



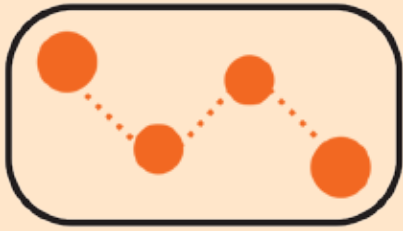
# Baby Steps Toward Financial Well-Being

by SunTrust Foundation

December 2015

## Our Methodology:

### In-Depth Research with 36 Consumers



#### Mock Counseling/In-Depth Interview Sessions

- 9 participants

#### Focus Groups

- 2 groups
- 8 participants per group

#### User Experience Testing

- 11 participants
- Atlanta, Aug-Sep 2015

We specifically recruited for people with at least 50% responsibility for making decisions about the household finances.

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## Footnotes

1: Brookings Paper on Economic Activity, Spring 2014

2: Stress in America Survey, by Harris Poll for American Psychological Association, August 2014

# This is Not Just an Income Problem. This is a Happiness Problem.

One-third of American households live paycheck to paycheck, regardless of the size of their income.<sup>1</sup> On top of that, 72% of Americans reported feeling stressed about money at least some of the time during the past month. For 64% of Americans, money is a somewhat or very significant source of stress, but especially for parents and younger adults—77% of parents, 75% of Millennials (ages 18 to 35) and 76% of GenXers (ages 36 to 49).<sup>2</sup>

Financial well-being is at an all-time low. People are hitting roadblocks. They feel stuck. We need to find new ways to help people improve their financial confidence and motivate them to take baby steps toward financial well-being. So we continue in our quest to study individuals and families in search of ways to help.

Two key theories drove our recent round of research:

**Theory 1:** If people's financial behaviors are not aligned to their financial values, then that friction creates stress for individuals—stress that becomes an obstacle to their progress toward financial confidence.

**Theory 2:** If we can advise people in which actions they could take

to bring their financial behaviors in alignment with their financial values, then that would reduce their stress and move them toward a state of financial well-being.

We tested our theories in a directional research study, designed to go deep with participants.

## Our Experiment

To test our theories, we first needed to identify the financial values and behaviors of our subjects, so we experimented with a new approach.

Typically, most financial counselors would expect to guide people to financial well-being by:

- Learning about their situations
- Educating them on financial principles to make better financial decisions
- Helping them review options for the short-term
- Hoping they take steps to improve short-term and long-term

We changed our approach to first identify their financial values and behaviors by:

- Asking people to reveal their financial values—defined as what they believe matters most about their usage of money
- Leading them to identify their financial behaviors
- Drawing out what they feel they need to work on based on the gaps between their financial values and behaviors
- Inviting them to prioritize that list
- Offering just-in-time how-to information, if needed, to tackle the list.

We wanted to know what impact our process would have on their attitudes and their ability to feel progress—whether it's progress toward financial goals, financial confidence, getting unstuck or even financial well-being.

For this study...

Financial values means what people believe matters most about their usage of money

## The Key Learnings

Our opening questions set an expectation of the advice that will be offered.

We tested a variety of ways to start the conversation. Our testing revealed new insights:

- If we started with questions about income and how much they had saved, they expected advice on preparing for retirement and investments.
- If we started with questions about how they set up their finances (including account types they have and tools they use to monitor and manage money), they expected to receive a sales pitch on financial services.

### We Caught Their Attention

- If we started with financial values and behaviors questions, their expectations were thrown. They reported that this felt like a very different conversation, and they were more open to thinking about money in a different way. We caught their attention. They showed interest in where the conversation was headed.

They quickly saw disconnects between their financial values and behaviors and could self-identify specific areas to work on.

We also tested timing. At what point in the conversation should we ask them to identify the financial issues they felt they needed to address? The results surprised us:

- If we asked for a list of financial issues they should address before we discussed their financial values and behaviors, they gave stock responses—things like, “I need to talk to a counselor, fix my credit score, or work on savings, spending, retirement.”
- If we asked after we discussed their financial values and behaviors, they gave a very specific and action-oriented list—like “I need to open a 529 account for my child,” “I need to close a credit card that I use too frequently,” and “I have a habit of going to the mall on my lunch breaks and buying things I don’t need.”

