Advisor-Boomer Client Relationships: Raising Financial Literacy and Retirement Well-Being

by Lois A. Vitt, PhD

Abstract: *Evidence has been accumulating across the behavioral sciences that good financial decision making involves both cognitive and emotional effort. Although financial professionals know this intuitively, most have yet to master the art and science of educating midlife and older clients to navigate the complex cultural influences and decision dynamics that exist for everyone. As baby boomers swell the numbers of preretirees and the already retired, successful financial professionals increasingly will become the "go to" educators who help midlife and older clients (and also members of their communities) make the knowledgeable and deliberative financial decisions that can improve their retirement well-being. A framework is presented that illustrates and explains the social influences and psychological dynamics of consumer financial decision making.*

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Introduction

When the financial industry loses the public trust, everyone loses.[1] The stakes are higher when cynicism prevents retiring or already retired baby boomers from consulting financial service professionals as they struggle to find their bearings in a radically changed economic environment. Adopting a fiduciary standard across all financial professions is predicted to increase transparency, and therefore trust, in the financial services industry.[2] Rebuilding trust, however, will take more than new rules. Financial service professionals do not control the events, changes, and pressures in the general economy, and they have little or no control over the policies and practices of the financial firms they represent. Nevertheless, it is in their best interests to understand the financial and emotional tolls such policies and pressures have taken on many baby boomers in the recent past, and to recognize the opportunities that exist for financial service professionals to uplift them in the future.

The Need for a Different Financial Services Agenda

Addressing the trust gap also requires recognizing that there is a problem,[3] and then mustering the will and seeking the training needed to meet retiring and retired boomers on their own terms.[4] To be effective, financial advisors of the future will be challenged to incorporate clients' social and cultural interests, family circumstances, unique personal values and needs—including health and aging needs—into the client relationship.[5] They will also be expected to become educators to clients who place high value on becoming financially literate and making deliberative financial decisions that are self-enhancing.[6]

This article presents a multidisciplinary framework that indicates, in both theoretical and practical terms, how we have come to this stage where the nation's mostly out-of-touch financial services industry, policymakers, and the wary public may come to new, more workable mutual understandings. Against a historical backdrop of the nation's attempt to implement a financial education agenda, economic and other societal influences combined instead to boost the percentage of workers who are not confident about having enough money for a comfortable retirement to 49%.[7]

At the same time, the Dodd-Frank Act requires the development of initiatives that provide financial counsel to older adults on issues including long-term savings and later-life economic security. It also mandates increased vigilance to help older adults avoid financial exploitation.[8] These policy concerns focus on helping midlife and older adults strengthen their financial literacy (knowledge and skills) and financial capabilities (capacities) for making self-enhancing financial decisions. But who will teach them the cash management and investment skills they need to survive retirement in uncertain times? Most current financial education is attuned to youthful learners or to online users, and many midlife and older adults were neither socialized nor educated to handle the financial complexity that exists in the financial marketplace today.

To add to the difficulty of finding good financial teachers for boomers, evidence has been accumulating from across the behavioral sciences for some time that financial decision making involves both thinking and feeling effort. It is not a simple matter of numbers when individuals identify alternatives and choose among them, since nonfinancial factors are almost always involved in the decisions.[9] Although most financial professionals know this intuitively, they have not been required in the past to understand, much less master, the art and science of educating midlife and older clients to make more deliberative financial decisions. Yet ultimately, successful financial professionals will become the "go to" educators who help their broadly expanded client bases (and community members) navigate the complex sociofinancial influences and decision dynamics that are described in this article and that exist for everyone.

Was Anyone Listening?

In the late 1990s, private- and public-sector organizations launched financial education initiatives that urged baby boomers hurtling toward retirement to save their money before it was too late.[10] Worrisome outcomes were being predicted for midlife and older persons who failed to prepare for the societal changes that were shifting costs, risks, and accountability for financial well-being from private- and public-sector organizations to individuals.[11] The proposed solution was widespread financial education, by which Americans of all ages could become "financially literate."[12] If boomers in particular were provided with financial knowledge and the skills needed to navigate the financial markets, they would replace their profligate spending ways with motivated plans to avoid the possibility of later life impoverishment.

Public-private partnerships were created to offer financial literacy education that typically ranged from hour-long seminars to two-day intensive workshops. Social marketing messages urged Americans to "save and invest" for emergencies, education, home ownership, and most of all for retirement. Adult financial literacy programs targeted women, service members, near-retirees, and community and faith populations. The efforts caught on and flourished, and an unprecedented amount of financial information, books and articles, and online resources became widely available to the general public. Thus, educators were tasked with teaching individuals to manage money prudently by saving and not spending. Yet marketers, advertisers, and even the federal government continued to encourage individuals and families to spend more, not less, and financial firms aided this by extending abundant credit. As a result, consumers were receiving messages that urged them both to resist and to participate in the marketplace at the same time. Predictably, personal saving—as defined by policymakers and program sponsors—did not increase, and consumer borrowing soared.[13] While critics would see these indicators as failed efforts at financial education, many boomers had substantially absorbed both messages as they resolutely followed the retirement planning that had worked for their parents: save and invest by owning your own home, spend to improve it for retirement, depend on collecting Social Security together with the pension and health benefits you were earning if you were lucky.

