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 Working-Age 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 between the ages of 18 and 61. It draws on the scientific literature and in-depth, qualitative interviews to conceptualize financial well-being in a manner that resonates with working-age consumers' everyday financial experiences. This report also examines the knowledge, behavior and personal characteristics that influence working-age 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, working-age Americans think about both their present and future financial circumstances. Future-oriented behaviors and personal characteristics therefore seem to play a significant role in working-age Americans' financial well-being.
- Knowledge of financial facts appears to have less influence on working-age Americans' financial well-being than their 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 affect 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 working-age 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, 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 between 18 and 61 years of age ("working-age Americans"). Findings for Americans 62 years of age and older 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 working-age 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. 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 American consumers and input from financial practitioners. The research team conducted one-on-one interviews with 59 American consumers—41 of whom were between the ages of 18 and 61— 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, credit counselor, 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 that reflected the views of both the working-age and older American consumers. 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**. 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.

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, not having unmanageable debt and being able to make ends meet. The importance of having a financial 'cushion' came up often: consumers reported gaining peace of mind from having savings, health insurance and good credit, and being able to rely on friends and family for financial assistance: factors that increase working-age Americans' **capacity to absorb a financial shock.** Having financial goals—such as paying off one's student loans within five years or saving a particular amount towards one's retirement—and **being on track to meet** those **financial goals—**also made working-age Americans

feel financially empowered. Finally, being **able to make choices that allow one to enjoy life** such as taking a vacation, enjoying a meal out now and then or going back to school to pursue an advanced degree 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 working-age 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.*

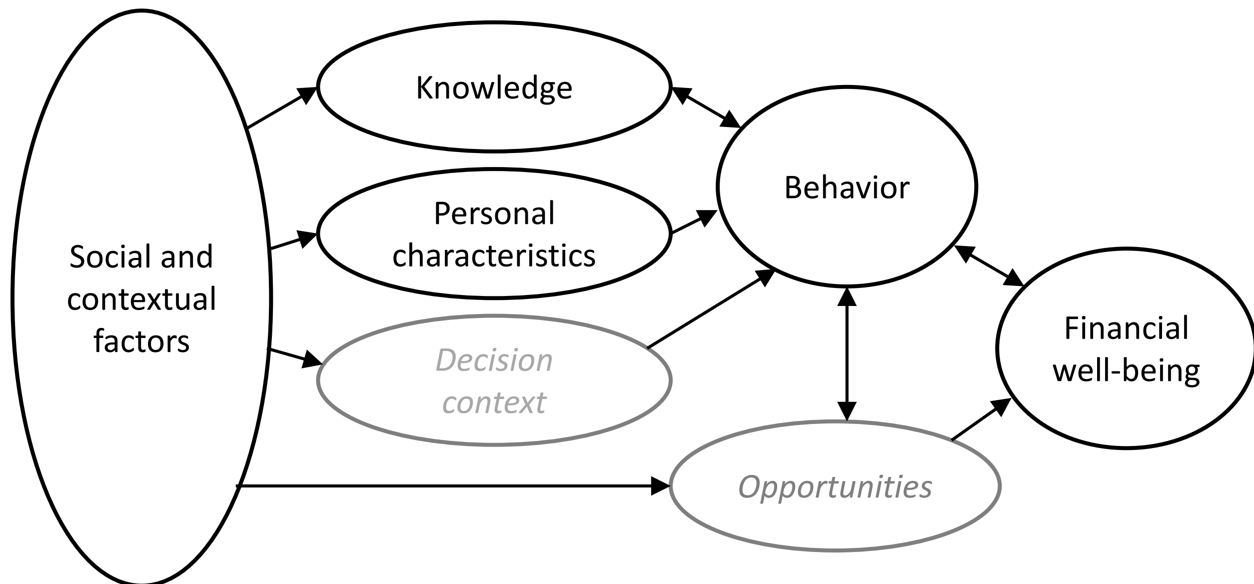
Consumers who stay on top of their bills each month, track their expenses and have financial goals and plans for how to reach them will have higher levels of financial well-being. Individuals who engage in financial research are also more likely to have financial well-being. Finally, individuals who *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, in terms of actual 401K contributions rather than knowledge of strategies one can employ to get oneself to deposit money in a 401K) 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*
j. *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 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 working-age 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 working-age 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 working-age 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 working-age 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 a Central American immigrant cook living in the Pico Union district of Los Angeles contrast markedly with those of the owner of a large cattle ranch in rural southeast Wyoming. 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 the ones 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 factors as key drivers of financial well-being, this report mainly describes them as influences on drivers in the knowledge and behavior domains. Further, the qualitative analysis includes

social and contextual themes, or topics, that emerged from our interviews with both working-age Americans and financial practitioners.

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 are financially self-confident or 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.

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 working-age 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 E. 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 for working-age Americans. 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 field lacks generally accepted definitions and measurements of financial well-being, financial knowledge, and financial behavior. Definitions and measures of personal characteristics are better developed, but 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. 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 et al. 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 older Americans (Lusardi 2012).

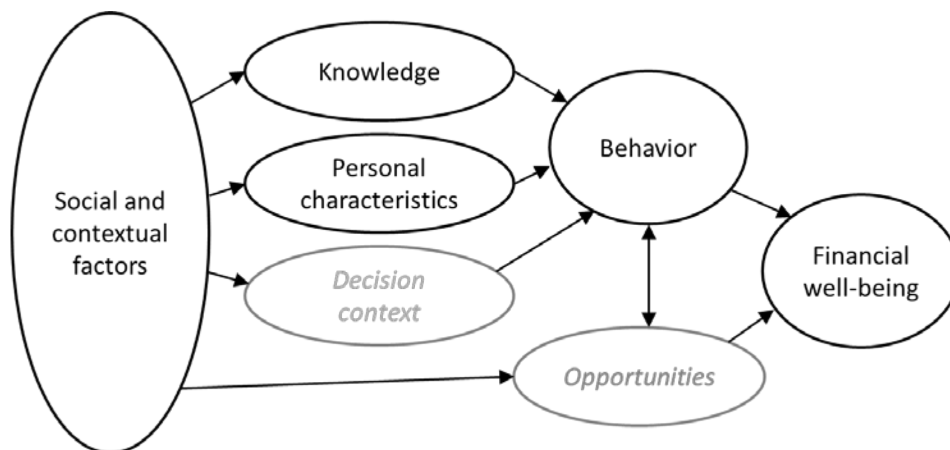
In the literature, financial behavior encompasses a wide range of actions and decisions that affect a household's financial circumstances. Research into financial behavior tends to examine behavior either in a single area (e.g., retirement planning) or across a number of areas at the household level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

administrative data on 401k 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). Here, we focus 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., securing a car loan). 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 401k 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.

Lusardi and Mitchell (2009) found that individuals over 50 have higher scores on the basic financial literacy index. However, other research has shown that debt literacy is highest for middle-aged people and lower for younger and older groups (Lusardi and Tufano 2009). A more extensive discussion on the impact of age on financial behavior can be found in the companion report on older Americans. Time preference and a propensity to plan are closely related concepts that serve as examples of other personal characteristics related to financial behavior. Time preference refers to whether an individual invests in the present or sometime in the future (e.g., *time* in a financial literacy class; Meier and Sprenger 2013). That is, those who are patient are more likely to make a sacrifice in the present for a larger future return. Related to time preference is a higher propensity to plan. Here, research shows that these individuals are more likely to exhibit self-control, use coupons, and tend to have higher FICO scores (Lynch et al. 2010). Higher levels of confidence and self-efficacy appear to be related to investment knowledge and behavior (Chen et al. 2001).

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 even so, 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 working-age 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 working-age 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, set the stage for developing and refining formal hypotheses about these relationships.

QUALITATIVE RESEARCH

The research team conducted a qualitative study with a large, geographically diverse sample of consumers and practitioners in order to understand how consumers and practitioners 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 the financial practitioners who serve them. This report focuses on our research and findings for working-age Americans; the research and findings for older 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 41 working-age American consumers between the ages of 18 and 61, although it also references the interviews the research team conducted with 18 older Americans. This sample was regionally and socio-demographically diverse. The research team conducted interviews in Atlanta, Chicago, Washington, D.C., Los Angeles, Tennessee, and Wyoming. Each region included between 12 and 22 percent of our working-age sample with the lowest numbers in Washington, D.C. and Tennessee while Chicago and Los Angeles were the regions best represented in our sample. There were more women (68%) than men and persons from all age groups were interviewed with the heaviest concentration among those 36 to 45 years of age (39%). Study participants were ethnically and racially diverse and had varied educational backgrounds, although persons with at least a college degree were over-represented (51%). The sample included persons with different marital and employment statuses and a wide range of incomes.

In addition, the research team also interviewed 30 financial practitioners representing a range of profession types (financial planners, credit counselors, 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 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.

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[1] On two occasions we interviewed pairs—a husband and wife and two co-workers.

FINDINGS

The following sections describe our main findings from our interviews with working-age Americans and financial practitioners.

The first section includes the major themes, or topics, discussed in relation to financial well-being. First, these are listed in order of how often they came up in the interviews. Then, direct quotes from both working-age Americans and financial practitioners are presented in order to give a better sense of how some of these themes were talked about.

Later sections follow the same format as above, but focus on themes, or topics, focused on financial knowledge, financial behavior, personal characteristics, and social and contextual factors as they relate to financial well-being. Further, these sections include summaries of prominent themes discussed in the interviews.

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"[2] (see Table 1). For example, the team would have categorized as "savings" a section of interview where a working-age 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 being able to afford "wants" or things that give one pleasure in life such as meals out, vacations, etc. but also in terms of learning to be happy with less and thereby making one's wants financially feasible; family—most frequently as both a financial resource and knowledge source, but occasionally as a financial liability; good employment—most often described in terms of steady employment and making it possible to pay bills; savings in the context of providing a buffer and as a behavioral objective; lack of financial stress or worry; and one's spouse or partner—as a financial resource, source of financial knowledge and enforcer of good financial behavior (see quotations below).

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 consumers.

[2] 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.

RANKED THEMES

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

rank	Theme	rank	theme
1	Able to afford “wants”	11	Being employed
2	Family(knowledge + resource)	12	Agency
3	Good employment	13	Managing financial emergencies/crises
4	Savings	13	Not living paycheck-to-paycheck
5	Able to pay bills	15	Debt
6	Lack of financial stress/worry	16	Ability to enjoy simple things
7	Spouse/partner (knowledge + resource)	16	Happiness
8	Home ownership (or lack thereof)	18	Having a financial cushion
9	Afford or have access to healthcare/health insurance	19	Buying 'wants' versus 'needs'
10	Lifestyle		

Source: Consumer interviews

The following are illustrative quotes drawn directly from the qualitative interviews. These quotes were selected in order to capture consumers’ experiences and to highlight many of the interview themes. Often, quotes touch on multiple themes, demonstrating their interconnectedness in consumers’ everyday lives.

QUOTES RELATED TO FINANCIAL WELL-BEING

"Whatever money you take in, you need to make sure that you have savings above that. You're not spending it as it comes in. So you can make $20,000 a year, and as long as you live below your means and you're happy I would consider that financial wellbeing. But it just depends on your life, what you want to do with your life. And just not being stressed out, being able to do it." ***– Working-age American, Tennessee***

"Some people, as soon as they get the money they spend it. You have got to be frugal, you have got to save your money, put some money away, save it until you're set and secure. Then you can be more… you can buy more stuff." ***– Working-age American, Chicago***

"I was unemployed and right when I became unemployed, my mother had some really bad health issues. Everything just kind of went down at once, and it was like, had I saved or had I thought about the future, I would've, you know…. It just kind of all hit at once, like I wasn't expecting it." ***– Working-age American, Los Angeles***

"There's a lot more stress in your life if all you're able to do is meet your monthly obligations, and the stress comes with the knowledge that any emergency – any unforeseen problem— could create a negative situation for you. So if someone gets sick and they need to go in the hospital and you have a hospital bill, suddenly now people are living month to month." ***– Practitioner, Los Angeles***

("And when you say you have to know where you want to be, what are you thinking when you have to say one of the differences is that people with higher levels of financial wellbeing is knowing where they want to be?") *"Well, you have to have goals. You have to understand where you would like to be in terms of the things you want to obtain, whether it be more wealth, acquisitions, or just the happiness factor. Am I happy with where I'm at and how could I improve it, basically."* ***– Working-age American, Washington, D.C.***

"I think the challenges also are again, expectations or what you know. I keep thinking like, yeah, why don't I have more financial stability? I think some of it was that I wasn't striving for it. Not so much expectations kind of combined with goals. I do think in general that people with goals are more well off." ***– Working-age American, Los Angeles***

"Enjoyment is the reason why you want to. Well, you don't want to worry about it. You want to be able to fulfill your dreams and goals. You need to be able to… you're not doing this, you're not just making the plans and watching how you spend money and investing it and watching your investments just for the sake of the doing that. That would be boring." ***–Working-age American***

"My step sister and I, we're mostly the same age. I said, 'Look, I'm not trying to keep up with you, but you have been working in the government since you were seventeen years old. You have a house you've been in it for about ten years. You have a nice car, nice job. You get a paycheck every two weeks. S, you got what you wanted. That might not be the house that you want to live in for the rest of your life, but at least you accomplished your dreams and managed to get to where you wanted to be. You can go on trips, when your leave time comes— vacation time. You can go on trips. Me? I can't go anywhere because of the little check I get once a month and by the time I pay bills and all that, I'm broke." ***– Working Age American, Washington, D.C.***

Financial behavior

Definition of financial behavior

In the qualitative research, we asked working-age 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 working-age Americans 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 themes that arose most often in the interviews included saving, being frugal or cheap; budgeting; buying "needs" and not "wants"; managing credit card debt; making sound financial decisions with respect to one's home, having a financial plan, and investing (see Table 2).

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).

Ranked themes

Table 2. Ranked themes associated with financial behavior for working-age Americans

rank	theme	rank	Theme
1	Saving	10	Lifestyle choices and preferences
2	Being frugal/cheap	11	Hustling/doing what it takes to find work
3	Budgeting (future expenses)	12	Getting a good education
4	Buying 'wants' versus 'needs'	13	Rules of thumb
4	Credit cards	14	Financial goals
6	Buying/selling/owning home+mortgage	14	Managing debt
7	Bad decisions, especially early in life	16	Doing financial research
8	Having a financial plan	17	Watching others/seeking advice from others
8	Investing, researching investments		

Source: Consumer interviews

Prominent themes

Saving

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 not a singular act, but rather it encompasses sets of behaviors and strategies. For some interviewees, saving was putting money in a bank account. To other consumers spending less or shopping around was a way of saving money. For others, investing was a 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.

