

Behavioral and Wealth Considerations for Seeking Professional Financial Planning Help

Jodi Letkiewicz, Ph.D., Chris Robinson, Ph.D., Dale Domian, Ph.D., Natallia Uborceva

The authors thank the FP FoundationTM for its generous support.

Abstract

This study uses a proprietary survey of Canadians to examine factors that lead people to seek professional financial planning help. The main hypothesis is that financial self-efficacy will positively predict whether one seeks help. We also examine the effects of subjective and objective financial stress and wealth on the decision to seek help. We find that wealth, self-efficacy, and objective financial stress are predictors of help-seeking behavior. Individuals with high subjective financial stress are less likely to seek financial help, but if they are high in self-efficacy they become more likely to seek financial help.

JEL classification: D14; G20; P46

Keywords: Financial planning, Help-seeking, Self-efficacy

Background

What are the benefits of professional financial planning help?

Professional financial planning is an important option for overall financial well-being. Financial planners have tools and expertise lacking in the general population. Financial planners help families facing complex circumstances decide which financial decisions are in their best interest. Some outcomes from following the planner's advice may be quantified in dollar terms, allowing us to determine if the benefits exceed the costs undertaken.

The benefits of professional financial planning help vary across the components of financial planning. Altfest (2004) notes six broad areas: tax planning, cash flow planning, investments, risk management, retirement planning, and estate planning. The first area, tax planning, may offer the simplest opportunity for assessing the value of financial planning. If a planner charges someone \$5000 for advice that produces an immediate \$10,000 reduction in income taxes, then that individual may view this as a clear gain. However, as described below, many complexities are encountered in assessing other areas of planning.

Hanna and Lindamood (2010) use an expected utility approach to study issues in three of Altfest's six areas – risk management, investments and retirement. Their theoretical method avoids some crucial problems posed by survey data or other empirical methods. For retirement planning, they construct three examples using consumption smoothing and find the value of advice to follow an optimal savings plan exceeds \$400,000. For risk management, they find that households with a net worth of \$2.5 million can increase certainty equivalent wealth (CEW) by more than \$200,000 if they purchase insurance against a loss. For investments, they find that the increases in CEW are quite modest, and are negative for highly risk-averse households. Comparing the results from the latter two areas, Hanna and Lindamood conclude that “most people would place relatively high values on risk reduction strategies and relatively low values on wealth increasing strategies.” (p. 121)

Marsden, Zick, and Mayer (2011) take a different approach and use a propensity score method to

create a matched sample of those who met with financial advisors, and those who did not. They find respondents who had met with a financial advisor are more likely to subsequently establish long-term goals; calculate their retirement needs; establish retirement accounts and emergency funds; display appropriate investment responses to a recession; and have greater retirement confidence. Cummings (2013) shows that individuals with financial advisors are more likely to have Roth IRAs, and to start them at an earlier age. He also demonstrates long-run benefits, both financial and non-financial, among older respondents.

Who is likely to seek financial help?

The decision to seek help is relevant across multiple domains, including medicine, mental health, and personal finance. Much research focuses on whether people faced with financial or medical problems decide to seek help for those problems. Research in health fields has been more prolific than research in the financial field, but financial planning is gaining traction. Some of the first researchers to consider help-seeking in a financial context were Grable and Joo (1999). Grable and Joo conceptualize help-seeking behavior as a coping strategy to deal with financial troubles. They developed a framework consisting of five stages including the recognition and evaluation of one's own financial behaviors in the process of seeking professional help when they recognized problems with which they needed help.

Grable and Joo (2001) examine the choice between obtaining financial advice from professionals versus non-professionals. They find that individuals with low financial risk tolerance and low satisfaction with their financial situation are more likely to seek advice from family, friends, and work colleagues, instead of from professional sources. According to Du Plessis, Lawton, and Corney (2010), barriers to financial help-seeking include shame and embarrassment, as well as lack of knowledge about professional sources. Dearden, Goode, and Whitfield (2010) demonstrate gender differences in help-seeking for debt problems. Hanna (2011) finds greater usage of financial planners among people with above average risk tolerance, post-bachelor degree education, higher household

income, and higher net worth. Hanna also finds an increase in the use of financial planners, from 21% of households in 1998 to 25% in 2007. Collins (2012) finds that individuals with higher incomes, educational attainment, and levels of financial literacy are more likely to receive financial advice and suggests that financial advice more often serves as a complement to, rather than a substitute for, financial capability. Robb, Babiarz, and Woodyard (2012) find individual characteristics differentiate which type of financial advice seeks (e.g., debt counseling vs. investment planning). Financial knowledge and satisfaction are positively related to using any type of financial advice while knowledge and satisfaction are inversely related to the use of debt counseling.

Cummings and James (2014) analyze decisions to either get or drop financial advisors. The most significant factors in getting a financial advisor includes becoming a new widow(er), asking family members for assistance with financial decisions, seeking help for emotional problems, and positive changes in income and net worth. New widow(er)s and people with increased net worth are less likely to drop their financial advisors. Finke, Huston, and Winchester (2011) find those who pay for financial advice are more likely to be female, relatively older, wealthier, and college educated with a low level of self-reported knowledge about financial issues. Of those who pay for help, they find those who choose comprehensive management are more likely to be under 65, wealthy, and have high self-reported knowledge about financial issues.

Theoretical Foundation

We bring together two strands of research to derive our hypotheses of help-seeking behavior. One is the Transtheoretical Model of Behavior Change (TTM) (Prochaska and Velicer, 1997). The other strand is the concept of self-efficacy, which we use to provide an explanation of why some people seek financial planning assistance and others do not.

