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Editorial

Kristy L. Archuleta, Ph.D.

There has never been a better time to be part of the development of financial therapy. Recently, I attended a conference that involved the study of financial planning, but the focus of the conference was highlighting how the integration of multiple disciplines could help to inform the understanding of client financial behavior, how financial advisors think about clients, and how financial advisors can help clients. Sounds a little like financial therapy to me. The conference reaffirmed that financial therapy has a place at the forefront of understanding client financial behavior and how to help clients achieve overall financial well-being.

Recently, the Financial Therapy Association Board of Directors released a simplified definition of financial therapy to help better communicate what financial therapists do. A financial therapist helps a person think, feel, and behave differently with money to improve overall well-being. A financial therapist does this through evidenced-based practices and interventions that help to resolve underlying issues limiting self-growth and wellness. As a way to develop the study of financial therapy, *JFT* aims to publish research that informs our understanding of how people think, feel, and behave around money, as well as how those thoughts, feelings, and behaviors can be successfully altered to better one's quality of life. *JFT* also publishes advances in theory and research to develop financial therapy standards and practices.

This issue features four articles, two profiles, and one book review. Each article adds a new contribution to the field of financial therapy. First, Dr. Asebedo applies a conflict resolution framework to money arguments. Next, Drs. Rea, Zuiker, and Mendenhall explore financial management practices among emerging adult couples. In the third paper, Drs. Ann Woodyard and Cliff Robb help to add further description of financial satisfaction by looking at what consumers know, feel, and do from a financial perspective. Then, Dr. Russell James offers a unique theoretical analysis of mortality salience and financial decisions.

This issue features a practitioner profile of Beth Crittenden and a scholar profile of Sarah Asebedo. Both of these individuals play an important role in the development of financial therapy. Finally, we conclude with a review by Neal Van Zutphen about a book entitled, *The Seven Principles for Making Marriage Work*. This could be a helpful book in working with couples!

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As I noted in my previous editorial, the *Journal of Financial Therapy* will have its first special issue in Summer of 2017 that focuses on stress and money. This issue will be edited by Dr. Sonya Britt, Kansas State University. In addition to this upcoming special issue, I am excited to announce that *JFT* will have its second special issue in Winter 2017 on the topic of couples and money. Dr. Jeff Dew, from Brigham Young University, will be the special issue editor. If your research is in the area of couples and money, you have most certainly cited Dr. Dew's research. If you would like to submit a manuscript that is related to couples and money, please submit by June 2, 2017. We are looking to solicit quality papers that feature financial therapy practices, experiments, and other research related to couples and money.

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Neal Van Zutphen, M.S., is the CFP Board Ambassador for the Phoenix Metropolitan area. He is past President and Chairman of the FPA of Greater Phoenix. In 2010, the FPA of Greater Phoenix Board of Directors nominated Neal for the Heart of Financial Planning Award. His research has been published in the *Journal of Financial Planning*. He has a Master's in Personal Financial Planning. He is a member of the Financial Therapy Association, and earned a graduate certificate in Financial Therapy in 2016 from Kansas State University. He is a member of the FPA and NAPFA and an Associate member of the American Psychological Association. In 2016, Neal completed his training as a Financial Behavior Specialist™ from the Financial Psychology Institute. This is his 29th year as a CFP® practitioner and entered the financial services field in 1983.

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Financial Therapy Network

The following individuals have identified themselves as providing services that promote a vision of financial therapy. The Financial Therapy Association cannot guarantee the services of those listed in the FTA Network. For more information and to view these professionals' profiles, visit http://www.financialtherapyassociation.org.

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Building Financial Peace: A Conflict Resolution Framework for Money Arguments

Sarah D. Asebedo, Ph.D.
Texas Tech University

This paper presents a well-known and highly utilized conflict resolution framework from the mediation profession and demonstrates how to apply this framework to money arguments. While conflict resolution skills have been identified as important to communication within the financial planning context, an integrated conflict resolution framework has yet to be recognized and understood within the financial planning literature. This paper aims to fill this gap. Ultimately, both mental health professionals and financial planners can benefit from an interdisciplinary approach to resolving money arguments by combining training in personal financial strategies and conflict resolution principles.

Keywords: money arguments; financial conflict; conflict resolution; mediation; Conflict theory

INTRODUCTION

The financial planning profession has witnessed a slow, yet steady embrace for client-focused skills and services (e.g., communication, life planning, coaching, counseling, and psychology) that improve financial behavior and that cement the planner-client relationship in long-term trust and commitment (Sharpe, Anderson, White, Galvan, & Siesta, 2007). These skills and services are well-known to the mental health community and tend to be therapeutic in nature, which has caused past reluctance to broadly adopt them into the financial planning process. In support of this observation, Sussman and Dubofsky (2009) concluded that the financial planning profession appears to be divided into a group that embraces providing services addressing non-financial interpersonal issues (i.e., specifically coaching and life planning), and a group that thinks it is highly problematic to broach these issues from an ethical and legal standpoint.

Despite this reluctance and concern, there is general recognition that the role of the financial planner has evolved beyond that of providing pure financial analysis to encompass issues typically handled by psychologists, psychiatrists, family therapists, and/or clergy (Dubofsky & Sussman, 2009). One area of role evolution found by Dubofsky and Sussman is that of a mediator – a neutral third party who assists others in resolving conflict through the mediation process. More specifically, "mediation is a means of resolving conflict through a neutral third party who facilitates communication to help

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define the issues, develop alternatives, and reach resolution" (Bradshaw, 1995, p. 238). When it comes to money arguments between couples, both financial planners and mental health professionals are in a unique position to help couples effectively navigate these challenging and high stakes conflict situations.

While anecdotal solutions for money arguments have been suggested within the popular press literature (Coombes, 2014; Field, 2016; Williams, 2015), and more specific mediation techniques for financial counselors and planners have been disseminated at conferences (Peterson & Bagwell, 2004), an integrated conflict resolution framework has yet to be recognized within the published peer-reviewed financial planning literature. Sharpe et al. (2007) supported this observed literature gap, as they called on future research to investigate the use of conflict resolution techniques within the financial planning context.

Given this backdrop, the purpose of this paper is two-fold. First, this paper builds upon the existing literature by introducing a conflict resolution framework widely used in the mediation profession that can be used by financial planners for resolving money arguments. In order to have a consistent and clear context, this article focuses specifically on the financial planning client engagement and how financial planners can incorporate a conflict resolution framework into the financial planning process. This framework may also be useful for mental health practitioners when facilitating money arguments. Second, this article provides a case study to demonstrate how the proposed conflict resolution framework can be applied to a client situation within a financial planning engagement.

LITERATURE REVIEW

Conflict and Money

Conflict – a state of opposition between ideas, interests, and needs (Collins English Dictionary, 2016) – is a natural part of life, society, and relationships (Umbreit, 1995; White & Klein, 2008). Conflict arises daily and can range in intensity from minor differences of opinion to extended and pervasive arguments. Money is a primary source of conflict as it shapes the perception of power, is a scarce resource, can drive and promote competition, is connected to personal values, and enables self-preservation and the financial provision for others (Smith & Hamon, 2012).

The connection between money and conflict has been well documented within the literature, with money arguments between married couples found to be prevalent, pervasive, and highly predictive of divorce (Amato & Rogers, 1997; Benjamin & Irving, 2001; Dew, Britt, & Huston, 2012; Papp, Cummings, & Goeke-Morey, 2009). The intensity of money arguments within the couple relationship may be partially due to the nature of marital conflict within families. Smith and Hamon (2012) stated that "marital conflict is the most dramatic form of conflict in families," for three reasons (p. 219). First, a marriage involves only two people and therefore, it only takes one person to end the relationship. Therefore, the greatest amount of power lies with the person with the least desire to

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continue or maintain the relationship. Second, the dyadic nature of a marriage creates intensity and conflict since there are no additional allies within the group. Third, the marital relationship can end, whereas a family relationship continues despite the breakdown of the marriage. Consequently, the combination of money and marital disagreements can quickly create a fragile, prolonged, and intense situation.

Fortunately, research has shown that good communication skills, respect, commitment, and fairness reduces a couple's perception of financial conflict (Dew & Stewart, 2012). Thus, how couples choose to address financial conflict is a major driver of whether the result is constructive or destructive (Umbreit, 1995). Overall, utilizing effective communication and conflict resolution skills can promote flourishing and satisfying relationships by setting the stage for understanding, growth, and positive change (Askari, Noah, Hassan, & Baba, 2012).

Communication and Conflict Resolution Skills

Communication skills are the foundation of conflict resolution. When used skillfully and effectively, proficient communication can transform a destructive conflict situation into a constructive one (Umbreit, 1995). While it is beyond the scope of this article to discuss the specific communication skills applicable to conflict resolution within the financial planning process, it is important to acknowledge how communication and conflict resolution skills are related. Communication skills are the tools or the "technology" (Umbreit, 1995), with conflict resolution skills providing the overarching strategy guiding how communication techniques are deployed. Unfortunately, communication skills - while important – have historically overshadowed the underlying theory, strategy, and purpose of conflict resolution. Umbreit (1995) observed that "the 'technology' of conflict resolution through effective communication skills – such as active listening, assertiveness, and problem solving—has been so heavily emphasized in training and mediation practice that the underlying spirit of the field is often lost." (p. 3).

Principles of Communication are part of the CFP Board's *2015 Principal Knowledge Topics (2015a)*. While communication skills are essential to the conflict resolution process, there are additional skills and strategy that need to be obtained for conflict resolution to be effective. To help clients successfully navigate money arguments and to realize the full benefits of the conflict resolution process, financial planners must acquire additional conflict resolution skills (i.e., the strategy). This article is focused on the development of a conflict resolution framework to fill the existing literature gap and to provide an overarching strategy within which communication skills can be skillfully wielded. It would be useful for a future article to address the communication skills that are essential to the conflict resolution process.

Conflict Theory

Money arguments can be more fully understood through conflict theory. Conflict theory was originally developed by the well-known social philosopher, Karl Marx, in the mid 1800's to explain conflict between social classes and the associated impact on the

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economic well-being of individuals (Smith & Hamon, 2012). Based upon the interpersonal view of conflict and Sprey's (1969, 1979, & 1999) work focused on conflict in the family, Smith and Hamon (2012) outlined conflict theory based upon the following key assumptions (see Table 1): (a) self-orientation, (b) the existence of and confrontation over scarce resources (scarcity of resources), (c) conflict is different for families, (d) conflict can be classified, and (e) conflict is positive.

Table 1

Conflict Theory Assumptions (Smith & Hamon, 2012)

Assumption 1	Self-Orientation
Assumption 2	Existence of and Confrontation over Scarce Resources
Assumption 3	Conflict is Different for Families
Assumption 4	Conflict can be Classified
Assumption 5	Conflict is Positive

Self-orientation. People are naturally self-oriented and act in ways consistent with their own best interests. This self-orientation forms the basis for conflict within a system of scarce resources. Money is a source of conflict because it directly affects one's ability to meet their personal needs and the needs of others dependent upon them. This self-orientation forms the basis for positional arguments about the allocation of financial resources within a household (e.g., one spouse wants to buy a new car and the other does not).

Scarcity of resources. Societies and households are organized systems that operate under a system of perpetually scarce resources, which leads to ongoing confrontation and competition. Scarce resources combined with self-orientation promotes a competitive system where individuals seek to consume resources to meet their needs. Money is a scarce resource that directly impacts self-provision and is consequently a natural source of conflict.

Conflict is different for families. Families are unique in that they have different resource needs than other groups and membership is not chosen – except for the initial spousal relationship. Thus, events occurring within a family can have a greater impact on

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each individual member than in a different group structure where membership is completely voluntary, such as an employer or community group. Also, families tend to withstand more conflict than other groups since the breakdown of the family is more ominous than that of voluntary groups. Thus, couples may be resilient when facing money arguments due to the desire to avoid a damaging family break-down. However, this may also mean that couples are more likely to face increasingly intense situations if the conflict persists. Existing research supports this notion, as marital money arguments have been shown to be intense, pervasive, and more likely to be left unresolved (Papp et al., 2009).

Furthermore, there is a greater shifting of power over the lifecycle of the family than that of other groups. Groups tend to be homogenous and more equal in power distribution. Families, however, are heterogeneous and change over time, along with the distribution of power. Money is a source of power heterogeneity within a household, often with the higher earning spouse having more power than the lower earning spouse (Abraham, Auspurg, & Hinz, 2009; Jianakoplos & Bernasek, 2008). Additionally, it is not uncommon for one spouse to have greater knowledge of the family finances than the other spouse, creating another source of power inequality. Consequently, marital money arguments may be particularly intense due to an unequal power distribution derived from variability in financial knowledge and financial resources.

Conflict can be classified. Conflict can be classified as macrosocial or microsocial. According to Smith and Hamon (2012), the macrosocial perspective is focused on conflict between classes of people and how societal values (e.g., gender expectations and wage inequities) perpetuate inequality within the family, whereas the microsocial perspective operates within the family system and the elements of that system that perpetuate conflict, such as gender and age. For example, "adults have access to resources that children do not have (e.g., money, freedom, and power); males frequently have access to resources that females do not have (e.g., physical power, higher salaries, and opportunities)" (Smith & Hamon, 2012, p. 218). Both perspectives (i.e., macro and microsocial) are relevant to the resolution of money arguments because they raise awareness of how society and interfamily dynamics influence the power and value differences within couples. Access to power and value differences can affect how couples view and use their money, creating another source of financial conflict within the family.

Conflict is positive. Conflict is ultimately good and "… is actually at the root of progress and change" (Smith & Hamon, 2012, p. 219). Smith and Hamon (2012) noted that with conflict comes adaptation, compromise, solidity, unity, and clarity. Thus, conflict is conducive to change and growth within relationships. Effectively working through conflict can elevate relationships to "… new levels of intimacy, relieve tension and resentment, help to identify problems, increase understanding, and bring about a renewed appreciation for the relationship" (Farrington & Chertok, 1993; Stinnett, Walters, & Stinnett, 1991; as cited in Smith & Hamon, p. 219).

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CONFLICT RESOLUTION FRAMEWORK FOR MONEY ARGUMENTS

As viewed through the lens of conflict theory, money is a natural source of conflict due to its connection to variability in power distribution, scarcity of resources, self-orientation, competition, and values. The effective management and resolution of conflict can set the stage for change and growth in relationships. Conflict theory forms the foundation for a conflict resolution framework for resolving money arguments within the financial planning process, which consists of two parts (see Figure 1). First, conflict theory informs the financial planner how to *set the stage* such that the couple can effectively and positively work through money arguments. Second, widely-used conflict resolution principles from the mediation profession are utilized to guide the conflict resolution process for money arguments (Fisher & Ury, 1991).

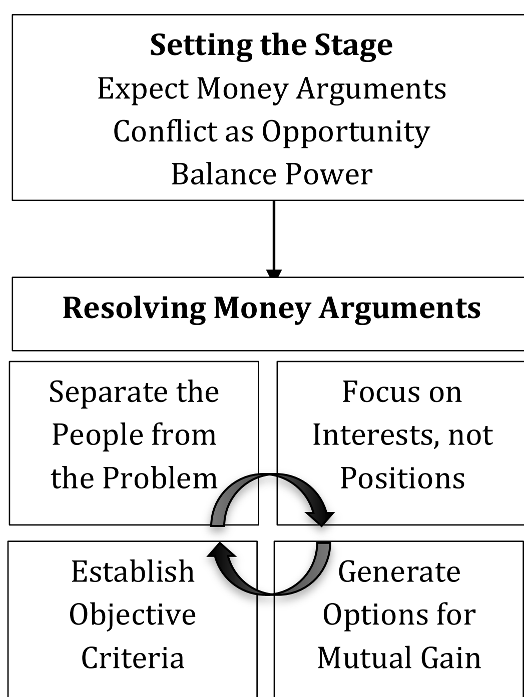

Figure 1. Conflict Resolution Framework for Money Arguments, adapted from Fisher & Ury (1991)

Setting the Stage

As viewed through Conflict Theory, conflict is a naturally occurring process and money is an inherent source of this conflict. When effectively addressed, money arguments can produce positive and growth-oriented results. Based upon conflict theory, the following assumptions set a positive and growth-oriented stage for money arguments: (a) Expect money arguments, (b) Conflict is opportunity, and (c) Balance power.

Expect money arguments. Couples will argue about money. The financial planner's role is not to avoid discussing clients' money arguments, but to draw them out, help couples understand them, and to facilitate the resolution process. Couples may be more willing to discuss money arguments if they understand financial conflict is a normal aspect

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of the relationship. Consequently, it would be beneficial to frame discovery questions with this normalcy in mind, such as, "Tell me about your money arguments," as opposed to "Do you argue about money?" The former suggests that money arguments are expected and may help couples feel more open and comfortable. The latter suggests money arguments are rare, which may cause the couple to resist disclosure of a disagreement for the sake of appearances.

Conflict as opportunity. Addressing financial conflict is an opportunity to more fully understand the other spouse, and is an opportunity to achieve a deeper and more fulfilling relationship. By seeing conflict as an opportunity for growth, couples may be more willing to face and work through money arguments. Moreover, conflict theory suggests that couples may be more likely to withstand prolonged conflict to avoid the break-down of the family; however, this may also mean that couples are more susceptible to intense conflict if there has not been resolution for an extended period.

Balance power. Lastly, be cautious of power imbalances associated with the family finances. Being cognizant of power variability between the couple is essential to the effective and sustained resolution of conflict. When discussing finances, financial planners need to ensure each spouse has equality of power in the conversation. It isn't uncommon for one spouse to be more involved in managing the family finances or one spouse to make more money than the other. Consider having the conversation in a relaxed and neutral setting that minimizes the stress of each spouse (i.e., not in the financially dominant spouse's office). Moreover, ensure each spouse has an equal understanding of the family's current financial position, which may require additional financial education for the less financially involved spouse.

Principles for Resolving Money Arguments

Principled negotiation techniques have been well established within the mediation literature and are relevant to the resolution of money arguments (Fisher & Ury, 1991). The following are four basic elements of principled negotiation that can be used in almost any circumstance (Fisher & Ury, 1991, p. 10-11): (a) Separate the people from the problem, (b) Focus on interests, not positions, (c) Generate options for mutual gain, and (d) Establish objective criteria.

Separate the people from the problem. The key premise behind this principle is to be tough on the problem, not the person. Ultimately, the couple is on the same side and should focus their energy on resolving the problem at hand, not in tearing down the other person for their faults. The first step is to identify the specific problem that is causing the money argument to occur. Then, address the problem as a team (e.g., our income can't support our expenses), and avoid attacking the other person (e.g., you are spending too much!). The financial planner can assist clients in focusing on the problem by reframing personal attacks to directly address the problem.

Focus on interests, not positions. Interests focus on why and positions focus on what. Interests reflect underlying desires, concerns, and values (e.g., "I want to create

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family experiences"), whereas positions represent the object of the argument (e.g., "I want to buy a lake home") and are often the source of gridlock. The most powerful interests are basic human needs, such as "security, economic well-being, a sense of belonging, recognition, and control over one's life" (Fisher & Ury, 1991, p. 48). When understood, interests create shared ground and alignment, yet arguments ensue when each spouse is anchored in their position. The goal of effective conflict resolution is to bring each individual's underlying interests to the forefront and to resolve the conflict in a way that doesn't compromise those interests.

Uncovering interests is extremely difficult because it requires each spouse to be open, patient, vulnerable, to let go of positions, and to communicate effectively (e.g., actively listening, reframing, being assertive, showing respect, providing care, and expressing empathy, etc.). Since interests are innately connected to basic human needs and values, it is helpful to understand how an individual's past life experience has shaped those interests. In terms of money arguments, this can be done by exploring each spouse's money history and values around money. While this discussion can be useful for understanding interests, the mediation profession generally recommends caution when talking about the past, as people can easily get stuck and may find it difficult to move forward towards resolution (Fisher & Ury, 1991). The past should be acknowledged and not ignored; however, for the purposes of working through current disagreements, the focus should be on the future (Fisher & Ury, 1991). If the past needs to be revisited for healing purposes or there are clearly lingering issues, then couples may need to involve a marriage and family therapist or another mental health professional.

Generate options for mutual gain. After interests have been identified and fully understood, it is time to generate interest-focused solutions to resolve the money argument. With an open and creative mindset, couples should generate as many options as possible before making a decision. Producing creative solutions that meet everyone's expressed interests takes time and is difficult to do under pressure. Consequently, it is useful to generate a wide variety of options that represent mutual gain without the pressure for an immediate decision. However, couples should ultimately set a timeframe to decide on a mutually beneficial option to provide clarity and closure to the situation.

When creating options, couples need to use caution when employing methods focused on positions. For example, a financial conflict resolution strategy proposed within the literature requires each spouse to write separate lists of personal financial and/or life goals (i.e., positions), compare those lists for overlapping items, and then prioritize the items (Coombes, 2014). This strategy is useful for facilitating discussion; however, it risks placing too much emphasis on the negotiation of positions without consideration of the underlying interests, resulting in a compromise where both people lose something (i.e., an important financial or life goal that is removed from the list because it does not align with the other spouse). The financial planner can facilitate this step by re-aligning clients back to their interests and by offering creative financial solutions that support interests that the client may not be aware of. Following the example from above, the interest behind the lake house goal is a desire to create family experiences. The couple may differ on how to create

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family experiences – hence a disagreement about the lake house – however, it may be important for both people to create new family experiences. Once this alignment is discovered, options can be generated to find creative ways to facilitate family experiences.