Being frugal or cheap

Being frugal or cheap was a themes that arose often in the interviews. Interviewees described frugality 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. 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."

Budgeting

Many 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.

Buying "wants" vs. "needs"

Many described the importance of differentiating between needs and wants as a way of prioritizing spending. The manner in which consumers defined needs and wants was often contingent upon their social and environmental context. For most consumers, needs included being able to pay bills and provide for one's family. Buying needs and not wants was commonly talked about in the context of budgeting.

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 with credit cards as examples. Interviewees also described acquiring credit card debt as a behavior indicative of one's inability to plan ahead.

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 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.

Bad decisions

Many consumers indicated that they learned much of their financial knowledge through personal experiences or the experiences of persons close to them, particularly from mistakes they or others have made. This was especially true of people's early experiences with credit cards. Consumers and practitioners both suggested that there are behaviors that 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 a financial drain, particularly among low-income populations.

Financial plan

Many people talked about the importance of having a financial plan as a way to guide spending and incentivize good behavior. Financial plans differed from budgets in the interviews because financial plans were often longer term and more generalized than budgets. 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, some 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.

Investing

Many interviewees felt that investing was critical to both long- and short-term wealth creation and a critical ingredient in securing one's financial future. Interviewees 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.

Lifestyle

In the qualitative research, many interviewees suggested financial well-being encompassed 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 indulgent 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.

Hustling or doing what it takes to find work

One of the most commonly mentioned drivers of financial well-being 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 way they talked about being hardworking or being driven. Consumers often spoke of hustling as a skill they acquired watching their parents struggle and survive hard times.

Getting a good education

Interviewees suggested that one of the best things one can do for oneself financially is to make sure to get a good education. Many noted that income and education are positively correlated and talked about education opening doors to higher paying, more stable employment. Interviewees also talked about how being future oriented when young enabled one to make better decisions with respect to one's education. Others indicated that education in and of itself provides financial knowledge that allows one to make better informed decisions. Younger working Americans in particular said that getting an education was very important but that taking out the necessary student loans has negatively impacted their financial well-being.

Rules of thumb

Many of the financial behaviors that consumers described as beneficial for financial well-being are strategies they synthesize 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.

Financial goals

The importance of having a financial goal was a theme in a majority of the qualitative interviews. 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 off 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 is to set realistic financial goals.

Debt

Many working-age Americans thought that debt was a major threat to their financial well-being. Some described how being in debt made them feel that their finances were out of control. Both consumers and practitioners said that many people were unsure of 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.

Doing However, many of those interviewed said they felt intimidated the sheer volume of financial information available and often “did not know where to start”. 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 varied. Some read financial books by practitioners like Suze Orman. Others said they read the business section of the newspaper regularly. Some said that when they need information they can 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.

Watching others or seeking advice from others

Working-age Americans often described the importance of using the people around them as resources. Consumers discussed gaining knowledge from observing the mistakes of people close to them. Interviewees also talked about soliciting advice from family and friends in their social networks. Friends and family often play the role of sounding-board, helping people to be more confident that they are doing the right things or making the right choice was important. Working-age Americans commonly sought out information on investing, saving strategies, buying a car or buying a home. Many consumers brought up how challenging they felt it was to find someone they could trust to give them financial advice.

Summary

The research team grouped the themes mentioned by working-age 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 having a financial plan 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, starting a 401(k), etc. refer to **acting on financial knowledge to make informed decisions about purchases and financial products**.

QUOTES RELATED TO FINANCIAL BEHAVIOR

"Well, the reason I said retirement and not short-term because I have watched too many people that have retired that I have talked to and they've said, "Look, we've retired now and we don't have any money to fall back on." They didn't think ahead like me. Well, okay, you don't wait for the government to give you what they going to give you. You take some money and you set it to the side for yourself and don't spend it, just leave it there and let it build up so when you retire. Now you have something to fall back on to go along with whatever the government going to give you because everybody knows now that you don't get what you think you going get. I have seen too many people." ***- Working-age American, Washington, D.C.***

"I didn't get it from my mom or my dad. I don't know, I just picked it up myself along the way and just I really study, acknowledging what's going around. And we always question how did that person get from point A to point B. Then you kind of figure out what they did, and you kind of see the pattern that's going on." - ***Working-age American, Chicago***

"The reason why I am in a position now…what put me in not in a good position is because I have credit cards that I ran up. I shouldn't have done that. I'm paying those credit cards now. My goal is to pay them off and just get rid of them. Like now if I had none of that, I would be more financially stable because the money I do get wouldn't go to making payments." ***- Working-age American, Chicago***

"Then, for probably 10 additional years, I worked two jobs. I never had summers off. I worked all summer to pay for my house, and now, I mean, I paid it off 15 years ago. It's completely paid off. I own it free and clear. This is the best thing I ever did was buy this land, this house. I paid $42,000 for my house and land back in 1977. It's probably worth $400,000 right now. So when I think of the future, that's kind of part of my financial security." ***- Working-age American, Wyoming***

"Okay, cautious means you don't just jump into something, you do your research. Prepared, you've done the research; you've done the planning and have thought about the pros and cons of a particular financial move. So now I'm ready to make that move, to make a decision, either pro or con." ***- Working-age American, Atlanta***

("What are the key ingredients to achieving financial well-being?") *"Yeah, you have to do your research. You have to be willing to read about it. It's not through osmosis. I still like to read an actual newspaper every day, I always read the business section. I picked up Suze Orman, but I don't read those on a regular basis."* ***- Working-age American, Los Angeles***

QUOTES FROM FINANCIAL PRACTITIONERS RELATED TO FINANCIAL BEHAVIOR

"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 what some financial advisors advise you – whatever you can save. You know, it's a starting point."-**Practitioner, Texas***

*"Create a plan. Well, 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***

*"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 letting it go through that filter is critically important."**-Practitioner, Washington, D.C.***

Financial knowledge

Definition of financial knowledge

We asked working-age 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 working-age 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.

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 working-age Americans

Rank	theme	rank	theme
1	Family and spouse as a source of advice + experiences one can observe	9	Saving
2	Personal experience	9	Financial plan
3	Upbringing as a source of habits, values and a time during which one could observe others	9	Teaching children about money
4	Financial advisor	13	Buying/selling/owning home+mortgage
5	Watching others/seeking advice from others	14	Bad decisions
6	Investing	14	Budgeting (future expenses)
7	Trustworthiness of financial knowledge	14	Afford or have access to healthcare/health insurance
8	Doing financial research	17	Financial institution
9	Credit cards	17	Government policies

Source: Consumer interviews

PROMINENT THEMES

Family and spouse

Consumers said they primarily relied on those closest to them for financial information. For many working-age consumers, parents were seen as particularly useful because they were trusted and understood the consumers' context. For other working-age consumers, their spouse or partner was a source of knowledge because they could offer a different perspective and serve as a trusted sounding board. 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 consumers indicated that they primarily acquired financial information through personal experience. People said that they learn by doing and, frequently, learn 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.

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. Working-age 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 in planning for retirement.

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

For some consumers, friends and social networks played a similar role to family in enabling access to financial knowledge. Many working-age Americans used friends and social networks as sources of investment, financial products and comparison-shopping information. In this way, common cultural and social norms are reinforced. Working-age Americans specifically said that social networks were important sources of knowledge about job opportunities. 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.

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 felt that knowing how to invest was the "next step" in financial knowledge above knowing how to manage one's finances day-to-day. Some working-age Americans said that they wanted to invest in the stock market, but were unsure of how to start. Some working-age Americans were already investing but wanted to know more about differences between investment options, or to know more about when to invest. Many consumers indicated that their primary investment strategy was through employer-provided retirement accounts, such as a 401(k).

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.

Doing financial research

Both working-age Americans and practitioners agreed that doing financial research was important for acquiring financial knowledge. Many consumers indicated that this was particularly important regarding complex issues like taking out a loan or purchasing a house. However, many of those interviewed decried the challenge presented by the sheer volume of financial information available and felt that knowing where to go for reliable, trustworthy information is critical. How and where people actually did financial research 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 can 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.

Credit cards

Many consumers had reservations about using credit cards and suggested that responsibly using credit and credit cards was important for achieving financial well-being. Most consumers said that they learned how to use credit through personal experiences and mistakes. Some consumers also talked about how once they were in debt, it was important to know how to manage debt effectively.

Savings

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 saving money. Some consumers suggested that the different saving strategies reflected differences in knowledge. Some learned saving behaviors from friends and family. These were often described as rules of thumb such as "pay yourself first." Other consumers developed tools such as budgets to identify ways they can save more. Others learned from personal

experiences such as trying to save money for a purchase. Consumers and practitioners both said that the best way to save is to have a goal. Regardless of the approach, consumers indicated that they constantly tested and evaluated the efficacy of their saving strategies.

Financial plan

Many of those interviewed described having a financial plan as a critical part of achieving financial well-being because it incentivizes other behaviors. Both consumers and practitioners indicated that developing financial plans is not easy. Consumers and practitioners said that the most successful financial plans were ones that were anchored by realistic goals. People tend to develop financial plans on their own or with input from close friends and family. Some track their spending and they use this information to inform their financial planning. For some consumers, plans were long-term, like saving for retirement or to buy a house. Others' plans had a short-term focus, like paying off debt or saving for the holidays. Regardless, the kinds of plans and goals individuals create for themselves greatly affect the kinds of financial information they seek out and deem important.

Teaching children about money

Both consumers and practitioners recognized that upbringing was very important as it often serves as the first place people acquire financial knowledge and behavior. However, many interviewees noted that our upbringing can teach and reinforce bad behavior just as easily as it can reinforce good behaviors. Some consumers and practitioners said that as a country we should emphasize financial education and literacy to a greater extent in school. Many consumers indicated through their own experiences or through observations that young adults often lack necessary financial knowledge.

Buying, selling and/or owning a home

Many consumers said they knew very little about purchasing a home when they first went through the process. Some stated that they wished they had known more before buying a house and that the terms and conditions of their mortgage were something they wished they had understood better. Others said they wished they had inspected their home prior to purchasing it. Still others said that they had difficultly knowing when it was safe to purchase a home. Some respondents expressed that they had underestimated the costs and expenses that come with owning a home.

Budgeting

Many consumers talked about the importance of developing a budget either as a guide for future spending or as a way of identifying spending habits. Some consumers said they learned to budget from their parents, who actively encouraged them to participate in creating the household budget.

Government policies

Some consumers said that they did not know as much about the tax code as they thought they should. Some practitioners suggested this was particularly true with respect to applications for refunds or claiming exemptions. In addition to taxes, some consumers and practitioners suggested that government-funded welfare programs improved the financial well-being of vulnerable populations. However, the application process for these programs was often described as difficult and complex. Practitioners in particular mentioned that supports such as unemployment benefits are underutilized and that this harms low-income populations. Some practitioners also noted that they have clients who they believe over-utilize welfare programs. Some consumers, particularly in suburban and rural areas, said unemployment and welfare programs promoted complacency and diminished financial well-being as a result.

Summary

When asked about the financial knowledge consumers 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 they trust—and often the source of this knowledge is their personal networks as well as newspapers and books from the local public library. The research team synthesized these insights into an understanding of financial knowledge, of which the key insights include 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

"I was very close to an elderly aunt and she left me a good inheritance, but we'd talk. She would tell me what she was buying or selling and I would tell her what I thought of it. She would ask me things about what she had read in the paper and, things like that."
- Working-age American, Los Angeles

*"I wasn't a saver in the beginning. My career getting out of college, I was living for today, for the day and thinking that I've got forever to save. But that time goes by. I wish I had been more responsible in putting that nest egg away for a rainy day because when I got my hands on some money as a young person, I bought a car."**- Working-age American, Atlanta***

*"If only I had known back 15 years ago or 20 years ago what I know now, I probably would have made different choices that would set me up to be better off financially than I am even now. I think it's around choices, but again, maybe it's exposure that influences those choices too. Like what you were taught, your values, what your parents knew. Sometimes I think people know, but they just choose to do whatever they're going to do anyway and sometimes it's that people don't know."**- Working-age American, Atlanta***

*"It's taken a long time to get to know him, just because he's an accountant. There are a lot of Wall Street fellows that do other stuff. I don't really know them. He's smart. I think he knows what he's talking about. I mean, he keeps an eye on the market. He's got money wrapped up somewhere. He pays for things in cash I'm pretty sure. You know, but I do trust him and I don't think he was judging me. You know, to have someone who got their ducks in a row financially to say like you're not doing anything different, it feels pretty good."**- Working-age American, Wyoming***

*"Yeah, I think education is key to financial anything. I think one reason we're kind of in the mess that we're in is that we borrow, borrow, borrow, and I don't think people are taught that they have to wait to have what they want. I don't think they're educated, not only at school but at home. I have noticed that parents are just as bad as kids. They want what they want right then. They can charge it. They can get it. They can have it."**- Working-age American, Tennessee***

"I know how to do it now and how to set it to the side and say, "Look you can't touch this, this is for a rainy day." For a rainy day does not mean when it rains outside, it means hard times. Hard times are going to come again one day and I want to be ready when it comes because I'm forty-six now, so when I get like sixty or sixty-five or seventy, I can save up." ***- Working-age American, Washington, D.C.***

QUOTES FROM FINANCIAL PRACTITIONERS RELATED TO FINANCIAL KNOWLEDGE

("Do you find if there are people – young people, older people— that ones that are perhaps more successful from your point of view that they know something that the less successful ones don't?") *"Always. Always. That's probably because they had a mentor or they've had somebody in their life explain it to them before they get into trouble. Or maybe they've gone to a bank and asked advice before wanting to do something. Or the bank says you know what? You're not ready for this but let me give you some tips. I mean maybe they got some kind of advice like that that helps them out."**-Practitioner, Wyoming***

("…if they weren't coming to a financial planner, where would they get that knowledge?") *"Well, I think people make decisions by neighboring solutions. Hopefully they would have a parent or a mentor that's already done what they are thinking of doing, and they would take to them personally. It could be a friend or maybe a neighbor."**-Practitioner, Washington, DC***

*"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 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 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. Then after about a year I realized I was paying a higher amount, and the number kept on growing. 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.
-Practitioner, Maryland

"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, this and that. Maybe your house might be the same. Then how much money you're bringing in, and then you compare your revenues to your expenses. Hopefully at the end, you'll have some money left over."
– Practitioner, Washington, DC

"Someone has got to start a conversation. Usually it's the person who's older and seeing this for themselves, 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

Personal characteristics and attitudes

Definition of personal characteristics and attitudes

During both the practitioner and the working-age American interviews, we asked respondents whether they felt personal characteristics affected financial well-being. We also provided working-age 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).