### They knew what they needed to work on

The phenomena was that without our drawing

much attention to it, the participants picked up on disparities between what they said they believed about money and how they actually used it. When they thought about the tension between misaligned financial values and behaviors—no matter how great or how small—they could pinpoint with precision the problem areas. All we had to do was facilitate the conversation. This defended us against the possibility of sounding pushy, condescending or even misdiagnosing.

The result was consistent: They wanted to know how to best tackle their issues.

Not only were participants able to self-identify specific areas to address, but at that point they wanted—and even craved—how-to help to tackle some of the issues. This is where Just-in-Time information can make a difference. This is when they are ready to learn. Some of their questions:

- ❓ Where do I start?
- ❓ What are my options?
- ❓ How do I fix problems of the past?
- ❓ How do I break bad habits? Start new productive habits?
- ❓ What's something I can do today?

They craved how-to information

Without being asked or incited, people took action.

This was the best news of the study! 9 people participated in in-depth interviews with us, which included a mock financial counseling session. At the end of the interviews, we thanked them and dismissed them. As far as they were concerned, their participation in the study was completed. 4 weeks later, we conducted surprise follow-up phone interviews with 8 of the participants. We asked:

- ❓ What do you remember discussing from the mock counseling session? (We were interested in testing their memory of the experience.)
- ❓ What, if anything, have you done about your finances since the mock counseling session? (We were interested in testing the impact on their motivation.)

## The Results

7 of the 8 follow-up participants had taken action to improve their finances after completing the mock interviews.

Action took various forms: setting aside money for emergencies, closing credit card accounts to repair a low credit score, changing TV satellite services to cheaper plans, paying off a loan, setting

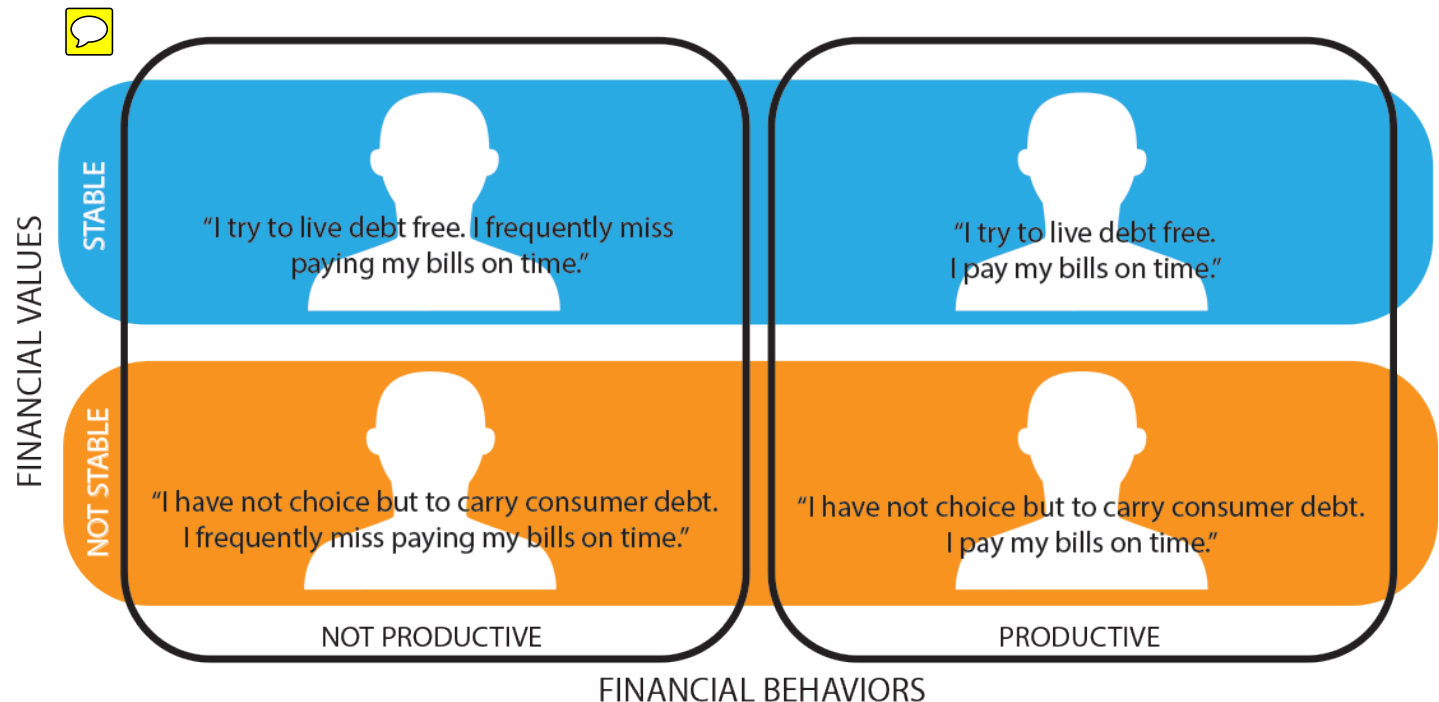
up 529 accounts, and initiating a job search. They credited our mock counseling sessions with initiating the actions they took. After completing the actions, they said they felt a stronger sense of financial well-being. Progress!