Transtheoretical Model of Behavior Change (TTM)

The TTM assesses an individual's willingness or ability to change a behavior and outlines

processes to help guide individuals through the stages. TTM has been used in studies to explain how people stop unhealthy behaviors and develop healthy ones (Xiao *et al.*, 2004) and extended to explain and predict positive changes in financial behaviors based on participation in financial education programs (Shockey and Seiling, 2004). The TTM outlines five stages that individuals go through when changing behaviors: pre-contemplation (not ready), contemplation (getting ready), preparation (ready), action and maintenance. In order to progress through those stages, individuals need awareness that the advantages of the change outweigh the disadvantages, confidence they can make and maintain the changes (self-efficacy), and strategies to help them maintain their new behaviors.

We think of TTM as a process of adopting good habits rather than getting rid of “bad behaviors.” We know that not everyone who needs help will seek it. Separating the stages of positive habit formation may help explain the precise reasons why people with low financial self-efficacy or high financial stress may resist getting financial planning help. There are many ways to change and improve behaviors; this study concentrates on the help-seeking aspect. Seeking financial help is a positive decision that can help deal with financial issues.

Self-Efficacy

Recent public policy initiatives in many countries assume that more financially literate consumers will be able to navigate the complex financial systems and make decisions in their own best interest. Researchers, however, have been unable to identify effective ways to improve financial literacy and there is a lack of evidence that consumers with more financial knowledge make better decisions (Willis, 2008). Remund (2010) advances the theory that better consumer financial decision making stems from financial self-efficacy – a belief that one can effectively manage his/her personal financial affairs. Confirming this link between knowledge and self-efficacy, Heckman and Grable (2011) find that college students’ financial knowledge is positively associated with financial self-efficacy. Taking it one step further, a study by Lapp (2010) finds that financial self-efficacy is the

missing link between knowledge and effective action.

Thus, it is reasonable to expect that there is a connection between financial self-efficacy and the tendency to seek financial planning help. In the cognitive theory of stress and coping, self-efficacy acts as a mediator of stress and stress-related adaptive behaviors (Folkman, Schaefer, & Lazarus, 1979; Folkman, 1984). Those with a high sense of financial self-efficacy believe they have the ability to handle their financial affairs and are likely able to identify what they can manage and when they need help. Those low in financial self-efficacy are less able to manage their financial affairs and are therefore unable to determine when they need help. Lim *et al.* (2014) find that college students with high levels of financial stress are generally less likely to seek financial help, but that effect is somewhat moderated for those high in self-efficacy.

Self-efficacy is particularly important in the context of financial decisions and help-seeking because it influences individuals' behavioral changes (Bandura, 1977; Gecas, 1989). Research in the health and exercise fields demonstrates that self-efficacy can be boosted to encourage health-promoting behaviors (Grembowski *et al.*, 1993). Individuals with high levels of self-efficacy are more successful than those with low self-efficacy in coping with adversity (Park & Folkman, 1997). Lapp (2010) finds higher financial self-efficacy is associated with lower debt, fewer financial problems, lower financial stress, higher savings and greater financial happiness. In studies examining self-efficacy, risk tolerance, age, and education are positively correlated with self-efficacy (Lown, 2011).

Engelberg (2007) finds that respondents with a high sense of self-efficacy are less likely to perceive themselves being at risk for disrupted income, unforeseen expenses, and unsuccessful investments, as compared with those with low self-efficacy. The study reveals correlations between economic self-efficacy and the notion of adhering to saving plans and better self-control of emotions. Those with high self-efficacy report a sense of financial control, less attachment to the importance of money, better economic knowledge, a more optimistic view of their financial situation and less distrust in money matters. Lacking a sense of economic self-efficacy is associated with feelings of stress,

negative emotion, and in more extreme cases, depression (e.g. Burgogne, 1990; Krause & Baker, 1992; Mates and Allison, 1992; Ennis, Hobfoll, & Schroeder, 2000).

Hypotheses

This study focuses on the first four stages of the TTM as our data do not allow us to test the maintenance phase. When the behavior is seeking financial help, we characterize “maintenance” stage as the realization of the results of the help-seeking – implementation of financial plan or some other specific set of financial management behaviors. We propose three testable hypotheses, two of them using the TTM and the third relating to the nature of the professional help that is the subject of the FPSC Survey.

H1: Professional financial advisors charge fees in various forms, including commissions on transactions, asset-based management fees and hourly fees for service. A family will not be able to get help from these advisers unless it has enough money that the fees are worthwhile. Accordingly, we expect the choice to seek professional help will be positively correlated with the level of assets, higher income category and home ownership.

H2: Financial stress is the main trigger in the “pre-contemplation” and “contemplation” stages of the TTM. We expect financial stress will be positively correlated with help-seeking.

H3: Financial self-efficacy is the trigger that leads to the “preparation” stage and then the “action” stage of the TTM is when financial planning help is sought. We expect self-efficacy will be positively correlated with help-seeking.

Empirical Tests

Data: The FPSC Survey

The Financial Planning Standards Council (FPSC) conducted a survey on use of financial advisors, with particular attention to those identified as “financial planners,” and Certified Financial Planners[®]

among the general English-speaking population of Canada. The survey excluded Québec because that is the only province which regulates use of the term “financial planner.”

The FPSC surveyed three waves of respondents:

1. 7,383 surveys between August 2009 and January 2010.
2. 2,471 surveys between February and July 2011; these respondents had also completed the first wave surveys.
3. The third wave, from April to August 2012, included 1,045 respondents from Waves 1 and 2, along with 7,510 new panelists.

We have not found another survey database anywhere near this size dealing with the use of financial advisors in Canada.

We exclude Wave 2 from the analysis because its data collection was not conducted in the same manner as Wave 1 and Wave 3 (for example, not all variables were collected and the sample size was about 75% smaller than in the other two waves). The respondents who participated in both Wave 1 and Wave 3 do not constitute independent observations and thus we include them only once, using the Wave 1 responses. After removing a few more cases because they are missing the respondent identification variable, we combine data from Waves 1 (7,275) and 3 (7,502) to create a single dataset containing 14,777 observations. A total of 709 cases had one or more financial variables missing (income, assets, debt). We report results primarily using the database without missing variables, or 14,068. For the most part there is no difference and we discuss what we find in each sample in a later section of the paper.

