

A Profile of Financial Planning for Women Participants: Implications for Education and Advising

Jean M. Lown, Ph.D.
Utah State University

Abstract

A program evaluation was conducted with participants in the *Financial Planning for Women* (FPW) educational program using an online survey. Respondents were mostly Planner and Saver personality types and most participants (39%) were initially attracted to FPW by a friend. Three-quarters of participants would like to learn more about investing for retirement; the second most desired information is how to reduce debt. As a result of attending FPW two-thirds of participants started or increased saving/investing for retirement. The biggest perceived obstacle to achieving their financial goals is not enough income. The women like the informal, supportive atmosphere and benefit from knowing that other women are struggling with the same challenges.

From a public policy perspective and for individual financial security, it is essential to motivate women to take action to enhance their financial security in later life. This program evaluation was conducted 1) to determine which methods and strategies most effectively motivate women to act and 2) to solicit ideas for improving the effectiveness of Financial Planning for Women (FPW).

There is little doubt that Americans need financial education to help them cope with a rapidly changing employment, housing, retirement planning, and financial services environment. Results of the *National Financial Capability Study* (Financial Industry Regulatory Authority, 2009) confirm the low levels of financial literacy of Americans. Fox, Bartholomae, and Lee (2005) present a cogent argument for the need for more effective financial education. In an effort to keep America competitive in a rapidly changing world economy, The President's Advisory Council on Financial Literacy was established in 2008 to promote financial literacy for youth and adults.

The US savings rate steadily declined for more than a generation and dipped to zero in 2006 income (US Department of Commerce, Bureau of Economic Analysis, 2010a). However, in response to the recession, more Americans are saving, so the rate is up to 5% of personal disposable income (US Department of Commerce, Bureau of Economic Analysis, 2010b). Beginning in 2008 the Global Financial Crisis further complicated the financial lives of many American families. Looking ahead to the next few decades, more than half of American workers are at risk of not being able to maintain their current level of living once they retire (Munnell, Webb, & Golob-Sass, 2009). The situation is particularly acute for the baby boom generation which has suffered through two stock market declines in the decade leading up to their pending retirement (Lown,

2008a). Recognizing an opportunity, financial planners are increasingly interested in attracting and meeting the needs of female clients (Loibl & Hira, 2007).

Too many women lack confidence in their financial and investing skills, and thus, often defer to men to make decisions. Women have different learning styles and needs than men and often benefit from education designed for them and with other women learners (Hays & Flannery, 2000). Recognizing the need for financial education programs tailored to women, a number of such programs and educational materials have been developed including: *Annie's Project*, developed by Iowa State Extension for farm women, *From Purses to Portfolios: Delaware Women Take Charge of Their Money* and a program geared to young women: *Wise Up: Financial Planning for Gen X and Y Women*. Another Extension education program geared to women is the workbook *Money talk: A financial guide for women* (Brennan & O'Neill, 2009). *Financial Planning for Women* predates these programs with a 14 year track record.

Financial Planning for Women Philosophy and Conceptual Framework

Financial Planning for Women (FPW) is a monthly seminar to educate and empower women to take more responsibility for their financial security. Initiated as a community service in 1996, FPW provides a monthly in-person program, an email newsletter, and website (<http://www.usu.edu/fpw/>). The mission of *Financial Planning for Women* is to educate women about personal finance and investing and to motivate them to take responsibility for their financial future (Lown, 1999). Specific goals are to:

- educate women about personal finance and financial planning
- motivate women to take action to reduce debt and start or increase saving/investing

- teach women to calculate the amount they need to invest for retirement and to invest toward that goal.
- provide women with the tools to plan at least one action that they will take as a result of attending each program.
- encourage participants to commit to a process of life-long learning.

FPW targets women (but never discourages men who attend occasionally) because women earn less than men, invest more conservatively, are less likely to participate in an employer sponsored retirement plan, live longer than men, and are more likely to be poor in old age. Too many married women assume their husbands will take care of their financial needs for the rest of their lives so they fail to take responsibility for their financial security in later life.