As it turned out, aggressive lending by financial institutions and naïve consumer borrowing precipitated a series of crises throughout the nation's (and the world's) economies, beginning in 2007. The worst recession since the 1930s followed, and many individuals and families slipped into financial crisis from losses of income and wealth. The dramatic downturn in home values removed the security of home equity and dashed the retirement goals of many baby boomers. According to the Bureau of Labor Statistics, workers ages 45 and over formed a disproportionate share of "the nation's long-term unemployed."[14] A recent study by Wellesley College economists shows that the labor market downturn during and after the recession could have significant adverse health effects for older boomers, and in some cases, cut life expectancy by up to three years.[15]

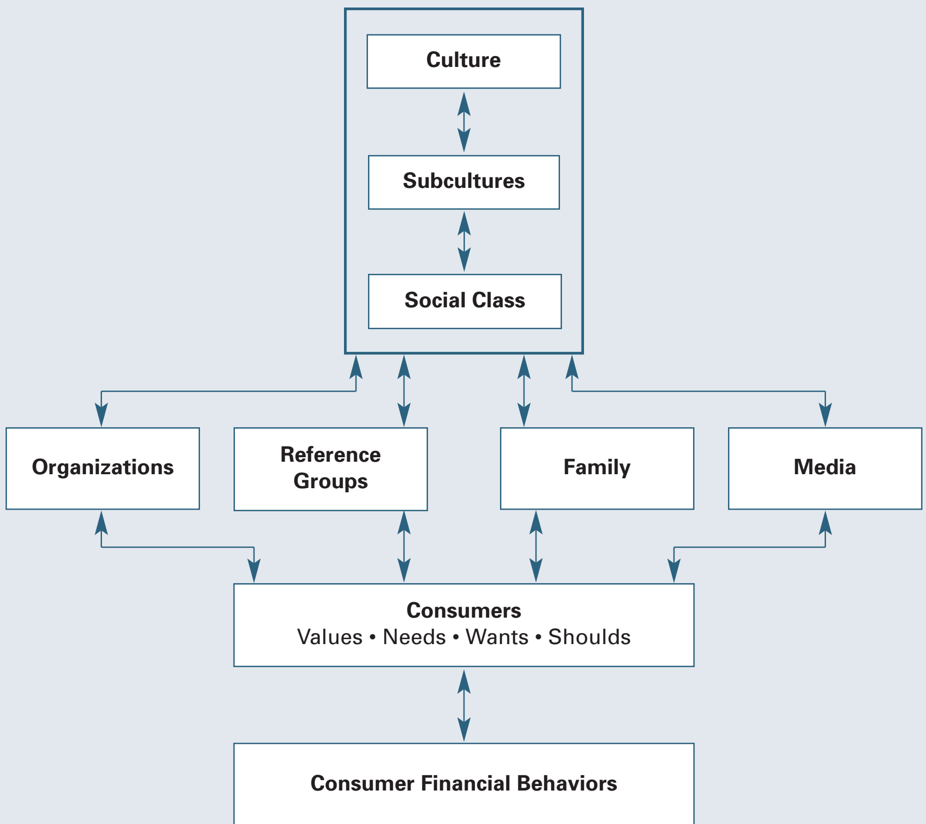
These are not the outcomes expected by charter-member organizers of financial literacy education initiatives, nor is there much sympathy for workers and near-retirees caught in the financial maelstrom. Instead, the financial community has lain much of the blame for the financial chaos squarely on the shoulders of those individuals and families who may have been hit hardest. Among them are aging baby boomers, many of whom gambled and lost on employment longevity, predictable health benefits, and the reliable, if not always appreciating, equity in their homes.

Social Influences on Client Financial Behaviors

The model in Figure 1 shows the conceptual categories that influence clients consciously or unconsciously over the life cycle. Ranked from macroinfluences (the larger society) to microinfluences (one's family or peer group), the categories are always reciprocal, fluid, and interdependent. Figure 1 shows the mutually interactive hierarchical relationships that influence everyone.[16] Mar-

FIGURE 1

Flows of Social Influence on Consumer Financial Behavior



Adapted from Peter and Olson (2002).

keters and advertisers are well aware of these influences and use them successfully to sell products and services.

