Understanding a Client's Impulse to Help Others: How Self Efficacy Relates to Giving Money and Time Away

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Key words: self-efficacy, charitable giving, generosity, volunteer

It is often the case that a client's desire to help others through the giving of their money (charitable donations) and time (volunteer hours) is very strong, especially in America. According to the Almanac of American Philanthropy, the U.S., is the leading nation in charitable giving. According to the Charities Aid Foundation, the U.S. has the second highest volunteer score in the world. But, not every client prioritizes giving as an important goal in their financial plan. Why do some clients give, while others do not? This analysis explored the concept of self-efficacy empirically, showing that those with higher self-efficacy are positively associated with helping behavior (e.g., giving money or time), as predicted by an adapted Theory of Planned Behavior.

Personal efficacy expectations, or self-efficacy, refers to a person's estimate that they can achieve mastery of a given task. This is different from response-outcome expectations, which refer to a person's estimate that a given behavior will lead to certain outcomes (Bandura, 1977). Previous studies have shown that guilt, empathy, and self-efficacy all have positive impacts on the helping behavior of individuals towards charitable organizations (Bendaupudi et all., 1996; Cryder et al., 2013; Sharma et al., 2016; Basil et al., 2008). In all previous studies, relatively small experiments were conducted. This study will use the NLSY79 survey, which contains a nationally representative sample of 12,686 men and women. Given that previous research has shown that improving the perceived self-efficacy of an individual increases that individual's helping behavior, we hypothesize that there will be a positive association between self-efficacy and helping behavior, which are confirmed in this study.

The most significant implication from this study for financial planners is that planners can better predict and understand the charitable intentions of their client through measuring their client's perceived self-efficacy. If a planner identifies that their client is high in self-efficacy, they could both affirm and encourage their client's impulse to give their money and time away. In addition, if a planner seeks to cultivate a "giving while living" charitable intention in a client (e.g., paying fewer capital gains, or estate, taxes), the improvement of a client's self-efficacy could possibly lead to an increase in the willingness of a client to engage in helping behavior.

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