The FPW program is based on the Transtheoretical Model of Change (TTM) developed by James Prochaska and colleagues at the University of Rhode Island (Prochaska & DiClemente, 1983; Prochaska, Norcross, & DiClemente, 1994). The TTM, an integrative model of behavior change, has been the basis for developing effective interventions to promote health behavior change. The model describes how people modify a problem behavior or acquire a positive behavior. The central organizing construct of the model is the Stages of Change. To encourage goal setting and action, participants at each FPW program receive a “Personal Finance Action Plan” worksheet to encourage them to set goals for themselves and take action by dates that they specify. Actions can be as simple as making a phone call to find out the amount of the deductible on their homeowners and auto insurance.

The stages of change begin with Precontemplation where the person is unaware of their problem and/or has no intention of changing. Individuals in the contemplation

stage recognize the need to change but are ambivalent or uncommitted. At the Preparation stage an individual intends to change and may have made a few changes but is not fully committed or is subject to back sliding. The process is spiral rather than linear, with relapses and multiple attempts before moving on to the Maintenance stage of long-term change (Prochaska, et. al., 1994).

Review of Literature

While Americans in general suffer from poor financial literacy and low savings, women are at higher risk than men for financial insecurity in adulthood and poverty in old age because they live longer, earn less, are less likely to have a pension and invest more conservatively than men (Fisher, 2010; Munnell, 2004). Lusardi and Mitchell (2008) have published extensively on the topic of financial literacy, including a study of older women. According to Lusardi and Mitchell, older women in the United States have very low levels of financial literacy and the majority of women have undertaken no retirement planning. Furthermore, financial knowledge and planning are clearly interrelated: women who display higher financial literacy are more likely to plan and be successful planners.

Women are more risk averse and thus invest more conservatively than men (Bajtelsmit & Bernasek, 1996; Lown, 2008b) which is counterproductive in light of their longer life spans (Centers for Disease Control, 2006). Results of the 2000 Women's Retirement Confidence Survey documented the need for women to invest more to ensure a more secure retirement (Turyn & Helman, 2001). Chen and Volpe (2002) report a gender gap in financial literacy among college students while Lusardi and Mitchell (2008) document the low level of financial literacy of adult women.

In their white paper entitled *Frozen in the headlights: The dynamics of women and money*, the National Endowment for Financial Education (Anthes & Most, 2000) summarized the need to address the question of how to improve women's financial literacy and self confidence in handling their finances. Compared to men, women earn less, are more likely to work discontinuously, are more likely to take time out of the workforce to be caretakers of children and the elderly (Metlife Insurance Company, 1999), often lack retirement plans, and demonstrate lower levels of financial literacy. Women are at higher risk than men for financial stress, and therefore, are an important target for financial education, research, and intervention (Munnell, 2004). Women suffer from lower levels of financial self-efficacy (Dietz, Corrozza, & Ritchey, 2003) so they lack confidence in their ability to invest effectively. Munnell and Zhivan (2006) document the link between women's lower lifetime earnings and retirement insecurity. Goldsmith and Goldsmith (2006) demonstrate how financial education can be used to reduce the gender gap in financial knowledge. For a detailed summary of women and savings behavior, refer to a detailed review of the literature by Fisher (2010). From a public policy perspective, as well as for individual financial security, it is essential to motivate women to take action to ensure their own financial well being.

Purpose of Study

A survey of participants was conducted in fall 2009 to assess the value of the FPW program in helping participants improve their financial practices.

This survey was conducted to:

- (1) determine which methods and strategies effectively motivate women,
- (2) solicit ideas for improving the effectiveness of the program, and

- (3) determine the Transtheoretical Model (TTM) Stage of Change of participants.

Methods

A program evaluation, approved by the university's Institutional Review Board for the Protection of Human Subjects, was conducted in November 2009 to assess the value of the program in helping participants improve their financial practices.

Participation incentives included a drawing for personal finance books.

The evaluation instrument was developed following the guidelines of the National Endowment for Financial Education's *Financial Education Evaluation Manual* (n. d.).