The survey targets households likely to seek help from a financial advisor, with quota minimums based on the type of financial advice received (Comprehensive/Integrated Planning, Limited Planning); credentials of the advisors (Certified planners vs. Non-certified advisors); and those using or not using an advisor. Therefore, the sample is not nationally representative. While this is certainly a limitation of the dataset, we do not see any bias in it that invalidates its use to investigate the hypotheses we test.

The FPSC published some initial results of the survey in *The Value of Financial Planning*. Findings

indicate that on average, persons who seek professional financial-planning help will experience greater financial and emotional well-being. The survey offers much more scope than the simple descriptive statistics in the initial report, and our study utilizes the data along with a theoretical foundation to delve deeper into the question of what affects the decision to use a financial planner.

The demographic variables include age (categorical variables), gender, marital status (married or not currently married, which includes single, widowed and separated), educational attainment (no college degree, did not finish college, have a university degree), employment status (unemployed, employed, or retired) and whether or not they have children. These variables likely affect help seeking tendencies, but they are not our primary concern. They must be included to remove their effect before we can determine the significance of our hypotheses. The financial variables, which we will refer to collectively as wealth variables, include total assets, income levels as categorical variables, home ownership and debt. A binary variable controls for the survey year (Wave 1). This ensures that the results presented in the paper are not time-dependent.

The survey poses a series of questions on the respondent's feelings or opinions about his or her own financial well-being. We use these questions to construct measures of financial stress and financial self-efficacy. Finally, there are three variables that we believe are related to financial stress and are more objective than feelings about well-being: whether or not the respondent is supporting extended family members; amount of debt; and whether the respondent is likely to lose his or her job in the future.

Measuring Financial Stress

We hypothesize that financial stress represents or characterizes the pre-contemplation and contemplation stages of the TTM, when a respondent realizes there is a financial problem but may not be ready to deal with it. We use the following three questions to construct this measure:

- I worry a lot about my financial situation

- I feel I barely get by every month
- My finances are out of control

We use principal components factor analysis to create a financial stress variable (STRESS, henceforth) with a mean of zero, and positive score indicating a relatively higher level of stress. The resulting construct has a Cronbach's alpha of 0.807, indicating good internal consistency. We distinguish between self-efficacy as the person's belief that she or he can take action to improve the situation, and stress as the person's belief or feeling that his or her situation is bad.

Stress has two inter-related components. The STRESS variable attempts to measure the person's subjective feeling of stress. Where financial matters are involved, a family is more likely to feel stressed when matters go badly or their outcome is uncertain, and we identify three questions from the survey that report more concrete evidence that a respondent ought to be feeling stress: whether he or she is supporting extended family members; amount of debt and whether the person may lose employment within the next five years. Our examination of the evidence on H1 as a null hypothesis then seeks to determine if we can reject the hypothesis that these variables are positively related to seeking help. The strongest evidence will be rejection or failure to reject for all four variables, STRESS and the three more concrete measures.

Measuring Financial Self-Efficacy

Self-efficacy is a state of mind that we cannot measure directly. Researchers measure it by constructing scales using survey questions. Self-efficacy is domain specific (Bandura 1997, 2006; Lown, 2011), meaning that it is not universal across all aspects of one's life. Bandura's research (2006) differentiates between general self-efficacy and domain-specific self-efficacy and states that it is necessary to include items that relate to the particular concept being measured. For example, the belief in one's ability to compete in a triathlon does not necessarily mean the person believes they can manage money with the same sense of confidence. Schwarzer and Jerusalem's (1995) 10-item General Self-Efficacy Scale (GSES) has been validated in 30 countries. The GSES is a general measure that does not

assess specific behavior; so consumer economics researchers develop measures that relate to personal financial behavior.

The FPSC Survey posed a number of questions that relate in some way to self-efficacy. Five questions were used to construct the self-efficacy measure:

- I feel that I am prepared to manage through tough economic times
- Over the last 5 years, I have improved my ability to save
- I don't know what to do to improve my financial situation (reverse coded)
- I feel prepared in the event of an unexpected financial emergency
- I am on the right track in terms of financial affairs

We use principal components factor analysis to create a self-efficacy variable (SE, henceforth) with a mean of zero, and positive score indicating a relatively higher level of self-efficacy. SE has a Cronbach's alpha of 0.812, which indicates an acceptable level of internal consistency.

Dietz et al. (2003), Danes and Haberman (2007), Lapp (2010) and Lown (2011) all propose somewhat different scales using somewhat different survey questions, though all of their work and our measures exhibit more similarities than differences. The survey questions of these latter four papers map reasonably well to questions on the FPSC survey. Table 1 displays the questions we use in our scale compared with the latter four researchers' questions. We place them on the same rows when the questions seem to be essentially the same, but the reader can see that all the scales are similar.

Table 1: Measures of Financial Self-Efficacy

Dietz et al. (2003)	Danes and Haberman (2007)	Lapp (2010)	Lown (2011)	FPSC Survey Questions
I have little control over financial things that happen to me			It is hard to stick to my spending plan when unexpected expenses arise	I feel that I am prepared to manage through tough economic times
I often feel helpless in dealing with the money problems of life	I feel confident about making decisions that deal with money	I was good at planning for my financial future	It is challenging to make progress toward my financial goals	I am on the right track in terms of financial affairs
There is little I can do to change many of the important money issues in my life	I believe the way I manage my money will affect my future		I lack confidence in my ability to manage my finances	I feel prepared in the event of an unexpected financial emergency
		I was satisfied with my financial situation		I don't know what to do to improve my financial situation
		I was able to save money.	When unexpected expenses occur I usually have to use credit	Over the last 5 years, I have improved my ability to save
			When faced with a financial challenge, I have a hard time figuring out a solution	
			I worry about running out of money in retirement	

The Dependent Variable

The survey question that generates the dependent variable, help-seeking, is:

For which, if any, of the following services did you obtain help from professional financial advisor(s) (includes financial planner, life insurance advisor, investment advisor, debt counsellor etc.) to assist you in the past five years? Please select as many as apply. [the underlined text was underlined in the survey instrument.]