## So how do we use this?

The next pages detail what we learned about the interplay of financial values and financial behaviors in people's lives.

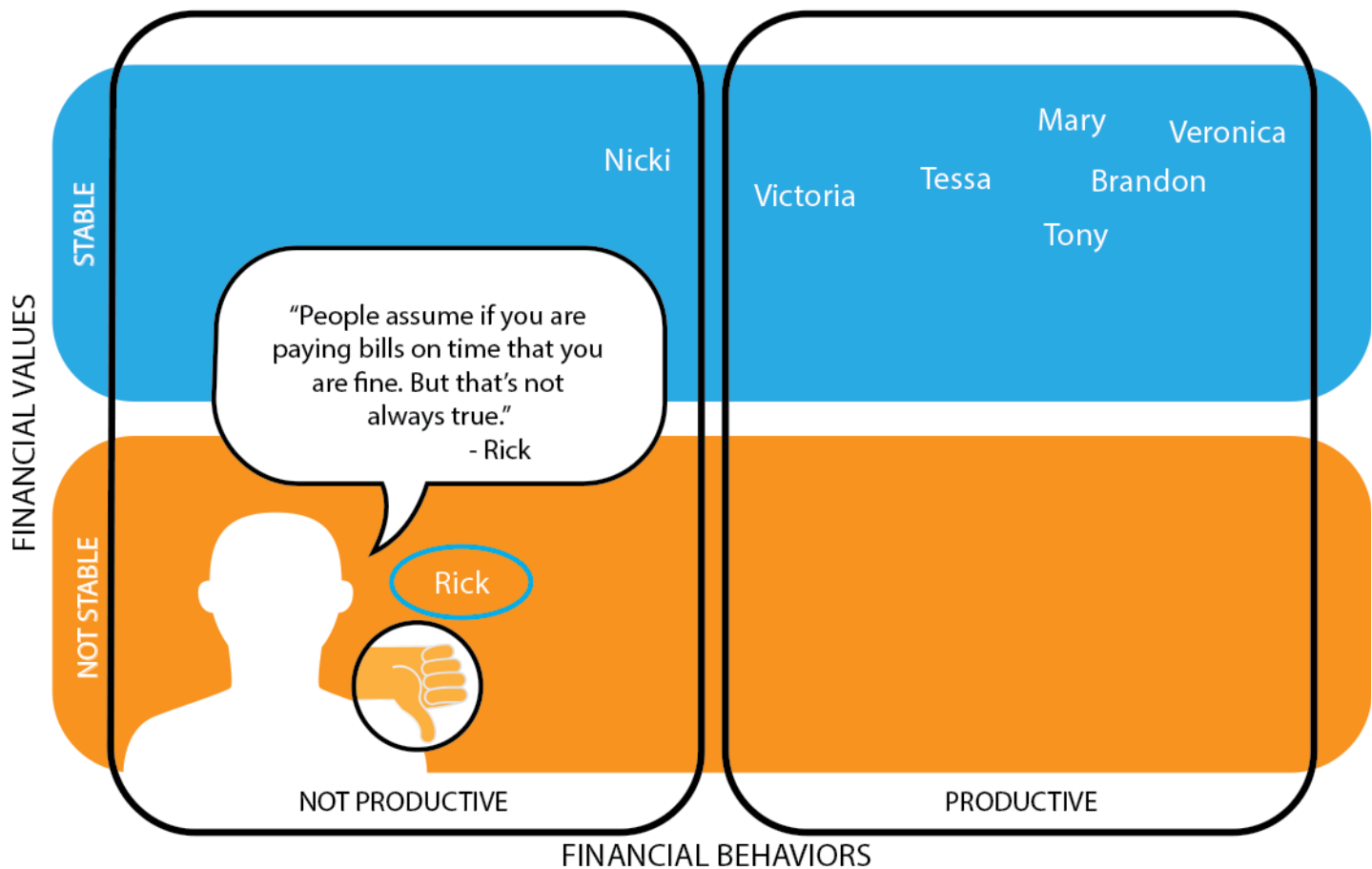
### The Financial Values-Behavior Matrix:



