get our you know, our cultural mythologies are passed down that way. So you know, born into a wealthy family – that is prideful and arrogant and doesn't trust anyone for advice will breed children who are prideful and arrogant and don't trust anyone for advice. Born into a poorer family that is humble and community oriented will breed children that tend to seek out community and have a great sense of well-being whether or not they have got a million dollars or not. And vice versa."**- Practitioner, Washington, D.C.**

"I think it's huge. It's huge. I mean the family is the first education – so before you go to school, you have the family that's educating you. Even when you're in school you have the family that is – that is you know, transferring values and cultural habits that could influence the way you build financial wealth." **– Practitioner, Los Angeles**

"And if you're in some sort of joint relationship – you certainly have more opportunities available to you. And the support is so important because you – you've also got two people to worry about. Like I have said before – one of them could be a spendaholic and you have that kind of risk. But um, you know, if you – typically, in relationships, what I have seen too is when there's two people involved, typically one of them is good at money and one of them's not. That's just the way it is. But if that one who's good at it is good at controlling how things are done, then it tends to work out just fine." **– Practitioner, Wyoming**

"Well, it's absolutely vital I mean it if your married to someone who is not going to have the same discipline that you have number 1 or have the same visions to 2 or isn't a train moving the same direction, then it's going to be very difficult. And it goes either way. The example is the wife that runs the credit cards up to nothing or the husband who has to have the new golf clubs constantly, or this, that, and the other. It doesn't matter— it's not got to do with roles so much as that the partnership has to be on line doing pretty much the same things. Having the same thought processes." **– Older American, Los Angeles**

"What role do you think sort of a person's spouse or partner plays in their financial well-being?) Critical role. *(Can you talk more about what?)* Well, they're the person that would have to ask the questions of their spouse if the spouse is making a decision. Of course, they're the person to bounce ideas off as well. So help – being helpful with critical thinking. Perhaps providing resources. Pointing out good and bad examples of similar situations – models. Perhaps modeling personally good behavior." **– Practitioner, Wyoming**

"And then I think if there's children is probably the most significant driver of people's spending. I think that probably impacts their finances more than anything because I think then people want the best for their children, and that might include nice clothing. My kids have always dressed nicer than I do. {laughter} And that might include expensive even preschools and you know, lower education. Then, you get into the college education I think. I think the decision to have children is probably the most significant driver." **– Practitioner, New York**

"A lot, but especially if you don't have a budget because now it's more channels for the source of income to now go out of. It's you know, if you could imagine being – your own body of water. Like you're your own manmade lake, and you're full of water. And then all of a sudden, somebody decides that they're going to start tributaries off from you – going to go into other bodies of water. *(That's a great analogy.)* {laughter} And if these bodies of water are sustained, then you're not going to lose much water. But if these bodies of water are depleted, and dry,

they're going to take a lot from you. *(Yeah.)* Your community – your spouse, your friends, your family – have a huge, huge impact on that body of water." **– Practitioner, Los Angeles**

"Oh, I think definitely a difference where you grow up. You know, where, in what neighborhood because your neighbors – your friends I mean yeah, neighborhood, friend, school, whatever they all make a difference in shaping a personality of a person." **– Practitioner, Los Angeles**

"And I think that we can surround ourselves with a supportive community. We can – sometimes we make poor choices with that. We surround ourselves with people who are – not supportive. They're negative. They don't think in positive ways – and that makes it difficult" **– Practitioner, Wyoming**

"Lack of opportunity, lack of education, lack of drive, vision, lack of good work ethics, good background, as far as seeing their parents as hardworking folks. The areas they live in have a lot to do with it nowadays. It seems to, like I just think of Detroit right now, I think oh my gosh, it's just so depressed, just – and we've lost our family farms. I think that has – so I think it's location, too, yes, I think the rural areas are definitely affected, whereas you almost have to be in an urban area to earn a good living." **– Older American, Atlanta**

"…a larger close network like close brothers and sisters or close children. So they you know, they don't have anything to fall back on. They don't have the savings, right. And then like when we have tax clients come in, and they come year after year. We see them kind of like catch up. You know, the ones who are not coming here for help, it's because, you know, they lost their job or whatever they moved in with the brother or sister. A larger network is tremendous for that type of support." **– Practitioner, Los Angeles**

"*(…a couple times saying they're really resourceful. So describe a little bit about what you mean by that.)* You know, they know where to get like clothes for a dollar a piece. They know where to get – it just depends. Some of my clients will tell me where they go to food banks, and they know the schedules. They know all the agencies that will do utility assistance. Free you know, karate for their kids or whatever. Something like a community event or something um, you know, not just like a financial like free karate or free yoga for their kids or something. They know the other nonprofits or the city programs." **– Practitioner, Los Angeles**