The online evaluation was conducted using Survey Monkey.

The Financial Planning Personality Profiler (Lown, 2007) consists of two questions to categorize clients into one of five personality types (FPPT): Planners, Savers, Strugglers, Impulsives, and Deniers. The FPPT is based on the much longer Retirement Planning Personality Profiler used in the annual Retirement Confidence Survey. The FPPT serves as a proxy for Prochaska's TTM Stages of Change: Planners = Maintenance, Savers = Action, Strugglers = Preparation, Impulsives = Contemplation, Deniers = Pre-Contemplation.

Results

A link to the survey was emailed to 254 email addresses of FPW participants; 81 women responded for a 31.8% response rate. The initial email contained the IRB letter of information and consent to participate in the research.

Demographics of Respondents

The mean age of respondents is 46 years with a median of 50 (age range: 20-69). Forty-seven (58.8%) of respondents are married; 17 (21.3%) are divorced. Eleven (13.8%) are single; two are widowed and three are separated. Most of the women (61.3%) are employed full-time or part-time (18.8%). Some of the part-time employees are students. Five respondents (6.3%) are unemployed; eight (10.0%) are homemakers and three (3.8%) are retired. See Table 1.

The median and modal income category is \$35,000-49,999 (N= 22; 28%), followed by \$50,000-74,999 per year (N= 17; 21.5%) and \$25,000-34,999 (N=15; 19.0%). Eight women, mostly students, earn less than \$25,000; 18 earn more than \$75,000. Most of the women are highly educated with 33 (41.3%) reporting a graduate or professional degree, 30 (37.5%) completed a bachelor's degree and 15 (18.8%) report some college. Only two respondents (2.5%) report a high school education.

Financial Planning Personality Type and Stages of Change

As expected, most (69.1%) of the respondents are Planners and Savers. Surprisingly, five of the 81 respondents were categorized as Deniers, which is equivalent to the Precontemplation stage. See Table 2.

Table 1

Demographic Characteristics

Variables	<i>N</i>	%
Marital Status		
Married	47	58.8
Widowed	2	2.5
Divorced	17	21.3
Separated	3	3.8
Never married	11	13.8
Age Range		
Median age (years)	50	
Mean age	46	
Education		
High school	2	2.5
Some college/technical training	15	18.8
Bachelor's degree	30	37.5
Graduate or professional degree	33	41.3
Employment Status		
Full-time	49	61.3
Part-time	15	18.8
Unemployed	5	6.3
Homemaker	8	10.0
Retired	3	3.8
Income		
Less than \$15,000	3	3.8
\$15,000 to \$24,999	5	6.3
\$25,000 to \$34,999	15	19.0
\$35,000 to \$49,999	22	27.8
\$50,000 to \$74,999	17	21.5
\$75,000 to \$124,999	11	13.9
\$125,000 or more	6	7.6

Table 2

Financial Planning Personality Type (Stage of Change in TTM)

Variable	N	%
Planners (Maintenance)	35	43.2
Savers (Action)	21	25.9
Strugglers (Preparation)	2	2.5
Impulsives (Contemplation)	16	19.8
Deniers (Precontemplation)	5	6.2
Missing	2	2.5
Total	79	100.1

How Women Learned about FPW

An invitation from a friend and flyers posted around town and campus were the most effective advertising methods, followed by the listing on the university’s website calendar. Other ways participants learned about the program were radio announcements, a booth at a health fair, an email from a colleague, and an announcement in a university class. See Table 3

Topics of Interest for Future Meetings

About three-quarters of the women want to learn more about investing basics and how to apply them to retirement planning. As shown in Figure 1, 20% want to learn more about investing for college. Avoiding investment fraud is of interest to about 30% of respondents. Insurance is another subject of interest to the women. See Figure 1.