We set up a simple matrix to plot our participants. The language within each quadrant gives one example of a financial value (dark blue) and a corresponding financial behavior (light blue). The following pages will plot based on this matrix.

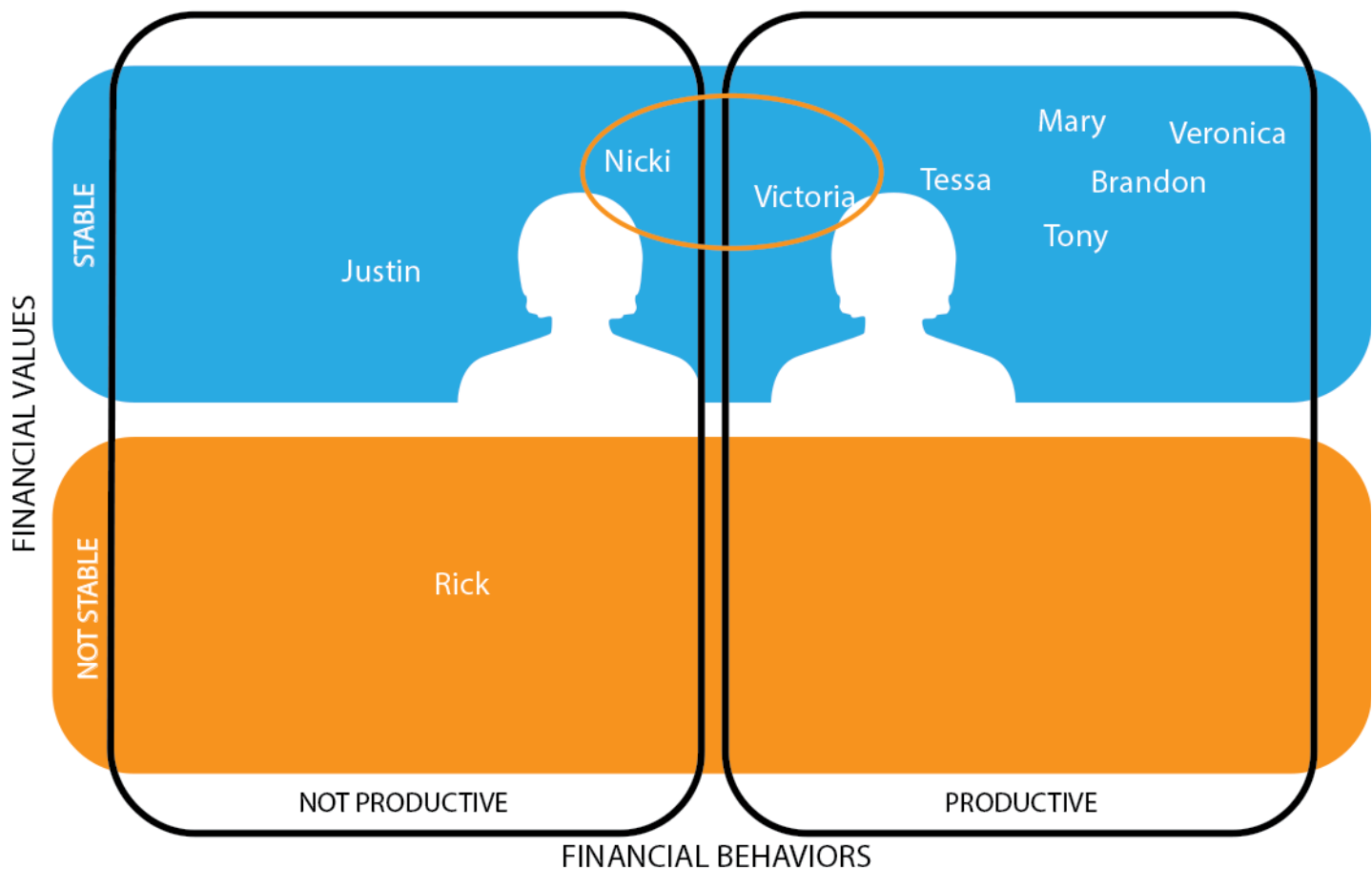
Four scenarios emerged in our work—four different kinds of mindsets relating to the alignment (or misalignment) of financial values and behaviors. The following pages describe those scenarios.