Culture: "The American Way"

Culture is the broadest aspect of the social environment. It is a set of shared symbols, values, beliefs, and attitudes that shape individual and group behavior.[17] American culture is the collective mental programming of the nation.[18] Societies establish their own visions of the world and construct those cultural worlds by creating and using shared meanings to represent important societal distinctions—the flag, Statue of Liberty, holiday celebrations, and other customs and artifacts.[19]

The American Dream is perhaps best described as "a set of user values."[20] It includes having a job that provides economic security, satisfaction, the feeling of usefulness, and the chance for advancement. Owning a home has been so important a shared value in the U.S. that in housing literature, the American Dream is often used synonymously with home ownership. Although this value may appear to be changing as a result of its unaffordability for those saddled with debt, it will not disappear.[21] This shift alone presents a paradox for baby boomers, who want (and are being encouraged by policymakers) to "age in place," but who may not have the housing resources required without planning help from financial professionals to achieve this valued goal.

Subcultures

Subcultures are distinctive groups whose life patterns differ in part from the dominant cultural patterns of a society. Although most subcultural groups do share cultural meanings with the greater society, others are unique and distinctive. Subcultures share values and beliefs and have traditions, attachment to objects, languages, lifestyles, and rituals in common. Goodenough's[22] concept of "cultural frame" explains how multiple and overlapping subcultural group memberships and identities can differentially influence cultural meanings and values.[23] Cultural frames also are location sensitive. As within the larger culture of a nation, cultural meanings can vary at the level of geographic location on the urban-suburban-rural continuum, and even at the community and neighborhood levels.

Industries too can be viewed as subcultures. The collective domains of health care, finance, utilities, and energy consist of markets, customs, policies, and practices that transmit common cultural meanings within the greater social environment. Wall Street, itself a subculture, wields power over the lives of individuals and families, policymakers, businesses, and whole nations. It can inspire fear and resistance, admiration and awe, or disapproval and anger, depending upon conditions in the general economy and the perceived well-being of other subcultural groups.[24]

The self-identification of an individual and the values and norms that are salient to his or her decision behaviors depend upon situational contexts that include relevant social, political, and economic interests at decision-making points in time. The same is true of the purchasing decisions of members of differing subcultures. Practices of "identity politics" promote subcultural identity that is useful in mobilizing political action, while market segmentation by subcultural identity is a common and effective commercial tool in retail marketing. Behaviors, including consumer financial behaviors, are ways that individuals communicate, albeit unconsciously, their subcultural identities to the larger society. Businesses and politicians know that a skillfully framed message that resonates with members of a particular subcultural group will be well received by the target audience and deliver the intended result.

The New "Middle Class"

The recent media and political refocus on "the middle class" has served both to emphasize and to mitigate the effects of social class ranking that involves wealth, power, culture, taste, identity, and access to financial resources. Everyone can think of themselves as "middle class" today by popularized standards, except the very wealthy and the poor. However, people who perceive class distinctions can feel their impact in powerful ways, while others barely notice or refuse to concede their existence.[25] To some, class connotes differing economic circumstances, lifestyles, and tastes; to others it is about social status, esteem, and respect.[26]

The obvious trajectory of Americans over the past decade up and down the economic ladder presents a contradictory but compelling picture of stagnating social mobility for large numbers of the now vast "middle class," particularly those at the intersections of ethnicity, race, and gender.[27] Over the last two decades, the income gap between wealthy Americans and those at the middle and bottom of the pay scale has widened. Moreover, the outlook in areas of education, employment, health care, and retirement all point to growing gaps in economic mobility and future income security.[28] The emotional and practical difficulties of transcending class boundaries have been well-documented in both classic and recent literature. America still celebrates the cultural value of upward mobility—the idea that there is opportunity to move up from humble beginnings to achieve greatness—and for some fortunate people, this scenario is still viable. For those who follow social policy trends, however, there are ominous signs that a large percentage of others may be losing hard-won economic gains and that a more permanent American underclass may be hardening.[29]

Organizations

Policymakers and businesses, which nudged the financial education community into existence, formed an organization, the American Saving Education Council (ASEC), to give it legitimacy and momentum. Each of the public- and private-sector charter members of ASEC was also an organization. Organizations permeate U.S. society, and they strongly influence the political will and operational structure, culture, norms, and values of the American population. Schools, faith-based organizations, charitable groups, hospitals, businesses and other workplaces, governmental and nongovernmental agencies, the military, sports enterprises, police forces, clubs, and associations are all examples of organizations.

> Our society is an organizational society. We are born in organizations, educated in organizations, and most of us spend much of our lives working for organizations. We spend much of our leisure time playing and praying in organizations.[30]

Organizations influence consumer behavior in powerful ways by creating incentives and disincentives. Consider the influence the U.S. airline industry has exerted over the behavior of travelers by introducing financial disincentives. Airline companies:

- Influenced the flying public to include an overnight Saturday stay in their travel plans or pay hefty penalties to travel.
- Influenced travelers to book flights on their own and to plan their trips well in advance or forfeit the likelihood of reasonably priced airfares.
- Changed the habits, travel patterns, costs, and expectations of consumers with rules and fees concerning meals, baggage, and frequent flier perks and statuses.
- Recently announced policy changes on the horizon that will include charges for carry-on baggage, higher penalties to change flights, no advanced seat assignments, and reduced awards unless travelers book flights directly with the airlines. The new policies are intended to eliminate consumer bookings with intermediaries and, ultimately, raise airline revenues.[31]