"It could be. I'm not sure that I really see – the work that I'm doing – these days it seems like a library is a better source. Is a good source. It's a stronger source. It's probably one of the only sources. Maybe the extension office is doing an occasional personal finance class. Maybe the library is hosting a series like the one I mentioned." **– Practitioner, Wyoming**

"Yeah, I mean their church and their community center. Very often the place that we're coaching at is a community center that they go to for everything. I mean they go to they have a food bank. What am I talking about? You know, where they can eat – get meals. They can get their haircut. I mean I have seen community centers that do a whole lot of things. Some people are sort of hanging out there. But they're a real huge help to people." **– Practitioner, New York**

"I said well, I'm teaching here. Teaching? I said yeah, I teach kids. Oh, I thought you'd be like a principal or administrator by now. I never wanted to that, and so I was not ambitious. I wanted to work with kids because I knew I would not be a parent. I do not want to work as a parent. I want to work with kids. Successful? He didn't think I was. Do I care? No. I would have gotten more money. I talked to several of my students, my student teachers at Prep – um, are now administrators. Do I care about that? I don't. I don't because that's not what I wanted. I

wanted to be with kids, and I wanted to be with parents. Prep was the best job in the world because I was with kids." **– Older American, Wyoming**

"…was that the financial planner you talked about before?) He's the one who got us into the annuity. The one who knew the answers to our questions and didn't change his story. (And he was referred to you by a friend?) He is somebody who was hired by OPS, Omaha Public Schools to talk to us because we had already signed up for retirement." **- Older American, Wyoming**

Kind of just generally, what do you think causes someone to experience lower or higher levels of financial well-being?) Higher or lower – um, where they work can influence it. Um, because like say for instance, say someone I guess where you work and the environment that you work in – can either stimulate you to make more and have more or stimulate the fact that where you are is okay. **– Practitioner, Los Angeles**

"…so financial well-being also is helped by knowing that it's not just what we possess, the titles to stocks, the bonds that we own, or the property that we own, but it's also what we can expect from the state - the government, and if we have a government that is responsive to people, that will be a government that also ensures a certain measure of financial well-being to me and to those people who benefit from those programs." **- Older American, Chicago**

"So but if the government discriminated against who could get in this program, who could get in this program, then some people would be farther behind... So let's say I live on one side of the city and somebody else lives on the other side of the city. They get a loan – and I don't get a loan because of my neighborhood is determined by FHA to have deferred maintenance and other stuff. Now, I'm still a renter. This other person now owns a home that they bought for $20,000 and my income— I keep renting and they keep getting cash deductions and building equity. So 5-10 years from now, I may be buying my first house, but they're selling their first house – and you know, that gap never gets closed." **– Practitioner, Los Angeles**

"I mean they're dependent on the system, you know, for money. For government funds. And a lot of them you know, get to the point where they depend on it to the degree that they abuse the system to get money. *(Can you elaborate on that a little bit?)* Well, they find different ways to get money. They'll declare that they are disabled to get a disability check or they will get on top of the disability check, they get what the call, what we call here in California general relief dollars. Some of them are on TANF, and so you know, they just work the system. (Interesting.) Rather than going out and finding a job – balancing your checkbook and making sure you don't overspend. You know, you're not bouncing checks. You know, you have a life and you're a productive citizen. Find other ways." **– Practitioner, Los Angeles**

"Look at the situation right now, the way the economy is, my CDs are only paying 1%. My income is down probably $35-$45,000 a year and has been for the last five years. And I, it's government as far as I'm concerned. The government caused the problem. They blame the financial institutions and all that but the government caused the problem. And I know for a fact because I was in the real estate business and I know what happened, when they packaged those mortgages and sold them to Wall Street. I saw it happening. So, it was government intervention when they decided that their policies were going to be to ... so that everyone could own a house. How do you do that? You relax the underlying criteria, and then you buy a house for nothing down, and then everything hits the fan… So government policies or intervention can have more of an adverse effect I think than whether or, other forces." **- Older American, Los Angeles**

“The biggest challenge? That gets into my political beliefs because I think the system is set up so that only a few people at the top make a lot of money and most people are kept at the bottom. In my opinion, capitalism is a worldwide Ponzi scheme where a few white guys at the top make all the money and the people at the bottom are kept at the bottom because that’s the way the system is set up which is why there are so many problems with this system all over the world.” **- Older American, Washington, D.C.**