## Scenario I: Making Do: The Wake of Changing Circumstances



Rick's values and behaviors are in alignment—but neither are particularly healthy (based on current financial advice) or promote financial stability. He seems to have relaxed his values temporarily from what he states he knows are right—a coping mechanism—to accommodate his current situation. But that doesn't mean he's not working at improving. He is covering his basic needs. He has goals in mind. He is attending school so he can improve his income. Many in this position have experienced a significant change in circumstances. However, some people have slid to this point out of lack of motivation or self-defeat.

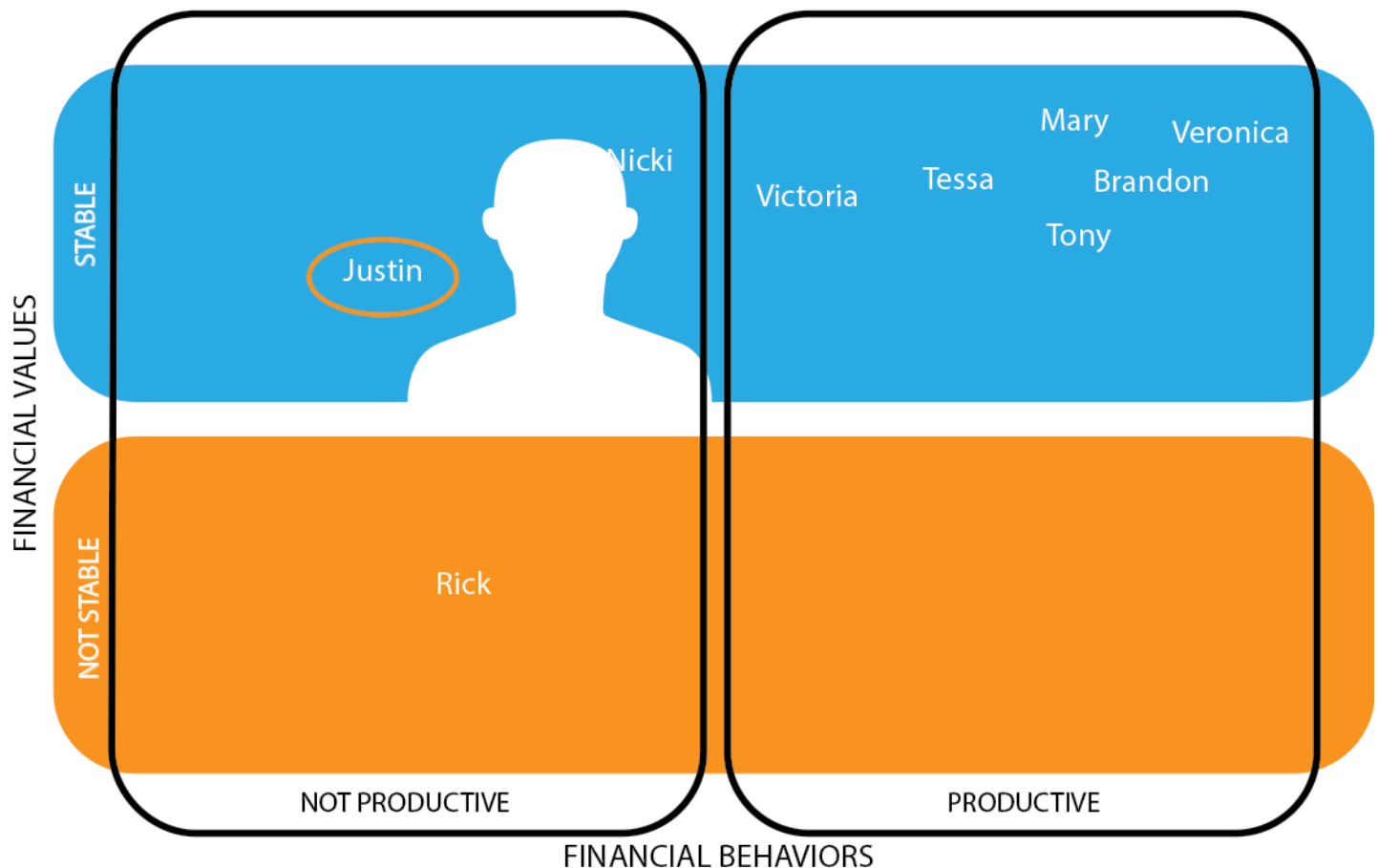
## Scenario 2: Stuck by Poor Financial Decisions