Similarly, individuals and families are influenced, whether they recognize it consciously or not, through public- and private-sector-related issues that are framed, debated, and resolved (or not) in line with organizational interests.[32] Financial organizations, in particular, have strongly influenced consumers—across subcultures and economic classes—by giving them access to personal credit or not. Marketing trends, eased by credit, helped to shape the greater American culture by linking happiness to the satisfaction of material needs and wants.[33] With the use of credit, individuals and families are urged to become full participants in the U.S. "consumer society," a variant of capitalism characterized by the primacy of consumption over production.[34]

Kanner and Soule[35] introduce the idea of internalized corporate culture that comes about when people adopt the same view of themselves as that promoted by corporate culture. Through such a prism, individuals see themselves as "consumers" and "workers," and the corporate ideal of success becomes a model for individual success.[36] This dynamic is made possible by organizational public expression,[37] and most effectively through marketing and advertising, which encroach into every sphere of American life.[38] Public expression, advertising, and media organizations are integral to one another.

The Media

Media include print (books, magazines, and newspapers) and the electronic media (television, radio, videos, the Internet, including the ubiquitous social media). The media both promote and compete with the influences of organizations. Media target children and adolescents, influencing the way they identify and come to know themselves and their social world.[39]

> The need to connect with the masses of people is a major reason why media discourse, whether it be in the form of "news" or "entertainment" or advertising, is coded or framed in value terms.[40]

The status-reflecting importance of money and possessions supports the U.S. culture of consumption and constitutes prominent themes in mass media, both in the entertainment that it offers and the advertising that supports it.[41] The effects on the lives of consumers cannot be dismissed or underestimated. Jean Kilbourne writes, "Advertising is our environment. We swim in it as fish swim in water."[42] Here is the analysis she offers on its effects:

> Advertising…is both creator and perpetuator of dominant attitudes, values, and the ideology of the culture…The story that advertising tells is that the way to be happy, to find satisfaction, and to be free politically is through the consumption of material objects…it sells much more than products…we trivialize it at our peril.[43]

Television subtexts extol the virtues of materialism and combine with advertisements that are "painstakingly crafted to promote consumption."[44] They engender upward social comparisons, causing viewers to feel uncomfortably inferior. This is not an accidental effect.

Heightened feelings of insecurity activate compensatory mechanisms that alleviate negative feelings. The advertisement offers viewers a "fix" for feelings of inferiority: the purchase of its product.[45] This dynamic is most successful with people who already have a strong materialist value orientation. They are prone to social comparison and rely upon money and possessions as indicators of self-worth. According to Watson,[46] this focus on "materialism" has implications for consumer financial behavior: his research finds that highly materialistic people are more likely to view themselves as spenders and have more favorable attitudes toward borrowing than those who are less materialistic.

Economist Martha Starr[47] finds "standard" consumer theories, and the behavioral economic approach on which they are based, inadequate to explain spending problems and lack of saving. Starr argues that self-control problems may be enacted in the realm of cognition, "but their 'root causes' lie in social, cultural and economic dynamics." Accordingly, public policies that attribute self-control problems to cognition rather than to cultural causes can only superficially address these problems.[48]

Families

It is within the intimate context of the family that most financial and consumer decisions are made. Children are aware at a young age that money is essential to acquire the material things that they desire. Most children begin to exert their shopping power by the age of three—a fact not lost on the marketing industry.[49] Included in marketing textbooks are studies of the persuasion dynamics in family decision making, which marketers typically target at the family roles of "mother," "father," "wife," or "husband." Warren and Tyagi[50] argue that the single best predictor of financial ruin is having a child, as it naturally creates a set of spending decisions that puts parents at risk for outspending their resources.

Families are the front line of the socialization process, providing the most intimate of interactions through which children and adolescents come to understand the world, and act within it.

> Families also place children—wittingly or unwittingly—into a particular place in the world in terms of geographic location, race, ethnicity, religion, and social status. Families transmit cultural meanings, values, and norms to children, as they are filtered through and conditioned by subcultural and social class positions that influence their cognitions and behaviors accordingly. Although socialization occurs throughout the life cycle, much of what is experienced in families during childhood and adolescence is internalized and accompanies individuals throughout adult life. What begins "as a social phenomena" takes up residence "deep within a person's heart and mind" and embeds itself in "that person's self-identity."[51]

Empirical evidence supports the importance of the family's role in the processes of financial and consumer socialization. Parents (and other family members) model financial and consumption behavior; transmit values concerning saving, credit, debt accumulation, future orientation, and independence; teach habits, judgment, and problem-solving strategies; and instill both conscious and unconscious ways of thinking about and "doing" money, finance, and consumption.[52]

However, intergenerational influence on values, attitudes, and behaviors in general and on those of a financial nature in particular[53] may be conditioned on the quality of family relationships, particularly on the nature of the parenting style. "Parental responsiveness"—linked to measures of perceived trustworthiness, fairness, and lack of hypocrisy—has been found to lead to more successful value transmission.[54] Webley and Nyhus[55] suggest that traits related to financial behavior, specifically future orientation, a concept associated with increased savings and other conscientious behaviors, are transmitted from parents to children in an environment that stresses active socialization methods: frank discussions about finances, opening bank accounts, and modeling prudent behaviors.