“Well becomes we spent many years and years being a….because of a situation that was forced on us basically with no employment opportunities, and all of the barriers that exist whether they be…like the tribal land status. You can’t even own land here for the most part. You know? There is some deeded property or whatever, but most of it is held in trust by the federal government. Many barriers to creating to the businesses, to offer the employment opportunities. Um and it’s been that way since it was a reservation, so it makes it super, super hard to rise above that, which many people have done here. But the population here face many more barriers than the general public do in that.” **– Practitioner, South Dakota**

“I see a lot of divorces devastate people. Finance is great, credit looks great. And child support, different – all the equity is in the home, the other partner gets the home. I see a lot of those circumstances. I see illnesses. I see a lot of medical crisises that occur in someone’s life that I see – this is one that sticks out the most because I have seen it a few times – our – happily moving along, everything is going great. They have a baby. Mom and baby get into stress, they end up in the hospital. Dad’s having hard time working because he wants to be down there with mom and baby. Still maintaining, but now the medical bills have really racked up. Now – so I do see things like that.” **– Practitioner, Wyoming**

Well I think when you’re looking at an un an inheritance obviously that isn’t within or without your control, that’s how it was set up by whoever that is going to be giving you that…you know, it’s a windfall you know and when windfalls come in…not windfalls like the lotto or something, but with that that you gotta consider a windfall on that, you know, I was set up in a position to retire and do exactly what I wanted prior to that, but then the windfall that just makes it just that much more.” **– Older American, Los Angeles**

Yeah, because you have to plan for illness. And if you don’t plan, people go in through life not thinking they’re ever going to get sick. And then all of a sudden, they get sick, and they’re stuck with big bills. Because they didn’t plan properly with insurances or whatever. **– Older American, Chicago**

It’s a fact of life that most people experience some cognitive decline. And it just seems wasteful to not have anticipated that and have something in place to protect it. The question is what do you put in place? And I personally think there are steps you can take. Our plan is at some point to turn over property to our children, figure out investments that we have, they will be transferred at some point. **– Older American, Atlanta**

“I would think that the more educated someone is – is they have been exposed to more. The ability – more resources and more understanding of what it is. They have been able to kind of maybe glean here and there from things. It’s not like they are experts but so I find that the more education someone has – the more likely they are to at least have a foundation you know, that they can move forward. It’s the less educated people that really sit there and kind of look at you with a blank stare. You know, because they’re really just about hey working 8-5 – paying my bills – and really not thinking about the future.” **– Practitioner, Montana**

“I think education is a matter of exposure to different situations and an awareness of the outer world and what's happening. We used to think, what do I want to read history about, what do I care about what happened in history? Well, it's not that, there's parallels that exist and having a sense of history. And art, the same way. I mean it's just a matter of learning and studying different things and being able to sit down and talk to people and have a conversation and being aware of what's going on in the world so to speak.” **– Older American, Los Angeles**

“I think first of all, I have three degrees. Every one of those degrees moved me up the financial ladder and affected my amount of retirement. So that was certainly one. It’s not easy working fulltime having a family and going to school, but it was certainly a decision that has paid off.” **– Older American, Atlanta**

“Well, just the knowledge itself um, they can you know, a lot of times they can go to college and take a course.” **– Practitioner, Montana**

“…for the masses of people, for the huge majority of people, they’re in a culture that’s really built upon you know, Coca-Cola and you know, Kellogg and all that’s based upon spending. Spend mentality. So in this culture it’s very hard I think to have good financial habits.” **– Practitioner, Los Angeles**

“I chalk it up to our great society, and I love America. I love this country, but this country is built on you know, you deserve it. Go spend it, and if you don’t have the money, you’ve got really good credit, use your credit to buy it. And people are buying BMW’s when they could be buying Fords.” **– Practitioner, Washington, D.C.**

“And we are bombarded with images that present the optimal – and it’s really not, they’re not images of financial well-being – they’re images of a good life which is different than financial well-being. So I think people chase the good life at the expense of financial well-being.” **– Practitioner, Los Angeles**

“It’s not just for like the Korean or low income immigrant community. Everyone has this idea. At this point in my life, I should have these things – and it’s hard to kind of let go of that. And I think that’s kind of the same struggle these folks have. Immigrated, and it’s been this long. I should have these things. I think that motivates them a lot to um, make poorer financial decisions.” **– Practitioner, Los Angeles**

“I always tell people that you know, people really spend what they make. And it’s really the rare people that are able to kind of then be minimalistic and put the majority of their money either into savings or doing all that. And so the people that come in to see me that have $50,000 let’s say average credit card debt because they have had to use credit to supplement income – and it really is a reality of trying to live like their neighbors. They have to have the cars, they have to have the you know, the house, and they just have to have these things and the negative then there is that it’s hard for people to understand that they don’t – you know, they don’t have to be like their neighbors.” **– Practitioner, Montana**