Nicki and Victoria both know they have behaviors that are detrimental to their financial well-being—shopping and impulse spending. It constantly eats at them, but not enough to stop. They are always worried about how each month will turn out and the damage they are doing to their future selves. They know better, but many people in this position do not feel motivated or really know how to change their habits.

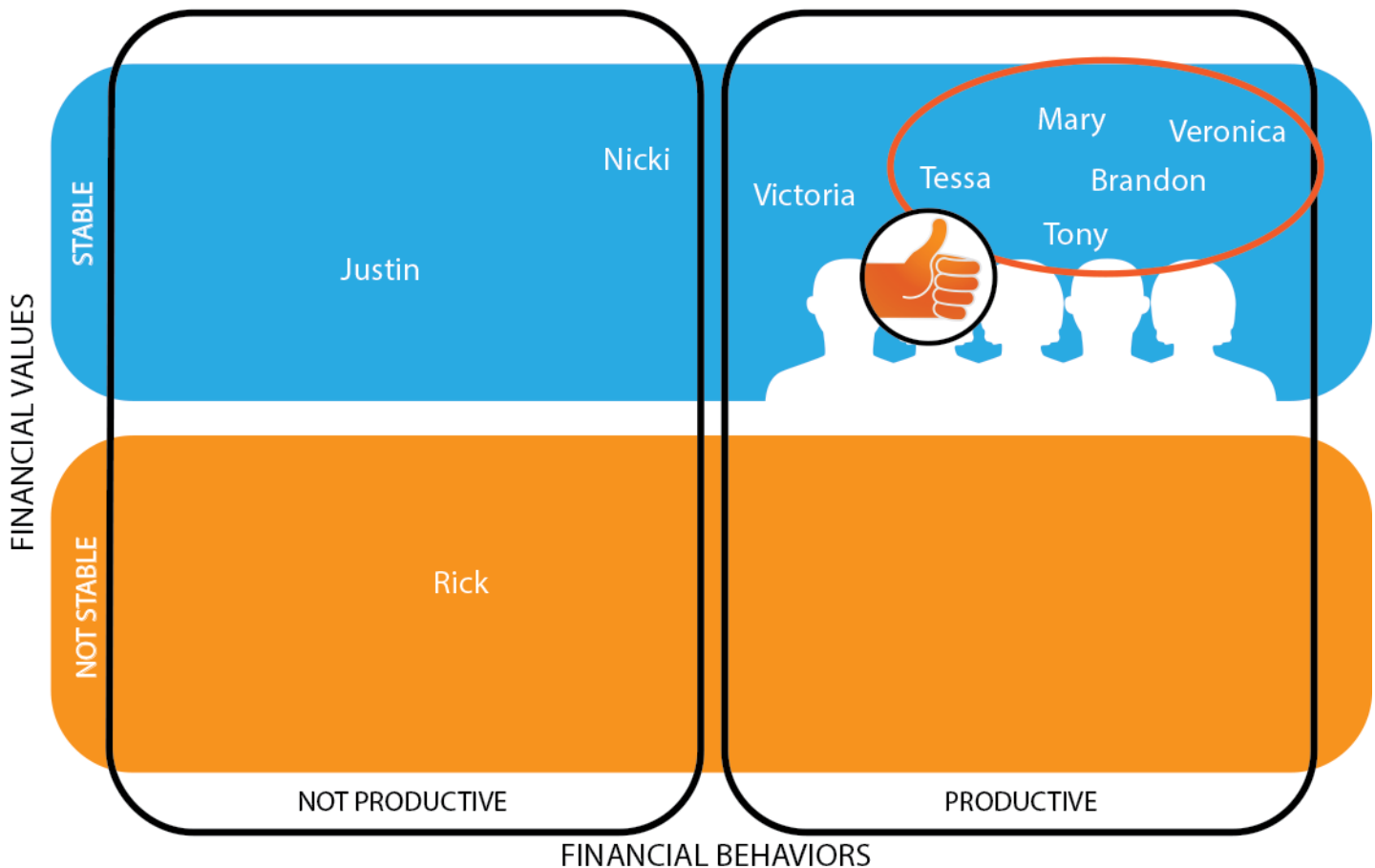


## Scenario 3: Feeling the Clash



Justin feels significant tension of being out of alignment every day. It keeps him up at night—reviewing the problem and searching for new solutions. He has taken measures to slow the bleeding, but can't stop it yet. Part of the problem is that his family hasn't fully adjusted their lifestyle to accommodate their recent change of circumstance of his wife attending grad school. He hasn't faced the reality of the situation. So in his mind the bleeding won't stop until his wife finishes school and enters the job market. He seems to be relaxing his values to accommodate this situation. Many in this position have experienced a significant change in circumstance.