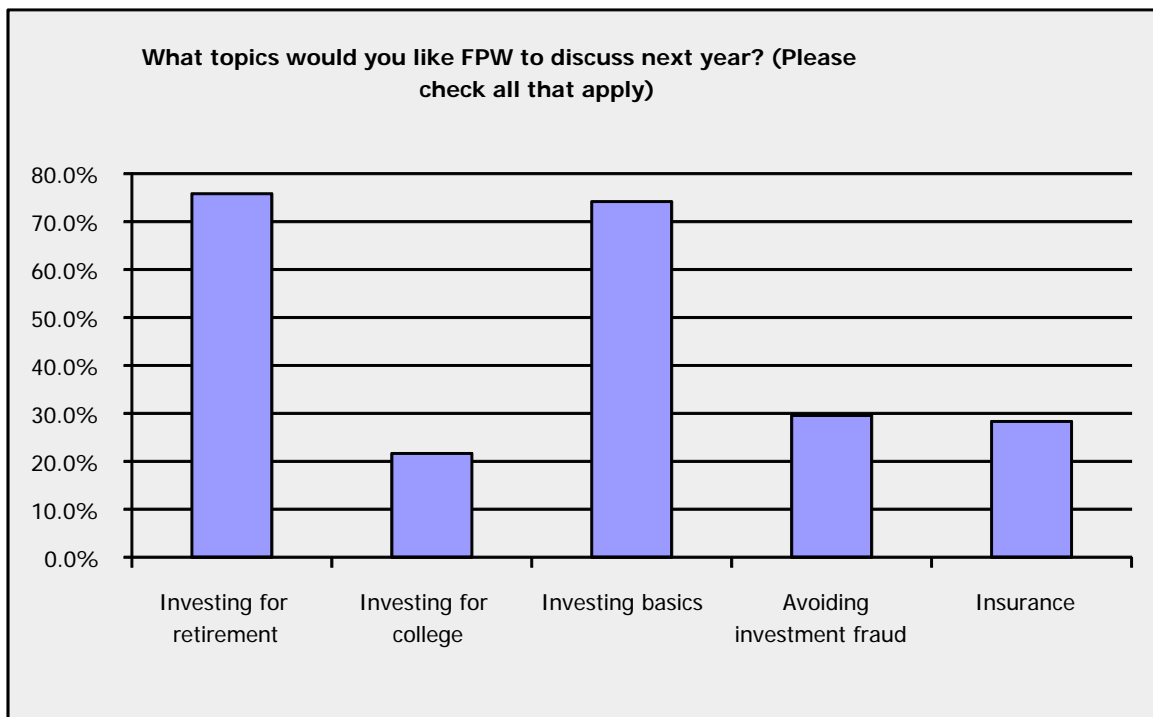
Table 3

How Women Learned About FPW

Options	%	N
What initially attracted you to FPW? (Please check all that apply)		
A friend	38.8	31
Poster or flyer	33.8	27
USU calendar announcement	20.0	16
FPW Newsletter	16.3	13
FPW Website	6.3	5
Other (please specify)	17.5	14

Figure 1

Topics of Interest to FPW Participants



As shown in Figure 2, two-thirds of respondents started or increased their retirement savings as a result of attending FPW. Over 40% implemented a budget while almost one-fourth achieved other financial goals.

As shown in Table 4, the three most important actions the women identified the need to take in the future are increasing income, paying off debts, and increasing retirement savings. Winning the lottery was added as an option to add some humor.