Establish objective criteria. To aid in arriving at a decision, couples should insist that the result is based on an objective standard or criteria. A financial planner can provide significant value as a third party by providing analyses and recommendations that establish objective criteria. For example, if a couple is arguing about when to retire, a retirement analysis can be completed to determine when retirement is financially feasible. Similarly, an objective third party (i.e., the financial professional) stating $x amount needs to be saved for retirement can assist couples in resolving budgeting issues.

CASE STUDY

The following case study explores a common money argument: giving money to an adult child. This case demonstrates how the conflict resolution framework can be applied to money arguments in practice. To begin the process, the stage must be set.

The Argument

Margaret, age 65, and Clarence, age 63, have been married for 35 years and have one adult child, Heather, who is 32 years old. Over the course of their 35-year marriage, Margaret and Clarence have come to expect money disagreements, are both equally knowledgeable about their financial situation, and have become adept at working through financial disagreements in a positive manner. They both recently retired. Clarence was the primary earner during their working years; however, Margaret feels as though Clarence recognizes her contribution to the family and that she has a voice in financial conversations. While they can effectively navigate financial conflict within their own relationship, they constantly struggle when facing financial disagreements that involve Heather. Heather has always had a closer relationship with her Dad than her Mom. She is more comfortable talking with her Dad about money and has learned to approach him first, as he usually says yes and finds a way to get her Mom on board. Clarence and Margaret have provided financial support to Heather periodically over the last five years, which has been a point of contention with increasing intensity each time the situation arises. Clarence and Margaret see their financial planner, Abigail, three times a year. The issue of gifting money to Heather arose at their most recent financial planning meeting:

Clarence: "I would like to give Heather $10,000 and I know we can afford it. She called a few days ago and it sounds like she is having trouble making ends meet again."
Margaret: "I didn't know she called? Why didn't you tell me? I don't think we should give Heather anything. We have provided support for her on multiple occasions and fully paid for her college education. She needs to learn to stand on her own two feet. I know we can afford the $10,000 now, but I'm concerned about being able to sustain this pattern of giving into the future."
Clarence: "Margaret, we are fine financially – you know that. I've already told Heather that we will give her the money."

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Setting the Stage

First, recognizing that discord about how to provide financially for adult children is a normal and common struggle parents face may help Clarence and Margaret approach the issue in a more positive manner. When it comes to power, Margaret and Clarence constantly struggle when Heather enters the picture. Heather brings a power imbalance to the conflict that doesn't otherwise exist. This power imbalance is partially due to the close relationship Clarence has with Heather. Additionally, Clarence tends to make unilateral decisions about gifting to Heather without including Margaret. Margaret feels unable to influence Clarence and questions if she can, since after all, he was the one who contributed the most to their retirement portfolio. Abigail, their financial planner, needs to set the stage by helping Margaret and Clarence identify this power imbalance and take steps to correct it. In this situation, Abigail needs to draw out Margaret's perspective by giving her power in the conversation.

Abigail: "Over the years we've worked together I've seen the two of you effectively deal with money disagreements on multiple occasions. Margaret, what do you think it is about gifting to Heather that creates a more intense discussion?"
Margaret: "Well, I feel that Clarence either makes a decision without me or convinces me that we should do it because we can financially. At the end of the day, it is easier to go along with giving her the money."
Abigail: "It sounds like you feel you don't have a say over the decision, is that right?"
Margaret: "Yes, that's exactly right."
Abigail: "Would you mind describing why that might be?"
Margaret: "He has always been closer to Heather and has had more of the financial conversations with her. I don't want to talk about money with Heather because we usually fight. I think she needs to be more self-reliant, but Clarence wants to help. Heather and I are certainly close, but in a different way. Clarence did contribute more to our retirement assets, so I guess withdrawing from the decision feels like the best thing to do."
Abigail: "Interesting, your last statement was very different from your earlier one. You first indicated you feel you don't have a say over the decision, but I just heard you say you actively choose to withdraw from the discussion. This is actually a conflict style I've never seen you use before. Clarence, what do you think about all of this?"
Clarence: "I guess I didn't realize Margaret was avoiding the conflict and withdrawing from it. I thought you were okay with giving money to Heather since we've been helping her for the last several years. I've always seen the portfolio as our money and I don't have any more say just because I contributed more dollars to it. I'm certainly open to a discussion about gifting to Heather."
Abigail: "That's wonderful. I'm glad the two of you can see where the other is coming from. What I'd also like to note is when a conflict is experienced over a long period of time, couples become polarized and opinions become rooted in the history of the argument rather than the present situation. What I encourage you both to do in the future is to give each gifting situation unique attention instead of reverting to past positions you've become accustomed to."

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By recognizing the power differential and drawing out Margaret's perspective, Abigail was able to bring the power imbalance to the surface and open up the conversation to develop a mutual understanding of the situation between Clarence and Margaret.

Resolving Money Arguments

Once the stage has been set, principled negotiation (Fisher & Ury, 1991) can be employed to resolve the conflict. To demonstrate this process, the case of Margaret and Clarence is continued. How to separate people from the problem, focus on interests rather than positions, identify options for mutual gain, and setting objective criteria are explored.

Separate the people from the problem. First, clearly identify what the problem is and what it is not. In Margaret and Clarence's case, the problem is about the conundrum of providing gifts and support to adult children, while not enabling poor financial behavior. The problem is not about one spouse being overly generous or the other being too strict. Margaret and Clarence need to focus on the problem of financial support and independence, while not blaming or accusing each other for prior actions or current desires. Moreover, it is helpful to recognize if the identified problem is indeed a problem - and if so, how it arose. In Margaret and Clarence's case, supporting adult children is not necessarily a problem if their investment portfolio can support it. There can actually be psychological benefits to parents by providing instrumental support (financial support, transportation or shopping, and household chores) to their adult children (Byers, Levy, Allore, Bruce, & Kasl, 2008). Supporting adult children tends to become an issue between spouses when it is a reoccurring event. Often, one spouse will want to continue the support while the other wants to stop. This reoccurring problem typically arises due to precedent and expectations set by one or both of the parents, whether intended or not. If the child is used to receiving the support, as is the case with Heather, then the child may come to rely on the support and expect it in the future. This reliance may cause them to remain imprudent, putting them in the same position to need more money in the future. Furthermore, the child may think that the flow of money is intended to be a regular occurrence and that the parents enjoy providing the money. In any event, the problem comes back to communication issues and expectations.

Focus on interests, not positions. As outlined in Table 2, the position in this situation is whether to give money. Clarence has clearly communicated that he wants to give money; however, Margaret does not. When Abigail asked about what Clarence was hoping to accomplish by giving money to Heather, she discovered that he was concerned about Heather's safety and provision for necessities. Margaret, on the other hand, was more concerned about Heather's ability to become financially independent and the long-term effect on their own financial security.

Clarence: "I'm worried Heather will not be able to keep a roof over her head or buy groceries. I can't bear the thought of her struggling."
Margaret: "I'm worried Heather will never become independent and that continuing to give her money will cause us to run out of money later. I have longevity in my family and I will likely live longer than Clarence!"

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Table 2

Position vs. Interests

	Clarence	Margaret
Position	Give the money.	Don't give the money.
Interest	Heather's safety and security.	Heather's ability to be independent and Margaret's own future financial security.

While the expressed interests may be different, this couple would most likely agree that Heather's safety, security, and independence are all important while not breaking the retirement bank. Thus, exploring the personal interests behind the position has brought the shared interest to the forefront for the couple.

Generate options for mutual gain. Once the interests of Margaret and Clarence were understood, Abigail had each of them create support plan options for Heather from the perspective of the *other* spouse and then work to find a balance that meets both spouse's interests. Margaret and Clarence ultimately determined that support for Heather will continue, but will focus on necessities (e.g., housing and food), and will gradually reduce over the course of the next two years. This will allow Heather's immediate safety and security to be safeguarded with a path to independence in place and time for her to transition. A timeframe gave Margaret assurance that the financial support would not continue long-term and would therefore not put her future financial security at risk.

It should also be noted that this is a difficult situation, as it also involves clear communication and resolution needs between the parents and child. Once the parents have agreed upon a plan, then clear expectations need to be set with the child. When support of adult children becomes a problem, it can be helpful for the adult child to understand the effect the support may have on their parents' financial security. Communicating the plan and financial picture usually involves a family meeting in which it is useful to have an objective third party facilitate, such as the financial planner.

Establish objective criteria. Lastly, Abigail also assisted in the resolution process between Margaret and Clarence by showing them how much of their money can be transferred to Heather without compromising their own future financial security. Abigail accomplished this by completing financial projections that demonstrated the effect of the transfers on the longevity of the couple's financial asset base and on their current spending ability. The resulting solution was one that Margaret and Clarence could afford today and one that did not put their future financial security at risk.

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DISCUSSION AND CONCLUSION

The role of a financial planner directly aligns with the role of a mediator – "… a neutral third party who facilitates communication to help define the issues, develop alternatives, and reach resolution" (Bradshaw, 1995, p. 238). Financial planners often do not have adequate training in the communication techniques and conflict resolution strategies that help to effectively resolve money arguments; however, financial planners are trained to bring financial expertise to the negotiation process. Consequently, financial planners and their clients can benefit greatly if communication skills are enhanced and conflict resolution skills are learned and integrated into the financial planning process. Mental health professionals (e.g., marriage and family therapists) tend to possess the necessary interpersonal skills through training, education, and experience requirements to address the dynamics of money arguments between couples, yet may not have the financial expertise required to provide the objective third party financial criteria or solution (Kim, Gale, Goetz, & Bermudez, 2011). Mental health professionals can more effectively address money arguments by seeking additional training in financial analytics or by integrating an expert financial planner into the conflict resolution process.

With money arguments highly prevalent within couples and the need for financial planners to establish financial goals that are aligned according to each person's individual needs and priorities (CFP Board, 2015b), conflict resolution skills are an essential area of training and development for financial planners that are complementary to the communication and counseling skills currently required by the CFP Board (CFP Board, 2015a). Fortunately, conflict resolution skills can easily be acquired and implemented by learning the well-established principles and strategies from the mediation profession and by incorporating them into financial planning practice.

As with any new skill, financial planning practitioners should be cognizant of their ethical responsibility to only provide services within the bounds of their expertise. Consequently, due diligence should be undertaken to learn conflict resolutions skills before applying them within the client context. Ultimately, it may be necessary to add conflict resolution skills to the CFP Board *Principal Knowledge Topics* (2015a) to ensure consistent and adequate training across CFP® professionals. For financial planners concerned about practicing therapy, it is important to note that mediation has emerged from multiple disciplines as a separate profession distinct from therapy, psychology, or psychotherapy (Bradshaw, 1995). While therapeutic models of mediation are often confused with therapy, financial planners concerned about providing therapy services should understand that mediation is a separate and distinct practice from that of therapy and is generally *not* considered to be therapy (Bradshaw, 1995).

In summary, this paper presented a well-known and highly utilized conflict resolution framework from the mediation profession and demonstrated how to apply this framework to a common money argument – gifting to adult children. Ultimately, both mental health professionals and financial planners can benefit from an interdisciplinary approach to resolving money arguments by combining training in personal financial strategies and conflict resolution principles.

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Money and Emerging Adults: A Glimpse into the Lives of College Couples' Financial Management Practices

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Being in a romantic relationship is a transition that many college students enter while earning a college degree. Twenty-four students between the ages of 19 to 29 years old who self-identified as being in a committed relationship participated in this study. They completed an online survey that included both quantitative and qualitative (open-ended) questions pertaining to money management practices. Key findings suggest that participants believe in communicating about their individual and combined finances so as to prevent or solve financial challenges. They also discussed the importance of having similar perspectives about financial values within their relationship. Financial therapists, counselors, and educators working with college student populations should be aware of the issues couples in committed relationships face, and should tailor their money management programming with this in mind.

Keywords: college students; committed relationships; money management; young couples

INTRODUCTION

Emerging adulthood is a time for exploration and a time for designing one's future (Arnett, 2014). During the launch to adulthood, young adults face many life choices such as cohabitating, getting married, graduating from college, or moving out of their parents' home (Lowe, Dillon, Rhodes, & Zwiebach, 2013). These choices shape the ways in which launching adults live in the present and in the future. More importantly, such choices may cause additional stress in these young adults' personal lives, affecting their decisions to engage in close, romantic relationships (Furstenberg, Kennedy, McLoyd, Rumbaut, & Settersten, 2004).

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Money has long been recognized as a significant and consistent source of stress in the lives of Americans (Dakin & Wampler, 2008; Klontz, Britt, Mentzer, & Klontz, 2011). It has also been found to contribute to conflict and break-up in many married, unmarried, or cohabiting couples (Britt, Huston, & Durband, 2010). Financial stress is often connected to an individual's beliefs about it, the way s/he perceives personal finances, and how it relates to what s/he does with money (Dew & Dakin, 2011). Thus, a challenge becomes evident when individuals form romantic relationships and have opposing financial beliefs. Specifically, when one partner has traits that are more in line with being a spender while the other has traits that are more in line as being a saver, partners' respective moods and behaviors towards each other could change (Conger, Ge, & Lorenz, 1994; Falconier & Epstein, 2011; Hraba, Lorenz, & Pechacova, 2000; Mauno & Kinnunen, 2002; Mills, Grasmick, Morgan, & Wenk, 1992). Inevitably, the couple may not have the best financial management skills to effectively manage financial conflict, which tends to lend itself to relationship distress or relationship dissolution in married couples (Masarik et al., 2016). In spite of these findings, few studies have investigated the financial management skills of emerging adult couples in committed or married relationships, especially as they encounter new life transitions throughout their college career.

This study sought to understand the money management practices among young adult couples who are experiencing life transitions (e.g., purchasing a new home or graduating from college). Understanding the context of financial management practices and the ways in which couples make financial decisions will help financial counselors and practitioners identify ways to prevent or reduce conflict by learning strategies for communicating about finances during times of financial stress. This consideration may help increase relationship satisfaction and reduce the risk of breakup or divorce in committed and married young adult couples (Britt et al., 2010). For the purpose of this study, "financial stress" represents the perceived level of stress associated with one's finances (Conger et al., 1994).

LITERATURE REVIEW

The review that follows focuses on three general areas: financial stress, young adult couples, and young adult transitions as they influence money management practices.

Financial Stress and Couples

Research has shown that financial stress has a direct impact on financial well-being. When couples are unable to manage their finances as a result of inadequate resources or poor money management decisions, they are constrained from achieving financial well-being and relationship satisfaction (Falconier & Epstein, 2010; Halliday-Hardie & Lucas, 2010; Kwon, Rueter, & Lee, 2003). In addition, financial stress is more prominent when a couple's financial contributions are not equitable (i.e., one partner is contributing significantly more to the couple's finances than the other; Falconier & Epstein, 2011). The presence of financial stress may also exist in a relationship because both partners are being affected by common financial stressors (e.g., low income, high student loan debt; Falconier & Epstein, 2011; Halliday-Hardie & Lucas, 2010). Conflict may exist within a couple when

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there is a lack of sound financial decisions being made or lack of communication over financial decisions (Masarik et al., 2016). Although couples frequently argue about other topics (e.g., housework) that affect each partner's emotional ties (e.g., power), those involved in both research and practice have found that financial disagreements are much more symbolic and likely to predict negative conflict responses than any other type of disagreement (Dew & Dakin, 2011).

Financial stress tends to lower overall relationship or marital quality (Conger et al., 1994; Dew & Stewart, 2012; Gudmunson, Beutler, Israelsen, McCoy, & Hill, 2007). For example, Halliday-Hardie and Lucas (2010) found a direct negative effect of financial stress on relationship satisfaction. Britt and Huston (2012) stated that couples who argue over money are couples who have not taken the time to focus on each other. This is typically during the early stages of their relationship—an opportune time to build on their commitment as a couple. When less focus is being put on resolving financial conflict, it is evident to see the significant impact of financial disagreements influenced by both money and relationship factors have on committed and married couples (Britt et al., 2010).

In the midst of couples facing financial stress, communication plays an important role in relationship quality as it is likely that there are additional contributors of financial conflict. Specifically, financial conflict may bring other relationship issues such as power, fairness, respect, and commitment to the forefront (Dew & Stewart, 2012). This is important to consider as many young adults today engage in committed, romantic relationships. The formation of such relationships also brings commitment and the increased likelihood that young adult couples may need to make financial decisions together.

Young Adult Couples

American romantic and sexual relationships have shifted as individuals are revolutionizing what it means to be a *couple* (Joyner, Manning, & Bogle, 2013). According to the U.S. Census Bureau (2015), the median age of first marriage in the United States is at a historic high point: 29 years-old for men and 27 years-old for women. Therefore, an extended period of time has been created for individuals who spend more time being single and creating or dissolving romantic relationships.

The U.S. has reached a peak in the number of individuals who are currently cohabiting or have ever cohabited with a different-sex or same-sex partner (Joyner et al., 2013). The National Center for Family and Marriage Research (2010) found that a large majority (66%) of first marriages have been preceded by cohabitation. They also found that 63% of women ages 25-29 years-old have spent some time cohabiting prior to marriage. It is challenging to track changes in the existence of same-sex partners, however, cross-sectional comparisons suggest that same-sex cohabitation has increased significantly as well (Black, Gates, Sanders, & Taylor, 2000; Lofquist, Lugailia, O'Connell, & Feliz, 2012). As Joyner and colleagues (2013) reflect, young adults are engaging in a variety of sexual and romantic relationships (i.e., type of relationship and sex of partner), and face fewer social barriers to living with a romantic partner.

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Transitions

Traditional milestones of adulthood (e.g., marriage, parenthood, financial independence, and home ownership) have become progressively obscure to many young adults in the United States (Lowe et al., 2013). In the early 1970s, over 75% of women and 65% of men had met these traditional milestones, whereas fewer than half had done so in the 2000s (Furstenberg et al., 2004). In response to these changes, it may be beneficial to reflect upon Arnett's (2014) developmental stage of "emerging adulthood" as a period of suspended markers and extended exploration. This extension has resulted from sociocultural and economic factors that have made it possible and, in some cases, even desirable, to delay traditional adult roles. In 2014, there were 17.3 million students seeking an undergraduate degree from a postsecondary institution (National Center for Education Statistics, 2016). Of these, the principal age range of student enrollment was between 18 to 29 years-old.

Prior research has shown that 71% of college students have had a consistent challenge in overcoming financial stress (Heckman, Lim, & Montalto, 2014; Trombitas, 2012). In fact, a majority of college students (90%) who did not have the financial resources to get involved in the same activities as their friends reported feeling financial stress, thus impacting their overall relationship with friends (e.g., less time spent together; Heckman et al., 2014). According to Britt and Huston (2012), college students who had greater perceptions of personal mastery and higher net worth reported feeling less stressed about their financial situations.

Many couples, however, have significantly different perceptions about their income and assets. According to Dakin and Wampler (2008), half of all couples do not have a common consensus about how the family's income will be managed or how the family's net worth is perceived. This is especially important to consider within new romantic relationships, and during the important life transitions that young adults face.

As such, the purpose of this study was to examine money management practices of college students who were in a committed or married relationship. Financial therapy, counseling, or education informed by this work could assist young adults to maintain healthy relationships by engaging in positive financial management behaviors. These behaviors could then be shared with their romantic partners in hopes to encourage communication about money versus having financial disagreements, thus improving overall relationship satisfaction.

METHOD

After securing approval from a large Midwestern University's Institutional Review Board, data were collected during spring and summer of 2014 using an online survey. Respondents were recruited to take part in the study in a variety of ways, including: (a) flyers posted around campus, (b) five-minute presentations in campus classes, (c) emails sent from faculty teaching online courses, (d) and emails sent to student organizations'

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leaders and graduate students. A raffle drawing for one $100 gift certificate to the university bookstore was included as a participation incentive.

In the larger investigation, 278 college students accessed the online survey that consisted of quantitative and qualitative questions. After those students with missing values were removed, a total of 222 college student surveys were retained for analysis purposes. The response rate is impossible to know due to recruitment methods. For example, students enrolled in the traditional classroom setting and in the online courses were not required to take the questionnaire.

Measures

In the larger study, the online survey consisted of both quantitative and qualitative questions to examine college students' money management practices. This study analyzed both types of questions.

Quantitative measures. Students were first asked to compare their financial behaviors and knowledge to their close friends regarding overall knowledge of various financial topics (e.g., college financing, credit card APR and fees, debt management, credit scores, loans, savings, compound interest, mortgaging, stocks, investment, and retirement) on a five-point Likert scale (1 = *much less knowledgeable* to 5 = *much more knowledgeable*; Shim, Barber, Card, Xiao, & Serido, 2010). Students were also asked how stressed they felt about their personal finances in general on a scale, where 1 = *overwhelming stress* to 10 = *no stress* at all (Prawitz et al., 2006a; 2006b). Scores were dichotomized to reflect responses, ranging 1 to 5 to indicate higher levels of financial stress. Scores, ranging from 6 to 10, indicated lower levels of financial stress to no stress at all.