Hardworking, driven, and self-control, discipline and patience, as well as being future-oriented, came up most often as characteristics strongly associated with financial well-being in the working-age American interviews. Being frugal and not feeling the need to keep up with the neighbors were also mentioned frequently. Consumers tended to discuss the influence of self-esteem on financial well-being while practitioners were more likely to mention financial self-efficacy (belief in one's ability to reach financial goals and one's perceived level of financial expertise).

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

Ranked themes

Table 4. Ranked themes associated with personal traits and attitudes for working-age Americans

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

Source: Consumer interviews

Prominent themes

Hardworking

Many of those interviewed felt that hardworking individuals were more likely to achieve financial well-being. Some working 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 one-time decision. Maintaining the self-control necessary to stick to the plan requires work.

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.

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.

Self-esteem

Having good self-esteem was commonly thought of as important for achieving financial well-being. Many of the interviewees suggested that emotion-driven spending tended to negatively affect financial well-being. Some thought that being insecure or not feeling good about oneself led to impulse spending or spending that was primarily meant to make themselves feel better in that moment.

Stressed/worried

Stress and worry were often described as products of low levels of financial well-being. Respondents also talked about financial stress driving poor financial behaviors. For some, being stressed led to impulse spending or spending that was primarily meant to make oneself feel better in the moment. Others thought that being stressed made people focus on only the obstacles at hand and made planning for the future more difficult. Some respondents felt the opposite to be the case: financial worry can sometimes force people to focus on details and make better-informed financial decisions as a result.

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.

Being frugal/cheap

Respondents felt frugality positively influenced an individual's financial well-being. Interviewees indicated that some people are better able to make do with less and that frugality is a skill that one learns during one's upbringing or from one's spouse.

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.

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. Some described the ability to not give into these social pressures as critical to an individual's financial well-being. Others talked about the importance understanding what truly makes one happy and not needing to spend money on things one does not need.

Being materialistic

Some interviewees described materialism as a major cause of overspending. Usually this topic was brought up in reference to others, not themselves. In the qualitative research, materialism was described similarly to not giving into social pressures and not needing to keep up with the Joneses. Some described it as being able to enjoy the simple things in life and knowing what makes you happy.

Others described not being materialistic more as making do with less and not spending money on "wants."

Risk

In the qualitative research, figuring out how to balance risk was a common theme. Many recognized that financial behaviors such as investing were inherently risky, but many considered them important or even necessary for their financial well-being. Some thought that being willing to engage in some risky behavior or being able to tolerate risk positively impacted financial well-being.

Quotes related to personal characteristics and attitudes

"Working hard, yeah. You would gain financial comfort through working hard and saving your money, working two or three jobs and putting that money aside, put it into a 401K, buy some of your company's stock options and just saving. Put it in the savings account." – ***Working-Age American, Atlanta***

"I've never been broke so...I've seen other people go broke and need money. They live out of their cars and that's to me scary. And I don't want that to happen to me so, that's why I live frugally, according to some people, but to me it's comfortable because I'm not overspending."
– Working-Age American, Los Angeles

"They live day-to-day. My perception of these people is that they're just scraping to get by. It's like paycheck to paycheck, and they may complain oh, God, this just happened, we had this bill. So you had some bad things, but bad things happen to everybody and you need to plan ahead."
– Working-Age American, Los Angeles

"Certain people in life will never be able to get over that hurdle. They're going to get the first hurdle or the second or the 12th or whatever it is, and they're going to be stuck at that hurdle. They have become complacent. Certain people need a little guidance. They need somebody to pick them up and throw them over the hurdle and say you know, do this. You know, if you're working at I don't want to say a menial job flipping burgers, but if you're working flipping burgers and you want to drive a nice car, you probably should go and look for a better job instead of staying here and complaining that you don't have money to do what you want to do. Keep doing this, but also look for something else. Get over that hurdle, get to the next level. Certain people can't do that. Other people – oh, that's all you're going to do that's fine. And then they go and they jump to the next one and they get to the next one." ***- Working-age American, Los Angeles***

"…and the confidence, and I think maybe just more of a drive to say look man, I am getting out of this crap hole, and I'm going to do something." ***- Working-age American, Los Angeles***

"Those who have higher levels of financial wellbeing would be those who are more focused, that are more sort of… they have more control of their spending, of themselves. They're organized, people that are very organized. I think people who are calm and who are happy; relaxed people aren't going to feel that anxiety or that stress or do things that they know they shouldn't do, I think. I think that those with lower levels of financial wellbeing are those who don't have control. They don't know how to control, they're not focused. People who are maybe very anxious, stressed out, sometimes people do it, they spend money because of the anxiety."
- Working-age American, Atlanta

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 and the economy (see Table 5). 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 individuals' 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 working-age Americans

rank	theme	rank	theme
1	Family	11	Not needing to keep with the Joneses
2	Upbringing	11	University
3	Economy	13	Children
4	Spouse/partner	13	Being employed
4	Culture	13	Multiple income sources
6	Good employment	13	Inequality/discrimination
6	Government policies	17	Knowing the resources in the community
8	Friends	17	Workplace
9	Social networks	17	Life event
10	Community	17	Getting a good education

Source: Consumer interviews

Prominent themes

Family

Family was brought up often during the qualitative interviews. The impact of "family" on financial well-being is multifaceted. Family members, especially parents, are a source of financial knowledge. Family members also provide loans to cover both expected and unexpected expenses. Family may also provide free or low-cost housing, especially for younger working Americans. Family can also be a financial detriment, especially to the "sandwich generation." The costs of both children's education and care for one's aging parents—especially if they are experiencing cognitive decline—can be highly detrimental to one's financial well-being.

Upbringing

Respondents felt that one's upbringing strongly influences one's financial knowledge. Some said they learned how to engage in particular financial behaviors because they were taught these behaviors by

their parents. Others said they learned just by watching their parents handle money. Most of those interviewed felt that people tended to adopt values and cultural norms about money during their youth.

Economy

Many interviewees had friends or family that had lost jobs or were forced to take pay cuts to stay employed during the Great Recession. Investment losses during this time also occurred frequently. For most, it was the local economy and local job market that had the most immediate impact on their lives although some respondents felt their financial well-being was strongly linked to both the national and international economy.

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

Good employment was viewed by many consumers and practitioners as one of the key drivers of financial well-being. In addition to providing a stable income, employment often provided benefits such as health insurance, which consumers described as crucial for their financial well-being. For some, the workplace provided them with important financial knowledge, particularly about retirement.

Government policies

Taxes came up often in government policy-related conversations. Most respondents felt that taxes negatively impacted their financial well-being, though some acceded that they were necessary. Some working-age Americans and practitioners felt that welfare programs such as unemployment benefits and rent-controlled housing could greatly improve an individual's financial well-being.

Friends

Friends share financial knowledge and information about job opportunities. Friends may also provide financial assistance during difficult times. Respondents also that spending time with friends led them to spend more money than they would have otherwise.

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.

Community

For some consumers, community was talked about synonymously with social networks. Others, however, saw the community as also including community resources which provided resources and financial knowledge. These resources included the library, banks, and other institutions. For others, community resources included places like churches or food banks which offered support during hard times.

Quotes related to social and environmental context

("So what would it take to move you up from a 4 to like a 7 or an 8 or a 9? What would it take to, what would have to change?") *"To start working again. Get a job, be employed, and get a better job than what I was at. To shoot for an 8,9,10."* ***- Working-age American, Los Angeles***

"Lower financial wellbeing may be caused by job loss, or well, the economy in the main sense. So the company you're working for may lay you off or the company may reduce your hours, or the business you started may suffer as well due to the economy. So the economy has a lot to do with financial wellbeing." ***- Working-age American, Atlanta***

"I figure when I'm 80 I'll have to work at McDonald's or something, but I don't care." ("Why do you figure at 80 you'll have to work at McDonald's?") *Well, let's see when the market crashed the last time, we lost oh, $80,000, $100,000 worth of savings. I just don't have any faith in the security of our country in many ways, not just financially."* ***- Working-age American, Wyoming***

"A job change, a catastrophic health issue can change things around. I mean an injury. I mean you can have a car wreck and be sent to Vanderbilt and have a $150,000 to $200,000 insurance bill or hospital bill. I mean I don't know how you would ever get out of that financially. You know, you probably have to declare bankruptcy would probably be what they would have to do." ***- Working-age American, Tennessee***

"My friend that I went to high school with, she's a financial person. Thompson Reuters, she's the one who helped me with the marketing and people connections that kind of bring you together to help each other out. That really helped too. Another guy that I met through my marketing too helped me with a job and got me a car and got me this for this job and you know, a company car. So yeah, your socialism and having friends that can be there for you, that helps too." ***- Working-age American, Chicago***

"I think I know a lot about the choices that need to be made to secure yourself financially, but to have the discipline to do that. We, as Americans, I don't know if it's a worldwide epidemic or not, but it's instant gratification. I try to teach that to my kids, but Mommy is guilty too." ***- Working-age American, Atlanta***

"Not give in to society. To not have to have the nicest things. You can't afford it. That's what I feel like a lot of people are doing now is they have to have the new Mercedes even though they can't afford it. So people just give into society and into the trend." ***- Working-age American, 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 investing—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—particularly for persons at the lower end of the income spectrum—or having the *right* job was brought up by a handful of respondents.

The most commonly cited obstacles to financial well-being were unexpected crises—usually health emergencies—and high levels of debt.

FINANCIAL WELL-BEING DEFINITION AND HYPOTHESES REGARDING ITS DRIVERS

This final 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 research 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.

Before providing details regarding the hypotheses and their drivers, we would first like to outline some of the deeper, crosscutting forces at play. First, financial well-being and its drivers have both present and future dimensions. Financial well-being involves feeling in control of one's finances today *and* being prepared for tomorrow. Individuals who have more future oriented personal traits such as high levels of "propensity to plan" (Lynch et al. 2010) and self-control are more likely to report 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 results from the literature review and qualitative research, inform both a definition of financial well-being and a 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 their family and friends provide a support system and/or they have savings and/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 pay off student loans.

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 that were driven, or hardworking, 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. It can be described as *direction*, or "the purposefulness and adherence to plans, schedules, and requirements" (McCrae and Costa 1987, p.88). Others have labeled it as self-control or self-regulation (Heckman 2007). Past research has demonstrated that personality factors, to include conscientiousness, moderately predict subjective well-being (Ozer and Benet-Martínez, 2006). Also, conscientiousness has been shown to correlate with a propensity to plan (Lynch et al, 2010).

Although conscientiousness may be associated with specific traits or characteristics such as "driven" and "hardworking", from 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. Further, 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" to include 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 scale 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 two 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 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 to 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 like 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.

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 the personal characteristics and attitudes hypotheses.

Consumers and practitioners both emphasized the importance of having clear and realistic financial goals. The importance of having a goal is critical in the process of identifying and evaluating financial behavior was a common theme in the qualitative research. Regardless of what the goal is, people tended to seek out knowledge and choose behaviors that best allow them to reach their goals. The qualitative research indicates that deliberately planning for the future and developing longer-term goals encourages consumers to engage in behaviors that positively impact their financial well-being. Further, the literature has shown that planning can help override competing self-control tendencies (Lynch et al, 2010, Laibson 1997, Wertenbroch 1998). Financial planning also affects wealth accumulation (Ameriks, Caplan and Leahy 2003) and promotes greater satisfaction in retirement (Elder and Rudolph 1999).

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).

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, read financial blogs, 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 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 nonconscious 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., and will require taking into account the fact that some individuals have better financial product options to choose from than others as a result of where they work or live.

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 comprise many decisions that consumers make

every day. Engaging in a particular behavior and evaluating whether 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). Another example showcases the impact of time between financial learning and financial behavior (Fernandes et al. in press). Here, the authors demonstrate that with longer delays between learning and behavior, relevance of the information goes down and the likelihood of forgetting the information increases. Learning financial information "just in time" for a particular behavior (i.e., securing a car loan) increases the likelihood of success.

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 future 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

Financial Education Metrics Development

Summary of Findings from Literature

Working-Age Americans

OBJECTIVES

This review of the literature shows that the financial well-being literature is in its infancy, primarily due to a lack of clear definitions, but also because it does not yet identify causal effects. The literature lacks clear, consensus definitions of the concepts of financial knowledge and financial behavior, both primary drivers of financial well-being. Also, the field has yet to put forward a definition of financial well-being. The absence of widely accepted definitions for these three constructs hampers the development of valid and reliable measures for all three areas. Measures of financial behavior are the furthest along, but they are still not well-established. In general, the literature finds that less financial knowledge is associated with suboptimal financial behavior. 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, consumer science, and sociology to summarize (a) definitions of financial knowledge, behavior, and well-being used in the literature, (b) what is known about how financial knowledge relates to financial well-being and/or financial behavior, (c) the importance of personal traits and social context, and (d) gaps in knowledge.

DEFINITIONS OF FINANCIAL KNOWLEDGE, BEHAVIOR, AND WELL-BEING IN THE LITERATURE

One step toward better understanding how financial knowledge and financial behavior affect financial well-being is to look at how researchers have defined each of 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, and 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. 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, credit card usage, mortgage decisions and mortgage

delinquency, cash flow management and savings, and investments. 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.

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, financial capability, and numeracy 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).
- Remund (2010) defines financial literacy as “the degree to which one understands key financial concepts and possesses the ability and confidence to manage personal finances through appropriate short-term decision-making and sound long-range financial planning, while mindful of life events and changing economic conditions” (p. 284).
- Hilgert, Hogarth, and Beverly (2003) directly connect financial knowledge to financial behavior, saying that knowledgeable consumers “make good decisions for their families and thus are in a position to increase their economic security and well-being.”
- 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).
- Huston (2010) defines financial literacy as a measurement of “how well an individual can understand and use personal finance-related information” (p. 306). This work distinguishes between financial knowledge and financial literacy. Financial knowledge is the “stock of knowledge acquired through education and/or experience specifically related to essential personal finance concepts and products,” while financial literacy has an “application dimension.”