The first answer choice is:

I have not obtained help from a financial advisor for any of the following financial matters in the past 5 years.

If the respondent chose the first answer, the help-seeking variable is coded 0. If the respondent chose instead one or more of the comprehensive list of financial advisory activities listed, the help-seeking variable is coded 1. The details of which particular services a respondent used are not relevant to

our study.

The Models

The model has the general form:

$$\textit{Financial help-seeking} = f(\textit{stress}, \textit{STRESS}, \textit{SE}, \textit{controls})$$

The dependent variable is categorical: it takes the value one if help was sought in the last 5 years, or zero, if it was not. The appropriate form is logistic regression. The relationship between the predictor and response variables is not a linear function; instead a logit transformation is used to arrive at the following relationship:

$$\textit{logit}[\theta(x)] = \ln \left[\frac{\theta(x)}{1-\theta(x)} \right] = \alpha + \beta_1 x_1 + \beta_2 x_2 \dots + \beta_k x_k + e_i. \quad (1)$$

Results

Descriptive Analysis

Table 2 displays summary statistics describing the sample. The people in the sample are substantially wealthier, have higher income and are more likely to own a home than the average Canadian, which is a result of the FPSC's objective to survey people with a reasonable likelihood of using a financial advisor. Almost 62% of the respondents did seek financial planning help at some point during the past five years. Out of the total sample studied 58% are female, over 65% are married and approximately 90% are at least 30 years of age. While approximately 80% of the sample had some form of post-secondary schooling, only 25% of non-help-seekers finished a university degree, in comparison with 40% of help-seekers. Over 60% of the overall sample has children, with help-seekers more likely to be parents than non-help-seekers. We can expect that having children might also affect help-seeking tendencies, as it puts additional financial pressure on the respondents. Owning a house might be another factor affecting help-seeking as 79% of help-seekers own a house instead of renting it, while only 56% of non-help-seekers do so. The amount of assets and debts differ slightly between help-seekers and non-seekers, with the former having a greater amount of both. Assets and debt are very right-skewed. Most people have a reasonable amount of assets, particularly since 70% of them own a home, but a few have

very large asset holdings, with the maximum being \$81.5 million. About a quarter of the respondents have no debt, while a few have very large debts.

Table 2: Descriptive Statistics

Variable	Full sample N = 14,068		Help-seeker n = 8,669 (62%)		Non help-seeker n = 5,399 (38%)	
	n	Percentage	n	Percentage	n	Percentage
<i>Gender</i>						
Female	8,191	58.2%	4,949	57.1%	3,242	60.0%
Male	5,877	41.8%	3,720	42.9%	2,157	40.0%
<i>Age</i>						
18 – 29	1,584	11.3%	795	9.2%	789	14.6%
30 – 49	5,641	40.1%	3,329	38.4%	2,312	42.8%
50 – 64	5,089	36.2%	3,388	39.1%	1,701	31.5%
65 or older	1,754	12.5%	1,157	13.3%	597	11.1%
<i>Marital Status</i>						
Married	9,240	65.7%	5,989	69.1%	3,251	60.2%
Not Married	4,828	34.3%	2,680	30.9%	2,148	39.8%
<i>Education</i>						
Didn't Go to College	3,017	21.4%	1,449	16.7%	1,568	29.0%
College Degree/Some College	6,141	43.7%	3,696	42.6%	2,445	45.3%
University Degree	4,817	34.2%	3,477	40.1%	1,340	24.8%
<i>Employment Status</i>						
Unemployed	909	6.5%	406	4.7%	503	9.3%
Employed	8,663	61.6%	5,509	63.5%	3,154	58.4%
Retired	3,250	23.1%	2,198	25.4%	1,052	19.5%
<i>Have Children</i>	9,621	68.4%	6,148	70.9%	3,473	64.3%
<i>Own a House</i>	9,857	70.1%	6,833	78.8%	3,024	56.0%
<i>Plan to Retire In the Next 5 Years</i>	2,095	14.9%	1,501	17.3%	594	11.0%
<i>Might Lose the Job Soon</i>	1,715	12.2%	1,070	12.3%	645	11.9%
<i>Support extended family</i>	966	6.9%	670	7.7%	326	6.0%
<i>Income</i>						
Less than \$50,000	4,589	32.6%	2,156	24.9%	2,433	45.1%
Between \$50k - \$100k	5,026	35.7%	3,346	38.6%	1,683	31.2%
Above \$100,000	3,655	26.0%	2,759	31.8%	896	16.6%
	<u>Mean</u>	<u>Median</u>	<u>Mean</u>	<u>Median</u>	<u>Mean</u>	<u>Median</u>
<i>Assets</i>	\$551,878	\$269,000	\$634,454	\$370,000	\$419,304	\$100,000
<i>Debts</i>	\$112,733	\$25,100	\$127,217	\$40,000	\$89,479	\$15,500

Table 2 reports statistics on the cases that have no missing values, and we use that data set for most of the hypothesis tests. We examined the descriptive statistics for the data set that includes the 709 cases with missing values, and also the correlation matrix of all the variables. There is no significant difference between the two data sets.

Table 3 shows the statistics on the components and total scores for the two behavioral variables we create from the survey: STRESS and financial self-efficacy (SE). Help seekers have higher levels of financial self-efficacy but lower levels of STRESS compared with those who have not sought help.