Students were then asked a series of 17 subjective and objective questions about their financial knowledge. First, they were solicited to rate their overall knowledge about personal finance and money management (adapted from Xiao, Shim, Barber, & Lyons, 2007a; Xiao, Shim, Barber, & Lyons, 2007b; Xiao, Tang, & Shim, 2009). Responses ranged from a five-point Likert scale (0 = *no knowledge* to 5 = *very high knowledge*). Next, students were asked 15 questions about five financial topic areas adopted from previous studies (Chen & Volpe, 1998; Consumer Federation of America, 1993; Hilgert, Hogarth, & Beverly, 2003; Jorgensen, 2007; Jump$tart, 2004, 2006; Robb & Sharpe, 2009), including: (a) cash management, (b) housing, (c) credit and borrowing, (d) savings, and (e) investing. To arrive at an overall financial knowledge score, the correct responses for each question were summed and divided by the total number of questions (resulting in a grade based on 100%). A complete list of the financial knowledge questions from the online survey is provided in Appendix A.

Lastly, students were queried "Now that you have taken the quiz, how would you rate your overall knowledge level about personal finance and money management?" Responses ranged from 0 = *no knowledge* to 5 = *very high knowledge* (Xiao et al., 2007a; 2009).

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Qualitative measures. Qualitative data were derived from open-ended survey questions regarding respondents' viewpoints about their own and their partners' financial attitudes, behaviors, and knowledge. A complete list of open-ended response questions from the online survey is provided in Appendix B. Respondents were encouraged to be specific and elaborate about their opinions and experiences. Text provided in open-ended survey fields were treated as a unique data source for each respective participant, and thereby afforded equal weight.

Quantitative and Qualitative Analyses

For the quantitative data, descriptive statistics were used. For the qualitative data, we organized and facilitated our analysis of the open-ended survey responses (documents) through an iterative data reduction method in which information was extracted and orchestrated into patterns, categories, and themes that emerged from the gross data base (Crabtree & Miller, 1999; Creswell, 1994; Kvale & Brinkmann, 2009; Pope, Ziebland, & Mays, 2000). This method has been used across a variety of disciplines, including medicine (e.g., Cohen & Crabtree, 2008; Mendenhall, Seal, GreenCrow, LittleWalker, & BrownOwl, 2012) and social science research (e.g., Srivastava & Thomson, 2009; Ward, Smith, House, & Hamer, 2012). The sequence of its steps included the following:

1. Explore a holistic perspective of all of the respondents' reflections by reading through each transcript carefully and record initial ideas for categories and themes that may be emerging from the data.
2. Examine each transcript independently and review it again; record thoughts about its principal substance and add any emerging themes or categories that were present in the initial step of the coding process.
3. Formulate a list of all topics and themes identified from the data, and cluster similar topics together.
4. Revisit the respondents' transcripts and record the codes next to the appropriate segments of the text. Modify and add new topics and themes if they emerge.
5. Categorize topics by reducing the total list of categories by grouping topics that relate to each other.
6. Assimilate the categories into a comprehensive picture.

Using this method, we ultimately reached theoretical saturation wherein themes in the data regarding questions posed began to replicate (Agar, 1996). Trustworthiness in findings was accomplished through the documentation of all steps in the research process (e.g., through memos, creating an electronic paper trail, developing a theme-book, using participant quotes to support themes) and a series of external audits between the first and third authors (Guest, MacQueen, & Namey, 2012; Shenton, 2004).

RESULTS

The purpose of this study was to examine the money management practices of college students who are in committed romantic relationships. Results from both quantitative and qualitative analyses are described below.

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Quantitative Results

Of the 222 college students who were surveyed in the larger study, only 24 college students between the ages of 19 to 29 years-old (M = 23 years-old) self-identified as being engaged, living together, or married and were included in this sample. Seven of these students were in graduate or professional school, an equal number (n = 10, respectively) classified themselves as juniors or seniors; three were sophomores, one was a freshman, and three students had recently graduated. Approximately 42% of the students stated that they were either single or living together as a couple, while 16.7% stated that they were married.

The majority of students were female (75%). Less than half (41.7%) of the sample indicated that they were the first person in their immediate family to attend college, and more than half (58.3%) described themselves as financially independent from their parents (i.e., parents did not claim them on their tax returns). The majority of respondents were White/Caucasian/Non-Hispanic (79.2%); 8.3% stated they were Asian/Pacific Islander, and 4.2% indicated that they were either Native American/Alaskan Native or Hispanic or biracial, respectively. Students were enrolled in a variety of colleges/disciplines, including the College of Education and Human Development (50%), College of Liberal Arts (25%), College of Design (16.7%), and the Graduate School (12.5%)—with the rest coming from the College of Biological Sciences, College of Continuing Education, College of Agricultural and Natural Resource Sciences, College of Management, and the College of Science and Engineering (4.2%).

Two-thirds of respondents (66.7%) felt "somewhat more knowledgeable to much more knowledgeable" when they compared themselves to their closest friends regarding their overall knowledge about financial topics (e.g., college financing, credit card APR and fees, debt management, credit scores, loans, savings, compound interest, mortgaging, stocks, investment, and retirement). Over a third (37.5%) of students rated their overall knowledge level about personal finance and money management as "high to very high."

Respondents were then asked to answer 15 personal finance and money management questions that covered financial topics (e.g., cash management, housing, credit and borrowing, savings, and investing). Correct answers to these 15 questions ranged from five to 13. When these correct answers were computed into percentages out of 100%, the scores ranged from 33.33% to 86.67%. Taking the results one step further meant that 70.8% of these students either made a "D" or an "F" grade. After completing the quiz, students were asked to rate their overall knowledge level about personal finance and money management. One-fourth of student respondents (25%) rated their overall knowledge as "high to very high" (which was a decline from when the question was asked before taking the quiz).

Students were asked to rate how stressed they felt about their personal finances in general. Twenty (83.3%) students felt quite stressed when it came to their personal finances, while only four (16.7%) indicated low-levels of personal financial stress. Based on these results, the students' monthly gross income was considered to provide a more

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holistic picture on how much money students were making per month and to consider how the monthly gross income may impact a student's level of personal financial stress. A majority of the students (74.5%) earned more than $500 each month while 16.7% were not employed. Table 1 shows the monthly gross income as reported by the students.

Table 1

Student Monthly Gross Income (N = 24)

Monthly Gross Income	*n*	%
$0 - Not employed	4	16.7
$1-$249	1	4.2
$250-$499	1	4.2
$500-$749	8	33.3
$750-$999	2	8.3
More than $1,000	8	33.3

Qualitative Results

Three open-ended questions were examined to explore the money management practices of college students who are in committed romantic relationships. These questions included:

- When did you and your partner first bring up the subject of money?
- What topics do you and your partner agree most on relative to discussing finances?
- What do you think is the best way for a couple to manage their money?

Five recurring themes were identified through participants' narratives that supplement the above-described quantitative results: (a) discussing money early in the relationship; (b) navigating life transitions; (c) preventing and/or solving financial problems; (d) discussing spending and savings strategies as a team; and (e) negotiating stable money management systems. All names provided below are pseudonyms so as to protect participants' confidentiality.

Discussing money early in the relationship. Sixteen out of the 24 respondents said the topic of finances came up early in their relationship. Specifically, the time period that money was discussed was within the first two years of dating. For example, Ginger – a junior, cohabitating with her boyfriend, no children, is the first person in her immediate family to attend college, employed outside of school, and reported relatively low levels of financial stress – said that she brought up the subject of money about a month after starting to date:

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> *My boyfriend's lease was going to be up soon, so we discussed moving in together in the future. Then, about six months after starting to date, he needed to buy a new car, and I looked over his finances with him to help him determine what he could afford.*

Another participant, Tom – a recent graduate, one of many in his family to attend college, married with children, currently not working, and reported relatively low levels of financial stress – said "[while] dating, we talked about how we both spent money and when [we got] engaged, we discussed making a budget together and how we would merge our finances."

Navigating life transitions*.* In addition to respondents discussing money early in their relationship, life transitions developed into another theme. The most prominent transitions described included when the couple was getting engaged, moving in and living together, and immediately following marriage. For example, Sally – a sophomore, cohabiting with her boyfriend, has children, is the first in her immediate family to attend college, unemployed, and reported her financial stress as low – said that she and her boyfriend first brought up the subject of money "before we started to live together." These types of transitions can provide their own stressors that the couple either struggles with or conquers. Considering participants' responses, the success of overcoming the stress of finances was alleviated by communicating prior to the conflict arising.

In response to when the subject of money was brought up in their relationship, Gwen – a recent graduate, one of several in her family to go to college, cohabiting with her boyfriend, no children, employed outside of school, and reported her stress about finances to be high – described when she and her boyfriend talked about money "when I told him we should track our spending and make a budget. This happened about a month into living with each other."

Preventing and/or solving financial problems. Throughout the survey, money was discussed amongst the couples as a means to preventing and/or solving financial problems. It was evident that these couples believed in communicating about their individual and combined finances. Couples in this study believed in talking about the subject of money (e.g., budgeting, paying bills) as a way to maintain healthy relationships. For example, Jill – a senior, one of several in her family to go to college, cohabiting with her boyfriend, no children, employed outside of school, and reported relatively high levels of financial stress – reflected that "we both have student loan debt, among many other bills. Money comes up a lot and is very stressful for both of us."

This statement is one example reflecting that the subject of money is brought up during couples' hard times, but what is important to recognize here is that the couples are talking about their finances. For example, Molly – a senior, single with no children, the first to attend college in her immediate family, employed outside of school, and who described high levels of financial stress – said "we have always discussed financial situations. We are both students and have so much debt, but are trying to live on our own and trying to have fun still and eat healthy."

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Discussing spending and saving strategies as a team*.* Many respondents described financial topics they agree on most as paying monthly expenditures together (e.g., monthly bills) first and saving next. Julie – a junior, one of several in her family to go to college, living as a couple with no children, employed outside of school, and who reported her financial stress as high – shared that:

> *The topics we most agree on are first using our money to pay what we owe to various people and that his money is his money and he can do with it what he wishes as long as he pays his debts first and the same situation goes for me.*

Subthemes discussed by respondents relative to financial topics included spending limits, big purchases, and savings. Specifically, couples agreed on investing in retirement (e.g., 401K), saving money in general, setting spending limits on vacations, eliminating or not creating car loan payments and paying off mortgage payments. Joe – a junior, one of several in his family to attend college, living separately from his girlfriend, no children, employed outside of school, and reported relatively low financial stress– reflected that as a couple they agree that "if you use a credit card, pay it off in full every month. Save much more than you spend. Only buy used cars, no car loans or car payments. Live below your means, in general."

Other respondents mentioned topics of saving money, spending less, building up a safety net as well as how much to invest, how to invest, and an approximate monthly spending amount. It is evident to see how these topics contribute to a relationship that discusses finances in healthy and effective way.

In addition to agreeing on finances, we wanted to identify topics that couples disagreed on most. For couples in this study, spending was the number-one topic in which couples disagreed. For example, several couples stated discord about "discretionary spending" was frequent.

Respondents reflected that they discretionarily spent money on clothing, entertainment (e.g., movies, bowling, bars) and dining out. Jill who we introduced earlier disagreed about "going out to eat (I don't like to because it's too expensive); he likes to buy expensive things and I try to make him think more precisely about his purchases." This statement is similar to a couple who said they try to manage how much money they save each month, while also considering their needs and wants.

Two other respondents helped to demonstrate how couples manage their finances. Susan – a graduate student, first to attend college in her immediate family, living separately from her boyfriend, no children, employed outside of school, and reported high levels of financial stress – noted that they "have separate accounts, but have the understanding that everything we do, we do for each other and we help each other be accountable as much as possible."

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Heather – a junior, first in her family to attend college, living as a couple with no children, employed outside of school, and who reports high levels of financial stress – provided a specific example of managing finances:

> *The best way to manage our money is to have a joint account while also having a personal account of our own. We do an envelope system where we write on an envelope, something like "gas" or "Florida trip" and we set a certain amount of money into those envelopes every month.*

Given the responses from our study, couple conflict was around conserving their money and being cautious about how they spent their money.

Negotiating stable money management systems. Several respondents believed that the best way for a couple to manage their money was to have their finances both pooled (e.g., joint checking and savings) and separate (e.g., individual checking- and savings- accounts). Three respondents helped to demonstrate the nuances of the best ways for couples to manage their finances. First, Emily—a senior, one of several in her family to attend college, living by herself with no children, not working, and reported high levels of financial stress—stated:

> *My partner and I have the same responsibility. Usually when I need something I would tell my partner and we discuss it. He is actually better at saving than I am, so sometimes he will help me out. He is completely aware that I have extremely low ability to save money, which shows how we work together as a team.*

Second, Ricky – a sophomore, the first in immediate family to go to college, living as a couple with no children, working, and reported high levels of financial stress explained,

> *Having a joint and separate or solely separate account is the best way. Joint accounts allow for pooling of money from both parties to go toward joint expenses and the separate accounts for personal expenses. These individual accounts are good for people that are able to manage and discuss finances with each other easily.*

Finally, Tom – a recent college graduate, one of several in his family to go to college, married with children, and describes his financial stress as low, described,

> *Some pooling and some separate. We decide together on our goals and we consider our income shared* (regardless of who earns it*). We decide together on how much we will save, but we each need some money we can spend on our own entertainment and on gifts for each other, so we have a monthly allotment at our own discretion* (separate from shared expenses).

Other respondents believed that pooling all finances as a couple is the best strategy. For example, Hannah – a graduate student, one of several in her family to go to college, married with no children, employed outside of school, and describes her financial stress as

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low – reflected on the nuances of pooling finances as a couple as the best way to manage her and her partner's finances. Specifically, she noted that couples should:

> *Pool their money together and have complete transparency after both persons are committed to the relationship long term. I also think each month the couple needs to go over the previous month's spending and saving, and come up with a spending plan for the next month together.*

Still others believed that keeping finances separate is best. For example, Julie said:

> *Couples should manage their finances by keeping their money completely separate from each other. I am fairly sure he [boyfriend] believes keeping the money separated is a good thing. As long as he pays his debts and puts an appropriate amount of money away for retirement and emergency purposes.*

While respondents provided feedback on how other couples should manage their finances, they were reluctant to share how they managed their own money. Although somewhat consistent with their beliefs, only a few respondents actually kept their finances pooled with their partners. Most managed their money by keeping it separate from their partner. Two quotes from separate respondents help to demonstrate the ways in which they personally manage money as a couple. Ricky stated,

> *We have separate accounts and we take care of the bills according to when they are due and who has the ability to pay it at the time. For the most part, there are bills that I usually take care of and there are bills that he takes care of, but it doesn't always end up that way. Our funds are in separate accounts, but we know that if we need money we can always go to each other for more money if we have it.*

Julie described,

> *We keep our money completely separate and split the rent, food, and utility bill equally. He pays off his student loans and I pay off mine. If we want to go do something together we agree beforehand if one of us is paying for the expense or if we are splitting the cost equally.*

Respondents noted that communication serves as a vehicle for helping couples maintain their finances. They also reported that communication can serve as a convenient mechanism for sharing other financial concerns like those aforementioned.

DISCUSSION

Highlighted within their qualitative responses, communication was perceived by the respondents in this study to be a means to maintain couple finances and as a way to prevent and solve financial problems during important transitions in their lives. Findings were mixed for who talked more openly about their finances with their partner. Respondents with low as well as high levels of financial stress talked about finances,

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however those who perceived greater financial knowledge or confidence in managing finances tended to report less financial stress. On the contrary, those who indicated greater levels of financial stress tended to be less financially knowledgeable, impacting how they handled financial matters with their partner. This is important to consider as couples frequently argue about finances and other topics (e.g., housework) that affect each partner's emotional ties (e.g., power; Dew & Dakin, 2011). Financial disagreements and lack of communication over financial matters have been found to be more symbolic and likely to predict negative conflict responses than any other type of disagreement (Dew & Dakin, 2011).

Overall, results from this study offer information on how couples use communication as well as their own personal financial knowledge not only as means to feel connected to their partners, but also as a way to manage their finances as a couple during life's transitions. This was evident through respondents' reflections on discussing items such as saving for a wedding or purchasing a car as a couple. Being knowledgeable helped young adults make sound financial decisions as a couple and tended to prevent conflict in new transitions (e.g., moving in together) and difficult times (e.g., not being able to pay rent). In their reflections, young adults who effectively used communication to handle finances as a couple were able to enjoy time together by putting their saved money toward a nice dinner out or going on a vacation, for example.

This study further emphasizes the importance of finances in the lives of new couples and marriages, especially related to how couples trust each other in many areas of their relationships. This was denoted through couples openly discussing finances prior to new transitions such as taking the next step by moving in together and sharing the cost of rent, for instance. It was also reflective in partners encouraging one another to save for their future (e.g., investing in retirement) or by understanding the importance of paying off student loan debt.

Young adults in this study who were mindful of engaging in positive financial management practices tended to fair better in their relationships with less conflict and stress over finances. This study provided support for the importance of having similar perspectives on financial values and roles within the relationship as having perceived shared goals and values about money and autonomy is likely to predict relationship satisfaction in couples (Archuleta, 2013). In addition, this study helps to support the idea that many couples have significantly different perceptions about their income and assets (Dakin & Wampler, 2008).

The results from this study assist in providing a glimpse into the lives of college couples and how they manage their finances. Findings varied in how students managed their money. For example, the students who kept their finances pooled tended to have lower financial stress. On the contrary, others who kept their money completely separate had greater financial stress. Previous research indicates that most married couples pool their money or financial resources (Malone, Stewart, Wilson, & Korsching, 2010). It is not clear why cohabitating couples are more likely to keep their money separate than married couples (Bauman 1999; Burgoyne & Morison, 2007; DeLeire & Kalil 2005; Heimdal &

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Houseknecht 2003; Kenney 2004). However, Burgoyne and Morison (2007) noted that cohabiting couples may be less likely to pool their income than married couples due to a fear of becoming a burden on their cohabiting partner. Notable exceptions among cohabiting couples who choose to pool some of their income include those who have a child together or who buy a home together (Malone et al., 2010). Taken together, this study's findings suggest that there are similar financial worries and concerns across all types of relationships (e.g., single, married, cohabiting).

Overall, cohabiting couples tend to be more conservative in their financial spending and management of money when compared to married couples. This was perceived by their independence in managing their money separate from their partner and an unwillingness to pool income as a couple. Thus, additional stress related to finances was present due to the lack of consensus on how money was to be dispersed among the couple.

Similar to Britt et al.'s (2010) findings, respondents in the current study showed that communication can serve as a resource to help couples maintain their finances. Communication allowed couples to share their financial concerns with their partners, helping to create trust in their relationships. Communication also served as a tool to prevent and solve financial problems. This study revealed that couples believed in talking about the subject of money before, during, and after major transitions in their lives (e.g., marriage, moving in together). This glimpse as to how couples are managing their finances, during what can sometimes be stressful life events and transitions, is beneficial in understanding the importance of communication and trust in couples as they overcome financial challenges in important times of their lives.

Limitations

The investigation's design was unique in that it was a multi-method study; however, limitations should be noted. One limitation is the use of a small sample from a large Midwestern university, and that most participants were Caucasian students. Another limitation is that students who were enrolled in a personal and family finance course were asked to complete the survey. As a result, these students may be more aware of their finances. Additionally, it should be noted that students who agreed to complete the qualitative portion of this study came from a convenience sample that might be more "financially minded" than others. This contradicts most literature that has found that money can be a difficult topic for couples to discuss, but it is nevertheless interesting to note that our sample reported that talking about money was relatively easy to do.

Although there are several strengths to using the iterative data reduction method, there are also weaknesses in the broader representativeness of qualitative work. This method is also limited in that the process for reducing large amounts of data, topics, and themes of individuals' personal reflections can be over-simplified or misunderstood (Crabtree & Miller, 1999).

Finally, the purposive sampling frame was limited to a larger study examining college students' money management practices. The overall objective was not to

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specifically sample college students in a committed relationship, and therefore did not include the college student's partner. Couple- or dyadic- level data could serve to collect data to examine financial management practices and decisions from both individuals in the relationship.

Despite these limitations, the study sought to construct how college students who are in romantic, committed and/or married relationships managed their finances during a time where young adults experience many life transitions.

Future Directions in Research

Continued research is needed in this area with larger, more diverse, and nationally representative samples, including data from both individuals in the couple. A mixed method design, similar to the current study, could be useful, to understand a more holistic view of the micro-decision making processes that couples utilize in regards to their finances and across various groups of couples within a larger sample frame. Longitudinal studies are needed to examine couples' financial management practices from early courtship, throughout college, and after college to better understand how young adults use their financial decision making skills during such life transitions.