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. In some cases, perceived financial knowledge has been found to be highly correlated with and work together

with objective financial knowledge (Allgood and Walstad 2011; Perry and Morris 2005). In other cases, however, perceived financial knowledge has been equated with overconfidence (Shim and Serido 2011; Perry 2008). 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 or literacy range from a very small number of questions to batteries of up to 70 questions. Some questions capture domains of household finance (e.g., time value of money, inflation), while others capture people's ability to process numerical concepts. Numeracy is also used for measurement today, with a number of the current scales resembling math tests. Less common are measures that attempt to capture knowledge about what responsible financial behaviors are, such as rules of thumb for credit card use or savings habits. Some numeracy questions have financial concepts embedded in them (e.g., inflation and interest rate calculations), while others do not. There are scales (or items within scales) which assess a consumer's knowledge of financial concepts without requiring a mathematical calculation to obtain the correct response (e.g., risk, inflation, mortgage repayment). These scales attempt to measure the knowledge component of financial literacy but rarely address the component dealing with action or demonstrated ability. Operationalized domains and numeracy measures are summarized below.

Domain measures: Measures of financial knowledge that incorporate domains of household finance vary both in terms of the domains captured and the number of questions. Measures range from those based on as few as three questions that capture compound interest and percent calculations to measures that are based on a battery of 70 questions that capture financial sophistication. The reviewed literature includes the following measures, presented in order from the fewest to the most questions:

- Ability of consumers to correctly perform three computations: (1) compound interest, (2) percentage calculation, and (3) lottery division (Lusardi and Mitchell 2007).
- A five-item survey covering interest rates, inflation, bond price, mortgage, and risk (Allgood and Walstad 2011).
- An eight-item survey covering the following core domains: division, time-value of money, interest paid on a loan, calculation of interest plus principle, compound interest, risk and return, definition of inflation, and diversification (Atkinson and Messy 2012).
- Two sets of questions: basic concepts such as numeracy, compound interest, inflation, time value of money, and inflation/money illusion (5 items) and sophisticated concepts including the link between interest rates and bond prices, safety of company stock versus mutual funds, relative risk of stocks vs. bonds, long-term returns, fluctuations/volatility, and risk diversification (8 items) (Lusardi and Mitchell 2009).
- A 20-item scale covering a wide range of topics including interest rate, inflation, time value of money, investing, diversification of risk, housing, debt management, retirement savings, life insurance, annuities, and housing (Knoll and Houts 2012).
- A 28-item true/false battery of questions (e.g., cash flow management, investment management, etc.) that examine and then demonstrate the importance of total and domain-specific measures of knowledge (Hilgert et al. 2003).
- A roughly 70-item true/false battery of questions measuring knowledge of basic to sophisticated financial concepts including portfolio diversification, compound interest, and institutional knowledge (Parker et al. 2012; Delavande et al. 2008).

Numeracy measures: In some instances, measures that are intended to assess financial knowledge or literacy are solely measures of numeracy, the ability to process basic probability and numerical concepts. The literature relies less on these pure numeracy measures. Again, the measures differ in terms of number of questions, from just a few about percent calculation to an 11-item quiz that captures probability, risk, and basic math.

- Five-item scale of numerical ability developed by Banks and Oldfield (2007) (Gerardi et al. 2010).
- 11-item numeracy quiz developed by Lipkus et al. (2001) (Soll et al. 2012; Peters et al. 2006).

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. For example, "On a scale from 1 to 7 […], how would you assess your overall financial knowledge?" (Allgood and Walstad 2011). Subjective financial knowledge can also be domain specific, where consumers are asked to rate their knowledge in specific areas. In Perry and Morris's (2005) study, consumers assess their financial knowledge on a five-point scale (nothing, very little, some, a fair amount, a lot) in five areas: (1) interest rates, finance charges and credit terms, (2) credit ratings and credit files, (3) managing finances, (4) investing money, and 5) contents of their credit report.

DEFINITIONS OF FINANCIAL BEHAVIOR

CONCEPTUALIZATION

The existing literature typically provides lists of financial behaviors rather than a conceptual definition of such behavior. In general, financial behavior has been described as "the management of personal finance" (Cude 2010) or as "household finance" (Campbell 2006). The most common behaviors that are included in this category are retirement planning, credit card usage, mortgage decisions and mortgage delinquency, cash flow management and savings, and investments.

OPERATIONALIZATION

Measures of financial behavior range from household behavior in a single domain (e.g., credit card usage) to household involvement/choices across a set of domains (e.g., cash flow management to investments and buffers against risk). Financial behavior measures include self-reported involvement or performance, actual choices from administrative data, or a combination. Below we describe the more comprehensive measures of financial behavior, followed by the more targeted financial behaviors, which are grouped into the five categories mentioned above.

COMPREHENSIVE MEASURES OF BEHAVIOR

Some measures of financial behavior incorporate different domains to develop a more complete measure of behavior. These more comprehensive measures tend to combine money/credit management and planning along with savings, although there are differences across measures used in the literature. Dew and Xiao (2011) argue that measures of financial behavior should recognize that households at different stages in life and finances will have different configurations of behaviors. Four articles reviewed use the following measures:

- Atkinson et al. (2007) examine four domains—managing money, planning ahead, choosing products, and staying informed—measured with 17 questions. These domains capture several areas including planning for future needs and having a savings cushion.
- Hilgert et al. (2003) examine five categories of behaviors: cash-flow management, credit management, savings, investment, and other.
- Perry and Morris (2005) use a five-point scale (poor, fair, okay, good, excellent) to measure behavior in five areas: controlling spending, paying bills on time, planning for financial future, providing for self and family, and saving money.
- Collins et al. (2008) examine five categories: financial capability (having and using a bank account, number of credit cards owned and whether paid off each month), credit score, net worth, buffers against risk (having insurance, emergency savings, and a support network), and income.

Retirement planning

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

More concrete measures are offered by Bayer et al. (2009) as well as and Duflo and Saez (2002, 2003), all of whom consider the take-up of an employer-offered retirement plan. Additionally, Bayer et al. (2009) measure the change in the retirement contribution rate. Lusardi and Mitchell (2007) use wealth accumulated for retirement as a metric for this area.

Less specific measures include whether or not a person has planned for retirement (Lusardi and Mitchell 2007) and whether or not a person has tried to save for retirement or has ever made a plan for retirement (Hung et al. 2009). Also, Lusardi and Mitchell (2009) assess retirement planning by asking, "How much have you thought about retirement?" (a lot, some, a little, hardly at all). Lynch et al. (2010) developed and tested a scale of propensity to plan, finding that those generally with higher propensity to plan for the use of their money over the next one to two years tend to engage positive financial behaviors and make more responsible financial decisions.

Credit card usage

All of the reviewed articles that address credit card behavior use credit card balance as a metric. Two of the articles look at whether people carry over balances from month to month (i.e., do not pay off the balance in full in a given month), while another looks at whether self-reported credit card balances align with actual balances (they do not). The three articles use three slightly different metrics:

- Allgood and Walstad (2011) rate credit card usage according to the presence (or absence) of five credit card behaviors: (1) paying credit card balances on time, (2) carrying over a balance and paying interest, (3) making only the minimum payment, (4) being charged a late fee, and (5) going over the credit card limit.
- Soll et al. (2012) use frequency of card use, number of cards, and carrying over a balance as a metric.
- Brown et al. (2011) compare self-reported credit card rates and card balances to actual credit card rates and balances.

Mortgage decisions/delinquency

Behaviors with respect to mortgages do not appear widely in the literature reviewed. One article considers mortgage delinquency, examining the percent of time in delinquency, the fraction of mortgage payments missed, and the initiation of foreclosure (Gerardi et al. 2010). Campbell (2006) looks more generally at household mortgage decisions, including whether households had a fixed rate or adjustable rate mortgages and the propensity to refinance.

Cash flow management and saving

Metrics to assess how people track their money include those that measure (1) whether or not a person engages in a certain kind of behavior (such as budgeting), (2) whether they *successfully* engage in a behavior (such as spending within a budget), (3) frequency of a behavior, and (4) propensity for certain types of behavior.

- Metrics that measure if individuals engage in certain behaviors and if they do so successfully include tracking expenses, checking account access, spending within budget, spending, and savings pattern (Shim and Serido 2011). Hilget et al. (2003) measure participation in five types of financial behaviors: cash-flow management, credit management, savings, investment, and other. Bucks and Pence (2008) examine whether people made a late payment last year or filed for bankruptcy,[3] while Perry and Morris (2005) use a five-point scale (poor, fair, okay, good, excellent) in five areas: controlling spending, paying bills on time, planning for financial future, providing for self and family, and saving money.
- Perry (2008) uses a metric based on frequency of behavior: how often respondents follow a budget and how often they save. Taylor (2011) looks at whether individuals save on a regular basis and whether those savings are long-term.
- Lynch et al. (2010) measure propensity to plan, as well as actual behavior. In addition to the six-item scale measuring propensity to plan money (short run and long run), the authors employ a frugality scale, impulse buying scale, and a tightwad-spendthrift scale, and assess coupon proneness, financial planning, money planning follow-through, budgeting plans, and coupon use.

Investment

Investment behavior is measured differently across the articles reviewed, with some metrics based on actual behavior and some on hypothetical behavior.

- Cole et al. (2009) measure investment behavior based on whether or not an individual has reported any positive investment income on the Census long form.
- Campbell (2006) measures investment activity by asset allocation and the diversification of investment portfolios.
- Hadar et al. (2011) use a hypothetical metric that captures the choice of hypothetical investment options (risky vs. safe).

[3] Bucks and Pence (2008) also examine whether people comparison shopping when making financial decisions and if they did not apply for credit because they thought they would be turned down.

Definitions of financial well-being

Conceptualization

In the studies reviewed, financial well-being was rarely described or measured. Most often it was 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.

Operationalization

Financial well-being was not operationalized in the studies reviewed. Rather, the literature discusses well-being in the following ways:

- Consumer welfare is inferred from better decisions related to credit card usage (Allgood and Walstad 2011).
- Well-being inferred from higher levels of financial literacy, knowledge, and positive financial behaviors (Atkinson and Messy 2012).
- Well-being inferred from whether the borrower knows their mortgage terms (Bucks and Pence 2008) and from mortgage delinquency or foreclosure (Gerardi et al. 2010).
- Taking up an employer-offered retirement plan is assumed to improve financial security (Bayer et al.2009; Duflo and Saez 2002, 2003; Hung et al. 2009) and financial market participation is assumed to support well-being through an increased accumulation of assets (Cole et al. 2009).

One paper reviews a different approach by examining happiness (or subjective well-being) and assessing the assumption that financial success leads to well-being (Oswald 1997). They find that in developed nations, economic progress buys only a small amount of extra happiness. Another paper develops a scale to measure consumer self-confidence, arguing that there may be a relationship between levels of consumer self-confidence and financial well-being (Bearden et al. 2001). The authors find that consumer confidence is associated with subjective product knowledge.

There are other literatures that examine general life satisfaction. While some studies recognize the importance of personal financial circumstances in life satisfaction, they have not explored the relationships between financial knowledge, financial behavior, and life satisfaction.

What is known about specific knowledge that predicts financial behavior?

What specific knowledge and behavior predict financial well-being?

The literature documents associations between financial knowledge and financial behaviors. In general, higher levels of financial knowledge are associated with better financial decisions and behavior. However, a recent meta-analysis of this research (Fernandes et al. in press) demonstrates that this relationship may disappear when controlling for various personality traits, such as long-term money planning and willingness to take investment risk. While more research is needed to understand the role of personality traits in financial behavior/well-being, this article suggests that omitting these variables from empirical analyses may have important implications for the findings. Also, the literature does not identify causal effects. In other words, the studies do not provide evidence that increasing the financial knowledge of Americans will improve their financial decisions, although many studies infer this. Furthermore, the literature

does not directly examine the relationship between financial knowledge/behaviors and financial well-being. Rather, it generally infers financial well-being from financial behaviors (e.g., suboptimal financial behaviors are assumed to reduce financial well-being).

Specific studies vary in their operationalization (and conceptualization) of financial knowledge and behavior. The summary below incorporates articles that examine knowledge of financial domains and those that examine numeracy measures, organized by the specific financial behaviors.

Retirement

Higher levels of objective and subjective financial knowledge are associated with greater retirement planning. Subjective knowledge is also positively associated with the *intent* to save for retirement.

In terms of objective financial knowledge, Lusardi and Mitchell (2007) find that individuals with a greater knowledge of compound interest are more likely to have planned for retirement. On the other hand, knowledge of percentage calculation and lottery division are not associated with better retirement planning. In a follow-up paper, the authors have similar findings in which scores on financial literacy indices are positively associated with amount of retirement planning, holding constant other determinants of planning (age, education, income, etc.) (Lusardi and Mitchell 2009). In a similar vein, Hung et al. (2009) find that financial literacy is positively associated with attempting to save for retirement and with planning for retirement, but not with actual 401k balance.

An analysis of subjective knowledge finds that people with higher subjective knowledge are more likely to say they would join a 401k plan when eligible (Hadar et al. 2011).

Credit cards/credit management

The ability to manage credit has implications for financial well-being and the literature shows that lower financial knowledge is associated with worse credit management.

Allgood and Walstad (2011) find that higher levels of actual and perceived financial knowledge are related to paying credit cards on time and in full, although perceived financial knowledge has a stronger relationship than actual knowledge. Other research has shown that limited financial knowledge is associated with incurring higher costs in credit card usage. Lusardi and Tufano (2009) find that lower levels of debt knowledge—understanding the costs of compound interest and how long it would take to pay off a balance making only minimum payments, for example—are associated with paying higher credit card charges and fees. The authors estimate that less knowledgeable borrowers pay about 50 percent higher fees than the average cardholder, and that as much as one third of the charges and fees paid by these borrowers are due to a lack of knowledge and not their different socioeconomic characteristics.