Figure 2

Actions Accomplished as a Result of FPW

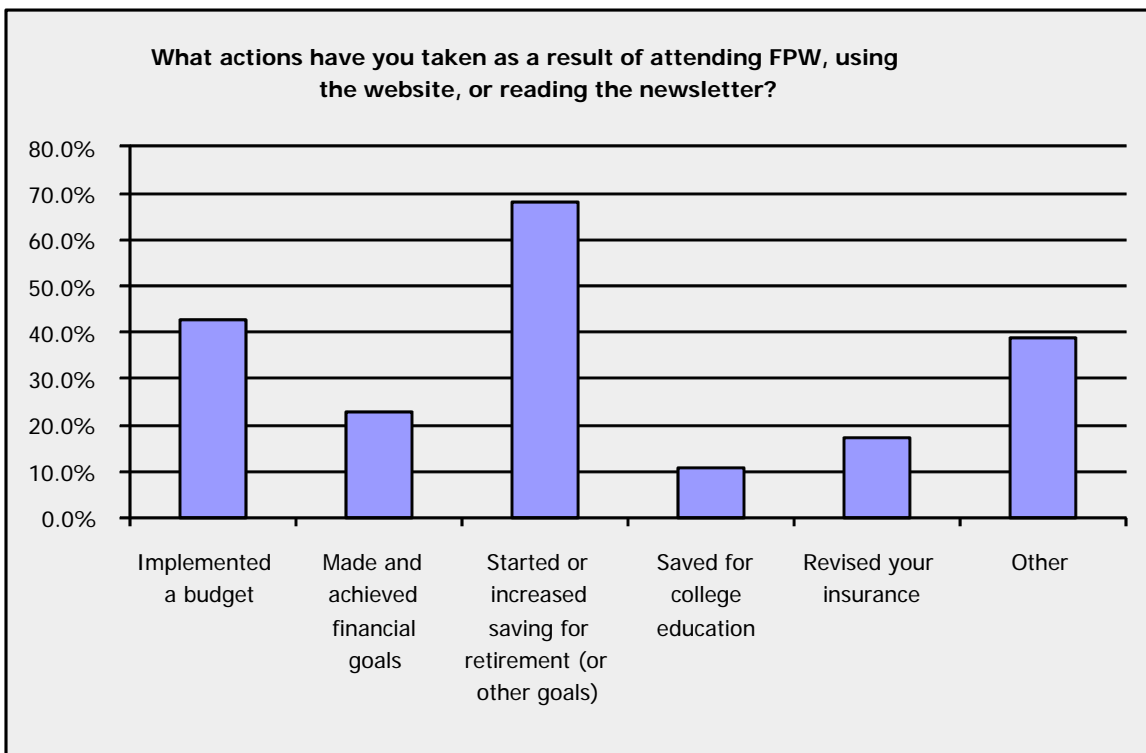


Table 4

Financial Planning Action Needed

Actions needed	%	N
What is the single most important financial planning action you need to take?		
Increase income	26.9	21
Start (or increase) retirement savings	25.6	20
Pay off debts	24.4	19
Win the lottery	3.8	3
Learn to budget	3.8	3
Total	99.8	78

The survey also asked: “What would encourage you to attend more often?” which received a wide range of responses. The most frequent reason for not attending was being “too busy” or having other more pressing obligations. Scheduling (day of week and time of day) and location factors were frequently mentioned. Some of the women on the email list live far from the university so attending is not practical. Many responded that they choose whether to attend based on the relevance of the topic. A couple of women indicated they would attend if child care was provided.

“What do you like most about the FPW programs?” generated a variety of responses including: realizing they were not the only one experiencing the problem, the comfortable format, ease of asking questions, the group closeness, emphasis on the practical and informative, emphasis on women’s needs and concerns, relevance to me, make complex issues easy to understand, not intimidating, friendly group; no pressure, low key, casual atmosphere, and keeping me up to date. In sum, the women value the

friendly low key format, emphasis on basic concepts relevant to their lives, the focus on women, and the accepting, non-judgmental atmosphere.

Table 5

Obstacles to Achieving Financial Goals

Answer options	%	N
What is the single biggest obstacle to achieving your financial goals?		
Not enough income	41.8	33
I can't save until my kids are out of the nest, our of college, etc.	2.5	2
Lack of self control; I enjoy spending	6.3	5
Too many debts	8.9	7
Recent decrease in income as a result of the economic problems	12.7	10
Bought too expensive a house	0.0	0
Too many expensive toys	0.0	0
Other (please specify)	27.8	22
Total	100.0	79