Further research is needed to assess how couples manage their finances or, more specifically, how various couples make financial decisions. This is particularly important as less is known about how new and young couples come to articulate the decisions they make with their finances and how these decisions impact their future. A larger sample frame that includes same-sex couples or couples from various age groups and life transitions is needed. Future research could examine the importance of communication and trust in new couples or couples who have been in their relationships longer. This could contribute to the field as couples overcome major financial challenges during important transitions in their lives.

Clinical Implications

The transition from two disconnected individuals to a couple in a committed relationship represents one of the first times that any dyad must begin talking about money (Doty, Hanson, Witham, Ochoa, & Mendenhall, 2016; Shapiro, 2007). While not a romantic or usually-comfortable topic to discuss, these early conversations are an essential stage-setter for how things can go throughout the life-course. Talking about debt (credit cards, financial aid, automobile loans, etc.), respective and combined incomes vis-à-vis shared expenses (rent, utility bills, etc.), and future wants and goals (e.g., small wedding vs. large wedding) almost immediately ties-in to important money management topics and tools that young people can benefit from accessing (Atwood, 2012; Stanley & Einhorn, 2007). Learning, for example, about whole wage-, allowance-, pooling-, partial pooling-, and independent- financial systems (Atwood, 2012; Doty et al., 2016) can facilitate couples' explicit conversations and joint decision(s) about which system best fits their personal values and goals. Learning about sundry budgeting methods, bill-payment approaches (e.g., on-line vs. checks, pay-as-you-go vs. 6-12 month pre-pays), and savings strategies can

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further facilitate them getting there (Crowe & Ridley, 2008; Parker, 2015). Data provided by our study's respondents suggest that most are not extensively familiar with this information yet, but that they are eager to learn it. Professionals working with couples to gain and negotiate these types of data can engage with clients across a variety of formats, including pre-marital counseling, financial workshops, conferences, and webinars (Financial Therapy Association [FTA], 2016).

In accord with this, respondents in the study described here did not comprise a "clinical sample." They were not seeking professional advice about who pays for a date, how to pay-off debt, looking for counsel about ways to traverse bankruptcy, or recruit a referee to assist them in negotiating a marital impasse about whether to buy or lease a car. Instead, they represent everyday college-aged students trying to make their way together through a myriad of stressors that are both normal and common for young adults in Western culture today. Most of them reported that they are already beginning to talk about money with their partners, which suggests that they understand – at least intuitively – how important this topic is to their unions. What most of them likely need, then, is more information to talk about. Equipped with financial knowledge early-on (i.e., preparation), they will be better positioned to succeed in the future.

It is important for clinicians working with couples facing financial conflicts to begin by applauding them for talking about it all. Again, finances are a very difficult topic for many to discuss, and holding a space to do this is an important first step (Shapiro, 2007; Dew & Dakin, 2011). From there, clinicians can work with couples to facilitate sharing about how they developed their respective views about money. *Was money something that your parents talked about openly, or was it an "impolite" topic to bring up*? *How did your parents spend money*? *Did they fight about it*? *Was your family's "culture" around money one that was usually tense and stressful, or open and positive*? *Did you get an allowance (at all? for free? in exchange for doing chores?)*? Questions like these help to elicit mutual understandings within couples about why they do what they do (Klontz et al., 2011). For example, if one partner grew up in poverty, was made to feel guilty by his/her parents when s/he needed new clothes or school supplies, etc.—the other partner can empathize about why s/he is so invested in saving money now.

As we connect these dots, it is important to note that (a) most financial educators and counselors (who are equipped to teach information about money management) are not well-trained in how to work with couples in conflict, and (b) most couple therapists (who are equipped to work with couples in conflict) are not well-prepared to teach financial information (Commission on Accreditation for Marriage and Family Therapy Education [COAMFTE], 2015; FTA, 2016). Attending to these dual foci effectively, then, calls for cross-training and/or collaborative efforts between multiple professionals (Britt et al., 2010; Dew & Stewart, 2012). And as we work with couples to better understand each other's histories, values, and habitudes around money en route to co-owning power and informed decision-making, they can begin to transition away from win/lose arguments to win/win solutions whereby both members' values and goals are honored. Doing this well with early transitions—like moving in together, planning a wedding, etc.—will further equip them for

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more complex life-phases later on like child-rearing, caring for elderly parents, or retirement planning (Shapiro, 2007; Zubatsky & Trudeau-Hern, 2014). Couples can do this as a team.

CONCLUSION

Overall, results from this study offer information on how college couples use communication not only as a means to manage their finances, but also as a way to maintain healthy romantic relationships during life transitions. Understanding the context of financial management practices and the ways in which couples make financial decisions will help financial counselors and practitioners identify ways to prevent or reduce conflict by learning strategies for communicating about finances during times of financial stress. This consideration may help increase relationship satisfaction and reduce the risk of breakup or divorce in committed and married young adult couples (Britt et al., 2010). Due to the consistent trend of young adults in romantic relationships adopting financial management strategies during various life transitions, the opportunity for future research in this area is expansive.

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Appendix A: Quantitative Questions on Financial Knowledge

About My Knowledge of Personal Finances

This first set of questions is to gauge your overall knowledge of personal finances.

Q1. How would you rate your overall knowledge level about personal finance and money management? (adapted from Xiao, et al., 2007a; Xiao, et al., 2007b; Xiao, et al., 2009).

Q2. Networth is (adapted from Chen & Volpe, 1998; Jorgensen, 2007).

Q3. Which account usually pays the MOST interest? (adapted from Jorgensen, 2007).

Q4. When a check bounces, who if anyone, is usually charged a fee? (adapted from Consumer Federation of America, 1993; Jorgensen, 2007).

Q5. Rob and Molly are the same age. At age 25 Rob began saving $2,000 a year for 10 years and then stopped at age 35. At age 35, Molly realized that she needed money for retirement and started saving $2,000 per year for 30 years and then stopped at age 65. Now they are both 65 years old. Who has the most money in his or her retirement account (assume both investments had the same interest rate)? (adapted from Jorgensen, 2007; Jump$tart, 2004).

Q6. If you signed a 12-month lease for $300/month but never occupied the apartment, you legally owe the landlord (adapted from Chen & Volpe, 1998; Jorgensen, 2007).

Q7. If you co-sign a loan for a friend, then you (adapted from Consumer Federation of America, 1993; Jorgensen, 2007). (adapted from Consumer Federation of America, 1993; Jorgensen, 2007).

Q8. If a consumer fails to pay personal debts, a creditor is allowed to do all of the following EXCEPT (adapted from Consumer Federation of America, 1993; Jorgensen, 2007).

Q9. The owner of a credit card that is lost or stolen is legally responsible for (adapted from Consumer Federation of America, 1993; Jorgensen, 2007).

Q10. Assume you are in your early twenties and you would like to build up your nest egg for a secure retirement in 30 years. Which of the following approaches best meet your needs? (adapted from Chen & Volpe, 1998; Jorgensen, 2007).

Q11. The owner of a bank debit card that is lost or stolen is legally responsible for (adapted from Jorgensen, 2007).

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Q12. Who of the following cannot legally access your credit report? (adapted from Consumer Federation of America, 1993; Jorgensen, 2007).

Q13. Which of the following credit card users is likely to pay the GREATEST dollar amount in finance charges per year, if they all charge the same amount per year on their cards? (adapted from Robb & Sharpe, 2009; Jump$tart, 2006).

Q14. Mutual funds pay a guaranteed rate of return (adapted from Hilgert, et al., 2003).

Q15. The interest rate on an adjustable-rate mortgage loan goes up, your monthly mortgage payments will also go up (adapted from Hilgert, et al., 2003).

Q16. You could save thousands of dollars in interest costs by choosing a 15-year mortgage rather than a 30-year mortgage (adapted from Hilgert, et al., 2003).

Q17. Now that you have taken the quiz, how would you rate your overall knowledge level about personal finance and money management? (adapted from Xiao, et al., 2007a; Xiao, et al., 2007b; Xiao, et al., 2009).

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Appendix B: Open-Ended Survey Response Questions

Relationship Status & Money

We are interested in learning about relationships and money.

Q53. Check your relationship status.
____ Single (If checked, skip to question 60)
____ Engaged (If checked, continue to question 54)
____ Living together as a couple (If checked, continue to question 54)
____ Married (If checked, continue to question 54)

If your answer to question 53 is "single," skip to question 60. If you answered "Engaged, living together as a couple, or married," continue to question 54.

Q54. When did you and your partner first bring up the subject of money? Please elaborate.

Q55. When you and your partner discuss finances, the topics you agree most on are . . . Please elaborate.

Q56. When you and your partner discuss finances, the topics you disagree most on are . . . Please elaborate.

Q57. What do you think is the best way for a couple to manage their money? Examples could include: Pooling our money together (e.g., having a joint checking account); Keeping our money separate (e.g., each of us has our own checking account); Some pooling + some separate (e.g., each of us has a checking account AND we have a joint account), etc. Please elaborate.

Q58. What does your partner think is the best way for a couple to manage their money? Examples could include: Pooling our money together (e.g., having a joint checking account); Keeping our money separate (e.g., each of us has our own checking account); Some pooling + some separate (e.g., each of us has a checking account AND we have a joint account), etc. Please elaborate.

Q59. What is the way that you and your partner manage money? Examples could include: Pooling our money together (e.g., having a joint checking account); Keeping our money separate (e.g., each of us has our own checking account); Some pooling + some separate (e.g., each of us has a checking account AND we have a joint account), etc. Please elaborate.

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Consideration of Financial Satisfaction: What Consumers Know, Feel, and Do from a Financial Perspective

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Financial satisfaction has long been considered an important component to consumer life satisfaction and well-being. Using data from the 2012 National Financial Capability Study (NFCS), financial satisfaction is explored in the context of personal characteristics related to financial knowledge (both objective and subjective), as well as self-reported financial behaviors. Ordinary Least Squares Regression is applied to a predictive model of financial satisfaction, and results indicate that measures associated with what people do (behaviors related to recommended practice) and how they feel (subjective knowledge) may be more salient factors to consider with regard to satisfaction than measures related to what individuals know (objective knowledge). Implications are considered for consumers in light of a general policy approach promoting financial literacy and education as a means of improving financial outcomes and well-being.

Keywords: financial satisfaction; financial knowledge; behavior

INTRODUCTION

Financial satisfaction is an important variable in economic and psychological studies on happiness and subjective well-being (Easterlin, 2006; Plagnol, 2011; vanPraag & Ferrer-i-Carbonnell, 2004). Long associated with personal well-being and life satisfaction as a sub-construct of financial well-being (Campbell, 1981; Campbell, Converse, & Rodgers, 1976; Joo, 2008; Xiao, Tang, & Shim, 2009), financial satisfaction is a subjective assessment of the adequacy of one's financial resources or financial situation (Hira & Mugenda, 1998). Positive financial satisfaction is considered a desirable state, with individuals who are financially satisfied also reporting acceptable levels of happiness, health, and freedom from financial stress (Hansen, 2009; Zimmerman, 1995). A variety of life-satisfaction factors are

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related to financial satisfaction, including workplace productivity, marital stress, and consumer choice (Freeman, Carlson, & Sperry, 1993; Garman, Leech, & Grable, 1996; Pittman & Lloyd, 1988; Williams, Haldeman, & Cramer, 1996). Although financial satisfaction is subject to the influence of external forces and stressors (Freeman et al., 1993), individual considerations ultimately have the greatest potential impact on financial satisfaction (Frey & Stutzer, 2000). Diener and Biswas-Diener (2002) noted that a nation's wealth is strongly correlated to its citizenry's subjective well-being, but that financial satisfaction is not strongly correlated to wealth at the individual level. This is further complicated when individuals' perceptions of income are considered, as those who perceive their own income as adequate tend to display higher levels of financial satisfaction (Grable, Cupples, Fernatt, & Anderson, 2013).

As noted by Garrett and James (2013), financial satisfaction is often considered as a critical goal for financial therapists and counselors, as factors related to clients' subjective experiences and perceptions of their situation should not be ignored. Joo and Grable (2004) detailed a conceptual framework of financial satisfaction that incorporates sociodemographic characteristics along with stress factors, financial behavior, financial attitudes, and financial knowledge. This provides a reasonable theoretical framework, but the results were limited to a convenience sample. Many studies of financial satisfaction have faced similar limitations (i.e., small sample size), though several recent studies have explored financial satisfaction using large, nationally representative data sets (Garrett & James, 2013; Xiao, Chen, & Chen, 2014).

The present study utilized a large national data set to examine aspects of behavior, financial strain, attitude, and financial knowledge in a predictive model of financial satisfaction. Unique effects of different positive or negative financial behaviors can be explored in detail, controlling for objective measures of financial strain and the individual's understanding of financial markets. Whereas previous studies have identified associations between satisfaction and broader patterns of behavior (Xiao et al., 2014) or specific measures of financial strain (Garrett & James, 2013), the present analysis brings all of the concepts together in an attempt to capture all aspects of the Joo and Grable (2004) framework with a large, nationally representative data set. The introduction of a dynamic financial knowledge measure is another contribution of the present study, as the interplay between objective and subjective knowledge types has been explored for some financial behaviors (Allgood & Walstad, 2013; Robb, Babiarz, Woodyard, & Seay, 2015) but has been lacking from the financial satisfaction literature.

LITERATURE REVIEW

Financial Satisfaction

Financial satisfaction is a difficult construct to define and measure. Despite many years of research on financial satisfaction, no consensus has been reached regarding how it might best be described or measured (Godwin, 1994; Joo & Grable, 2004). The source of the disagreement could be related to the divergence of the disciplines working on the concept of financial satisfaction. Psychologists, economists, and demographers have all provided

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the field with productive and useful research. For the purposes of the present study, Zimmerman (1995) presented a definition that is both concise and effective, depicting financial satisfaction as satisfaction with one's current financial situation - individuals are the final arbitrators of their own financial satisfaction level. This definition incorporates the subjective nature of the construct and has been used in previous studies (Joo & Grable, 2004).

Financial satisfaction and well-being measures include both single- (e.g., Danes, 1998; Porter & Garman, 1993) and multiple-item measures (e.g., Draughn, LeBoeuf, Wozniak, Lawrence, & Welch, 1994; Hira & Mugenda, 1998; Leach, Hayhoe, & Turner, 1999). Valid and reliable findings have been established with each type of measure (see Joo & Grable, 2004 for a comprehensive review of these measures). The use of single-item measures of well-being and overall life quality is quite common in the literature, and particularly common for large, nationally representative surveys that cover a broad range of information (Mitchell & Helson, 1990). However, using a global measure of satisfaction presents a potential weakness, as it is possible that there are multiple dimensions (or aspects) of financial satisfaction. If financial satisfaction consists of multiple facets, then a single-item measure would be limited in its application. Though a single-item measure limits our ability to run rigorous tests of validity, prior research has demonstrated many examples where single-item measures perform as well as measures consisting of multiple items (Zimmerman et al., 2006).

Demographic factors that have been proposed as determinants of financial satisfaction include age, income, gender, educational attainment, ethnicity, and marital status. Using path analysis, Joo and Grable (2004) found that other than education level, income, number of dependents, and demographic factors (e.g., age, gender, ethnicity, and marital status) were not significant contributors to financial satisfaction when the model includes non-demographic variables such as attitudes, knowledge, and behavioral considerations. This contradicted earlier studies where factors, such as age and marital status, were noted as significant predictors of financial satisfaction (Hong & Swanson, 1995; Sumarwan & Hira, 1993). The inclusion of knowledge, as well as behavioral and attitudinal factors, seems to diminish the role that demographic factors (other than income) play in individual financial satisfaction (Hira & Mugenda, 1999).

Financial Knowledge and Sophistication

Financial knowledge, often referred to as financial literacy, is a focus item from an education, research, and policy perspective (Hilgert, Hogarth, & Beverly, 2003). Research has noted consistent associations between knowledge and behavior within the financial realm (Babiarz & Robb, 2014; Hilgert et al., 2003; Lusardi & Mitchell, 2007; Robb, 2011; Robb & Woodyard, 2011; Xiao, Tang, Serido, & Shim, 2011). The general assumption underlying financial literacy education is that improved knowledge of financial matters leads to better financial outcomes or behaviors. This, in turn, is assumed to result in greater financial satisfaction. However, this may not necessarily hold for all cases. Mugenda, Hira, and Fanslow (1990) found a negative relationship between objective financial knowledge and financial satisfaction. They concluded that more knowledge could result in a more

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rigorous or realistic assessment of financial status, including negative factors that impact perceptions of financial status. For example, individuals with high levels of objective knowledge may give strong negative weight to one factor, such as a large amount of student loan debt, when self-assessing financial satisfaction. Conversely, an individual with a low level of objective financial knowledge may have high credit card balances or a mortgage that should be refinanced, but his or her cash flow level masks the long-term implications of these issues, so a high level of financial satisfaction is self-reported.

Recent studies distinguished between two distinct methods of financial knowledge measurement: (a) objective financial knowledge (i.e., whether respondents can objectively answer questions about financial markets and instruments correctly) and (b) subjective financial knowledge (i.e., their self-perceived knowledge and confidence) (Joo & Grable, 2004; Robb & Woodyard, 2011; Xiao et al., 2011). Research suggested that both types of knowledge have a significant impact on satisfaction and behavior (Robb & Woodyard, 2011; Xiao et al., 2011; 2014). Joo and Grable (2004) introduced a measure of subjective financial knowledge and noted a positive association (both in terms of direct and indirect effects) between the subjective measure and financial satisfaction. Whereas objective financial knowledge received more attention in the past, research has indicated that subjective, or self-assessed, financial knowledge may have a more significant impact on personal actions and financial satisfaction, or well-being (Robb & Woodyard, 2011; Xiao et al., 2011). These findings suggest that one's perception of one's own financial knowledge is a stronger predictor of financial satisfaction than specific knowledge of market mechanisms, inflation, and diversification. However, it is important to consider that individuals do not always accurately assess their own financial knowledge (Courchane & Zorn, 2005). Evidence from behavioral finance suggests that people often suffer from the dual illusions of knowledge and control, and put greater stock in their knowledge and abilities than is warranted (Baker & Nofsinger, 2002; Gross et al., 2011). Aspects of inaccurate knowledge assessment can be explored by incorporating a combined measure of objective and subjective knowledge (Allgood & Walstad, 2013; Robb et al., 2015). In effect, individuals can be divided into one of four mutually exclusive categories based on their subjective knowledge relative to their objective knowledge (e.g., high objective score and low subjective score, or high objective score and high subjective score). This may be viewed as a measure of financial sophistication, as it not only assesses objective financial knowledge, but also the accuracy of individuals' self-assessments of that knowledge.

Financial Behavior

Financial behaviors and financial knowledge are positively related based on the available research (Babiarz & Robb, 2014; Borden, Lee, Serido, & Collins, 2008; Chen & Volpe, 1998; Robb, 2011; Robb & Sharpe, 2009; Robb & Woodyard, 2011). Further evidence has suggested that financial satisfaction is associated with engaging in more positive financial behaviors in a predictive model of behavior (Robb & Woodyard, 2011). These behaviors included savings, risk management, cash flow management, and long-term planning. Studies dealing with college students positively related financial knowledge to hypothetical financial decisions (Chen & Volpe, 1998) and behavioral intentions (Borden et al., 2008). Robb and Sharpe (2009) and Robb (2011) offered conflicting information about

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the linkages between knowledge and behavior within this age group that may indicate that behavior is largely independent of objective financial knowledge.

Credit usage behavior and financial satisfaction were linked in a study that found credit practices to be as much an influence on financial satisfaction as demographic factors, including income, home value, and savings (Lown & Ju, 1992). Other demographic factors that are linked to financial behavior include gender (Hayhoe, Leach, Turner, Bruin, & Lawrence, 2000), life-cycle stage (Hira & Mugenda, 1998), educational attainment, race/ethnicity, and number of dependents (Joo & Grable, 2004). Xiao et al. (2014) provided a more comprehensive analysis of the connections between behavior and financial satisfaction, noting that desirable financial behaviors appeared to be associated with greater satisfaction, whereas risky financial behaviors were associated with lower levels of financial satisfaction when controlling for knowledge and other demographics.

Financial Strain

A number of studies have explored the concept of financial strain or stress, often with an emphasis on financial ratios (Baek & DeVaney, 2004; DeVaney & Lytton, 1995; Garrett & James, 2013; Lyons & Yilmazer, 2005). Financial ratios provide a snapshot of a household's financial position with regard to debts, liquidity, and other critical aspects, and reasonably can be considered in the context of financial satisfaction. A number of studies have effectively identified ratios that are considered problematic (Kim & Lyons, 2008). Garrett and James (2013) utilize solvency, liquidity, and investment asset ratios in an attempt to objectively measure financial strain as a means of explaining financial satisfaction. Results were supportive of the hypothesized direct association between financial strain and financial satisfaction (Garrett & James, 2013). Other studies have provided evidence of linkages between financial strain and satisfaction using less comprehensive measures, including foreclosure, legal problems, bankruptcy, and excessive consumer debt (Freeman et al., 1993; Joo, 1998).