Table 3: Creating the Behavioral Variables

All items are on a 1 to 9 scale; 1 = strongly disagree and 9 = strongly agree

3a: Items Used for Financial Self-Efficacy Factor (SE)

	Full sample	Help-seeker	Non help-seeker
	(N=14,068)	(n=8,669)	(n=5,399)
I feel that I am prepared to manage through tough economic times	5.50	5.81	4.99
Over the last 5 years, I have improved my ability to save	5.52	5.78	5.11
I don't know what to do to improve my financial situation (reverse coded)	5.62	5.90	5.18
I feel prepared in the event of an unexpected financial emergency	5.01	5.44	4.32
I am on the right track in terms of financial affairs	6.02	6.40	5.42
<i>Mean Self-efficacy Factor Score</i>	<i>-0.016</i>	<i>0.183</i>	<i>-0.336</i>

3b: Items Used for Financial Stress Factor (STRESS)

	Full sample	Help-seeker	Non help-seeker
	N=14,068	N=8,669	N=5,399
I worry a lot about my financial situation	5.22	5.00	5.57
I feel I barely get by every month	4.43	5.27	5.67
My finances are out of control	3.59	3.29	4.08
<i>Mean Financial Stress Factor Score</i>	<i>0.018</i>	<i>-0.130</i>	<i>0.255</i>

Test of the Hypotheses

Table 4 shows the results of the logistic regressions testing the three hypotheses. We performed the tests in three stages. Model 1 regresses everything but SE on the help-seeking variable. Model 2 regresses everything but STRESS on the help-seeking variable. Model 3 regresses all the variables. The second column of the table shows the expected sign, if any, and whether the particular variable is one of the controls (C) or part of a hypothesis (H1, H2, H3). We start with the control variables.

Control variables

We expect a positive sign for higher levels of education because it is also highly correlated with income and wealth, and hence is related to H3. We expect a positive relationship for the age group 50 – 64 because that is the period in the life cycle when people are accumulating investment assets and need retirement planning. Both these expectations are realized with significant coefficients and moderately high odds ratios. We noted that having children was associated with help-seeking in the descriptive statistics and that relationship appears also in the regressions. The coefficients are virtually the same in all three models. We have no specific expectations of the other control variables, and most of them are not significant.

H1: Effect of wealth variables

We hypothesized that help-seeking would be positively related to value of assets, the higher income categories and home ownership. All three are statistically significant with positive signs and odds

ratios greater than 1. The interpretation is quite simple and unsurprising. People with more assets and income both have the ability to pay for professional financial advice and are likely to gain a net benefit from it. This hypothesis is not the primary motivation of this paper, but it is essential to include the wealth variables and test the hypothesis in order to be able to test the stress and self-efficacy hypotheses with these variables also in the regression. The coefficients and the significance are virtually the same in all three models.

Table 4: Logistic Regression Tests of the Main Hypotheses

Variable Name	Expected sign Hypothesis or Control	Model 1		Model 2		Model 3	
		β	Odds ratio	β	Odds ratio	β	Odds ratio
Wave 1	C	0.070	1.072	0.097*	1.101	0.097*	1.102
<i>Gender</i>							
Female	C	0.022	1.022	0.022	1.022	0.020	1.020
<i>Age</i> (Reference category: Age 30-49)							
Age 18 – 29	C	0.044	1.045	-0.010	.990	-0.015	.985
Age 50 – 64	+ C	0.140**	1.151	0.173**	1.189	0.184***	1.202
Age 65+	C	-0.079	0.924	-0.050	.951	-0.032	.968
<i>Marital Status</i>							
Non-married	C	0.1148*	1.121	0.128**	1.137	0.129**	1.137
<i>Education</i> (Reference category: College Degree/ Some College)							
Less than College	- C	-0.346***	0.707	-0.333***	.717	-0.333***	.717
University Degree	+ C	0.283***	1.327	0.270***	1.310	0.274***	1.315
<i>Employment Status</i> (Reference category: Employed)							
Unemployed	C	-0.100	0.905	-0.054	.948	-0.061	.941
Retired	C	0.203**	1.225	0.131*	1.140	0.132*	1.141
Plan Retire in Next 5 Years	+ C	0.303***	1.353	0.259***	1.296	0.258***	1.294
Have Children	+ C	0.112*	1.119	0.115*	1.122	0.109*	1.115
<i>Income Level</i> (Reference category: < \$50k)							
\$50,000-\$100,000	+ H1	0.387***	1.472	0.357***	1.429	0.363***	1.437
More than \$100,000	+ H1	0.572***	1.772	0.490***	1.633	0.499***	1.647
Assets (Ln)	+ H1	0.123***	1.130	0.114***	1.120	0.116***	1.123
Own a House	+ H1	0.172**	1.188	0.141**	1.152	0.144**	1.154
Debts (Ln)	+ H2	-0.001	0.999	0.007	1.007	0.006	1.006
Support Extended Family	+ H2	0.316***	1.371	0.263**	1.301	0.241***	1.273
May Lose Job	+ H2	0.251***	1.285	0.246***	1.279	0.229***	1.258
Financial Stress	+ H2	-0.152***	0.859			0.073*	1.075
Financial Self-Efficacy	+ H3			0.314***	1.368	0.358***	1.431
Constant		-1.612***	0.200	-1.521***	.218	-1.534***	.216
<i>Number of Observations</i>		14,068		14,068		14,068	
<i>Nagelkerke R square (-2Log Likelihood)</i>		0.177 (16,770.49)		.191 (16,609.46)		.191 (16,602.79)	
<i>Likelihood Ratio Test: χ^2 (df)</i>		1,964.81 (20)***		2,125.85 (20)***		2,132.52 (21)***	

Note. ***p<.001; **p<.01; *p<.05.

H2: Stress

The second hypothesis is that financial stress is the main trigger in the “pre-contemplation” and “contemplation” stages of the TTM. We expect financial stress will be positively related to help-seeking. We have a combined test of several variables for H2. Table 4 shows that the coefficients for “Support Extended Family,” and “May lose job,” are positive, statistically significant and have moderately high odds ratios for all three models. The coefficients change very little between the models. Thus far, we reject the implicit null hypothesis that stress does not affect help-seeking. However, the amount of debt is not significant, and everything in personal finance suggests that the existence of debt is stressful. The distribution of the debt is highly right skewed and about one-quarter of the sample has no debt. People with no debt at all are generally in the high income and high assets group and we would expect that they would seek help, as stated in **H1**. Debt is also significantly negatively correlated with the higher income categorical variables and the assets variable. We cannot disentangle these problems to test independently if debt contributes materially to help-seeking via a stress factor or not.