## Scenario 4: Healthy Harmony

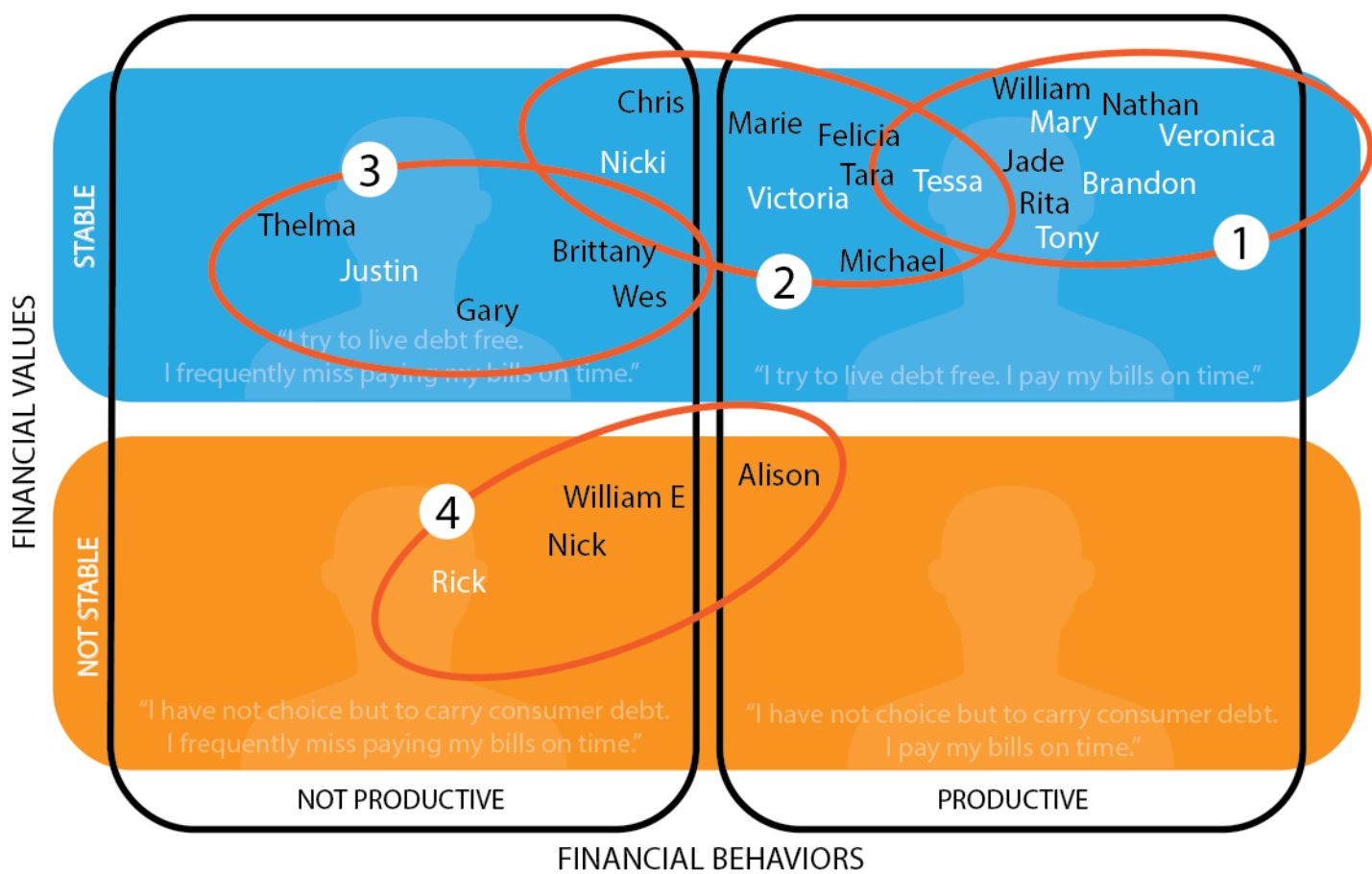


This group feels the contentment of having their financial behaviors in line with their values and in harmony with financial health. The older participants feel that they are close to achieving their financial goals. Interestingly, the younger participants came in with unclear goals—they had recently achieved a big goal or were very close. The study helped them gain clarity about where they wanted to go next. This group is still susceptible to hiccups or they know of minor behavior tweaks they could still take, so they feel a need to remain steadfast in their efforts.

# We Plotted All Participants from the In-Depth Interviews and the Focus Groups

## Four Groupings We Observed

Interview =   
 Focus Group =



1. These people are showing signs of healthy harmony
2. These people are making do until their situation improves.
3. These people seem stuck in a situation.
4. These people are feeling the clash of high financial values against less than ideal financial behavior