Financial knowledge is also related to credit scores, and greater numeracy ability is associated with a better understanding of how credit products work. Perry (2008) finds that those with low levels of financial knowledge, measured via a 15-item quiz and a subjective assessment of one's personal credit record, are more likely to overestimate their credit score, and that people who overestimated their score were less likely to budget or save. In terms of numeracy, Soll et al. (2012) show that those with high numeracy scores are better at predicting balance payoff times and what happens when payments barely cover interest charges. They also find that less

numerate individuals underestimate minimum payments more so than more numerate individuals. In terms of understanding the workings of credit cards and interest compounding, only about one-third of the population is estimated to do so (Lusardi and Tufano 2009).

A more severe measure of credit problems—filing for bankruptcy—is associated with worse financial choices. Warren et al. (2000) report that bad financial management was among the most important five reasons reported by U.S. borrowers for filing bankruptcy. Chakravarty and Rhee (1999) find that among people who filed for bankruptcy, around 40 percent stated credit misuse as the reason.

MORTGAGE DECISIONS/DELINQUENCY

Poor numerical ability is related to increased mortgage delinquency, while "economic knowledge"—as measured by a two-item financial literacy scale—is not.[4] Specifically, Gerardi et al. (2010) find that correctly answering the economic knowledge questions is not significantly related to mortgage delinquency, but that poor numerical ability is associated with increased mortgage delinquency, regardless of FICO score, socio-demographics, time and risk preferences, labor market volatility, mortgage terms, prior experience with mortgage markets, or geographic area.

INVESTMENT

The literature investigates various aspects of the relationships between financial knowledge and stock/financial market participation. Higher levels of both objective and subjective financial knowledge are associated with greater investment activity. Van Rooij et al. (2011) find that greater financial knowledge is associated with greater stock market activity, and Hadar et al. (2011) find that respondents with higher subjective knowledge are more likely to choose riskier investments (with higher long-term returns) than those with lower subjective knowledge. On the other hand, Cole et al. (2009) find that financial literacy education is not significantly related to financial market participation. Some households avoid certain assets (e.g., stocks) because they are aware they lack the skills to invest efficiently (Campbell 2006). Working adults' investment knowledge and knowledge confidence are reliably related, but investment knowledge itself was not a reliable individual predictor of investing self-efficacy (Forbes and Kara 2010).

SAVING AND MONEY MANAGEMENT

Only one of the reviewed studies directly examines ongoing savings behavior. Taylor (2011) finds that higher levels of financial capability, which is defined as the ability to control and manage one's own finances, is associated with a higher propensity to save and save regularly, higher household income in later years, and higher life satisfaction (Taylor 2011). Interestingly, in a study of adults in the United Kingdom, Atkinson et al. (2007) find that although financial education has focused on money management, this is not the area where people are weakest. The weakest areas of capability are the ability to plan for future financial security and the ability of consumers to make informed choices about the purchase of financial products.

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[4] This measure of economic knowledge was developed by Lusardi and Mitchell (2009).

OTHER

Some literature investigates the connection between certain type of intelligence and financial decisions. For example, those who scored higher on a three question cognitive reflection test (CRT) were generally more "patient," and their decisions implied lower discount rates; those who scored higher on the CRT were also more willing to gamble, particularly when the gamble had a higher expected value (Frederick 2005). Peters et al. (2006) find that less numerate individuals had stronger framing effects, made more suboptimal choices, and had less precise feelings about their choices than high numerate individuals.

RELATIVE IMPORTANCE OF FINANCIAL KNOWLEDGE, PERSONAL TRAITS, AND SOCIAL CONTEXT

A number of social and psychological factors are associated with higher levels of financial knowledge and improved financial behavior. The research reviewed does not offer explicit findings with respect to these factors and financial well-being. Attitudes such as patience and a propensity to plan are associated with greater financial knowledge and positive financial behavior (Meier and Sprenger 2013; Lynch et al. 2010). On the other hand, having spendthrift tendencies is associated with lower levels of financial knowledge and negative financial behavior (Rick et al. 2008). The belief that one is not in control of the forces that shape one's life—also referred to as external locus of control—is associated with lower levels of responsible financial behavior and lessens the positive relationship between financial knowledge and financial behavior (Perry and Morris 2005).

Demographic characteristics such as being a full-time college student or college graduate are associated with greater financial knowledge and positive financial behaviors (Mandell and Klein 2009; Lusardi and Mitchell 2009). In contrast, having dependent children in a household and being female are associated with lower financial knowledge and less favorable financial behaviors (Allgood and Walstad 2011; Lusardi and Mitchell 2009; Hung et al. 2009; Van Rooij et al. 2011). The research on the importance of social context—such as the influence of parents or peers—has been mixed. Some studies have found that contextual and other factors, such as the influence of family or peers, are related to financial behavior and knowledge (Hung et al. 2009; Shim and Serido 2011), while others find factors such as parental influence and word-of-mouth information are not significantly related to certain financial behaviors including saving and investing (Perry 2008).

TIME PREFERENCE/SELF-CONTROL

Research suggests that patience and a greater propensity to plan are associated with better financial behaviors. Meier and Sprenger (2013) find that individuals with higher discount factors (i.e., more patience) are more likely to accept credit counseling information when offered, and Lynch et al. (2010) find that people with a high propensity to plan impose earlier pre-commitment deadlines and are more likely to use coupons than those with a low propensity to plan. They also find that FICO scores increase with increased propensity to plan. Consistent with these findings, spendthrifts—those more likely to pay a fee or buy a good—are three times more likely to carry debt and are more likely to have limited savings than "tightwads" (Rick et al. 2008).

DEMOGRAPHIC CHARACTERISTICS

The research suggests that demographic characteristics play a strong role in moderating the relationship between financial literacy and financial behavior, and it also suggests that certain characteristics, such as age, gender, and education level are related to level of financial knowledge. Lusardi and Mitchell (2007) find that the association between financial literacy and retirement planning weakens when demographic controls are added to the model. The research suggest the following demographic characteristics (age, gender, race and ethnicity, household composition and educational attainment) are particularly important in understanding financial knowledge and behavior and the relationship between the two.

- Age: As people get older and gain financial experience, they generally have both better financial knowledge and better behavior, although once age-related cognitive declines begin to set in, financial capability also declines. Atkinson et al. (2007) find that age is positively correlated with better performance in planning ahead, choosing financial products, and staying informed. However, people under 30 and over 70 have the lowest capability with regard to choosing financial products. 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. They find that the peak likelihood of good financial decision-making is at about age 42. Older and younger adults have been found to make more financial mistakes (e.g., pay more fees and higher interest rates) than middle-aged adults (Agarwal et al. 2009). Also, Bucks and Pence (2008) find that people 65 and older are substantially less likely to know their mortgage terms. As people reach older ages, the level of financial literacy has been found to decline. Hung et al. (2009) find that financial literacy declines at a rate of approximately two 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).
- Gender: Men are found to have higher levels of financial literacy than women (Lusardi and Mitchell 2009; Hung et al. 2009) and higher stock market participation (Van Rooij et al. 2011).
- Race and ethnicity: Perry and Morris (2005) find that Hispanics have slightly lower levels of responsible financial behavior, while the negative effect of external locus of control on behavior is lower among African Americans.
- Household composition: Allgood and Walstad (2011) find that the presence of dependent children is associated with harmful financial behaviors. They find that having financially dependent children is consistently associated with negative credit card usage outcomes, such as making minimum payments, making late payments, and exceeding credit limits.
- Educational attainment: Higher levels of education are associated with better financial knowledge and behavior. Hung et al. (2009) and Lusardi and Mitchell (2009) find that financial literacy is higher among those with a college degree or higher, while Schmeiser and Seligman (2013) find that educational attainment is positively correlated with asset holdings. Mandell and Klein (2009) find that being a full-time college student or graduate is more strongly related to good financial behaviors and financial knowledge than taking a personal financial management course. Cole et al. (2009) find that general

education (or schooling), followed by numerical ability, had the strongest effect on financial market participation.

ECONOMIC CHARACTERISTICS

While the majority of studies control for income or other economic characteristics, not all do. Among those that do, economic characteristics such as employment and fluctuating income are related to financial behavior and well-being. Higher levels of both income and wealth are associated with greater participation in the stock market (Van Rooij et al. 2011). Conversely, poorer and less educated households have been found to make more investing "mistakes," many of which occur when families with limited knowledge outsource to banks or other advisors (Campbell 2006). Oswald (1997) finds that unemployment has the strongest negative effect on subjective well-being; it seems to be the primary economic source of unhappiness, and is a major factor in suicide (Oswald 1997). Income is not consistently related to credit card usage, but experiencing a large drop in income is consistently associated with negative credit card usage outcomes (Allgood and Walstad 2011).

ATTITUDINAL OR PSYCHOLOGICAL CHARACTERISTICS

Psychological factors—such as feelings of control, confidence, and efficacy—may play a role in financial behavior and well-being. Perry and Morris (2005) find that external locus of control (feeling that one is not in control of the things that happen in one's life) is associated with lower levels of responsible financial behavior and diminishes the positive relationship between knowledge and behavior. Investment knowledge confidence is associated with higher levels of investing self-efficacy (Chen et al. 2001). As described earlier, a recent meta-analysis demonstrates that the strong relationship between financial knowledge and behavior disappears after controlling for psychological traits (Fernandes et al. in press). However, the authors stress that it is not appropriate to conclude from this finding that personality traits are the cause of the studied financial behaviors. Instead, they argue that more research is needed to better understand the relationship between financial knowledge and behavior, to include time series designs with panel data (i.e., following a group of individuals over time).

GENERAL CONTEXT AND PEER EFFECTS

The research presents mixed findings on the role that background and upbringing play in financial behavior. For example, Hung et al. (2009) conclude that although consumers may possess financial knowledge, contextual and other factors may interfere with the translation of knowledge and intention into action.

Shim and Serido (2011) find that the role of parental influence in financial socialization is more than twice that of friends and 1.5 times greater than that of financial education.

On the other hand, Perry (2008) finds that learning from parents and word-of-mouth information are not significantly related to overestimating one's credit score.

Duflo and Saez (2002) emphasize that peer effects are important to consider because they represent an extra-economic influence on individual decision-making. Understanding the role of peer effects on individual financial decision-making could have important implications for how retirement plans are organized in the workplace. However, Van Rooij et al. (2011) found that

financial literacy has an effect on stock ownership above and beyond the effects of word of mouth information from peers.

GAPS IN FIELD

The concepts of financial knowledge, financial literacy, financial behavior, and financial well-being are not well defined and lack measures developed through rigorous methods. Analyses of financial knowledge, behavior, and well-being focus on association with few attempts to assess causation. There have not been consistent attempts to rule out alternative explanations or to control for confounding factors. The field also lacks a research agenda laying out the most important questions to be answered and organizing current and future studies. The one attempt at laying out questions to be addressed does not make a case for why these questions are key and does not focus on laying out a vision to guide future research (Cude 2010). A recent meta-analysis (Fernandes et al. in press) argues for additional, different research approaches to better understand the relationship between financial knowledge and behavior. The lack of robust data sets with valid, reliable measures has hindered scholarship. Developing such data sets requires strong concepts and valid, reliable measures.

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 subsequent 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, which is described in detail in the following section, 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.

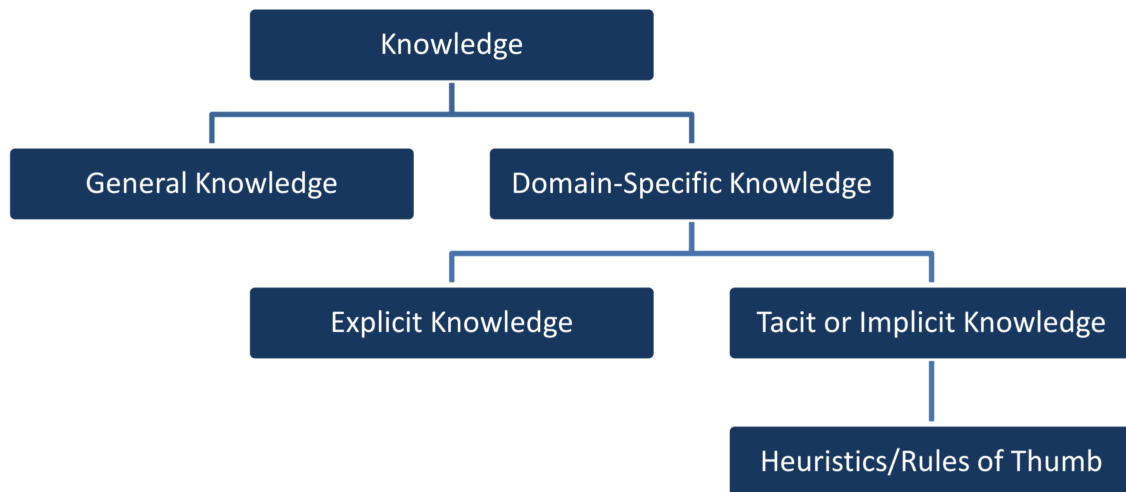
6. In order for knowledge to be processed so that it can inform behavior, one must be motivated to process the knowledge and have moderate prior knowledge of the topic.

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; 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; 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 (de 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.

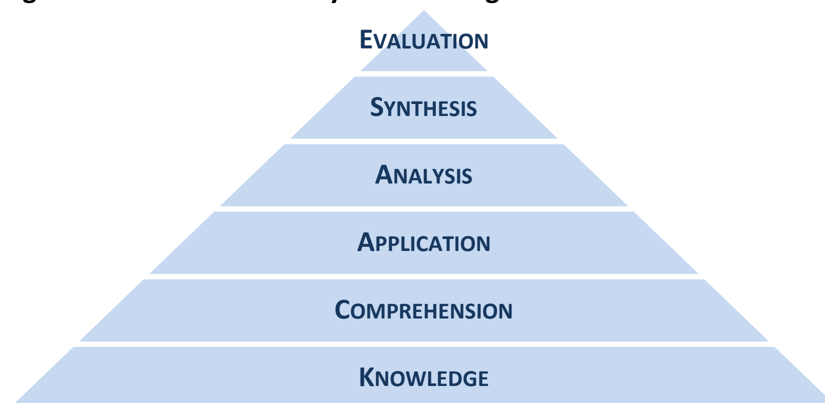
[6]Note: fields outside cognitive psychology employ a broader definition of heuristics than the one we use here.