Kasser et al.[56] argue that when family environments fail to meet children's psychological needs for safety, security, autonomy, competence, and relatedness, children are at risk for developing a materialistic value system because individuals attempt to compensate for distressing feelings of insecurity by orienting toward materialist values when their basic psychological needs are not met. Overly involved, harsh, critical, punitive, or lax parenting is associated with higher levels of insecurity in children, which in turn are associated with the development of materialistic values. Such parenting styles are implicated in the development of other problematic characteristics, such as the inability to delay gratification and low levels of self-esteem, achievement motivation, and self-efficacy, all of which have been found to be related in one way or another to less than optimal consumer and personal finance behaviors.[57]

Family roles in later life often reverse the dynamics of communication about financial issues, as family members often find conversations around money uncomfortable. Some reasons why include: fear of losing control of resources, avoiding confronting one's own mortality, fear of stirring up family conflicts, and discomfort with deciding who should receive assets or be in charge of the estate.[58]

Reference Groups

One's primary reference group is usually the family, but the influence of other groups grows with age and endures throughout the life cycle. Common to all types of reference groups are shared cultural understandings about appropriate values and normative behaviors of members. Reference groups range in size from a few persons to large numbers of people; they can consist of actual people (coworkers) or be symbolic (successful investors), and one might aspire to belong to or wish to dissociate from a reference group. In short, any group with qualities used as points of reference in making evaluations or decisions about how to think or behave can be a reference group.[59]

Starting at an early age, peer groups affect patterns of consumption and other financial behaviors, since these patterns often are tickets into desired group membership. As Brewer's[60] theory of optimal distinctiveness explains, social identification with groups derives from a fundamental tension between human needs for validation and similarity to others and a countervailing need for uniqueness and individuation. Adolescence is a time to resolve needs to differentiate from parents (and/or doting grandparents) and meet new needs for assimilation. Parents of adolescents and teens are particularly at risk for overspending since the social pressures of peer group conformity are great. Peer groups can have a substantial impact on cash flow management, financial planning, and investment habits.

Scaling back consumption to save for retirement or pay down debt may require lifestyle changes—moving to a less affluent neighborhood, changing schools, brown-bagging lunches, shifting buying behaviors. Such shifts can put us out of synch with the lifestyles of peers, and the potential impact on self-concept, identity, and self-esteem can be a strong barrier to making these changes. Such transformations are easier, and more likely to be sustained, if alternative points of reference exist to which positive comparisons can be drawn. For this reason, Brewer makes a strong recommendation for reference group formation to support behavioral change:

> …what is painful at the individual level becomes a source of pride at the group level—a badge of distinction rather than a mark of shame. Collective identities buffer the individual from many

threats to self-worth, and it is time their motivational significance is clearly recognized in social psychology's understanding of the self.[61]

The type of support that Brewer suggests is particularly important for people at risk in their personal finances who are living in a media-generated social context where upward social comparisons, consumer imagery, and the acceptability of debt permeate the public consciousness. Understanding such cultural and other social pressures can go a long way toward recognizing how clients make biased financial decisions, as noted increasingly by behavioral economists.[62] Financial service professionals too will be sought for their understanding of such factors, but they have a unique opportunity to influence the financial decision-making process during which clients handle, consciously or unconsciously, all subjective as well as objective financial data, as will be seen in the next section.[63]

Human life is experienced at two levels: the collective and the internal. The collective level of experience, as described, is represented by the social environment, including interactions between and among individuals and groups of individuals, from the scale of families and small interest groups to whole nations. The internalized level of experience includes biological, psychological, and social factors that are unique to each individual. Both collective and inner life experiences result in the formation of a person's particular needs, wants, "shoulds," values, and ultimately, financial behaviors and financial decisions.[64]

The Dynamics of Consumer Financial Decisions

Embedded in the vast and varied literature on human behavior are many studies that have informed the worlds of advertising and marketing. From disparate disciplines, they explore how and why people, under varying circumstances, make the purchase decisions they do. What marketers well understand is that the human decision process is subjective, and the decision dynamics involved lie entirely in the perceptions, not in the financial statements, of each person. Moreover, while the best decisions are values-driven, unless individuals are attuned to what they value—and are likely to value competent financial decision making—other pressing concerns may win out over more prudent financial choices. There are several reasons for this:

1. Financial decisions involve pressures that are bound up with the desires and perceived needs of social others. Decisions, such as taking a family vacation financed on already overburdened credit cards or borrowing from retirement savings to pay for an unaffordable wedding, might simply override any offsetting perceived need for financial constraint.
2. In the early part of the last century, public schools prepared students even in the lower grades to enter the adult world by teaching them personal financial skills. Kids learned early on to budget, to be thrifty, to use credit wisely, and to save and invest in the capital markets.[65] Although slowly beginning to reappear, personal financial education was not a staple of elementary and middle school education for baby boomers.
3. Consumers are bombarded by product images and credit offers. This triggers what behavioral economist Dan Ariely calls "virtual ownership," a mainspring of the advertising industry: "We get a catalog of hiking gear, see a fleece pullover, and—poof—we start thinking of it as ours. The trap is set…". In most cases, the credit needed to own it is available as well.[66]
4. Many people lack the desire to master or fear the level of financial literacy that is required today. They dislike tackling their financial affairs and prefer instead to give their attention to other activities and interests that they do enjoy. (It might never occur to them that a deliberative planning session with a financial service professional could actually be enjoyable as well as enlightening and important to their future financial security.) Even the wake-up calls of recession and prospective benefits losses may not demonstrate clearly enough the need to become more knowledgeable and responsible for future financial uncertainty.

For savvy financial services professionals who (like marketers) can better understand the influences on clients' behaviors and their decision processes, the task of helping them reset the triggers that drive consumption choices and possible self-sabotaging financial behaviors can become easier and more effective.

The model in Figure 2 depicts the underlying complex decision dynamics that comprise human choices and decisions against the background of social and cultural influences reviewed earlier.

Notice that the decision maker (The Self) juggles motivational triggers ("Wants," "Needs," "Shoulds," and "Values"), while balancing thoughts and feelings that occur when one or more such motivator is unsatisfied:

- "Frustration" occurs when wants are blocked;
- "Deprivation" ensues when needs remain unmet;
- "Guilt" can be almost unbearable if we do not live up to someone else's (real or imagined) expectation; and
- "Shame" follows our perceived failure to act in accordance with the values we set for ourselves.

This is not a process without potentially strong feelings, as shown by the swirl of emotions and cognitions that are present as long as the decision problem remains unresolved. Moreover, the decision process itself is stressful, as indicated by the Discomfort-Comfort continuum that exists more or less until a satisfactory choice is made and the decision problem has been resolved. When second guessing occurs, the difficult decision process will begin anew.

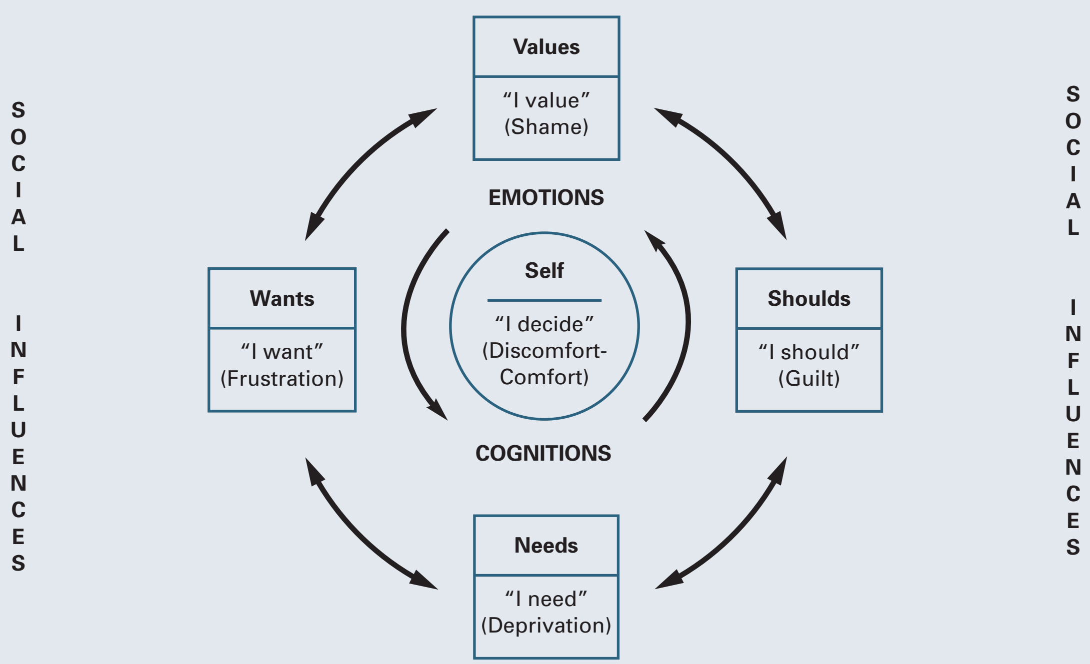
Needs

Concepts of human needs have been variously classified and advanced by psychologists over the years as motivators of behavior. Maslow's[67] controversial "needs hierarchy" was simplified by Erik Allardt and employed by Campbell[68] in his work on perceived personal well-being. Allardt described needs as basic human requirements for being, having, and relating.