Financial Attitudes

Earlier studies of consumer financial satisfaction considered the role of financial attitudes, often measured as subjective assessments of overall financial management and standing (Joo, 1998; Porter & Garman, 1993). These types of variables were absent from the present survey data, although Joo and Grable (2004) posited that risk tolerance may be an important attitude in a predictive model of financial satisfaction. In theory, behavioral differences that result from different levels of risk tolerance could influence financial outcomes, ultimately impacting satisfaction. This line of reasoning is supported by research (Woon-Young & Hanna, 2004), though there are not many studies that have explored this issue specifically.

The Present Study

Based on the theoretical framework outlined by Joo and Grable (2004), the present study explored financial satisfaction in the context of financial sophistication, financial

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behavior, financial strain, risk tolerance, and general financial status (Figure 1). The previous literature has provided evidence that certain demographic factors (Hayhoe et al., 2000; Hira & Mugenda, 1998; Joo & Grable, 2004; Xiao et al., 2014), measures of financial status and strain (Joo & Grable, 2004), risk tolerance (Woon-Young & Hanna, 2004), financial behaviors (Robb & Woodyard, 2011) and financial knowledge (Allgood & Walstad, 2013; Robb et al., 2015) are germane to financial satisfaction. To date, researchers have not explored such a comprehensive model of financial satisfaction using a large, nationally representative data set. We hypothesized that greater levels of financial sophistication, defined as accurate self-assessments of financial knowledge, and higher risk tolerance are associated with higher levels of financial satisfaction. We also hypothesized that individuals who reported engaging in more responsible financial behavior, ceteris paribus, would report higher levels of satisfaction, whereas those facing greater levels of financial strain were assumed to report lower levels of satisfaction.

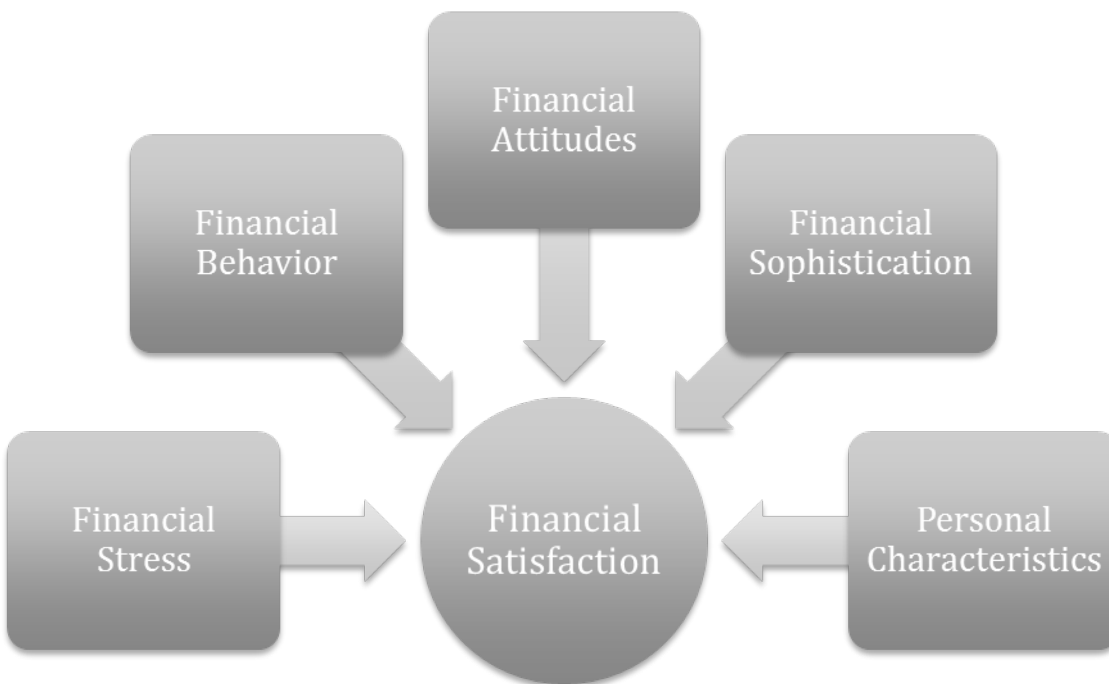

Figure 1. Theoretical determinants of financial satisfaction. Adapted from Joo & Grable (2004).

METHODOLOGY

The Financial Industry Regulatory Authority (FINRA) is a non-governmental agency that is the largest self-regulator of member financial brokerage firms and exchange markets in the United States. It was formed in 1987 from the former National Association of Securities Dealers (NASD) and some regulatory functions formerly under the direction of the New York Stock Exchange (NYSE). The FINRA Investor Education Foundation, or FINRA Foundation, exists to provide education to underserved populations regarding the skills,

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knowledge, and tools required to achieve financial literacy. In 2009, the FINRA Foundation, in conjunction with the U.S. Department of the Treasury, conducted the first National Financial Capability Study in order assess Americans' ability in dealing with four key components of financial competence. These components are: (a) making ends meet, (b) planning ahead, (c) managing financial products, and (d) financial knowledge and decision-making.

Subsequent to the release of the National Survey in December 2009 and the military survey in October 2010, the state-by-state survey was released in December 2010. The survey was repeated in 2012 and released in May 2013. The newest data were used for this research. With more than 25,000 data points, this survey represents a unique opportunity to study the financial capability of the American public. More information about the National Financial Capability Survey can be found at www.finrafoundation.com. The present analysis examined the relationship between financial satisfaction and possible predictors, namely demographic characteristics, financial status, financial behaviors, financial strain, and financial knowledge, using data from the NFCS. Financial satisfaction was the dependent variable and a series of multiple regression analyses were performed.

Measures

Financial satisfaction. The FINRA survey included one question measuring financial satisfaction, stated, "overall, thinking of your assets, debts and savings, how satisfied are you with your current personal financial condition?" Responses ranged from 1 to 10, with higher numbers indicating greater degrees of financial satisfaction.

Demographic measures. Demographic variables used for the study were gender (Male or Female), race/ethnicity (White or Non-White), age (18-24, 25-34, 35-44, 45-54, 55-64, 65 and over), number of dependent children in the household (None, One or more), income (8 banded levels ranging from less than $15,000 to more than $150,000), marital status (Married, Separated, Divorced, Widowed, Single), and educational attainment (High school/Graduate/Equivalent, Some college, College graduate/Post graduate degree). In addition, the survey provided some basic details associated with individuals' financial status. Variables included were investment account ownership, utilization of an employer retirement account, and home ownership. These were coded either Yes or No. Unfortunately, the survey data lacked detail with regard to the relative valuation of these assets, but on their face these variables should provide some useful information with regard to what financial assets and resources individuals possess or to which they have access.

Financial behaviors. Financial behaviors, both positive and negative, were measured by a series of variables meant to indicate proactive consumer behavior. On the positive side, these included having an emergency fund to cover three months' worth of expenses, having planned for retirement, obtaining a copy of a credit report in the past 12 months, paying off credit card balances monthly, having a retirement account outside the workplace, and having health insurance. Negative behaviors were overdrawing a checking account and not paying off credit cards regularly.

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Financial Strain. Previous studies examined financial satisfaction in the context of financial strain through analysis of financial ratios. Whereas information on debt-to-income and solvency are powerful tools for assessing strain, the present data do not provide sufficient information for construction of financial ratios. However, the NFCS included several questions that can be utilized as both objective and subjective measures of financial strain. Objectively, respondents were asked if they had experienced a large, unexpected decrease in income during the prior year, whether they have difficulty meeting their expenses on a monthly basis, and whether they have had to take a hardship withdrawal from a retirement account. All of these behaviors are indicative of financial hardship, at least in the short run, and might reasonably be considered to have some association with individuals' satisfaction scores.

More subjective measures asked individuals the extent to which they agree with the statement, "I have too much debt right now" (responses scored on a Likert-type scale from 1-7) or to gauge their level of confidence in being able to come up with $2,000 if an unexpected need arose within the next month. The latter question has been utilized as a measure of financial fragility (Lusardi, Schneider, & Tufano, 2011), as consumers who are not confident in their ability to come up with the money in 30 days should be classified as financially fragile, or vulnerable to minor financial set-backs. Respondents from the survey self-identified as being (a) certain they could come up with the money (39.3%), (b) probably able to come up with the money (22.4%), (c) probably not able to come up with the money (14.5%), or (d) certain they could not come up with the money (23.8%). For the present analysis, respondents who were in the latter two categories were classified as fragile, with the former categories being classified as not fragile.

Subjective financial knowledge. Subjective financial knowledge was a critical component of the financial sophistication measure used in the analysis (see below), and was measured using the answer to a single survey question. Respondents assessed their own financial knowledge on a scale from 1 to 7 (1 meaning very low, and 7 meaning very high).

Objective financial knowledge. The FINRA Financial Capability Survey asked five questions relating to financial knowledge, and along the subjective measure, the objective knowledge questions were utilized in the development of the financial sophistication measure (see below). Lusardi and Mitchell developed three of the questions for the 2004 wave of the Health and Retirement Survey, and those questions have been used in many subsequent studies (Lusardi, Mitchell, & Curto, 2010). The five questions asked were:

- Compound Interest: Suppose you had $100 in a savings account and the interest rate was 2% per year. After 5 years, how much do you think you would have in the account if you left the money to grow?
- Inflation: Imagine that the interest rate on your savings account was 1% per year, and inflation was 2% per year. After 1 year, how much would you be able to buy with the money in this account?
- Bond Pricing: If interest rates rise, what will typically happen to bond prices?

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- Mortgages: A 15-year mortgage typically requires higher monthly payments than a 30-year mortgage, but the total interest paid over the life of the loan will be less.
- Diversification: Buying a single company's stock usually provides a safer return than a stock mutual fund.

For the present analysis, the researchers developed an additive scale using a respondent's answers to the five financial knowledge questions, and potential response values ranged from 0 to 5. The Cronbach's alpha measure for the additive scale was 0.617.

Financial Sophistication. Based on scores from the objective and subjective financial knowledge measures, individuals were coded into one of four mutually exclusive financial sophistication levels. Following earlier work by Allgood and Walstad (2013), individuals were divided into classifications of high or low financial literacy for both the objective and subjective measures. Those scoring higher than the sample median score were classified as high, whereas those at or below the median were classified as low. For the present sample, the median score on the measure of financial knowledge was 3, whereas the median value for subjective knowledge was 5. When combined, these measures allow for respondents to be grouped into one of the following dummy categories: (a) high objective-high subjective, (b) high objective-low subjective, (c) low objective-high subjective, and (d) low objective-low subjective.

Risk Tolerance. The NFCS survey included a single-item measure of financial risk tolerance. Specifically, respondents were asked, "When thinking of your financial investments, how willing are you to take risks?" Responses were scored on a 10-point scale, where 1 meant "Not at all willing" and 10 meant "Very willing".

RESULTS

Sample Characteristics

Researchers initially analyzed the data to eliminate any observations that had missing or inappropriate values for the dependent and independent variables. The final analysis included 19,557 respondents. In addition to the scales described above, the analysis included standard demographic variables such as age, education level, household income, gender, marital status, and race/ethnicity. The demographic and summary results in Table 1 reflect only those observations used in the analysis.

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Table 1

Sample Demographics (n = 19,557)

Variable	Category	Percentage	Mean* (St. Dev.)
Gender	Male	46.6	
	Female	53.4	
Age	18-24	8.1	
	25-34	16.3	
	35-44	17.0	
	45-54	20.9	
	55-64	20.0	
	65 and over	17.7	
Education	High school graduate/Equivalent	29.5	
	Some college	33.6	
	College graduate or Post	36.9	
Income	Less than $15,000	11.1	
	$15,000 to $25,000	10.6	
	$25,000 to $35,000	10.7	
	$35,000 to $50,000	14.7	
	$50,000 to $75,000	19.8	
	$75,000 to $100,000	12.9	
	$100,000 to $150,000	12.6	
	More than $150,000	7.6	
Dependent Child	None	60.9	
	One or More	39.1	
Marital Status	Married	57.9	
	Separated	1.8	
	Divorced	11.9	
	Widowed	3.9	
	Single	24.3	
Race/Ethnicity	White	75.1	
	Non-white	24.9	
Retirement Account	Yes	59.4	
	No	40.6	
Other Investments	Yes	39.2	
	No	60.8	
Own Home	Yes	64.5	
	No	35.5	
Emergency Fund	Yes	45.2	
	No	54.8	
Overdraw Account	Yes	19.4	
	No	80.6	
Plan for Retirement	Yes	47.8	
	No	52.2	
Check Credit Report	Yes	43.4	
	No	56.6	
Credit Card Use/Ownership	Always Payoff	39.4	
	Revolve a Balance	38.3	
	No Card	22.3	

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Other Retirement Account	Yes	34.5	
	No	65.5	
Reg. Contribute to Retirement	Yes	34.8	
	No	65.2	
Health Insurance	Yes	82.7	
	No	17.3	
Financial Fragility	Fragile	36.4	
	Not Fragile	63.6	
Difficulty Paying Bills	Yes	55.2	
	No	44.8	
Hardship Withdrawal	Yes	3.7	
	No	96.3	
Financial Shock	Yes	28.3	
	No	71.7	
Financial Satisfaction	Scale (1-10)		5.23 (2.82)
Too Much Debt	Scale (1-7)		3.93 (2.27)
Risk Tolerance	Scale (1-10)		4.81 (2.63)
Objective Knowledge	Scale (0-5)		3.23 (1.36)
Subjective Knowledge	Scale (1-7)		5.24 (1.23)
Financial Sophistication	High Objective-High Subjective	25.9	
	High Objective-Low Subjective	22.3	
	Low Objective- High Subjective	18.2	
	Low Objective-Low Subjective	33.6	

*Means are provided for continuous predictor variables. All other variables are categorical variables.

Regression Analyses

Initial analysis of the dependent variable indicated that the measure was roughly normally distributed (M = 5.23, SD = 2.82) with skewness and kurtosis falling within the acceptable ranges (skewness = -0.107, kurtosis = -1.187). Bivariate statistics were conducted for each of the independent variables, and results indicated that all of the independent variables were significantly related to financial satisfaction ($p < .001$). Correlation analysis indicated that while there were associations between the predictors included and financial satisfaction, no association exceeded the level of $r = .55$. In order to assess the overall impact of the different predictive factors hierarchical regression analysis was employed, starting with a baseline model of socioeconomic status and core demographic characteristics. Each subsequent model added an additional set of variables for the factors of financial behavior, financial strain and attitudes, and financial knowledge. Results of the four regression analyses are presented in Table 2.

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Table 2

Results of Ordinary Least Squares Regression with Financial Satisfaction as the Dependent Variable

Variable	Model I Estimate (Std. Err.)	Model II Estimate (Std. Err.)	Model III Estimate (Std. Err.)	Model IV Estimate (Std. Err.)
Intercept	4.03 (0.08)***	3.41 (0.09)***	5.34 (0.09)***	5.18 (0.09)***
Male	0.26 (0.03)***	0.19 (0.032)***	-0.05 (0.03)	0.01 (0.03)
White	-0.14 (0.04)***	-0.16 ((0.038)***	-0.10 (0.03)**	-0.03 (0.03)
Age (ref: 18-24)				
25-34	-0.55 (0.08)***	-0.33 (0.071)***	-0.15 ((0.06)*	-0.16 (0.06)*
35-44	-1.17 (0.08)***	-0.79 (0.073)***	-0.56 (0.07)***	-0.53 (0.07)***
45-54	-1.32 (0.08)***	-0.96 (0.072)***	-0.67 (0.06)***	-0.63 (0.06)***
55-64	-1.04 (0.08)***	-0.86 (0.075)***	-0.57 (0.07)***	-0.55 (0.07)***
65+	-0.32 (0.09)***	-0.50 (0.081)***	-0.29 (0.07)***	-0.29 (0.07)***
Dependent Child	-0.41 (0.04)***	-0.17 (0.038)***	-0.05 (0.03)	-0.07 (0.03)*
Income (ref: Less than 15,000)				
Between 15-24,999	0.25 (0.07)***	0.21 (0.07)***	0.14 (0.06)*	0.13 (0.06)
Between 25-34,999	0.62 (0.08)***	0.45 (0.07)***	0.25 (0.06)***	0.26 (0.06)***
Between 35-49,999	0.97 (0.07)***	0.69 (0.07)***	0.35 (0.06)***	0.38 (0.06)***
Between 50-74,999	1.28 (0.07)***	0.83 (0.07)***	0.33 (0.06)***	0.37 (0.06)***
Between 75-99,999	1.61 (0.08)***	0.98 (0.08)***	0.35 (0.07)***	0.40 (0.07)***
Between 100-149,999	1.99 (0.09)***	1.23 (0.08)***	0.46 (0.07)***	0.53 (0.07)***
150,000+	2.47 (0.10)***	1.52 (0.09)***	0.66 (0.08)***	0.71 (0.08)***
Marital Status (ref: single)				
Married	0.04 (0.05)	0.10 (0.05)*	0.19 (0.04)***	0.19 (0.04)***
Separated	-0.02 (0.14)	0.15 (0.12)	0.22 (0.11)*	0.20 (0.11)
Divorced	-0.09 (0.07)	0.01 (0.06)	0.02 (0.05)	0.02 (0.05)
Widowed	0.42 (0.10)***	0.41 (0.09)***	0.41 (0.08)***	0.39 (0.08)***
Education (ref: HS or less)				
Some College	-0.14 (0.04)***	-0.18 (0.04)***	-0.19 (0.04)***	-0.14 (0.04)***
College or More	0.01 (0.05)	-0.27 (0.04)***	-0.25 (0.04)***	-0.16 (0.04)**
Retirement Account	0.21 (0.04)***	0.01 (0.04)	-0.04 (0.04)	-0.01 (0.04)
Other Investments	1.26 (0.04)***	0.42 (0.04)***	0.13 (0.04)***	0.13 (0.04)***
Own Home	0.72 (0.04)***	0.36 (0.04)***	0.37 (0.04)***	0.33 (0.04)***
Emergency Fund	--	1.65 (0.04)***	0.86 (0.04)***	0.82 (0.04)***
Overdraw Account	--	-0.51 (0.04)***	-0.09 (0.04)*	-0.10 (0.04)*
Plan for Retirement	--	0.15 (0.04)***	0.12 (0.03)***	0.09 (0.03)**
Check Credit Report	--	0.03 (0.03)	0.05 (0.03)	0.01 (0.03)
Credit Card Behavior (ref: revolve a balance)				
Pay off cards in full	--	0.90 (0.04)***	0.38 (0.04)*	0.36 (0.04)***
No credit card	--	0.01 (0.05)	-0.06 (0.04)	-0.07 (0.04)
Other Retirement Acct	--	0.18 (0.04)***	0.04 (0.04)	0.08 (0.04)**
Regularly Contribute	--	0.16 (0.04)***	0.01 (0.04)	0.02 (0.04)
Health Insurance	--	0.38 (0.05)***	0.21 (0.04)***	0.21 (0.04)***
Financially Fragile	--	--	-0.54 (0.04)***	-0.54 (0.04)***
Difficult to Pay Bills	--	--	-1.19 (0.04)***	-1.15 (0.04)***
Hardship Withdrawal	--	--	0.58 (0.08)***	0.42 (0.08)***
Financial Shock	--	--	-0.63 (0.03)***	-0.65 (0.03)***
Too Much Debt	--	--	-0.20 (0.01)***	-0.19 (0.01)***
Risk Tolerance	--	--	0.19 (0.01)***	0.18 (0.01)***
Sophistication (ref: low-low)				
High Obj.-High Subj.	--	--	--	0.05 (0.04)
High Obj.-Low Subj.	--	--	--	-0.33 (0.04)
Low Obj.-High Subj.	--	--	--	0.71 (0.04)***

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Adjusted R-square	0.27	0.39	0.51	0.52

* p<.05, ** p<.01, *** p<.001

Model I provided a baseline for the study. Model I was significant (F = 298, p<.0001) with each of the independent variables contributing to the predictive model of financial satisfaction. Roughly 26% of the variance was explained in the baseline model. This is consistent with previous analysis utilizing the 2009 NFCS data (Xiao et al., 2014). Being male was associated with higher financial satisfaction, as were the factors related to positive financial status (income level, owning a retirement account, having other investments, and owning a home). Being White or older were associated with lower levels of financial satisfaction, as was the presence of dependent children in the home. Individuals with some college were less satisfied than those with a high school degree or less, whereas widowed individuals reported higher satisfaction relative to single individuals.

For Model II, eight financial behaviors were introduced, and the model was significant (F = 389, p<.0001). With the added behavioral variables, the model effectively explained 39.5% of the variance in financial satisfaction, indicating a change in R^2 of .135, which was significant (p<.0001). Effects from Model I were consistent, with the addition of significantly higher satisfaction among married persons (relative to single individuals), and lower levels of satisfaction among college educated individuals. Further, with the addition of the financial behaviors, retirement account ownership was no longer a significant predictor of financial satisfaction. All of the financial behaviors except for the obtainment of a credit report were significant predictors of financial satisfaction for Model II. Each of the positive behaviors was associated with greater financial satisfaction, whereas overdraft behavior was associated with lower levels of satisfaction.