Discussion

All educators and counselors would like clients and students to be ready and committed to changing their behavior. Based on the FPPT and the TTM Stages of Change, it is not surprising that the women who chose to participate in the financial education program and complete the survey are mostly in the Action and Maintenance stages. Thus the women who most need to learn about personal finances and act on what they learn may not be taking advantage of this free learning opportunity, or at least, if

they are, they did not respond to the survey. What percentage of the participants in financial literacy programs are Savers and Planners in the Action and Maintenance stages? Perhaps financial educators are “preaching to the choir.” How to effectively motivate clients, or groups of financial education clients, remains a challenge. But an even greater challenge is how to attract individuals in the contemplation and pre-contemplation stages: the Impulsives, Strugglers and Deniers. One encouraging finding was the surprising number of Deniers (Precontemplation stage) who responded to the survey. One could argue that they can’t be Deniers if they participate in this program and responded to the survey. Perhaps the FPPT instrument is not perfect and/or they may be newcomers to the program. It would have been helpful to know how long the Deniers, as well as the other FFPTs, had been participating in FPW. But a more positive perspective is that the program is effective in drawing in women who most need the education and motivation to act.

How to attract Deniers, Impulsive and Strugglers to seek financial education and advice is a challenge. Strategies include encourage buddy support system (pairs or small groups), use testimonials of women who have overcome financial and psychological obstacles as role models, using time value of money illustrations tailored to your audience, and keeping educational messages simple and concise (not time consuming).

Recommendations for Educators and Advisors

While increasing income is a near universal reaction to how to improve one’s finances, it may not be the most realistic, especially in today’s high unemployment economy. Like many Americans suffering from the hangover of too much easy credit that defined the first decade of this century, the women in FPW need help with effective

strategies to pay down debt. While little of the financial planning literature focuses on debt reduction, it is often an essential first step to free up money to invest. Financial planners need to address the debt side of their client's balance sheet. Note however, that none of the women admitted to buying too expensive a home or too many "expensive toys." With the home being the single largest purchase, and in light of the housing bubble that contributed to the Global Financial Crisis that began in 2008, it is likely that at least some of these women are committed to burdensome housing payments. While downsizing to a less expensive home is very difficult for buyers who purchased at the top of the inflated market, addressing housing costs needs to be part of the discussion with clients. However, there are no easy strategies to get out from under a burdensome mortgage during the prolonged hangover resulting from the bursting of the housing bubble. Of course the definition of "expensive toys" is like beauty, in the eye of the beholder; these purchases may be easier to unload than a house. While none of the respondents admitted to either type of purchase, a cash flow analysis might reveal areas where expenses could be reduced to provide funds for investing.

Financial educators and advisors would like our students and clients to be ready for the TTM Preparation and Action stages where they are committed to changing their behavior. How to effectively motivate clients and students, and move them to a higher level in the TTM, remains a challenge. But an even greater challenge is how to attract individuals who are currently in the Precontemplation and Contemplation stages.

How can educators entice Deniers, Impulsives, and Strugglers to seek financial education and advice? Based on the results of this program evaluation survey, strategies include encouraging women who are already clients or participants to recommend your program or service to their friends. Educators can encourage an informal buddy support

system (pairs or small groups) to promote wider participation and support in following through on recommendations. Another strategy is to use testimonials of women who have overcome financial and psychological obstacles as role models. Based on responses to the open ended questions, the women who attend FPW appreciate educational messages that are simple and concise. Further, they are more willing to follow through on financial planning actions that are not time consuming since they perceive that lack of time is a major obstacle to attending.

For educators and advisors alike, the biggest challenge may be convincing your clients that more income will not solve their financial problems. Here is where it can be effective to present real life examples of women who have accomplished their goals on modest incomes. Suitable TVM examples showing the impact of regular investments over time can be valuable. Results of the annual *Retirement Confidence Survey* (Helman, Copeland, & VanDerhei (2010) can be used as a benchmark to help clients and students see how they compare to a representative sample of American workers and retirees. According to economic psychologists, knowing that X% of Americans are practicing a behavior (i.e., wearing seatbelts, saving for retirement, etc.) can encourage those who are not to adopt the practice. We need to make saving and investing the social norm.

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