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 the minimum number of years of education. These studies do suggest an impact in going from little

[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.

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];
2. General knowledge is positively correlated with good financial behaviors;
3. Knowledge appears to affect behavior through intermediary factors. These intermediary factors include:

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

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 computer-aided qualitative data analysis software (CAQDAS). The software can, in turn, be used to identify oft-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 to 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 topic; it does not employ a rigorous sampling methodology that would be necessary for drawing widely applicable conclusions.

IDENTIFICATION AND RECRUITMENT OF RESPONDENTS

In recruiting working-age 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 A1 provides an overview of our approach.

Table C1. Data collection approach

	Working-age consumers	Financial practitioners
How do we define this population?	• Individuals ages 18 – 61	• 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 18 – 61	• At least one year of experience working directly with clients • 50% or more of client base must be between the ages of 18 and 62
Number and length of interviews to be conducted	• 40 one hour interviews	• 30 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. Data for these characteristics are presented in Table A2 in a later subsection, *Participant Characteristics*.

- 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)

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

[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.

- 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? 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 Americans?
3. What behaviors do consumers and financial practitioners associate with financial well-being among working-age 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 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 2008; 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 its key organizing themes from the data themselves. To assist in the process of identifying significant themes in the more than 1600 pages of coded 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.

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, which were used 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

[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.

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

The working-age American sample was regionally and socio-demographically diverse.

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 numbers in Washington, D.C. and Tennessee and highest representation from Chicago and Los Angeles.

There were more women (68%) than men and all age groups were represented in the sample with the heaviest concentration among those 36 to 45 years of age (39%). Study participants were ethnically and racially diverse and had varied educational backgrounds, although persons with at least a college degree were somewhat over-represented (51%). The sample included persons with different marital and employment statuses and a range of incomes.

Table C2. Demographic characteristics of consumer participants

		n	%
Geography	Atlanta	6	14.6
	Chicago	9	22.0
	Washington, D.C.	5	12.2
	Los Angeles	9	22.0
	Tennessee	5	12.2
	Wyoming	7	17.1
Gender	Female	28	68.3
	Male	13	31.7
Age	18-25	5	12.2
	26-35	8	19.5
	36-45	16	39.0
	46-61	12	29.3
Ethnicity	African American	7	17.1
	Asian	2	4.9
	Hispanic	7	17.1
	Caucasian/white	25	61.0
Education	High Sshool or less	7	17.1
	Some college or technical degree	8	19.5
	College/graduate/professional degree	21	51.2
Marital Status	Single, never married	11	26.8
	Married/living with partner	23	56.1
	Divorced	2	4.9
	Widow/widower	0	0.0
Household Income	$0-$49,999	16	39.0
	$50,000-$100,000	17	41.5
	Over $100,000	8	19.5
Employment Status	Full time	17	41.5
	Part time	4	9.8
	Self employed	2	4.9
	Unemployed	9	22.0
	Fully retired	0	0.0
	Partially retired	1	2.4
	Other	1	2.4

Source: Consumer demographic information sheet

Note: Working-age Americans (n = 41)

The financial practitioner sample was diverse with respect to profession, experience, race/ethnicity and income.

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 THEME DESCRIPTIONS

FINANCIAL 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 especially true of people's early experiences with credit cards. 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 came up often in the working-age American. Interviewees described being frugal as a learned behavior engendered by one's upbringing, personal experience or by pressure from one's spouse. Many described being frugal as being disciplined or consciously choosing to spend less money. For many working-age Americans, being frugal was thought of as a lifestyle that also incorporated other behaviors like saving and buying needs and not wants In this vein, comparison shopping or shopping around in order to get the best deal also came up a lot. 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 shared examples of their frugal behaviors, such as cooking and not eating out, shopping second-hand or not buying something new.

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 using 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 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. For some consumers, their home was their stability because it represented their largest asset and gave them access to credit. Some felt their home had intrinsic value; others felt it was mainly an investment. However, some consumers described their home as a liability, 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 be sure to set aside enough for basics. How consumers defined needs and wants was often contingent on social and environmental context. As a consumer's financial situation changed, their needs often changed as well. For most consumers, needs included making sure one is able to pay bills and provide for one's family. Beyond that, many described purchasing needs as spending money on what is important. Buying needs and not wants was commonly talked about in the context of budgeting.

Credit cards

Many of those interviewed had strong opinions on credit cards. Some consumers and practitioners 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 negatively 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-ageworking-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 as 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 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 can 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 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 is to set realistic financial goals.

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, some 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 way 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-ageworking-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.

Rules of thumb

Many of the financial behaviors that consumers described as beneficial for financial well-being are strategies they synthesize 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. To other consumers spending less or shopping around was a way of saving money. For others, investing was a 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 Americans commonly sought out information on investing, saving strategies, buying a car or buying a home.

Financial knowledge

Budgeting

Many consumers talked about the importance of budgeting either as a guide for future spending or as a way of identifying spending habits. Like other financial behaviors, budgeting encompasses many different strategies that change depending on an individual's purpose. Some consumers said they learned to budget from their parents, who actively encouraged them to participate in creating the household budget. Other consumers learned from friends, especially if they saw them as good money managers.

Buying, selling and/or owning a home

Many consumers expressed that they knew very little about purchasing a home when they first went through the process. Some reflected back and said that they wished they knew what you need to know before buying a house, or needing 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 their home prior to purchasing it. Still others 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. For some working-age Americans, this meant knowing the lexicon involved with credit cards, such as APR and annual fees. Some talked about knowing what a bad deal is. Most consumers said that they learned how to use credit through personal experiences and mistakes. Some consumers also talked about how once they were in debt, it was important to know how to manage debt effectively. 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 working-age Americans and practitioners agreed that doing financial research was important for acquiring financial knowledge. Many consumers indicated that this was particularly important regarding complex issues like taking out a loan or purchasing a house. However, many of those interviewed decried the sheer volume of financial information available and felt that 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 can 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 and spouse or partner

Both working-age Americans and practitioners said they primarily relied on those closest to them for financial information. For many working-age consumers, parents were seen as particularly useful because they may have gone through similar experiences before. For other working-age consumers, their spouse or partner was a source of knowledge because they had their own lived experiences and resources to draw from. Many of the conversations consumers described were informal. 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.

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. Working-age Americans indicated that they used financial advisors primarily as a source of knowledge about managing finances or making investments. Others said that they sought out an advisor because they wanted help finding employment. 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 strongly affect 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 indicated that developing financial plans is not easy and strategies to do so 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. Sometimes people may not even refer to them as financial plans, just as general things they'd like to do. For some consumers, plans were long-term, like saving for retirement or to buy a house. For others, they were short-term, like paying off debt or saving for the holidays. Regardless, the kinds of goals individuals create for themselves greatly affects the kinds of information they seek out and deem important in their lives.

Government policies

Some consumers said that they did not know as much about paying taxes as they thought they should. As some practitioners suggested, this was particularly true in applying for refunds or claiming exemptions that can provide working-age Americans extra flexibility. In addition to taxes, some consumers and practitioners suggested that government-funded welfare programs were influential in some people's lives. However, how to apply and access these programs was often thought of as difficult and complex. Supports such as unemployment which could be hugely beneficial for those who need them were left underutilized. Some practitioners also noted that some of their clients over-utilized these welfare programs. Some said unemployment and welfare programs promoted complacency.

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. Among many consumers investing was commonly seen as the "next step" beyond what the average person knew with regard to finances. Some working-age Americans said that they wanted to enter the stock market, but were unsure of how to start. More commonly, working-age Americans were already investing but wanted to know differences between investment options, or to know when to invest. Many consumers indicated that their primary investment strategy was through employer-provided retirement accounts, such as a 401(k).

Personal experience

Most of the consumers indicated that they primarily acquired financial information through personal experience. People said that they learn by doing and, frequently, learn 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.

Savings

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 saving money. Some consumers suggested that the different saving strategies reflected differences in knowledge. Some learned saving behaviors from friends and family. These were often described as rules of thumb such as "pay yourself first." Other consumers developed tools such as budgets to identify ways they can save more. Others learned from personal experiences such as trying to save money for a purchase. Consumers and practitioners both said that best way to save was to have a goal. Regardless of the approach, consumers indicated that they constantly tested and evaluated the efficacy of their saving strategies.

Teaching children about money

Both consumers and practitioners recognized that upbringing was very important as it often serves as the first place people acquire financial knowledge and behavior. However, many interviewees noted that our upbringing can provide and reinforce bad behavior just as easily as it can good behaviors. Some consumers and practitioners said that as a country we should emphasize financial education and literacy in school. Many consumers indicated through their own experiences or through observations that young adults often lack the necessary financial knowledge. Most consumers said that they learned primarily through mistakes they make during this period of time.

Trust in source

Being able to trust financial knowledge was another 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 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 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, therefore legitimizing their interests. Both older and working-ageworking-age Americans throughout the qualitative research discussed the importance of trust and trusting the source of knowledge.

Upbringing

Upbringing was among the most common themes in the qualitative interviews. 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 from their parents not only how to engage in financial behaviors, 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/seeking advice from others

For some consumers, friends and social networks played a similar role to family with regard 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. Working-age Americans specifically said that social networks were important sources of knowledge about job opportunities. 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.

Personal characteristics

Being frugal/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, 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.

Being materialistic

Some interviewees described materialism as a major cause of overspending. In the qualitative research, materialism was described similarly to not giving into social pressures and not needing to keep up with the Joneses. Some described it as knowing being able to enjoy the simple things in life and knowing what makes you happy. Others described not being materialistic more as making due with less and not spending money on "wants."

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 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.

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.

Hardworking

Many of those interviewed felt that hardworking individuals were more likely to achieve financial well-being. Some working 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 one-time 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. 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

In some of the interviews, working-age 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.

Risk

In the qualitative research, figuring out how to balance risk was a common theme. Many recognized that financial behaviors such as investing were inherently risky, but many considered them important or even necessary for their financial well-being. Some thought that being willing to engage in some risky behavior or being able to tolerate risk positively impacted financial well-being.

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. Some 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.

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.

Social and environmental context

Community

For some consumers, the community was talked about synonymously with social networks. Others, however, saw the community as also including community resources which provided resources and financial knowledge. These resources included the library, banks, and other institutions. For others, community resources included places like churches or food banks which offered support during hard times.

Culture

Many of the interviewees indicated that cultural values and social pressure caused some people to overspend. 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 with 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 salient in the qualitative research. Many had friends or family that had lost jobs or were forced to take pay cuts to stay employed. Some described losing a lot of money on their investments, which made them feel a lot less stable. For most, it was the local economy and local job market that had the most immediate impact on their lives. Others discussed the economy on the national level and some even described the international economy.

Family

Family was among the most common themes in the qualitative research. The impact of "family" on financial well-being is multifaceted. Many relied on family members, especially parents, as a source for financial knowledge. Others even relied on family members for resources such as a vehicle or loans to cover expenses. Especially for younger working Americans, parents sometimes provided a place to live. Some received a windfall in the form of an inheritance that provided additional security and/or allowed them to make a large purchase such a car or a down payment on a home. For others, family was a detriment, especially for the "sandwich generation." Many thought that children were major drivers of spending, especially with regard to paying for education. Others talked about the costs involved with taking care of aging parents, especially in cases of cognitive decline.

Friends

Friends were thought of as similar to family or spouses. Some viewed them as sources of financial knowledge or connections to job opportunities. Some even provided resources during hard times. Some consumers thought of friends as a detriment, noting that they often spend more money with friends than they would have otherwise.

Good employment

Employment was viewed by many consumers and practitioners as one of the key drivers of financial well-being. In addition to providing a stable income, employment often provided benefits such as health insurance which consumers described as crucial for their financial well-being. For some, the workplace provided them with important financial knowledge, particularly about retirement.

Government policies

The most common theme with regards to government policies was taxes. Most felt that taxes negatively impacted their financial well-being, though some thought that they were necessary. Some thought that affordable public transportation improved their financial well-being. Some working-age Americans and practitioners opined that welfare programs such as unemployment benefits and rent-controlled housing could greatly impact an individual’s financial well-being.

Social networks

Social networks encompassed friends, family, co-workers, and their connections. Most consumers thought that having an extended social network positively impacted their financial well-being, as they believed that they had more resources to draw from. This was particularly true in the case of connections to job opportunities. Social networks also were a source of social pressure, and greatly shaped and individual’s expectations for their financial lives.