The subjective **STRESS** variable provides an unexpected result. In Model 1, in which **SE** is omitted, **STRESS** is negative and significant at the .001 level. This not only fails to reject the implicit null, but rejects the alternative we hypothesize is true. In Model 3, where both **SE** and **STRESS** are included, the sign reverses to positive and is significant. Furthermore, the correlation matrix reveals the correlation between **SE** and **STRESS** is -.705, which is higher than any other correlation in the data.

These results do not allow us to reject **H2** definitively, but neither do they provide strong support for it.

H3: Self-efficacy

Let us repeat the definition of financial self-efficacy: the belief in one’s own ability to succeed at financial tasks. We constructed **SE** to try to capture this psychological state with respect to personal finances.

We expect it to be positively related to the decision to seek professional financial advice. The coefficient is significant and positive in Models 2 and 3, and the odds ratio is quite high. We have not shown Wald statistics, which measure the impact of each variable on the total model, but the Wald statistics for **SE** are high and only the constant term and the highest income category have higher Wald values. Even though **SE** and **STRESS** have a very significant negative correlation, and **SE** is also significantly correlated with some of the other independent variables, the coefficient is very similar in both models 2 and 3. We cannot reject **H3** and the support for it seems quite strong.

Variations and Robustness

We investigate the mixed results of the tests on **H2** and the change in sign of **STRESS** when **SE** is added in Model 3 by running additional regressions. When we try other variations, the coefficient and the significance of **SE** change negligibly, no matter what we do. The coefficients and significance of the three concrete stress variables change very little. These variations include running the regressions without wealth variables and running the regressions with an interaction term, **SE X STRESS**. The interaction term is statistically significant, but the odds ratio is not very high and the Nagelkerke R value increases negligibly when the interaction term is added. The **STRESS** variable is sometimes significant and sometimes not. If we run a regression with only **SE**, **STRESS** and the interaction **SE X STRESS** as independent variables, **SE** and **SE X STRESS** are significant at the .1% level and **STRESS** is not significant. The Nagelkerke R value is halved, because of the importance of the other independent variables.

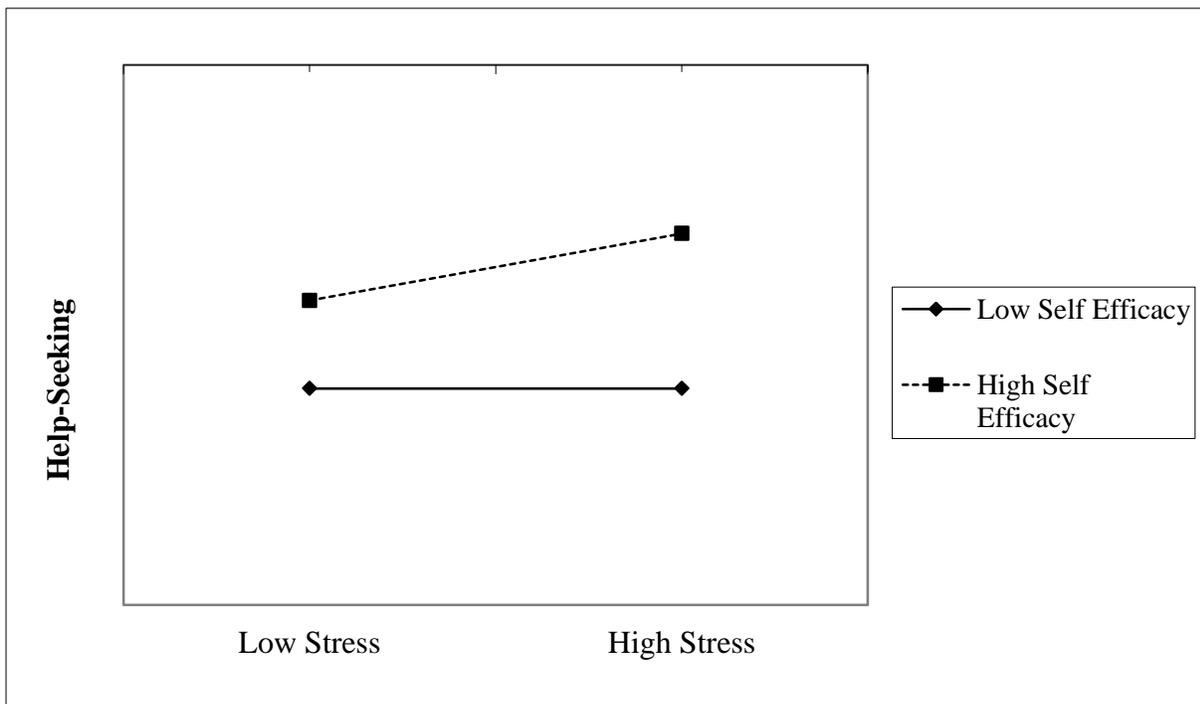
Interpretation of Results

The consistent results for **H1**, and the reduction in Nagelkerke R values when wealth variables are removed, provide considerable confidence in the validity of **H1**. People with higher incomes and wealth are more likely to seek professional financial advice. If we consider stress and self-efficacy together, both are significant and have the expected positive signs, even though they are negatively correlated.

The consistent results on tests of **H3** for every variation we tried with **SE** as an independent variable give substantial support to our hypothesis that financial self-efficacy is an important determinant of the decision to seek professional financial advice. But this result is complicated when we factor in financial stress, where the results are inconsistent. We interpret this result to mean that people with a stronger sense of financial self-efficacy are more likely to seek professional financial advice when they need it.