Factors related to financial strain were included in Model III, and the results indicated that these factors were all significant predictors of financial satisfaction and that the model itself was significant (F = 523, p<.0001). The inclusion of the measures related to financial strain resulted in a change in explained variance of .115 (p<.0001), with Model III explaining roughly 51% of the variance in financial satisfaction. Gender and the presence of dependent children were not significant as predictors of satisfaction when accounting for financial strain. Further, possession of some other retirement account and regular contributions to retirement were no longer significant from the available behaviors. Other effects were consistent with the prior model (II). All of the financial strain factors were associated with lower levels of financial satisfaction with the exception of taking a hardship withdrawal (positively associated with satisfaction). In addition to the measures of financial strain, the risk tolerance question was included in Model III, and this measure was positively associated with financial satisfaction.

The sophistication measure was added to generate Model IV, resulting in a final model that was significant (F = 503, p<.0001) that explained roughly 52% of the variance in financial satisfaction. The change in R^2 explained of .01 was significant (p<.001). Race was no longer a significant predictor of financial satisfaction once sophistication was incorporated into the model, though the remainder of the variables were consistent with

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the previous models, except for the fact that possession of some other retirement account regained statistical significance. In assessing the financial sophistication measure, individuals categorized as low objective-high subjective or high objective-low subjective, were significantly different from those in the reference group (low objective-low subjective). Those classified as low objective-high subjective demonstrated higher self-reported financial satisfaction relative to the control group, whereas the opposite effect was noted for those in the high-objective-low subjective group.

DISCUSSION

Early research into the nature of financial satisfaction indicated the importance of demographic variables (e.g., age, gender, and educational attainment). With the addition of complex factors such as financial behavior, financial strain, risk attitude, and financial sophistication, a more detailed picture of financial satisfaction emerges. Earlier studies that employed some of these measures took a more compartmentalized approach, providing valuable information with regard to specific factors such as financial strain (Garrett & James, 2013) or financial behavior (Xiao et al., 2014). The present model attempts to model the earlier theoretical work of Joo and Grable (2004) using a large, representative data set. Incorporating various aspects as detailed in Figure 1, findings indicate significant explanatory power for each of the factors in a comprehensive model of financial satisfaction. Whereas the first stages of the analysis (Models I and II) closely mirror results from previous research (Xiao et al., 2014), the addition of financial strain and financial sophistication provide clear improvements as predicted.

The subjective nature of financial satisfaction raises certain questions about how well this measure might explain reality for all respondents, as it is possible for some individuals to report very high satisfaction when they are not that well-positioned financially. Interestingly, many of the predictor variables included provide a consistent story regarding financial satisfaction, as individuals who are in a better financial position (whether it be owning a home or having available emergency funds) report higher levels of financial satisfaction. This is further strengthened by the largely consistent negative impact of the financial strain measures included in the model. These results provide evidence that this subjective measure may be at least somewhat grounded in objective reality for many people.

The one exception for the financial strain measure was the utilization of a hardship withdrawal from a retirement account, as respondents who employed this feature reported higher financial satisfaction. It is possible that exercising this option provides some immediate relief at a stressful time, thus it could reasonably improve short-term financial satisfaction in that respect. However, the present results are not able to consider the long-term ramifications of such actions, as timing issues cannot be explored with the present cross-sectional data. It may well be the case that hardship withdrawals serve an immediate need and are thus favorably viewed; however, the future cost of these activities may prove detrimental to future satisfaction. Another factor to consider would be the consumer's possible perception that retirement savings equate to emergency funds. The ability to tap into these funds to offset a financial strain or stressor may be seen as positive from the

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consumer's point of view, although a financial planner or therapist would not necessarily share that view when evaluating the consumer's long term financial well-being.

Both financial satisfaction and subjective financial knowledge are expressions of the individual respondent's perception of their situation at a point in time. As noted above, this perception may not align perfectly with reality, and the present study attempted to control for individuals' perceptions relative to reality with the measure of financial sophistication. Of particular interest for the present study was the existence of respondents whose perceptions were misaligned with their objective reality. These groups can be considered in turn as representing either over-confident (low objective-high subjective) or under-confident (high objective-low subjective) financial consumers. Either case may present potential difficulties for planners, counselors, and therapists. Previous exploration of over-confident group has indicated a greater likelihood to engage in high cost borrowing behavior (Robb et al., 2015), and the present findings indicate that these individuals also report higher levels of financial satisfaction relative to the least knowledgeable and least confident consumers. Overconfidence is frequently mentioned as a behavioral mechanism that leads to poor decision-making (Baker & Nofsinger, 2002; Plous, 1993; Thaler & Sunstein, 2008). It is entirely possible that overconfidence in one's financial abilities may lead to an overly optimistic assessment of one's financial situation.

On the opposite end of the spectrum, the results indicate that a significant portion of the population does not have confidence in their financial knowledge, resulting in a sub-population of under-confident consumers. Whereas there is less clear evidence regarding how this might impact behaviors or outcomes, the present results provide evidence of lower satisfaction among this group. In both cases, there is a possibility that financial therapy applications may help these individuals realign their subjective assessments with their objective reality, which could be beneficial to subjective well-being.

However, it should be noted that without a true objective assessment of an individual's financial situation (as the present data do not allow us to assess respondent's financial situation clearly), it is difficult to determine whether or not these subjective assessments are entirely accurate. If subjective assessments of financial satisfaction are systematically biased for many individuals, then the present results suggest potential avenues for financial therapists, counselors, and planners to assist clients in improving financial satisfaction, and thus overall well-being.

The findings related to under-confidence raise an interesting point about objective financial knowledge. Programs geared towards objective knowledge improvement may be sorely limited if programs are not designed to create adequate levels of confidence in that knowledge. This does not necessarily invalidate programs that seek to educate consumers, but it does raise questions as to whether simply focusing on objective knowledge is the most effective means of improving welfare. Prospective financial therapies and educational programs should consider the incorporation of specific financial practices and training in positive financial behaviors, along with methods of coping with specific financial stressors when the intent is the improvement of the individual's perceived financial satisfaction. Further attention might be directed towards helping people more effectively assess their

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own financial position, particularly in cases where there appears to be over- or under-confidence on the part of consumers.

Further research is warranted to address the limitations of this study, and to determine the direction and degree of these effects, as well as the underlying causal relationships that might exist. Due to the cross-sectional nature of these data, causality cannot be determined (that is, we cannot say that greater satisfaction is the direct result of greater financial knowledge, only that these two concepts are related) though the results are suggestive of interesting associations that may be beneficial to therapists, counselors, and planners who focus on financial issues. It should be noted that the results are based on potentially limited measures of knowledge, behavior, strain, and attitudes, and further discussion and analysis of these constructs is warranted. Do the five questions adequately represent objective financial knowledge? Do consumers really benefit from understanding the movement of bond prices with regard to interest rates, or are there other areas of knowledge that are more applicable from a general satisfaction standpoint? The selected financial behaviors and stressors do not represent the full complement of options available to consumers. Further, the present data did not provide much in the way of financial attitudes, as only risk tolerance was available for assessment. The NFCS survey did provide the necessary components for an initial test of the Joo and Grable (2004) framework, though future research should consider incorporating more complete measures of the chosen constructs.

CONCLUSIONS

Financial satisfaction is a worthy goal from both an individual standpoint and a societal perspective (Garman et al., 1996; Zimmerman, 1995). Practitioners, including financial therapists, counselors, and planners, who have the opportunity or obligation to assist individuals with their well-being must be aware of the role of financial satisfaction in well-being, and the factors that influence financial satisfaction. This preliminary research sheds some light on the factors that predict financial satisfaction and directions that can be taken to refine and improve the relationship.

It is helpful for practitioners to be aware of the impact of both positive financial behaviors and adverse financial circumstances resulting in financial strain on an individual's perception of his or her financial satisfaction, particularly relative to financial knowledge. Thus, a practitioner may wish to develop a financial therapy intervention that involves specific tasks, such as saving a specific amount of money each month for emergencies, rather than focusing on education or more conceptual issues such as the relationship between interest rates and bond prices. Likewise, educational applications can be developed around financial tasks and checklists of activities before addressing more conceptual issues such as portfolio diversification. In addition, an effective plan for improving financial satisfaction may entail strategies for coping with financial hardship, providing tools for accepting financial problems and engaging in appropriate actions to improve conditions.

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Clients who fall into the “overconfident” attitude group present a unique challenge to financial therapists, planners, and counselors. While they tended to have higher levels of financial satisfaction than other respondents, they may need an objective assessment of their financial situation and overall well-being in order to make progress. In this case, education in objective financial principles and decision-making may be called for to ground the clients and prepare them for their next developmental steps. Likewise, therapists and counselors are encouraged to take the opportunity to focus on specific behaviors such as paying credit card bills in full each month or avoiding overdrafts. An emphasis on positive behavior should have a “dual” effect, as positive behaviors enhance personal financial satisfaction while also improving financial standing and mitigating financial stress when practiced regularly. Teaching the “how” appears to be the primary action toward improving financial satisfaction, with the “why” question trailing in significance. Therapeutic interventions and educational programs targeting behaviors rather than understanding concepts are potentially more beneficial to students, clients, and other stakeholders.

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An Economic Model of Mortality Salience in Personal Financial Decision Making: Applications to Annuities, Life Insurance, Charitable Gifts, Estate Planning, Conspicuous Consumption, and Healthcare

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The study of personal mortality salience and the denial of death have a long history in psychology leading to the modern field of Terror Management Theory. However, a simple consumer utility function predicts many of the outcomes identified in experimental research in this field. Further, this economic approach explains a range of otherwise unexpected financial decision-making behaviors in areas as diverse as annuities, life insurance, charitable gifts and bequests, intra-family gifts and bequests, conspicuous consumption, and healthcare. With its relevance to such a wide range of personal financial decisions, understanding the impact of mortality salience can be particularly useful to advisors in related fields.

Keywords: mortality salience; terror management theory; annuities; life insurance; charitable gifts; healthcare

"I intend to live forever. So far, so good."

– Comedian Steven Wright

INTRODUCTION

A long history of work in psychology – beginning with Otto Rank (1941/2011), popularized by Ernest Becker (1973), and experimentally tested for decades by modern researchers (Burke, Martens, & Faucher, 2010) – called Terror Management Theory (TMT) suggests that humans treat personal mortality awareness far differently than other types of objective information. This paper proposes that a simple consumer utility function predicts many behaviors identified in TMT experimental research and provides insight into a wide range of otherwise perplexing behaviors with relevance to financial decision making. Understanding the sometimes unexpected implications of the model for financial

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decisions involving contemplation of personal mortality can generate practically useful strategies for advisors seeking to understand and assist clients in advancing personal and family well-being.

MORTALITY SALIENCE IN PSYCHOLOGY

Originally rooted in complex notions of post-Freudian psychoanalysis, TMT suggests that the awareness of impending death creates anxiety or "terror," and the central task of various psychological constructs is to manage this fear (Becker, 1973; Rank, 1941/2011). A modern extension of these concepts holds that personal mortality salience generates two types of defenses: first, avoidance, and second, pursuit of symbolic immortality (Pyszczynski, Greenberg, & Solomon, 1999).

Initial Avoidance

In general, people express an aversion to focusing on their own death. In a standard work on the psychology of death, Kastenbaum (2000, p. 98) explains that there is "general agreement that most of us prefer to minimize even our cognitive encounters with death." Avoiding personal mortality related thoughts can be accomplished in a number of ways such as distraction (Greenberg, Pyszczynski, Solomon, Simon, & Breus, 1994), active suppression (Arndt, Greenberg, Solomon, Pyszczynski, & Simon, 1997), or biasing estimates of vulnerability (Greenberg, Arndt, Simon, Pyszczynski, & Solomon, 2000).

Induced Avoidance

Beyond this general tendency towards avoidance, experimentally-induced mortality reminders actually increase subsequent tendencies to suppress death-related interactions (Arndt et al., 1997; Greenberg et al., 2000). For example, experimentally-induced mortality reminders lead to increased denial of personal characteristics said to result in early death (Greenberg et al., 2000).

Symbolic Immortality

Avoidance, however, is not a complete solution to managing the fear of death because the inevitable reality of mortality persists. As a second defense, people may engage in the pursuit of symbolic immortality. Pyszczynski, Greenberg, and Solomon (1999) explained, "the hope of symbolic immortality is provided by enabling individuals to feel a part of something larger, more powerful, and more eternal than themselves, such as the family, church, nation, corporation, or other enduring social entities" (p. 836). Although the person will die, some impact will live on through one's surviving in-group, making the support and maintenance of the in-group particularly important.

Accordingly, mortality salience increases the desire to be remembered by and to support one's surviving in-group members, and to oppose surviving out-group members. The increased desire for remembrance can be seen in that mortality reminders increase the desire for fame (Greenberg, Kosloff, Solomon, Cohen, & Landau, 2010), the perception of

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one's past significance (Landau, Greenberg, & Sullivan, 2009), and even the interest in naming a star after one's self (Greenberg et al., 2010). Increased willingness to support one's in-groups, and resist out-groups, can be seen in the effect of mortality reminders on increasing negative ratings by Americans of anti-US essays (Burke et al., 2010), increasing German preference for the German mark instead of the euro (Jonas, Fritsche, & Greenberg, 2005), increasing the predicted success of the national soccer team (Dechesne, Greenberg, Arndt, & Schimel, 2000), increasing negative ratings of foreign candy (Friese & Hoffmann, 2008), and increasing support for more nationalistic political figures (Burke et al., 2010).

Although these core TMT principles do not cover the wide range of complexities, causes, and implications found in the field, they represent important points of agreement well supported by experimental results. The next section demonstrates how similar principles, as well as others, arise from an economic approach using a simple consumer utility function.

AN ECONOMIC MODEL OF CONSUMPTION WITH DEATH DENIAL

Definition of the Economic Model

Following Brunnermeier and Parker (2005), consumers maximize expected well-being, defined both by current circumstances and by expectations regarding future circumstance at each period. The inclusion of expectations of the future as an independent source of current well-being leads to a divergence between optimal expectations and rational expectations. Brunnermeier and Parker (2005) explained, "optimal beliefs trade off the incentive to be optimistic in order to increase expected future utility against the costs of poor outcomes that result from decisions made based on optimistic beliefs" (p. 1096).

In the simplest model incorporating anticipatory utility, the consumer in a two period game seeks to maximize felicity, W, where c_1 is current consumption, δ is the discount function for anticipatory utility from subjectively estimated future consumption, $\hat{c}_2$, and β is the discount function for actual future consumption, c_2. As a simple illustration, the purchase of a new pair of designer shoes can contribute to felicity because the consumer can immediately wear them, $u(c_1)$, can immediately enjoy the anticipation of wearing them at an important future event, $\delta u(\hat{c}_2)$, and later can enjoy actually wearing them at the future event, $\beta u(c_2)$.

$$W = u(c_1) + \delta u(\hat{c}_2) + \beta u(c_2)$$

Next, following Gary Becker (1974), utility is affected not only by personal consumption, c, but also by the circumstances of others, R. This utility from the circumstances of those in one's social environment, R, may represent either positive interdependence, as with a loved one, or negative interdependence, as with an enemy. Because future personal consumption is contingent on the consumer's survival to the future period, s [0,1], anticipatory utility from future personal consumption is contingent on the consumer's subjective beliefs regarding survival to the future period, $\hat{s}$ [0,1]. In

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contrast, the consumer may gain anticipatory utility from the future circumstances of others, R_2, even in a condition where the consumer will not survive to the future period. Although the consumer who does not survive will be unable to personally observe and appreciate the circumstances of others during the future period, the consumer can still gain anticipatory utility from his or her impact upon those future circumstances. In this approach, the only element of uncertainty subject to optimism is the consumer's subjective estimation of the probability of survival, $\hat{s}$, which may differ from an objective survival estimate, s, by incorporating death denial, d [0,1]. Thus, in this expanded form, the consumer seeks to maximize.

$$W = u(c_1, R_1) + \delta u(\hat{c}_2, R_2) + s\beta u(c_2, R_2), \text{ where } \hat{c}_2 = \hat{s}^* c_2 \text{ and } \hat{s} = s + d_*(1-s)$$

To return to the simple illustration, in the expanded model the consumer can also receive felicity by giving a new pair of designer shoes to a friend from the friend's immediate use of the shoes, $u(R_1)$, from the immediate contemplation of the friend's use of the shoes at an important future event, $\delta u(R_2)$, and later from actually observing the friend wearing the shoes at the future event, $s\beta u(R_2)$. Additionally, the expanded model incorporates the objective, s, and subjective, $\hat{s}$, likelihood that the consumer will survive to the future event. As before, the consumer may purchase a pair of shoes for his or her own use and immediately enjoy the anticipation of wearing them at an important future event. But now, that enjoyment, $\delta u(\hat{c}_2)$, depends upon the consumer's subjective estimate of the likelihood of surviving to the future event, $\hat{c}_2 = \hat{s}^* c_2$. In contrast, enjoyment from the immediate anticipation of the friend's use of the shoes at the future event, $\delta u(R_2)$, is not dependent upon the consumer's survival.

Anticipatory utility is assumed to be non-decreasing in inputs and subject to diminishing marginal utility separately for anticipatory utility from expected future consumption, $u'(\hat{c}_2)>0$ & $u''(\hat{c}_2)<0$, anticipatory utility from expected future circumstances of others, $u'(R_2)>0$ & $u''(R_2)<0$, and combined as total anticipatory utility, resulting in negative cross-partials, $\partial u'(\hat{c}_2)/\partial R_2<0$ & $\partial u'(R_2)/\partial \hat{c}<0$.

Finally, developing and maintaining a bias, such as death denial, is not costless but requires effort. Thus, an exogenous personal mortality reminder could reduce the death denial bias, consequently requiring additional investments to rebuild the bias to the pre-reminder level. The consumer is constrained by a budget, B, that can be used to purchase a vector of market or self-produced goods and services, X. These expenditures can influence current personal consumption, X_{c1}, current circumstances of others, X_{R1}, future circumstances of others, X_{R2}, future personal consumption if the consumer survives, X_{c2}, objective survival probability, X_s, or help to bias or ignore estimates of the consumer's survival probability, X_d. As in Lancaster (1966), goods are inputs in which the output is a collection of characteristics, and utility comes from these characteristics. Thus, a single good or service may have multiple impacts in each of these categories of characteristics. Although such characteristics may be bundled within a specific good, prices p_{c1}, p_{c2}, p_s, p_d, p_{R1}, and p_{R2}, reflect the latent unbundled price structure, assumed to be non-decreasing, for each separate characteristic type via current efforts and expenditures.

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$$B = p_{c1}X_{c1}+p_{c2}X_{c2}+p_sX_s+p_dX_d+p_{R1}X_{R1}+p_{R2}X_{R2}$$

Current personal consumption, c_1, includes the vector of characteristics of goods and services both from current period purchases, X_{c1}, and from all sources outside of current purchases (e.g., pre-existing capital assets or public goods). The same concept applies to all other budget elements. For example, the current, R_1, or anticipated future, R_2, circumstances of all others includes those generated by the consumer's expenditures, X_{R1} or X_{R2}, and those existing outside of such expenditures. The objectively estimated probability of survival, s, consists of current expenditures affecting longevity, X_s, and mortality-related circumstances outside of such expenditures. The consumer's level of death denial, d, is influenced by current efforts affecting death denial, X_d, and death denial circumstances outside of such efforts. As with any maximizing consumption decision, at equilibrium, the marginal utility from spending on any inputs will be equal for all inputs with a positive investment.

Discussion of the Economic Model

Kopczuk and Slemrod (2005) presented the only previous economic model explicitly incorporating death denial, explaining "we argue that anxiety associated with thinking about death may in some circumstances lead people to repress, or deny, news about their mortality" (p. 2). The current approach differs from Kopczuk and Slemrod's (2005) model in several ways, including incorporating the consumer's social environment, R_1 and R_2, and removing the requirement for an *a priori* assumption that death contemplation must cause anxiety (although allowing that such a reaction would be likely).

Death denial need not mean that a consumer is unable to estimate accurate survival probabilities, only that he or she does not always apply such estimates in specific consumption decisions when optimism is the felicity-maximizing subjective expectation for that decision. The idea that people routinely apply rosier predictions about their own future than is objectively warranted (i.e., "optimism bias") is not new (Sharot, 2011), nor is an economic model that explicitly allows for information repression and self-deception in support of these self-serving beliefs (Bénabou & Tirole, 2002). Similarly, the idea that people can invest effort to *increase* their appreciation of a future event is not new to economics (Becker & Mulligan, 1997; Böhm-Bawerk, 1891). Allowing death denial suggests that by similar means a person may put forth effort to *decrease* appreciation of a specific future event (i.e., his or her death).

The effort spent in biasing applied mortality estimates cannot be used for other production or leisure activities, and thus is subject to a personal time and effort budget constraint. As in previous approaches (Becker & Mulligan, 1997; Bénabou & Tirole, 2002), such efforts may include laboring to enhance the vividness of optimistic imaginations, purposeful information repression, and the active avoidance of undesirable reminders.

In addition to such personal efforts, spending money on certain goods or services can aid in death denial. For example, quack medicine or placebo treatments often provide a

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plausible story, a convincing "expert," and a community of followers, all of which may facilitate biasing mortality estimates or avoiding death contemplation.