Spouse/partner

An individual’s spouse or partner was a common theme in the qualitative research. 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

In the qualitative research, nothing was thought of as more influential on financial knowledge than 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. 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 E: QUOTES FROM WORKING-AGE AMERICANS AND PRACTITIONERS

FINANCIAL KNOWLEDGE

"I think that I manage the money that I have, but as far as investments or stocks or anything like that, I don't really know much of what I do. I get these quarterly reports from my IRA and you know, from my 401[k], but like I don't…. I mean I should read them because it's my money. I just kind of look at the balance. I wouldn't think 'oh, what other stocks could I be investing in that would maybe make this this percentage more.' I feel like if I had a better grasp on that for myself, my well-being would be higher." **– Working-age American, Chicago**

"We had employee stock option plans. I couldn't convince enough people to take the employee stock option plan because they didn't understand numbers. I was like wow; so I would draw it out for them. You know, beginning price, ending price is lower than what they're going to buy the stock at. If the beginning price is really low and the ending price is really high. You can make a crapload of money and you can sell it the next day. You walk away with all this extra money. Or you can just let it ride. It's not your life savings. It's just X amount every month. So I Googled a lot of that. That paid off well." **– Working-age American, Los Angeles**

"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 is 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. 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**

"I got out of college right at a time when you know how everybody knows about FICO scores. 30 years ago I knew what FICO were. FICO and MDS. MDS must have been absorbed by FICO. So I knew at a young age, right out of college – how bad you could hurt your credit." – **Working-age American, Los Angeles**

"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, DC**

"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**

"Yeah, I think education is key to financial anything. I think one reason we're kind of in the mess that we're in is we borrow, borrow, borrow, and I don't think people are taught that they have to wait to have what they want. I don't think they're educated – not only at school but at home about because I have noticed that parents are just as bad as kids. They want what they want right then. They can charge it. They can get it – they can have it." **– Working-age American, Tennessee**

"Learn about revolving credit. Learn about principal balance vs. what your interest is. And actually, I have noticed I pay all of my credit cards online. And now they actually have a field that says how much of this payment is going to principal and how much is going to interest. And I don't know that people read it, but at least it's there so they can say like well, you know – you had the option to know. And I kind of want to know how much is being applied." **– Working-age American, 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, DC**

"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**

"(Okay, alright. And so you started putting that money away and how did it feel when you did that every month when you first started doing it, what were you thinking?") Christmastime. *("Christmastime? To put it away at Christmastime?")* Yeah. I set it aside for Christmas and I

would say 'Christmas money.' But then I started thinking, and I might, you know, Christmas time come, I might spend a hundred or two hundred dollars then I say, you know what? I ain't even going to do that. I'm just ain't even going to do that. I'm just going to let it stay and build until I get it to where I want it to be. If I go through it at Christmastime, then I'm going to be right back where I started from." **–Working Age, Washington DC**

"Yeah, because I think when I first because I've been out of college now for like eight or nine years. But when I first graduated, I wasn't thinking about the importance of savings at all. I mean, I was just thinking like oh, pay my bills, pay rent, and then I wasn't thinking at all about long term savings. Now that I'm almost 30, my friends are getting married and having kids and buying houses, and you start realizing I've got to start saving. I took like a Dave Ramsey Financial Peace class; I took that three years ago. My mom pretty much made me do it. She said it would be the best [inaudible] and it really was. It made me think completely differently about why it's important to save and managing your money." **–Working Age, Atlanta**

"Yeah, he is just like I mean his car was running kind of rough just take in the shop and get a tune up. No, no, let's go you and I. We took the whole engine out, put it back in. In the end, he was like you know, [x] we spent all day there – all day. Really, we're taking jacked up this car in the driveway, took it out and he's all I did it not because it was cost effective. I did it to show you a lesson that you can do whatever you need to do. You don't need to rely on anyone else and pay a premium to have it done right away. If you don't have the funds, you don't have it. I have money to buy a brand new car. But the lesson learned was that you could do whatever you need to do with your own two hands. Now it's going to cost you. It's not going to be cost effective, but if you need to do what you need to do not spend the money just because you want it done quicker or more convenient or whatever, you don't have to spend that money. You don't need to." **–Working Age, Los Angeles**

"…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**

"I think that some people are better educated in how to secure financial well-being than others. I can make a lot of money, but if I spend it frivolously, there's nothing wrong with having fun, but if I spend everything that I take in then I don't think I'm going to have financial well-being because I haven't secured anything for the future or for a raining day or whatever." **–Working-age American, Atlanta**

"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

"You have to really compare what you make to how much money you spend. So you can't really spend you know, $1,000 if you only really make $800. I see a lot of people doing that where um, they'll be like oh, my gosh, I just got paid, and I did this and that. And XYZ, and I didn't get a chance to pay my light bill. Well, for me, I like to pay my bills first. And whatever I have left over, then that's what I will do you know, to use for groceries or you know - going out with the kids, activities or whatever." **– Working-age American, Chicago**

"As she would do it she would say things like – ah, well, this is just a little gift for Future Me like talking about if she wanted to make a purchase. Like she was talking about buying her wedding dress. She's like I know but Future Me is going to have to pay for it. So just having that idea of Future Me and doing yourself right in the present so you can do yourself right in the future." **– Working-age American, Wyoming**

"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, DC**

"You always pay off your credit cards every month. That's nonnegotiable, right? Which means if you want to have enough money in your hand to be able to do some fun stuff - you got to be careful how you spend it all during the month right?" – **Working-age American, Chicago**

"I keep a budget, I have everything budgeted from here until December, and then I have two years prior, how I spent my money, tells me everything, where I spent this because I have to see myself and see what I'm doing. If I just started doing stuff and I didn't have a record, then I would be really out of control. I think a record keeps you in control and a lot of times, people do not want to write stuff down. It's just the little things, and they say, 'Why did you have to write it down? I know what I'm going to spend.' No you don't. Write it down." **– Working-age American, Atlanta**

"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**

"We have a debt plan now that we – a snowballing effect is what it's called, so we are paying off and but I could add more to it, but we have a plan set up by this date that you have this done, 2015 her car, 2016 my car, but part of the challenge is to make sure because I want to stay on the same track." **– Working-age American, Atlanta**

"Having a goal, what do you want? How old do you want to be when you retire? What do you want to be able to do when you retire? You know, do you still want to have your home? Do you want to downsize? Would you want a second home? You know, how much money are you going to need to be able to maintain your current lifestyle without having to dip into savings significantly to give you a chance to kind of reap the benefits of working so hard. As well as you know, knowing what you need to do to reach that goal." **– Working-age American, Chicago**

("*What leads somebody to have financial well-being?"*) "Having goals, knowing what it is you want so you can prioritize how you allocate your money." **– Working-age American, Wyoming**

"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 tend to make good decisions because they are really trying to work towards something. "
– Practitioner, Wyoming

"It's one thing to have more but 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, even if you're saving just for retirement – if you don't know what the cost of that retirement, it's going to be harder for you to save even $100." **– Practitioner, 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**

"We're people that don't even have a will yet. A little fly by nightish. But then when you look around the world, it's like why try? Why care? It can all be pulled right out from under you in an instant…. What I need to do, we don't have wills. I know. We don't have wills, and I found out all about probate and how much money they take and…I'm just like oh, my God, I have to get a will. That's on our to-do list right away." **– Working-age American, Wyoming**

"You also need to do a trust too. That's the one thing that my husband and I know we need to do where we're running into a roadblock. We haven't done it is a couple of things is we haven't decided who is going to be the trust, the executor of it." **– Working-age American, Los Angeles**

"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**

"I managed to start saving and had enough for like a down payment on a condo. And so I own property. You know, and going through that process and you know, basically it wasn't all my savings that went towards the down payment but like a good chunk of it. So then I was like oh, no, now I have to build that up again. You know, like I have a 10 year old car that eventually you know will need a new one. Just that fear of anything medically should happen - you know, you need to have backup." **– Working-age American, Chicago**

"Just make the investment. I'm wondering now - I should have continued to pay rent. But I think the investment - because it will return later. You know, as long as we keep that thing. I'll probably move out of it and he can take over. But that's an investment. You will get a return later in years - you know, on that. You sell it and you walk away." **– Working-age American, Chicago**

"Then, for probably 10 additional years, I worked two jobs. I never had summers off. I worked all summer to pay for my house, and now I mean I paid it off 15 years ago. It's completely paid off. I own it free and clear….This is the best thing I ever did was buy this land, this house. I paid $42,000 for my house and land back in 1977. It's probably worth $400,000 right now. So when I think of the future, that's kind of part of my financial security." **– Working-age American, Wyoming**

"When you say financial well-being - to me, I get you're financially stable. Which I know a lot of people, and I don't think anyone is actually financially stable. There's a lot of people still living from check to check. Um, so me personally, I just take one day at a time. I know there are people out there saying to invest. But it takes money to actually invest in money. Some people don't have that money." **– Working-age American, Chicago**

"I'm getting older, and it's starting to hit me - okay well, kids are going to be out the door soon. Financially better {laughter} that much to spend. And I'll have that extra money to put aside. But looking into the housing market and real estate also I'm thinking of investing money - the money I have now into real estate. And hoping that either do that or kind of figure out what we can invest into our retail store or open a business as our form of retirement." **– Working-age American, Chicago**

"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**

"You would gain financial comfort through working hard and saving your money, working two or three jobs and putting that money aside, put it into a 401K, buy some of your company's stock options and just saving, put it in the savings account. Oh, yeah, you can amass whatever because when I read the book *The Millionaire Next Door,* the average millionaire in America was like 60 years old, they either worked on a job or started a business ad just put money aside in

savings and investments. And it grew over a period of say 30 years. It wasn't any magic that happened." – **Working-age American, Atlanta**

"I mean I think I'm doing for the most part the things I should be doing. I probably could be saving more money than I am. Like I contribute to a 401[k], and then you know month to month basically. Whatever is in my checking account if there's like more than normal, I'll put that, but I don't have like a regular routine. It doesn't really happen all that much." **– Working-age American, Chicago**

"All of a sudden I hit 40 and I realized oh, my God, I'm halfway through life. If I want to retire at 60, I'm halfway through my career. It was turning 40 that really caused me – I was {talking together} 40 is what really, really got me thinking about oh, my God. I need to get serious. I need to start dumping as much money as I can in my 401[k]." – **Working-age 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**

"You still have to be frugal. I don't care how much money you have, you still have to be frugal because you do not know what will happen next year. And it's stupid to throw money away just because you're making more money than you thought you were making and all that stuff." – **Working-age American, Washington, DC**

"I'd say don't blow your money on unnecessary luxury stuff you don't need. Stay frugal. Just the bare necessities - exactly what you need - bare necessities - be frugal until you don't have to be frugal anymore." – **Working-age American, Chicago**

"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**

"I be seeing stuff I want but I go to the store, you know, you see cookies, you see all this junk food. You like, 'I wish I had this. I want a box of doughnuts. I want to do this." Then you say, "You got some money. Go get the money out your cabinet.' And then you realize once you get it out your cabinet you go to put it back to build your money back up so I said, 'No, alright, no just, you know.'" **– Working-age American, Washington, DC**

"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**

"Just people are not really good thinkers. They think really just, to me, it's like so illogically. I just don't understand it. It's like basic things they have problems with. There's like a disconnect

between I owe this, I only make this, and this is what I want." – **Working-age American, Washington, DC**

"Just to not overdo it I suppose. To not ah - feel the need to spend - to not do things on impulse I guess. Not to spend money on impulse. To really think about what you got to do - what you want to do and what you have to do with your money." **– Working-age American, Chicago**

"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**

"I would say just be a comparison shopping – you have heard me mention that. So that – especially the internet makes it so darn easy to comparison shop. Oh, my God, the first thing I go to is I want to buy something major – I'm going to look at the internet and do comparison shopping – um, so those would be key." **– Working-age American, Los Angeles**

"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**

"Like Suze Orman – she if you can't afford it, you know, don't do it unless you can pay cash." – **Working-age American, Los Angeles**

"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**

"Buy property. Even if you can't build a house on it – buy a piece of land. Because that investment – no one can take that away from you." **– Working-age American, Wyoming**

"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**

"I know how to do it now and how to set it to the side and "Look you can't touch this, this is for a rainy day." For the rainy day does not mean when it rains outside. It means hard times. Hard

times is going to come again one day and I want to be ready when it comes because I'm forty-six now, so when I get like sixty or sixty five or seventy, I can save up." – **Working-age American, Washington, DC**

"I have a cousin, and she only makes $16,000. She's a medical assistant, and I try to help her save, but it's very hard to save because once she gets her paycheck, it's pretty much done. And I know there's - they say all the time - save, save, save, save. But if it's not practical, then how do you actually, you know save?" – **Working-age American, Chicago**

"You have to save for your future, save for your future. And the financial planner to put that in motion and see how you know, how that goes. I always believe - {muffled} invest in the 401[k]. They {muffled} I don't need to do that. No, just put $25 in. So I always preach that to the young people about the 401[k] and matching it, and it's going to grow, and this, that and the other. It's important. Put it there, leave it there - and you're going to need it. Like when you lose your job - and also I have learned you should always have - back in the day - making sure you have 3 months of your spending like necessities - 3 months put away. Now I need a year." – **Working-age American, Chicago**

"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**

"Basically not doing those dumb things like charging up your credit cards and paying the minimum payments. I use credit cards, but I pay off the balance every month. I'm the type of person that I like to get my frequent flyer miles. That's why I throw everything on my credit cards, pay off, I usually have one or two. Pay it off at the end of the month. We just do one payment. Plus, it's on the credit card. I have got the record of it there." – **Working-age American, Los Angeles**

"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**

"Lost the house. It was difficult. At the time, I never like – our mortgage payment was over $2,000. I remember that when he was paying half it was okay. When he stopped paying half, it was like oh, my God, what are we going to do. I'm sure I – I am trying to remember. This is back 20 years ago. But I remember that I got through it without messing up my credit. That was – {talking together} and somehow – to me that was like an achievement." – **Working-age American, Los Angeles**

"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**

"Getting a credit card. I know I shouldn't get one, and I did it anyway. Or I shouldn't use it and I did it anyway. There was a time; there was one, maybe two years when we were debt free. The only thing we had was our mortgage for two years. And that was the best feeling in the world. And we really didn't need to get into that much debt, but we did it anyway." **– Working-age American, Atlanta**

"When and if you do accrue debt, be sure that you prioritize paying off your highest interest debt first. Another one that went along with that is sort of different but pay off your high interest debt. But another one is if you have smaller bills or smaller debts, just get those knocked out so you can focus more of your money into the principle and higher debt." – **Working-age American, Wyoming**

"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**

"It's not a lot of jobs for everybody because there's a lot of people in the city so a whole lot of jobs got to have the right education and then they don't have enough jobs for people, so then, you know, if you don't get hired fresh out of college, fresh out of high school, you better take that job, be nice, get to work on time, do what you have to do so you won't get fired because if you get fired, it's going to be a long time until someone hires you again." – **Working-age American, Washington, DC**

"Yeah, there were some challenges, but you have to do what you've got to do, especially when you have family at home. You really have to expand. I'm just waiting for things to happen. You got to get out there and hustle." **– Working-age American, Chicago**

"You're like okay, our bills are this much, and he's only bringing in this much – you know, I had to step up to the plate, and I had to go and get two part-time jobs just to help us make our ends meet. Then, we have 3 kids at home and a car payment. So yeah." – **Working-age American, Los Angeles**

("*What leads somebody to have financial well-being?")* "Willing to work. Willing to work more if ends aren't meeting." – **Working-age American, Wyoming**

"You may not be able to get there on your own. You may need some help." (*"Help in what way?")* "Financial planning." *("How do you think, have you ever done that?")* "Yes, after my second was born it's like I need to know. My husband's in finance. And I mean don't get me wrong. I trust him. I'm like if you had it your way, I would be working until I was 60. It's like, you know what? That's not going to work. The kids are going to need somebody around. We can't keep going at this pace. I want to go to somebody objective, and so we did." **– Working-age American, Chicago**

"But letting them know that's okay, like I'm here with you even 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 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