We show this relationship in Figure 1. The figure shows that for those with low self-efficacy, the likelihood of seeking help is not affected by level of stress. However, for those with high self-efficacy, higher stress leads to a higher likelihood of seeking financial help. This finding provides some support for the hypotheses. Self-efficacy is an important trait that helps people struggling with financial stress to identify the problem and seek help. Another way to interpret it in very basic language is that financial stress is likely to paralyze a person and prevent action, unless the person also has high self-efficacy. If you don't believe you can make things better, you won't even try.

Figure 1: Interaction between Financial Stress and Financial Self-Efficacy



Summary and Implications

Our results, and indeed an increasing literature in behavioral finance, show that financial planners need more than merely technical competence and marketing skills if they are to attract, serve and retain clients. Our study highlights the importance of self-efficacy in the decision to seek professional financial planning help. Although it seems like a plausible conjecture that financial stress would be a trigger for help-seeking, we find that this holds only for respondents with high self-efficacy. When self-efficacy is low, stress does not factor into the equation. These findings suggest that a society high in self-efficacy may make greater use of financial planners.

The findings in this study have implications for financial planners, financial institutions, government agencies and policy makers. First, we will discuss self-efficacy. The strong and consistent effects of self-efficacy are an important contribution of this paper. The effects of self-efficacy are so strong that they flip the effect of stress. People are less likely to seek help if they feel stress, however, if they have a high sense of self-efficacy that stress becomes something they act on. Rather than being paralyzed by stress, they believe they are able to manage the situation and seek help to do so.

Bandura (1977) suggests four ways to increase self-efficacy: performance accomplishments, vicarious experience, verbal persuasion, and physiological states. Each of these strategies can be applied to personal finance in various ways to increase financial self-efficacy.

Accomplishments influence ones sense of mastery and can lead to a greater sense of self-efficacy. One way to increase self-efficacy using the concept of performance accomplishments is to structure financial decisions in a way that allows for small accomplishments while learning new skills. Financial institutions and other agencies that deal with consumer finance issues should consider this when structuring consumer interactions. A suggestion is to keep some financial offerings simple and straightforward so consumers can understand how they work and feel confident in their ability to manage them. Anderson (2012) suggests individuals set a simple goal, for example, create a plan to reduce spending and pay off a credit card balance. The plan requires some money management skills and

discipline and is a good way to inspire confidence and motivation for more advanced tasks.

Vicarious experiences occur when one observes someone similar to them succeeding at a task. Commercials, public service announcements, and other communications can be structured in a way to appeal to a diverse audience and provide valuable information and guidance for helping people get started. Verbal persuasion takes place when one is encouraged to take on a task with the belief they can accomplish it. Constructive feedback is important to building and maintaining a sense of self-efficacy. This is important for financial advisors to keep in mind when working with clients and for public workers dealing with a financially illiterate population.

Finally, the way people experience, interpret and evaluate emotional states is important for how they develop self-efficacy beliefs. Extremely nervous or anxious people tend to doubt themselves and may therefore have a weak sense of self-efficacy. This is in line with our finding that stress can either paralyze or mobilize someone to seek financial help. Household finances can be stressful for families. One way to reduce the stress and anxiety is to establish basic ground rules and commit to a plan with your partner (Anderson, 2012) and your planner (if you have one). This can help facilitate an environment with well-established goals and principles and can facilitate positive communication and behaviors around a shared goal, thus reducing stress and anxiety.

The importance of wealth is not a finding that should surprise anyone, but is something that cannot be ignored. When we think about the services that society deems as important, many of these are provided for by governments or other agencies for little or no cost. For example, in Canada, healthcare is universally available to most Canadians. When someone needs medical attention, they can go see a doctor for little or no cost. Therefore, money is not a barrier to accessing medical help. The same can be said for Legal Aid, both in the United States and in Canada. Legal aid is available to those who cannot otherwise afford legal counsel. Unfortunately, financial difficulties are treated differently. The financial system is structured to service the wealthy while overlooking the needs of the average or low-wealth citizens. This can be demonstrated by bankruptcy laws in Canada and the U.S., where debtors are not let off the hook

unless he or she has hit rock bottom. Social agencies in Canada that offer financial counselling are precariously funded and live from grant to grant. Some services such as tax clinics for low income families depend entirely on volunteer professional accountants. Debt counselling agencies depend on voluntary funding from financial institutions that is not guaranteed in the long run. In short, access to financial counselling is scarce and this is something that needs to change.

References

- Altfest, L. (2004). Personal financial planning: Origins, developments and a plan for future direction. *The American Economist*, 48(2), 53-60.
- Anderson, C. (2012). *Financial Self-Efficacy in Your Clients' Lives*. *Journal of Financial Planning Practice Management Blog*. [Online] Available from: <http://practicemanagementblog.onefpa.org/2012/03/20/financial-self-efficacy-in-your-clients-lives/>. [Accessed: 23rd July 2015].
- Bandura, A. (1977). Self-efficacy: Toward a unifying theory of behavioral change. *Psychological Review*, 84(2), 191-215.
- Bandura, A. (1997). *Self-efficacy: The exercise of control*. New York: Freeman.
- Bandura, A. (2006). Guide for constructing self-efficacy scales. In T. Urdan & F. Pajares (eds.). *Self-efficacy beliefs of adolescents*. Charlotte, NC: Information Age Publishing.
- Burgogne, C. (1990). Money in marriage: how patterns of allocation both reflect and conceal power. *Sociological Review*, 38(4), 634-665.
- Collins, J. M. (2012). Financial advice: A substitute for financial literacy? *Financial Services Review*, 21(4), 307-322.
- Cummings, B. F. (2013). *Three essays on the use and value of financial advice*. Unpublished doctoral dissertation. Lubbock: Texas Tech University.
- Cummings, B. F., & James, R. N. III. (2014). Factors associated with getting and dropping financial advisors among older adults. *Journal of Financial Counseling and Planning*, 25(2), 129-147.
- Danes, S. M., & Haberman, H. R. (2007). Teen financial knowledge, self-efficacy, and behavior: A gendered view. *Financial Counseling and Planning*, 18(2), 48-60.
- Dearden, C., Goode, J., Whitfield, G., & Cox, L. (2010). *Credit and debt in low-income families*. York, UK: Joseph Rowntree Foundation.
- Dietz, B. E., Carrozza, M., & Ritchey, P. N. (2003). Does financial self-efficacy explain gender differences in retirement saving strategies? *Journal of Women & Aging*, 15(4), 83-96.