> The need for having is satisfied through "the material and impersonal resources an individual has and can muster." The need for relating is concerned with "love, companionship, and solidarity." The need for being denotes "self-actualization and the obverse of alienation."[69]

FIGURE 2

Decision Dynamics and Social Influences Model



Source: Adapted from L. A. Vitt, *Sleep on It: The Social-Psychology of Consumer Financial Decisions.* Institute for Socio-Financial Studies: Charlottesville, VA, 2006; and L. A. Vitt and N. A. Schweig, "The Psychology of Money: A Developmental Perspective," Unpublished paper. Institute for Socio-Financial Studies: Charlottesville, VA, 2002.

Human needs in this description are both material and psychological. Once an individual ventures beyond basic sustenance, however, the concept of needs presents a range of definitional difficulties. For instance, when is a need real or false, necessary or luxurious, sustainable or nonsustainable? Statements of need are bound up with questions of how people should live—they are social and political. Needs are not absolute, nor are they based on individual preferences:

> They are very serious political statements which are not made on the wing in a shopping mall or in a mad consumerist moment of impulse buying, but rather arise from core values of historically and collectively evolving ways of life.[70]

Shoulds

The concept of shoulds can be understood as inner dictates lacking the moral seriousness of genuine ideals.[71] Although shoulds can arise through an individual's efforts to meet his or her basic needs—especially psychological needs—they are based primarily on the expectations of others irrespective of whether they represent one's own needs and priorities. Shoulds can derive from the expectations of parents, teachers, and peers, as well as from rules and standards espoused in religious doctrine and other cultural institutions or embodied in cultural norms. Shoulds can come to dominate a person's inner life and become the prime motivator of behavior. Psychoanalyst Karen Horney[72] coined the phrase, "tyranny of the shoulds," to describe the condition suffered by a neurotic individual as one in which the individual is preoccupied with nagging demands which he or she must continually strive to satisfy. As a result, individuals held captive to their shoulds may judge themselves as bad or unworthy persons (see McKay, Fanning, and Paleg, 2006 for an excellent contemporary application of Horney's insights).[73]

Wants

The concept of wants may be the most difficult to define. Financial educators and other finance professionals usually portray wants in opposition to needs, as in "wants vs. needs." Needs are essential, meaning they are needed for survival, while wants are characterized as the nonessential purchase decisions that must be eliminated if savings or debt reduction are to occur. In a similar negative vein, Dolan[74] sees the basis for modern consumption as "wanting to want." Its essence is insatiability. Horney,[75] however, characterizes the concept of a want in a more positive light. She views it as an authentic desire, in opposition to the inauthentic should. Seen in another positive light, wanting or desiring is a necessary human motivator. It can be thought of as the engine that drives all human action and accomplishment. In terms of financial behavior, it is the key motivator for anyone who takes the necessary steps required to become knowledgeable about his or her personal financial affairs. Put simply, one must want to budget, save, and invest. He or she must strive to become financially astute.

The other crucial motivator, of course, is the requirement for individuals to value financial knowledge and the personal financial competence to which it can lead. This can be a tall order in light of the cultural and other influences on individuals who are socialized, live, and work in the U.S., and it requires financial education by teachers who are themselves skilled at inspiring consumers to value financial competence.

Values

Social scientists and philosophers have used the word values to refer both to ideals in the world toward which people are oriented and to what people regard as personally desirable for themselves. Cultural anthropologist Clyde Kluckhohn[76] defined a value as:

> …a conception, explicit or implicit, distinctive of an individual or characteristic of a group, of the desirable, which influences the selection from available modes, means, and ends of action.[77]

As detailed above, values are learned from families, from peers, and from personal societal experiences. Media, teachers, and other authorities, both secular and religious, teach values. Cultural environments and communities influence values, and when experiences are shared or communicated to many others, common appraisals eventually build value standards across social and cultural boundaries.

> It is meaningful to speak of personal values, family values, group values, social movement values, community values, subcultural values, organizational values, institutional values, regional values,

and societal values. Values travel well across the multiple (micro/macro) social worlds.[78]

Values are central to one's concept of self, and they are important features of an individual's personal and social identity. They consist of a relatively small number of core ideas or cognitions about desirable goals and the desirable behavior instrumental to a person's attainment of a goal.[79] If values were to be eliminated from any given process of socialization, people would have no cross-situational ideals by which to live and no tools with which to make rational judgments. They would not know how to meet societal standards that govern competent behavior, nor have the principles and guidelines by which to make decisions or to resolve inner conflict or conflict with others.[80]

The Self: Executive Director of the Financial Decision Process

"Self," as depicted at the center of Figure 2, is the decision-maker who, consciously or unconsciously, considers competing wants, needs, shoulds, and values during the financial decision process. For simplicity's sake, we follow Aronson and his colleagues[81] in defining known aspects of the self as the "self-concept," and the act of thinking about ourselves as "self-awareness." Together, these aspects of the self combine to create a coherent sense of identity.[82] But how self-aware are we?