"Discipline, you have to have discipline to say I'm going to stick with this plan for 10 years or 15 years or for 20 years because at the end of this road, this is going to benefit if you have the discipline to do that, put that money aside every month or every pay period…. If you don't have discipline, you're not going to stick with it. You've got to be wise, which means that you're not blowing money. It's Friday, I've worked all week, I just got paid, let's go to the club, then Monday morning you're broke, but you've got bills. Well, I shouldn't have did that, I shouldn't have.... So you've got to be wise with your money. Like I say, a fool and his money will soon part." **– Working-age American, Atlanta**

"I think most people who are financially well off are successful. I chose smart. I don't think you have to be the smartest person to be financially well off, but I think you do have to be wise and there is absolutely a difference between those two terms. You can be intelligent but not necessarily wise. I've already talked about discipline, discipline, discipline. Delay, delay." **– Working-age American, Atlanta**

"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**

"My aunt was so cheap, at least that's the way I thought of her when I was little. I was like oh my gosh, Mary has money. Why are we going to the thrift shop? Because that's how she kept her money. So some people might be described as cheap, but what they are is frugal and hardworking." – **Working-age American, Atlanta**

"Being resourceful and knowing how to live a good life without squandering money. Like people eating out. We eat better than most people, but we cook at home." – **Working-age American, Wyoming**

"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**

"Well, some people it don't make a difference because you have some people that's always going to be stuck at a one because their self-esteem is so low and they have been told, "You never going to amount to nothing, so you know, once you drill that in a person's head, and unless they got self-esteem, then they'll always going to be what we would consider that one because you can't go lower than a one." **– Working-age American, Washington, DC**

"So someone whose personal happiness is that muscle car or fancy clothes and gambling or whatever, it's totally different than mine. So um, I can't state that for them. I think {too soft} America and especially when we add in the television and the magazines and glamour models

and all that – so many things that are materialistic and very shallow. But some people might live off that. Their piece is their presence, their show." – **Working-age American, Wyoming**

"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, DC**

"Outgoing, if you're an outgoing person, you're inquisitive, you're positive, you're happy, then you draw that to you, so a financial planner, people want to be around you that are happy. If you are not outgoing, you're shy, you're afraid to ask questions, I don't know, what might they think? You don't have the confidence to ask the right questions about your money, you let somebody take your money; you have the confidence to say what are you doing with it?   How is it going to help me, how is this going to help my family? Break it down and explain it. If you're too shy, then you know you're not going to be financially successful. You're afraid to ask questions." **– Working-age American, Atlanta**

"If you're shy and reserved and not willing to like talk to people, figure out if you're on a low level, figure out what type help you need, you know? And you're worried about all that. I think that's going to be a barrier to getting to a high level…. I feel like if you're outgoing and you can always make the best of the situation and find somebody that might be able to help you." **– Working-age American, Chicago**

"I think more outgoing people, more curious people like myself tend to know a little bit more about how things work than people who let stuff happen to them or people who go oh, yeah, Bob – figure that out. It's not my problem. You know what I mean? I think that the more you touch with other people, the more you learn, the more you know the more you see how other people do things kind of thing." **– Working-age American, Wyoming**

"I also have a son who's not doing good. But at the same time, when I try to talk to him, he won't listen. And I see him making [inaudible] …. I've gone through where he needs to go and I'm not saying that I'm right all the time, but suppose I was wrong and I told him and he would say, oh, momma, you're just wrong, instead of saying, well, momma, tell me why you think that. Let me see where you're coming from. Then after he sees, he can see a little further. We need to use people as sight-seers for us to get where we want to go." **– Working-age American, Atlanta**

"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**

"It would have to be responsibility. If you were a responsible person, it's unlikely you're not going to pay bills, it's unlikely you overspend, it's unlikely you won't do some research as to how you can get something cheaper." **– Working-age American, Washington, DC**

"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, DC**

"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**

"If you're hardworking, if you're a hard worker, then you're not taking shortcuts. You know there's no shortcuts. You have to put in the effort to draw the results." – **Working-age American, Atlanta**

"From my perspective to be where I really think is like a high level of well-being later on down the road, it will be a lot of hard work. I think you have to put in that hard work whether it be during college at your job and in all aspects of your life, I think you have to put in hard work to attain the high level of financial well-being and that comfortable lifestyle." – **Working-age American, Chicago**

"It takes a lot of hard work. You know, your parents have a lot and it just keeps getting handed down. But you know, a lot of people that grew up like I did or you're not wealthy or even really middle class, you have to work hard. And wise. You have to use a little bit of wisdom to you know, hopefully have a little bit that you can make you know, good decisions and be prepared for you know, the good or bad. I mean, you know, things don't always go the way we plan." – **Working-age American, Chicago**

"I think most higher level people are hardworking people. Most people don't get things just handed to them. They have worked really, really hard…. The majority of wealthy people that I know few personally and that I see – they have worked for it. They have got their education…. You can't be lazy – and expect to have – expect to reap the benefits." – **Working-age American, Tennessee**

"Driven, you have to be driven, confident, driven, you know I would say those are the main ones, confident and driven. (*"What does driven mean to you?")* Just don't stop. Keep going - you know, if you want something you don't stop but you keep going, you try to further your education. Just you don't you know, sit back on your laurels. Just keep going at it. Some people

work 12-14 hours a day. I couldn't do that, but some people do." – **Working-age American, Chicago**

"I think it's more internally driven. It's a drive you get that you just have it or you don't. My son I tried to show him this is what - I'm okay working 9-5. I'm okay paying my bills. And dad is the same way." **– Working-age American, Chicago**

"The confidence, and I think maybe just more of a drive to say look man, I am getting out of this crap hole, and I'm going to do something." – **Working-age American, Los Angeles**

"If you're hardworking, then you have discipline and you have drive and you make – hopefully because of that you're making money." – **Working-age American, Los Angeles**

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, you’re 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 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**

“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 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**

“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, DC**

“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**

"So getting married, let's see – because now we are two people working toward the same goals and working toward mutual good. So having that connection and having that dedication and knowing that we are both so willing to give it our all, to give our marriage our all, to give this partnership everything we've got for our beautiful home and our lovely family and our gorgeous {too soft}. You know, I mean it's getting married is a huge step toward financial well-being." **– Working-age American, Wyoming**

"But another thing too I have to say about financial planning to is – from a female point of view too – is it is a lot easier when you're married and you've got the economy of scale when you've got two people. I spent, oh, God, I didn't get married until I was 31. Divorced a little over 5 years later. Then married again 9 years ago. And so I spent a significant amount of my adult life single on my own. *("Right.")* And there were times that it was tough because it's just the economies of scale. You don't have that second income." **– Working-age 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**

"My kids have always been… they have completely changed my life. When they were born, my education, my goals, my everything was pretty much based on giving them a better lifestyle." **– Working-age American, Chicago**

"My big issue, if I have made poor decisions, are related to my children because I want them to have opportunities and access to things that I did not and sometimes I don't think I always….they could wait, but it's just, as I became a mom, that's an area that I could screw up or make some poor decisions with regards to them, really." **– Working-age American, Atlanta**

"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. Your community, your spouse, your friends, your family, they all have a huge, huge impact on that body of water." **– Practitioner, Los Angeles**

"I kind of hate to say that, but well, I think it would be based on where you live also basically too. Sometimes that makes a difference. *("Can you give me an example?")* Like if you were brought up in the projects. Some people do get out, you know, and go on to better financial means, but others don't. It's like the path – I wouldn't say the path they chose to go down, it's just what happens." **– Working-age American, Washington, DC**

"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**

"I think friends definitely play a part in it just because I'm influenced by wanting to do stuff with other people and if they're paying for something, I don't want to be the one person who's not going to do that." **– Working-age American, Washington, DC**

"…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**

"No, I haven't. But I'm actually thinking about doing that because they're going to start offering the classes at my church, so I think I'm going to probably go again. I mean, it's the same, you just watch videos and talk, discuss them afterwards, so it's going to be the same thing I've already seen. But it's just good to hear it and keep it in your mind."**- Working-age American, Atlanta**

"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**

"But I think you know, at some point, like my husband {too soft} didn't finish high school and had no checking account. I met him, and I'm like how do you do that? He paid everything in cash. He banked basically used the grocery store as a bank like. *("Go cash a check.")* You're basically undocumented when you like use the grocery store as a bank. God, get a checking account. Seriously, get yourself on the map. Do something. I think it's weird. Plus, why do they get 3% of your paycheck? You know, that's stupid dude. **- Working-age American, Wyoming**

"The job is the key because if I get back to work, then I'm stable. Paycheck stability. I can count on it. Would a company that - we would pray every 2 weeks I was going to get paid. Payroll manager, and I had to wait. We don't have enough in the bank yet, we don't have - so that was really unstable and nerve-wracking and scary. That wasn't stable even though I had a job. But a good stable job is what I guess I'm saying." **- Working-age American, Chicago**

"Now, I went on a job interview, it's with the railroad, and the lady, this job has really good benefits. Really good benefits, and she's like I couldn't believe. I was like God, this is my blessing because this is what I need at this moment. A job with some benefits, but I didn't get the job. But that's what I would need now. A job with some good benefits with a pension after 5, 6 years - so you know, that's - invested in it. You know, for anything so those are my hopes and prayers that I could get a job. *("And do that.")* And get some benefits." **- Working-age American, Chicago**

"…my father was a very educated man and this happened to him. I guess, it put less emphasis on education for me and more on working hard and getting experience, and being able to have a job that I actually qualify for, and, you know, not having to worry about being laid off, being in an industry that's always blooming." **- Working-age American, Los Angeles**

"Then, a job. Finding a good job. You have to continue to work, bring money in - you know? To live. You don't live any other way. You've got to have income." **- Working-age American, Chicago**

"So yeah, it was through work that we met this financial advisor. Still have her today. Unfortunately, I have nothing to be advised about. She called me yesterday actually. She said we got to get together. You and Amy are you know, each making your own plans. So I need to call her today actually and rearrange my benefits beneficiaries and so forth." **– Working-age American, Los Angeles**

("Kind of just generally, what do you think causes someone to experience lower or higher levels of financial well-being?") " Higher or lower… where they work can influence it, 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 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**

"I think if I had a different career because my job is very dependent on how like the market is doing, how people perceive the economy is doing. So when tourism is really up and down, and if you have a really bad year, even though you may be making the same income, but your thoughts are no, I'd better not take a trip to DC this year, I'll skip it. So the economy really affects my job." **– Working-age American, Washington, DC**

"So you know, like my job I was making money, I had a vehicle and so it's right unfortunately, I picked a time I wasn't aware of the economy downturn. Of course I guess the politicians don't let you know until after the fact. So the government doesn't let you know - so I wasn't aware of the situation until I was down there. It was just like right during the time I was just starting to …economy was just starting to tank, and employment was unemployment rate was going up. It's just bad timing. That's all." **– Working-age American, Chicago**

"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. 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**

"But I mean at the same time, a lot of people I know who struggle financially want material wealth more so in many more ways than my affluent friends. But yet they're not getting it, so it's not just the drive. *(Yeah, it's not such a cut and dry thing.)* So I think there's just a lot of access to information that comes into play." **– Working-age American, Los Angeles**

"(What causes someone to have higher or lower levels of financial well-being?") "If you're male or female." *("Tell me more about that.")* "Well, if you're a white female – a white male, you're going to do a lot better in the workplace than if you are a female. It's just always been that way. I think race has a lot to do with it. You know, I don't like to stereotype a lot – that's just not, but I mean looking at the news and you don't see too many colored or Hispanic CEO's of major 500 Fortune companies. You just don't. So I know that probably race would have to be a factor." **– Working-age American, Los Angeles**

"It's like you lose your job, and unless you have like your 6 months savings like you're supposed to that's going to get you through a tough period like all of a sudden you're hurt. So I would say that's out of your control. I would say if there's any kind of medical crisis - whether it be for you, your children, your parents, your family, I would say that's another one that's more out of your control." **– Working-age American, Chicago**

“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 crises 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**

“It’s a huge, huge blow, especially you know, when he’s the breadwinner and you know, I have – worked small part-time jobs here and there. (*“Yep”.*) And when he’s not even bringing a third home a third amount of money home from not unemployment, disability – and you’re like okay our bills are this much, and he’s only bringing in this much, you know? I had to step up to the plate, and I had to go and get two part-time jobs just to help us make our ends meet. Then, we have 3 kids at home and a car payment.” **– Working-age American, Los Angeles**

Well, my husband I are um, trying to reestablish ourselves. A few years ago, my husband got really sick and our credit went down into the toilet pretty much just because we couldn’t, you know, pay our bills. We were barely making ends meet. And so when he had his kidney transplant, that just kind of like blew up. You know, and that – so here we are 3 years – almost 3 years later, and we’re trying to reestablish ourselves. **– Working-age American, Los Angeles**

And that was a job you know, to go to the doctors’ appointments and make sure they go and do - my mother has dementia. I was like wow, this is a hard job to be a caretaker. **– Working-age American, Chicago**

“I could go higher, yeah. I could definitely go higher, open up some new advertising markets that would expand my income, definitely. As an entrepreneur, the sky is the limit, in terms of your financial achievements as an entrepreneur. And I’m glad I got my education, though, first, as the foundation and a springboard because I’ll always have something to fall back on. And it gives me that exposure to say hey, you have to have the whole package. You have to be well rounded with a foundation.” **– Working-age American, Atlanta**

“But education is the most important thing. The more education you have, the more degrees you have, the higher education you have, the better school you go to counts. I don’t always believe that, but sometimes it’s true. Like I said before, driven, and you know, know what you want and go for it and be driven.” **– Working-age American**

“I would think that the more educated someone is they have been exposed to 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**

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

“No, I mean I think I grew up in this generation you know, in the ‘80's, you know, where if you buy more, you save more. Put it on credit. Definitely taught that it was part of the American. I mean I laugh but in our constitution we have the right to happiness. There’s one or two other

countries in the world that declare happiness as their right. In that vein, my generation or at least the middle class generation I grew up with really got this message of like luxury is your right. Just because you don't have the money today doesn't mean that you shouldn't have you want today kind of thing." **– Working-age American, Los Angeles**

"…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, DC**

"And I think the media has just made that a huge amount – I mean, you're able to see how people live who have extraordinary amounts of money where you couldn't before. Like 20 years ago there wasn't this reality stuff where you could just see people would spend incredible amounts of money, spend stuff. And you go I want that." **– Working-age American, Washington, DC**

"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**