Derivation of TMT and Other Predictions from the Economic Model

As derived by Brunnermeier and Parker (2005), incorporating anticipatory utility leads to optimism bias in predicting future circumstances. Where optimism regarding future survival is optimally present (d>0), exogenously reducing this optimism, such as by a morality salience reminder, lowers anticipated future period personal consumption by reducing the survival estimate, $\hat{s}$, applied to future consumption. This reduces utility from current period anticipation of future circumstances.[1] Consequently, if re-establishing optimism is costly (p_d>0), the consumer will avoid engaging with mortality salient topics that lower death denial unless there is an offsetting gain in objective longevity, s, consumption, c_1 or c_2, or social environment, R_1 or R_2. This corresponds with "initial avoidance" in TMT.

A shock that exogenously lowers death denial, d, lowers the subjective probability of survival to the future period, $\hat{s}$, and thereby lowers subjectively estimated future consumption $\hat{c}_2$. Because the anticipatory utility from this subjectively estimated future consumption, $\hat{c}_2$, is subject to diminishing marginal utility, $u'(\hat{c}_2)>0$, the immediate marginal utility of $\hat{c}_2$, and thus inputs *d and s,* will rise. However, this may not occur for the input of future consumption, c_2, as the drop in death denial itself, d, reduces the effectiveness of this input in generating subjectively estimated future consumption, $\hat{c}_2$, and hence in generating anticipatory utility. Additionally, the diminishing marginal utility of overall combined anticipatory utility, $\delta u(\hat{c}_2, R_2)$, also raises the immediate marginal utility of input R_2 (this from the negative cross-partial, $\partial u'(R_2)/\partial \hat{c} < 0$). Thus, the exogenous shock should increase investments in p_dX_d, p_sX_s, and/or $p_{R2}X_{R2}$ relative to investments in $p_{c1}X_{c1}$, $p_{c2}X_{c2}$, and $p_{R1}X_{R1}$. The increased investment in p_dX_d corresponds with "induced avoidance" in TMT. The increased investment in $p_{R2}X_{R2}$ corresponds with pursuit of "symbolic immortality" (increased support for in-group members and resistance to out-group members) in TMT.

Beyond replicating these core predictions from TMT, this approach suggests additional implications with regard to objective longevity, s. Because objective survival probability, s, and death denial, d, are similar inputs to the subjective probability of survival, $\hat{s}$, reducing the objective probability of survival, s, such as through aging or health shocks, should have effects similar to experimental manipulations that reduce death denial, d. As described above, such exogenous reductions in d (or s) would generate increased investment in p_sX_s, p_dX_d, and/or $p_{R2}X_{R2}$. The choice of which depends upon the relative cost and effectiveness of each.

[1] This still holds when survival contingent transfers of goods originally intended for c_2, i.e., bequests, are allowed. Such transfers result in lost utility whenever the desire for own future consumption, c_2, differs from the desire for future impact on another, R_2. For example, another may inherit clothes purchased for the consumer's use, but this transfer will likely generate less anticipated utility than a comparable purchase originally intended for the other's future use.

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The increased marginal utility of R_2 relative to c_1, c_2, or R_1 would increase the relative desire for future social impact as objective longevity falls. But, the relationship with s and d is more complex. Death denial, d, and objective survival probability, s, are substitutes that crowd each other out, $\hat{s} = s+d*(1-s)$. At the extreme, a person with 100% death denial would receive no anticipatory utility benefit from improving objective longevity (e.g., via health-related investments or reducing risky behaviors). Conversely, improvements to objective longevity generate the greatest anticipatory utility impact when death denial does not exist. This trade-off is particularly important when pursuit of each is mutually exclusive. For example, getting tested for a life-threatening disease or accepting the mortality dangers of one's risky behaviors would likely generate higher mortality salience, thus lowering d, but could also increase objective longevity, s, due to early detection or behavioral changes. A person who believes he or she can have little additional impact on his or her health (i.e., perceives a high or unattainable marginal cost structure for p_sX_s) would be relatively more likely to invest in death denial, p_dX_d.

APPLICATIONS AND EXAMPLES

Annuities

Planning for retirement with a fixed sum of money presents a challenge in large part because of statistical uncertainty about the duration of life. For example, about 20% of 65-year olds in the U.S. will live fewer than ten years, but another 20% will live 25 or more years (Lockwood, 2012). Economists have long held that the optimal solution involves the purchase of annuities (Benartzi, Previtero, & Thaler, 2011; Yaari, 1965). Yet, consumers rarely take advantage of this potentially optimal financial choice, with only about 3.6% of recent retirees having purchased any life annuities (Lockwood, 2012). This behavioral conundrum has been dubbed the "annuity puzzle" and explaining it "has proven so difficult as to prompt a search for explanations outside the rational model" (Lockwood, 2012, p. 226).

If annuity contemplation generates increased personal mortality salience, and thus potentially decreased death denial, the implications of the proposed model become relevant. Given that an annuity involves an explicit bet on one's own longevity, such an effect is logical. Salisbury and Nenkov (2016) demonstrated this experimentally. Participants rated either the likelihood that at age 65 they would put accumulated savings into an IRA or the likelihood that at age 65 they would put accumulated savings into an annuity. When asked to list the thoughts going through their mind during the decision, 1% of those in the IRA condition spontaneously mentioned death-related thoughts, as compared with 40% of those in the annuity condition.

By the *initial avoidance* implication, this mortality salience feature of annuities would create consumer resistance. To test this causal link, Salisbury and Nenkov (2016) varied the description of annuities to increase mortality salience by replacing "each year you live" with "each year you live until you die", and "if the annuity holder lives up to different ages" with "depending on the age when the annuity holder dies" (p. 7). This

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change increased mortality salience. A higher share of respondents reported death-related thoughts during the annuity decision process, including the death terms. Further, this increase in death-related thoughts generated a lower interest in purchasing annuities. Mediation analysis confirmed that the reduction in interest generated by the annuity description change was fully mediated by the change in death-related thoughts (Salisbury & Nenkov, 2016).

The *induced avoidance* implication suggests that other death reminders should make annuities – themselves a reminder of mortality – even less attractive. Salisbury and Nenkov (2016) also found this to be true. In a separate experiment, participants were randomly assigned to write an essay about either dental pain or their own death before indicating their interest in purchasing an annuity at age 65. Among those who first wrote about their own death, only 23% expressed interest in purchasing an annuity at age 65, while 41% of the comparison group did so.

The *symbolic immortality* implication suggests an additional reason for resistance to a standard annuity. This implication holds that a death reminder, such as annuity contemplation, should increase the relative desire for future social impact, R_2. But, a standard annuity protects lifetime consumption, c_1 and c_2, at the cost of a bequest transfer – a form of future social impact - R_2. Increasing bequest motivation will decrease interest in standard annuities (Friedman & Warshawsky, 1990; Lockwood, 2012). This might also explain why about three-fourths of all annuities owned by recent retirees actually contain bequest benefits, or survivor benefits (Lockwood, 2012).

A contrary argument is that the presence of death denial should lead to excessive annuity purchases, given optimistic estimations of longevity. However, because such optimism is limited by objective impact on future outcomes, $s\beta u(c_2, R_2)$, within the limited context of this significant investment choice lowering death denial becomes maximizing, thus preventing excessive purchases. After such a choice not to invest, however, the consumer is left worse off, having lowered death denial below what is optimal outside of the limited context of this significant investment choice. Thus, the maximizing approach is to avoid or postpone contemplation of the annuity purchase altogether.

Life Insurance

The purchase of life insurance represents another behavioral "puzzle." Relative to their risk exposure, older adults tend to be over-insured, while younger families tend to be under-insured (Chambers, Schlagenhauf, & Young, 2011). Based on standard consumption smoothing models, the peak value for life insurance arises at age 30, yet the propensity to own life insurance actually peaks in the late 60s (Chambers et al., 2011). In a study of life insurance holdings by those in their 50s and early 60s, nearly half of married people "were protected by life insurance even though they faced no underlying vulnerabilities" (Bernheim, Fornie, Gokhale, & Kotlikoff, 2003, p. 360). In contrast, another study found that among secondary earners in their 20s and 30s, only one-in-five "held sufficient life insurance to avert significant or severe financial consequences" (Bernheim, Carman, Gokhale, & Kotlikoff, 2003, p. 532). The authors summarized succinctly, "life insurance is

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essentially uncorrelated with financial vulnerability at every stage in the life cycle" (Bernheim et al., 2003, p. 531).

Purchasing term life insurance is, in essence, pure death planning, suggesting that contemplation of such purchases would generate mortality salience. Fransen, Fennis, Pruyn, and Das (2008) confirmed this experimentally, finding that simply exposing participants to a life insurance company logo increased their mortality salience. Similarly, Rockloff, Browne, Li, and O'Shea (2014) used a question about owning a life insurance policy to trigger mortality salience.

By the *initial avoidance* implication, the mortality salience feature of life insurance would lead consumers to resist, and hence delay, the initial *purchase* of life insurance. Yet, if a consumer had a long-standing policy, contemplating *cancellation* might also heighten mortality salience, creating resistance and delay even when the original need had disappeared. Separately, advancing age reduces objective longevity, s, increasing the marginal utility of investing in future social impact, $p_{R2}X_{R2}$, such as through a life insurance bequest, relative to other investments, $p_{c1}X_{c1}$, $p_{c2}X_{c2}$, or $p_{R1}X_{R1}$.

Combining the *initial avoidance* and *symbolic immortality* implications may explain why life insurance is "sold and not bought" (Bernheim et al., 2003, p. 354). Consumers will tend to avoid decision making that induces mortality salience, such as contemplating life insurance purchases. However, if a salesperson were able to induce mortality salience – by forcing contemplation of life insurance or otherwise – then the consumer's attraction to the bequest benefit, R_2, of the product would increase. This results in a product that could be "sold" even if, without a salesperson, it would not be "bought." However, to the extent that such salespeople are associated with death contemplation, the *initial avoidance* implication suggests that consumers will tend to avoid them. This may explain the tendency for life insurance agents to adopt substitute titles such as financial advisor (Rosh, 2015). Further, it may help to explain the relative attraction of whole life products that allow for initial discussion of non-death-related savings goals, albeit with an ancillary death-related component, as compared with the pure death planning of term life insurance.

Charitable Gifts

Charitable gifts are one method of making investments in the circumstances of others, such as improving others' welfare or improving others' opinions of the donor. The *symbolic immortality* implication suggests that inducing mortality salience will increase the marginal utility of investments in future social impact, $p_{R2}X_{R2}$, relative to current, $p_{c1}X_{c1}$, or future, $p_{c2}X_{c2}$, consumption experiences. Correspondingly, experimental research has found that death reminders increased giving and favorability toward charities that support one's social affiliations (Jonas, Schimel, Greenberg, & Pyszczynski, 2002) or one's salient social norms (Jonas, Sullivan, & Greenberg, 2013). Further, death reminders increased satisfaction resulting from sharing money with others (Zaleskiewicz, Gasiorowska, & Kesebir, 2015).

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The same implication suggests that inducing mortality salience will increase the marginal utility of investments in future social impact, $p_{R2}X_{R2}$, relative to immediate social impact, $p_{R1}X_{R1}$. Wade-Benzoni, Tost, Hernandez, and Larrick (2012) provided an experimental test of this concept. Participants were entered into a drawing for $1,000 and were given the opportunity to pre-commit some of their potential winnings to a charity benefiting people in impoverished communities. Half of the participants read that the charity was "focused on meeting the immediate needs of people in those communities." The other half read that the charity was "focused on creating lasting improvements that would benefit people in those communities in the future." Thus, the two descriptions roughly corresponded to the R_1 and R_2 concepts of the proposed model. Half of those in each group were exposed to a death reminder prior to making the charitable giving decision. For those not exposed to a death reminder, the description focused on immediate social impact generated a higher average gift amount ($257.77) than the description focused on lasting improvements ($100.00), $p_{R1}X_{R1}>p_{R2}X_{R2}$. However, under mortality salience, the description focused on immediate social impact generated a lower average gift amount ($80.97) than the description focused on lasting improvements ($223.98), $p_{R1}X_{R1}<p_{R2}X_{R2}$. Therefore, this result corresponds with the model's implication that inducing mortality salience will increase the desire for future social impact, R_2, relative to immediate social impact, R_1.

Separately, the popularity of charitable gift annuities, estimated to hold $15-$20 billion (Behan & Clontz, 2005) despite their low return and high risk relative to commercial annuities, may be explained, in part, by an increased desire for future social impact, R_2, generated by the mortality salience inherent in annuity contemplation. A charitable gift annuity allows a donor to purchase fixed lifetime payments, lower than those available for commercial annuities, from the charity that, depending upon the state of issuance, may have no reserves to support the payments (American Council on Gift Annuities, 2016). Nevertheless, because any unused portion benefits the charitable organization at the death of the annuitant, a charitable gift annuity provides the future social impact, R_2, missing from a traditional commercial annuity.[2]

Estate Planning

The *initial avoidance* implication is consistent with the underutilization of estate planning documents. In the U.S., roughly half of adults age 55 and over have no estate planning documents (James, 2015). If this implication is influential then using descriptions limiting death references should increase interest, just as with annuity descriptions (Salisbury & Nenkov, 2016). James (2016) found experimentally that avoiding extraneous death-related terms when describing a charitable bequest gift significantly increased interest in making such gifts.

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[2] The *symbolic immortality* implication may also explain why it is rare for a donor to either purchase a commercial annuity with cash and donate the price difference to a charity, or to request that the charity immediately spend the actuarial estimated residual rather than waiting for the donor's death. As compared with the typical charitable gift annuity, both would exchange future charitable benefit, R_2, for immediate charitable benefit, R_1.

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Poterba (2001) and Kopczuk and Slemrod (2003) demonstrated that those with taxable estates substantially underutilize the significant tax advantages of making immediate gifts to family members in place of bequest transfers. Kopczuk and Slemrod (2005) attributed this to "the refusal to face up to one's mortality" (p. 19), which fits with the *initial* and *induced avoidance* implications of the current model. In addition, estate planning increases mortality salience, which, by the *symbolic immortality* implication, increases the value of investments in future social impact, $p_{R2}X_{R2}$, such as a bequest gift to family members, relative to investments in immediate social impact, $p_{R1}X_{R1}$, such as a current gift to family members. This implication corresponds not only with the underutilization of tax advantaged immediate gifts in estate planning, but also with the common form of these transfers. In practice, taxpayers often access these tax advantages by making current gifts to an irrevocable life insurance trust or a dynasty trust that will not benefit the recipient until well after the donor's death (Willms, 2000). Thus, in accordance with the *symbolic immortality* implication, the taxpayer uses the tax benefit of immediate gifting, R_1, but does so in a way that generates only a future benefit to heirs, R_2.

These future circumstances of others, R_2, may also include others' opinions of the consumer even when the consumer is deceased at the future time. Such opinions commonly relate to compliance with or violation of socially accepted norms. Thus, social norm reminders may have a heightened importance in a mortality salient decision context such as estate planning. Correspondingly, in the United Kingdom, Sanders, Halpern, and Service (2013) found that inclusion of a charitable bequest increased more than three-fold when the drafting professional included a social norm statement by mentioning, "many of our customers like to leave money to charity in their will" (p. 22). In the United States, James (2016) reported a similar effect for a social norm statement in the charitable bequest context.

Conspicuous Consumption

Some goods may have benefits both from personal consumption experience and from their effect on others. Wong (1997, p. 197) defined conspicuous consumption as a circumstance "in which product satisfaction is derived from audience reaction rather than utility in use." A luxury good or socially-conscious good (e.g., those with fair trade labels or associated charitable transfers) may be desired in part because it affects others opinions of the consumer, or because it encourages others to adopt socially beneficial practices. The portion of this social impact that continues into the future is a form of R_2.

The *symbolic immortality* implication suggests that mortality salience will shift preferences toward those products with elements of desirable future social impact, R_2, relative to those products with only personal consumption characteristics, c_1 and c_2. Accordingly, Kasser and Sheldon (2000) found that mortality salience increased plans to purchase luxury products in the future. Others have found that mortality salience increased the desire for luxury products – Lexus car, Jaguar car, Rolex watch, famously expensive sweets, or other luxury brands – but not for products without such features – economy car, potato chips, or non-luxury brands (Heine, Harihara, & Niiya, 2002; Mandel & Heine, 1999; van Bommel, O'Dwyer, Zuidgeest, & Poletiek, 2015).

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The same effect can be seen for socially-conscious purchases. Mortality salience, when combined with reminders of pro-environmental social norms, increased the desire for an environmentally-friendly vehicle, Toyota Prius, and an environmentally-friendly reusable cup while decreasing the desire for a less environmentally-friendly vehicle, Ford Expedition, and a less environmentally-friendly disposable cup (Fritsche, Jonas, Kayser, & Koranyi, 2010). Maheswaran and Agrawal (2004) suggested that in consumer purchase decisions, "when mortality is salient, people are more willing to act in concert with the opinions of others" (p. 214). Thus with both luxury and environmentally-friendly products, the opinions of others – an example of a characteristic of others that can persist in the future even without the consumer's survival (i.e., R_2) – becomes more important as the result of inducing mortality salience.

End-Of-Life Healthcare Spending

Given that the majority of health care costs arise in the final year of life, advance medical directives could have a dramatic impact on survivor financial circumstances, as well as the fulfillment of patient desires (Horn & Meulen, 2014). Despite this potential impact, and free availability from medical care providers, only about 8% to 17% of adults over age 65 have advance directives (Musa, Seymour, Narayanasamy, Wada, & Conroy, 2015). The underutilization of advance directives is consistent with the mortality-salience *avoidance* implications of the current approach.

If the avoidance implications are relevant, then de-emphasizing death-focused language should be useful. Experimental research has found such framing to be influential not only in death-related financial decisions, such as annuities (Salisbury & Nenkov, 2016) and charitable bequests (James, 2016), but also in medical decisions. For example, people are more willing to accept a treatment presented as having a 90% chance of survival than one presented as having a 10% chance of death (McNeil, Pauker, Sox, & Tversky, 1982). Accordingly, Payne, Prentice-Dunn, and Allen (2009) found that a more death-focused, threatening intervention was less successful in generating completed advance directives than a positive intervention encouraging healthy aging. Discomfort with personal mortality can also lead healthcare workers to avoid broaching end-of-life planning discussions, with potentially serious negative consequences for the patient (Morrison, Morrison, & Glickman, 1994; Volandes, 2015). Peck (2009) found that oncology social workers with greater death anxiety were less likely to communicate with patients about advance directives.

Contrary to those who support advance directives, Jaworska (1999) presents an objection based upon the inability of the current self to predict the future self's preferences. Such an objection actually corresponds with the current model, which suggests that preferences will change as objective longevity, s, falls. Specifically, exogenous reductions in objective survival, s, should generate increased investment in longevity, p_sX_s, death denial, p_dX_d, and/or future social impact, $p_{R2}X_{R2}$. The increased willingness to invest in longevity-related healthcare, p_sX_s, corresponds with results from Matsuyama, Reddy, and Smith (2006) who found that those actually facing the end of life were much more likely to choose extreme treatment options with small benefits than were well persons making similar decisions. Tsevat et al.'s (1998) finding also reflects a relatively high desire for increased

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longevity at the end of life; among patients aged 80 years or more who were currently in the hospital, over two-thirds were unwilling to trade even 10% of life expectancy in exchange for excellent health. Even when treatments lose their objective medical efficacy, they may still have value in generating false hope, or death denial. This desire for investing in false hope, p_dX_d, may help to explain Emanuel and colleagues' (2003) finding that Medicaid patients nearing the end of life were just as likely to use chemotherapy whether or not their type of cancer was considered responsive or unresponsive to chemotherapy.

Separately, the current approach suggests an increased desire for investments in future impact on others, $p_{R2}X_{R2}$, resulting from diminished longevity. This is consistent with evidence that a terminal diagnosis can lead to a rapid shift in personal attitudes and values to become more other-centered, including increases in empathy, forgiveness, helping, compassion, and social bonding (Vail et al., 2012; Yalom, 2015). Of course, aging also reduces life expectancy. Correspondingly, Schoklitsch and Baumann (2012) observed that generativity or "the concern in establishing and guiding the next generation" is a particularly important focus at older ages (p. 262).

Health Promotion Using Mortality Risk

In a simple rational approach, a health promotion campaign emphasizing mortality risk should generate immediate behavioral adjustments that enhance consumer welfare and longevity. However, acting on this information requires the consumer to accept his or her own personal mortality risk. Such acceptance runs counter to maintaining death denial, *d*. Thus, in response to the mortality salience generated by the death-focused campaign, the consumer could pursue longevity, *s*, at the cost of diminished death denial, *d*, or vice-versa.

The choice to pursue death denial is seen in examples such as people responding to information about health risks by engaging in consumption, such as drinking, designed to dull the awareness of the health risk (Leventhal, 1970), or refusing to learn of their HIV status, specifically citing the desire to avoid the resulting psychological distress (Lyter, Valdiserri, Kingsley, Amoroso, & Rinaldo, 1987).