According to classic research by social psychologists Csikszentmihalyi and Figurski, people are not very introspective.[83] These researchers asked 107 workers from five different companies, who ranged in age from 19 to 63, to report their thoughts at random intervals during the workday whenever programmed beepers sounded. Only 8 percent of the total thoughts recorded were about the self; more often, the workers thought about work, chores, time, or reported "no thoughts." Yet, deliberative financial decisions result from first becoming aware of self-defeating behaviors, and then, taking whatever steps are needed to change them.

Rogers and Bazerman[84] suggest that the "should self" perceives the world at a higher level than does the "want self." It is at this higher level of perception that should choices are more acceptable to the decision-maker if they are aligned with valued ideals. If a consumer wants an expensive new car but feels that the money should be saved for retirement, the car is likely to be rejected if the purchaser values the idea of having a comfortable retirement. Saving is aligned with a valued goal. Thus by eliminating messages that contain an unwelcome tyrannical should,[85] learners can become more receptive to higher-level shoulds aligned with the ideals and principles they value. The trick for financial educators and other professionals is to align financial learning, a perceived should, with personal values of identity and achievement, autonomy and control, and financial appropriateness.

Helping Clients Cope with Collective and Internal Influences

Think about this: the need for Americans to become more knowledgeable about their personal finances is a serious and growing social problem, but even the organizers of early financial education campaigns and programs could not have foreseen the financial hardship that is occurring for many today as a result of events in the general economy. In some cases—such as dealing effectively with the financial management of a serious illness or avoiding impoverishment in later life—knowledge about how to obtain and use financial resources can be a matter of life and death. A recently released report by the Centers for Disease Control and Prevention stated that the suicide rates among people aged 50 to 54 years increased 48%, and among those aged 55 to 59 years the rate increased 49% between 1999 and 2010. The report indicated that a contributing factor to the rise in rates among middle-aged Americans may be the economic downturn, since historically, such rates tend to increase during times of economic hardship.

Beyond the Numbers

Financial service professionals, policymakers, and others trying to understand how humans make financial decisions must go beyond the numbers in a monthly budget, debt reduction plan, personal financial statement, and especially the financial planning process. It is necessary to help factor into financial models the idea that clients make financial decisions based on a hierarchy of values that are impacted by finances, but are not financial. While behaviorists look for the "key" that will convince individuals to concentrate on wealth maximization, many individuals instead feel misunderstood and, perhaps, rightly so. They are facing ever-changing complexities largely unknown to their parents and grandparents. They have few guideposts left to follow, or advisors in whom to place their trust when encountering fear-provoking decisions about their finances in a troubling economy. If there ever was a time for boomers to become financially literate, it is now.

Seizing the Moment to Help Baby Boomers

When societal and other collective influences coincide with our internalized sense of what is important to us, we value them. When they are imposed upon us they become shoulds. If they are imposed upon us in a social environment that is contradictory (and over which we have little or no sense of perceived control), chances are excellent they will be rejected or ignored altogether. Yet the shoulds approach to personal finances is the dominant paradigm by which the nation's policymakers and financial businesses are currently guided. Unsurprisingly, financial learning that employs this perspective has serious limitations, because it:

- Sows reactive seeds to Horney's[86] tyrannical shoulds. This means that individuals who typically listen to (and compulsively obey) Horney's tyranny of the shoulds might seek to comply with a well-intentioned message; many others, however, are more likely to tune out the message or to rebel against it.
- Gives scant—or no—attention to the abundant contradictory influences that barrage consumers from the social environment. When financial planning or advice avoids or ignores the conflicting messages of the marketplace, clients fail to understand the many reasons why they think and act the way they do.

Moreover, taking a shoulds approach to financial advising or planning provides little or no incentive for clients to become consciously introspective, a necessary precondition for them to desire and value financial success. As advertisers well know, consumer decisions are fueled by desire. This is true for everyone, irrespective of a person's general knowledge or education level.

The Internet may be able to help tech-savvy boomers tally savings, pick stocks, or predict cash flow, but it cannot console them or help them plan alternatives in a volatile market environment and uncertain future.[87] In addition to receiving training that increases their understanding of the psychosocial and aging factors with which clients are grappling, financial service professionals also need to be able to teach clients that they are not helpless and that they can become financially more astute.[88] Mistakes present teachable moments, and clients can become more vigilant, think differently about their choices, and use technology creatively under the guidance of motivated financial service professionals. If the moment of the nation's financial travail can be used productively, it could be a critical turning point for many boomers who can perhaps become more comfortable both materially and emotionally during their later years as a result. ■

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Lois A. Vitt, PhD, is an educator, researcher, and consultant in behavioral finance, financial psychology, and financial gerontology. She is the founding director of the Institute for Socio-Financial Studies (ISFS), Charlottesville, Virginia; an author of books on the psychology of finance, and editor-in-chief of the *Encyclopedia of Retirement and Finance.* She may be reached at lvitt@isfs.org.

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