- Du Plessis, K., Lawton, J., & Corney, T. (2010). Unemployed and struggling: The lack of financial help-seeking behavior exhibited by male construction workers. *The Australian Journal of Financial Planning, 6*(1), 1-8.
- Engleberg, E. (2007). The perception of self-efficacy in coping with economic risks among young adults: An application of psychological theory and research. *International Journal of Consumer Studies, 31*(1), 95-101.
- Ennis, N.E., Hobfoll, S.E. & Schroeder, K.E.E. (2000). Money doesn't talk, it swears: how economic stress and resistance resources impact inner-city women's depressive mood. *American Journal of Community Psychology, 28*(2), 149-173.
- Financial Planning Standards Council. *The value of financial planning*. (available at <http://www.fpsc.ca/value-financial-planning>).
- Finke, M. S., Huston, S. J., & Winchester, D. D. (2011). Financial advice: Who pays. *Journal of Financial Counseling and Planning, 22*(1), 18.
- Folkman, S. (1984). Personal control and stress and coping processes: A theoretical analysis. *Journal of Personality and Social Psychology, 46*(4), 839-852.
- Folkman, S., Scheaefer, C., & Lazarus, R. S. (1979). Cognitive processes as mediators of stress and coping. In V. Hamilton & D. M. Warburton (Eds.), *Human stress and cognition: An information-processing approach*. London, UK: Wiley.
- Gecas, V. (1989). The social psychology of self-efficacy. *Annual Review of Sociology, 15*, 291-316.
- Grable, J. E. & Joo, S. (1999). Financial help-seeking behavior: Theory and implications. *Financial Counseling and Planning, 10*(1), 14-25.
- Grable, J. E. & Joo, S. (2001). A further examination of financial help-seeking behavior. *Journal of Financial Counseling and Planning, 12*(1), 55-65.

- Grembowski, D., Patrick, D., Diehr, P., Durham, M., Beresford, S., Kay, E., & Hecht, J. (1993). Self-efficacy and health behavior among older adults. *Journal of Health and Social Behavior*, 34(2), 89-104.
- Hanna, S. D. (2011). The demand for financial planning services. *Journal of Personal Finance*, 10(1), 36-62.
- Hanna, S. D., & Lindamood, S. (2010). Quantifying the economic benefits of personal financial planning. *Financial Services Review*, 19(2), 111-127
- Heckman, S. J., & Grable, J. E. (2011). Testing the role of parental debt attitudes, student income, dependency status, and financial knowledge have in shaping financial self-efficacy among college students. *College Student Journal*, 45(1), 51-64.
- Krause, N. & Baker, E. (1992). Financial strain, economic values, and somatic symptoms in later life. *Psychology and Aging*, 7(1), 4-14.
- Lapp, W. M. (2010). *Behavior models for prosperity: A statistical assessment of savings and behavioral change*. EARN Research Brief. *Earned Assets Resource Network* [Online] Available from: https://www.earn.org/wp-content/uploads/2015/03/5_-_Behavioral_Models_for_Prosperty-_A_Statistical_Assessment_of_Savings_and_Behavioral_Change-1.pdf
- Lim, H., Heckman, S. J., Montalto, C. P., & Letkiewicz, J. (2014). Financial stress, self-efficacy, and financial help-seeking behavior of college students. *Journal of Financial Counseling & Planning*, 25(2), 148-160.
- Lown, J. M. (2011). Development and validation of a financial self-efficacy scale. *Journal of Financial Counseling and Planning*, 22(2), 54-63.
- Marsden, M., Zick, C. D., & Mayer, R. N. (2011). The value of seeking financial advice. *Journal of Family and Economic Issues*, 32(4), 625-643.
- Mates, D. & Allison, K. R. (1992). Sources of stress and coping responses of high school students. *Adolescence*, 27(106), 461-474.

- Park, C. L., & Folkman, S. (1997). Meaning in the context of stress and coping. *Review of General Psychology, 1*(2), 115-144.
- Prochaska, J. O., & Velicer, W. F. (1997). The transtheoretical model of health behavior change. *American Journal of Health Promotion, 12*(1), 38-48.
- Remund, D. L. (2010). Financial literacy explicated: The case for a clearer definition in an increasingly complex economy. *Journal of Consumer Affairs, 44*(2), 276-295.
- Robb, C. A., Babiarz, P., & Woodyard, A. (2012). The demand for financial professionals' advice: The role of financial knowledge, satisfaction, and confidence. *Financial Services Review, 21*(4), 291-305.
- Schwarzer, R., & Jerusalem, M. (1995). Generalized self-efficacy scale. *Measures in Health Psychology: A User's Portfolio. Causal and control beliefs, 1*, 35-37.
- Shockey, S. S., & Seiling, S. B. (2004). Moving into action: Application of the transtheoretical model of behavior change to financial education. *Journal of Financial Counseling & Planning, 15*(1), 41-52.
- Willis, L. E. (2008). Against financial-literacy education. *Iowa Law Review, 94*, 197-285.
- Xiao, J. J., Newman, B., Prochaska, J. M., Leon, B., Bassett, R. L., & Johnson, J. L. (2004). Applying the transtheoretical model of change to consumer debt behavior. *Journal of Financial Counseling & Planning, 15*(2), 89-100.