The choice of which path to pursue, investing in either p_sX_s or p_dX_d, will depend upon the perceived cost structure for acquiring each. Accordingly, Arndt, Routledge, and Goldenberg (2006) found that among women who strongly believed they could influence their health, death reminders increased intentions to engage in breast self-examination for cancer detection. But, among those who had low expectations of their ability to influence their health, death reminders reduced these same intentions. More generally, Witte and Allen (2000), in a meta-analysis of public health campaigns, found that stronger (commonly more mortality salient) fear appeals were simultaneously more likely to produce health-promoting behavior and were also more likely to produce defensiveness. The determining factor influencing the choice of response was the consumer's perceived efficacy in improving the health outcome with behavior change (Witte & Allen, 2000). In the current model this perceived efficacy is represented as the perceived cost structure for p_sX_s.

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Thus, health promotion campaigns highlighting mortality risk may consider including information on the efficacy and ease of the proposed behavior change – unless the behavior is self-evidently easy (Kareklas & Muehling, 2014) – or alternatively, adding non-death related motivations (e.g., "smoking is disgusting" instead of "smoking kills"). Of course, avoidance does not require denying mortality risks that don't apply to one's self. This fits with experimental results finding that people are more likely to challenge the accuracy of negative medical information if it applies to their behavior (Kunda, 1987), or suggests that they are at risk (Jemmott, Ditto, & Croyle, 1986), than if it does not.

Other Personal Financial Behaviors

The proposed economic model has the potential to inform personal financial behaviors in other areas. For example, Ameriks and associates (2015) identified a "long-term care insurance puzzle" where people hold far less insurance for nursing home treatment than is economically justified. However, to the extent that contemplating future nursing home residency triggers mortality salience, the current approach would predict this kind of avoidance behavior. Similarly, the relatively low level of participation in pre-paid funeral plans (Hickey & Quinn, 2012) is unsurprising. In retirement spending, the current approach would suggest a particular attraction to spending no more than current income (from assets or otherwise), as this is the highest level of spending that does not require contemplation of the timing of one's own death.

IMPLICATIONS FOR FINANCIAL ADVISORS AND FINANCIAL THERAPY

Financial therapy is a field that has grown from the intersection of diverse disciplines exploring personal finance, psychological functioning, and personal and family well-being. It promotes the idea that a cross-disciplinary approach can yield meaningful insights and useful practices. The proposed economic model of phenomena previously described in exclusively psychological terms demonstrates how such a cross-disciplinary approach can generate a remarkably wide range of potentially useful implications. Specifically, if many apparently disparate decisions involve a common framework when mortality is salient, then similar interventions may be effective across different applications. For example, attempts to promote estate planning may be informed by experiments with annuities, life insurance, advance directives, anti-smoking campaigns, long-term care insurance, death-related medical decisions, or even conspicuous consumption (and vice-versa). Such a radically cross-topical approach to addressing individual, ostensibly narrow, issues demonstrates the potential value of the multidisciplinary ethos of financial therapy. Beyond understanding the underlying connectedness of a wide range of decisions that either generate or respond to mortality salience, the proposed model generates specific suggestions for the practice of financial advising and financial therapy.

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Manage Death Avoidance with Framing

The *avoidance* implications suggest that many people will prefer to avoid personal mortality reminders, especially when mortality is salient. This can cause clients to inappropriately avoid or postpone important death-related planning. In some cases, the advisor may be complicit in such avoidance either because the topic is personally aversive to the advisor or because the advisor wishes to avoid clients' negative reactions.

A simple step to managing this avoidance response is to reduce death-focused language when describing desirable planning options. Reframing such options with alternate language (e.g., "as long as you live" instead of "until you die") has consistently increased the attractiveness of options whether in annuities (Salisbury & Nenkov, 2016), estate planning (James, 2016), or healthcare decisions (McNeil, Pauker, Sox, & Tversky, 1982).

Where a death-focused planning discussion is necessary, creating the opportunity for such a conversation may be easier if the overall topic of discussion is not exclusively death-focused. Thus, the possibility of such a discussion may meet with greater acceptance if the advisor does not "lead with death." Broader financial topics (e.g., avoiding taxes, providing for a child's college education, planning an ideal retirement) may function as less aversive introductions to death-related topics (e.g., estate tax planning, life insurance to protect college funding, annuities). Such an approach can sidestep the initial avoidance response that might otherwise prevent the conversation from occurring at all.

Anticipate the Heightened Importance of Social Impact

When engaging in death-related planning topics, advisors may anticipate an increased interest in impact on important others, particularly long-lasting or future impact. Thus, advisors could frame desirable planning options to emphasize these features. Complex estate planning, such as dynasty trusts, spendthrift trusts, or family foundations, can be presented as a way to achieve a long-term future impact for the family or other important beneficiaries. Annuities may be presented as protecting a bequest of other assets from unexpected longevity, rather than simply protecting one's lifetime income at the expense of the heirs.

Additionally, social opinions, including social norms, become particularly significant in the mortality salient context as shown in experiments with consumer purchases (Fritsche et al., 2010), charitable giving (Jonas et al., 2013), and estate planning (James, 2016; Sanders et al., 2013). Thus, describing what is normal, typical, or approved among similar others can be influential. Likewise, defaults may be powerful in this context as they provide both a cue of social norms (important in the *symbolic immortality* implication) and a simple mechanism to make an immediate choice that avoids further contemplation of the death-related topic (important in the *avoidance* implications). As an example of the power of defaults in a death-related context, Johnson and Goldstein (2003) found that effective national consent rates to organ donations varied from 4%-27% when the default choice was "no," but were over 99% when the default choice was "yes."

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Appreciate the Value of Third Party Agency

The avoidance response may cause clients to postpone or resist important financial planning components that require contemplation of personal mortality. However, this avoidance reaction applies to contemplation of one's own mortality, not to contemplation of another's mortality (when such thoughts do not create personal mortality salience). In this way, a third-party advisor may be a more objective and effective decision-maker for the client simply because the advisor is not the client. Thus, when an intermediary can act as agent for mortality salient decisions, the client may experience preferred outcomes without the negative utility impact from personal mortality salience. Even where such agency is not possible, an intermediary or advisor may rephrase or reframe a decision in order to reduce mortality salience, and hence reduce any negative consequences from an avoidance response.

Future Research

Given the wide range of potential applications of the approach, the proposed implications remain untested in many contexts. Future testing of concepts consistent with this economic approach may be both practically helpful and informative as to the validity of the concept in a wider range of circumstances. Although it does not encompass the wide range of explanations, mechanisms, and motivations encompassed by TMT, the proposed simple economic approach may prove to have substantial explanatory power for a diverse range of decisions.

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Practitioner Profile

An Interview with Beth Crittenden

Beth Crittenden offers financial wellness coaching to people who want growth both professionally and personally. Beth has been working with finances as a focus since 2009, after training in somatic psychology, healthy communication in relationship, and mindful meditation practices and theory.

Words that clients use to describe Beth's approach: detail-oriented, non-judgmental, heartfelt, clarifying, informative, compassionate, spiritually-focused, fun, and kind.

Beth's professional sweet spot is working with folks who serve in a helping and/or creative capacity. She has previous career experience as a massage therapist, home organizer, clinic manager, development associate for education and domestic violence prevention, and draws on those experiences for how it can feel to need to manage finances during challenging feelings.

Visit www.financialwellness.coach to learn more.

Q. Define what you do professionally.

A. I combine my coaching, counseling, and consulting skills to help individuals, couples, and small business owners live in clarity and good health in the realm of their finances.

Q. What activities encompass your professional responsibilities?

A. My professional responsibilities include:

- updating and keeping reconciled tracking systems such as QuickBooks, YNAB, xero.com, Google Sheets, and FreshBooks.com

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- guiding clients through written and verbal goal-setting and project planning for their finances
- guiding clients through role-playing exercises to increase their ease and confidence in talking about financial topics
- helping clients strategize around what financial items they need to take care of, when, and how
- serving as an accountability partner to ensure people are reaching their goals
- working through family systems information and addressing imbalances and resentments that may exist when it comes to financial matters
- consulting about estimated income taxes and prepping clients' tax organizers for their accountants
- guiding clients through getting their financial affairs in order, whether it be working with an investment advisor or attorney, to finalize a will or trust

Q. How long have you been engaged in your professional activity?

A. In the realm of finances, it has been since 2011. In the realm of counseling and coaching in general, it's been since 2005.

Q. What led you to your professional calling?

A. I was lucky enough to be chosen by a patient, kind, and funny mentor, who had been trained by Dave Ramsey. He provided a wonderful path for me to grow in my confidence that I can indeed do this work professionally.

Q. How are you compensated?

A. I have a couple of different hourly rates, depending on the nature of the work.

Q. Do you work alone or do you have a team? Please explain.

A. I work alone with each client. I am also grateful to have found some key referral partners, with whom I also occasionally consult.

Q. What theoretical framework guides your work when dealing with clients?

A. I utilize Dave Ramsey's "baby steps" when debt and/or disorganization are present. I also use Al-Anon and 12-step principles when boundary and family issues are present.

Q. What needs to happen so that ten years from now we can say that financial therapy is a respected field of study?

A. I think rebranding the look and feel online to be more modernized and accessible would help.

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Q. What benefits can the Financial Therapy Association provide to others doing work that is similar to your professional activities?

A. The research studies in the Journal of Financial Therapy are tremendously helpful. Highlighting those articles and hosting some online discussion would be a wonderful way to keep learning.

Q. If others are interested in finding out more about you personally and professionally, where can they obtain this information?

A. Visit my website at http://www.financialwellness.coach or connect on LinkedIn at https://www.linkedin.com/in/bethcrittenden

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Researcher Profile

An Interview with
Sarah Asebedo, Ph.D.

Sarah Asebedo, Ph.D., CFP®, is an Assistant Professor of Personal Financial Planning with Texas Tech University. With extensive financial planning practitioner experience, her goal is to connect research and financial planning practice with a focus on the relationship between psychological attributes, financial conflicts, and financial behavior. Her work has been published in the Journal of Financial Planning, Journal of Financial Therapy, Journal of Financial Counseling and Planning, and Financial Planning Review. Asebedo currently serves as President-Elect for the Financial Therapy Association. She earned her Ph.D. in Personal Financial Planning from Kansas State University.

Q. Define what you do professionally.

A. I am an assistant professor of Personal Financial Planning at Texas Tech University.

Q. What activities encompass your professional responsibilities?

A. My professional activities consist of teaching and research.

With regard to teaching, the current courses I teach include: Retirement Planning and Employee Benefits & Professional Technology in Personal Financial Planning.

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Q. How long have you been engaged in your professional activity?

A. I have been teaching for 2.5 years and conducting professional academic research for approximately 1 year. I also have 12 years in professional financial planning practice.

Q. What led you to your professional calling?

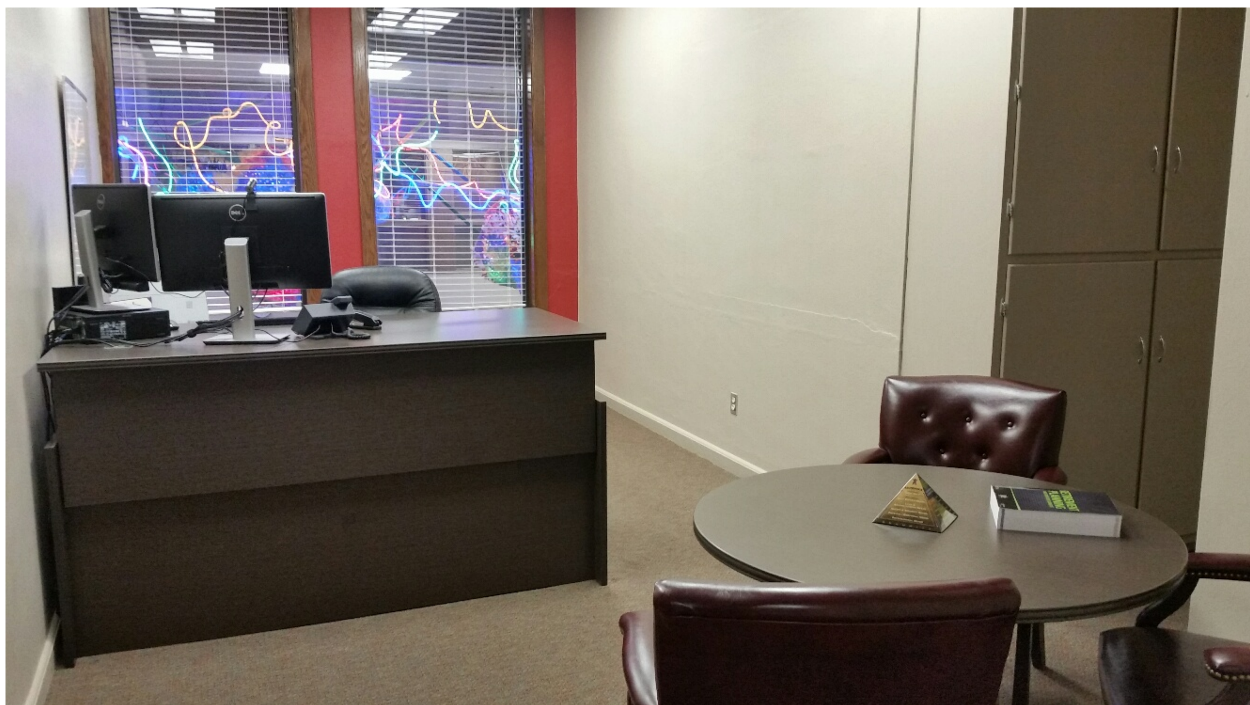
A. My love for numbers and working with people led me to pursue a career in personal financial planning. The desire to help individuals with their personal finances led me to spend about 12 years as a financial planning practitioner. The desire to train the next generation of financial planners, along with my drive to advance the practice of financial planning, led me to pursue teaching and research full-time.

Q. How are you compensated?

A. I am provided a salary for my work as a faculty member and I also receive speaking honorariums.

Q. Do you work alone or do you have a team? Please explain.

A. I work both alone and in teams. For teaching, I have a teaching assistant (Colin Slabach) that I work with. I conduct research both alone and in teams depending upon the project. The research team might consist of one additional person or 3-4 other people from various universities.



Q. What theoretical framework guides your work when dealing with clients and/or conducting research?

A. The theoretical frameworks that guide my research are:

- Well-being theory (Positive Psychology)
- 3M Model of Motivation and Personality
- Behavioral Life Cycle Hypothesis
- Family Systems Theory
- Conflict Theory

Q. What needs to happen so that 10 years from now we can say that financial therapy is a respected field of study?

A. I think that financial therapy is quickly becoming a respected field of study and has already garnered a great deal of respect, particularly within academic programs in Human Sciences departments. For example, The *Journal of Financial Therapy* is a highly ranked journal at Texas Tech University for tenure purposes. To continue to strengthen financial therapy as a respected field of study, I think we need to define the competencies of a financial therapist. This will help inform more specifically what research is relevant to the training and development of a financial therapist. Moreover, academic and educational programs in financial therapy will need to be available in universities nationwide.

Q. What benefits can the Financial Therapy Association provide to others doing work that is similar to your professional activities?

A. The Financial Therapy Association offers a very unique and diverse membership that can effectively disseminate a variety of research related ideas from the mental health and financial professional perspective. The monthly webinars are incredibly helpful as a dissemination tool for this purpose. I also find the financial therapy conference as very enriching to both my research and teaching activities.

Q. If others are interested in finding out more about you personally and professionally, where can they obtain this information?

A. Feel free to visit the Texas Tech website at:
https://www.depts.ttu.edu/hs/pfp/asebedo.php

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Book Review

The Seven Principles for Making Marriage Work

Neal Van Zutphen, M.S.

Gottman, J. M. & Silver, N. (2015). *The seven principles for making marriage work: A practical guide from the country's foremost relationship expert. (2nd ed.).* 320 pp., $9.59, ISBN: 978-0553447712.

The Seven Principles for Making Marriage Work is a relationship self-help book for individuals who have chosen to be in a relationship and also those who aspire to be in a relationship. This book has proven helpful to those in relationship counseling and coaching professions as well. The principles, quizzes, and exercises were developed and refined based on 42 years of clinical research and "longitudinal data on the importance of marital friendship" (p. xvi). The book covers why marriages work and why they fail. The seven principles provide the roadmap to ways of being together and methods for resolving conflicts and solving problems, including money.

The Seven Principles are based on in-depth studies of over 700 couples in seven different studies (Gottman & Silver, p. 8). The studies revealed how successful couples communicated and successfully negotiated disagreements resulting in positive outcomes and stronger bonds. The studies also revealed that couples knew each other well enough to know how to avoid situational triggers that might lead to unsolvable issues.

SUCCESS

Successful couples are emotionally intelligent and find ways to keep negative thoughts and feelings from overwhelming positive thoughts and feelings every day (Gottman & Silver, p. 4). Successful couples build on their friendship and strengths. They value each other as individuals and their couple-ship. They love and appreciate each other. They maintain a sense of friendship, support, understanding, warmth, affection, and caring for each other. They feel empathy, acceptance, and authenticity toward each other. Successful couples feel a strong sense of safety in their relationship (Gottman & Silver, pp. 4-6, 16, 18-19). Successful couples also nurture their relationship, and the principles

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provide them the means to deepen their relationships as well as tools to resolve conflicts and solve problems. When successful couples experience emotionally escalating arguments they are able to offer and accept attempts to repair that prevent emotional flooding and deescalate tensions.

FAILURE

The authors also identify the reasons relationships fail. These relationships fail to nurture their friendship and arguments begin with harsh start-ups and embrace what the authors call the "Four Horsemen" of (a) criticism, (b) contempt, (c) defensiveness, and (d) stonewalling. Stonewalling is the fourth and most difficult emotional response to conflict and stress. It "is a protection against feeling psychologically and physically overwhelmed" (Gottman & Silver, p. 40). Research has shown that couples who exhibit harsh start-ups, the four horsemen, and the inability to recognize repair attempts end up divorced 90% or more of the time. The key in marriages that succeed is the couples' ability to recognize and accept repair attempts (Gottman & Silver, p. 45).

"The Seven Principles … are the cornerstones for short-term do-it-yourself experiential therapy for couples" (Gottman & Silver, p. 9). Each of the Seven Principles uses self-assessments for couples to begin conversations and learn about each other. The questionnaires and assessments facilitate the understanding and integration of the individual partner's characteristics. The Seven Principles outlined by Gottman and Silver are: (a) enhance your love maps; (b) nurture your fondness and admiration, (c) turn toward each other instead of away, (d) let your partner influence you, (e) solve your solvable problems, (f) overcome gridlock, and (g) create shared meaning.

The focus of the first three principles is on building and renewing friendship and enhancing the couples' "positive sentiment override" (p. 22). The remaining principles are designed to help couples learn and understand how to handle arguments, offer and recognize attempts to repair, and engage in positive ways when they are not fighting. The last principle explores building shared focus and meaning.

WHAT ABOUT MONEY

The book includes a section on basic budgeting and financial planning and encourages compromises to ensure the couple is spending within their means and saving appropriate for future needs. The reader is potentially left with the idea that this is easily done. The book does not discuss dysfunctional money beliefs or behaviors and pairing the book with financial therapy tools and techniques could enhance the couples' understanding of how each individual deals with money.

APPLICATIONS AND IMPLICATIONS

One practical application would simply be to gift the book to couples seeking to enhance their relationship, as simply reading and doing the exercises have proven efficacious.

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When interviewing prospective clients, the planner or therapist should listen for how positive their stories are about their courtship and the early years of their marriage. The more positive the stories, the greater the likelihood the couple has a strong friendship and bond. Negative memories, or no memories at all, are an indication of marital difficulties and may present hidden challenges and resistance to the personal financial planning process and recommendations. It may also indicate the need for therapy beyond the scope of the planner or financial therapist.

In conversations with clients, listen for and look for harsh start-ups and negative interactions referred to as the Four Horsemen. When discussions start off negatively, there is a high probability they will end negatively. Harsh start-ups may begin with accusations, sarcasm, cynicism, and/or criticism. These harsh start-ups are about the other person's character or personality. When conversations go negative, it is time to take a break, to de-escalate, and regroup. The planner or therapist should attempt to redirect the focus toward other less contentious topics. This may reduce the risk of the couple becoming emotionally flooded, which is an emotional state which prevents the individual from reasonable and constructive dialogue (Gottman & Silver, pp. 30-45).

The Seven Principles includes tips for stress-reducing conversations, dealing with anger, sadness, and fear, and exercises for building mutual respect. The communication tips and strategies serve the couple in financial therapy as well as other interpersonal communications. In financial therapy couples, explore their relationship with money and their value systems with the goal of resolving money issues. The money issues may be solvable with new knowledge, or they may need better financial management skills development.

For the planner or therapist, helping the couple build a successful couple-ship will help couples develop the "tools" to deal with money stress and dysfunctions. The Seven Principles is a great book for any person seeking better relationships. Both planners and therapists could benefit themselves and their clients by first practicing The Seven Principles and learn firsthand the power of this evidence-based process to a happier, healthier, and wealthier way of being.

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