# The Venn Diagram of Financial Values and Financial Behaviors

## Healthy Harmony and Making Do

When both financial values and behaviors are in close alignment, financial stress is stabilized. Our Healthy Harmony grouping feels the need to fine tune a few areas. For example, it may mean planning the details of retirement—and digging into how the pay out should work.

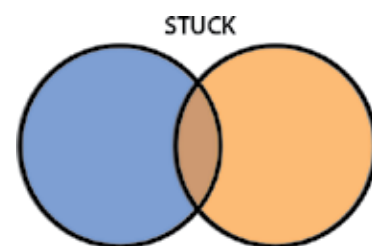


Our Making Do grouping also showed signs that their financial stress was stabilized, despite acknowledging that their financial situation was not good. They had adopted a coping mechanism by temporarily relaxing their financial values until their situations improved, and had plans to move toward Healthy Harmony once that happened.



## Stuck

When alignment is off to a great degree, financial stress increases. Typically, bad habits or poor decisions from the past are at play that need to be addressed. They typically need help understanding how to tackle those items.



## Feeling The Clash

When there is no alignment, financial stress is very high and manifests itself in physical forms too—depression, lack of sleep, physical ailments, etc. (Our Theory 1 was supported: when these are out of alignment, financial stress increases.) This kind of crisis mode needs specialized help.



# A Guide to Guiding

## Our Rules for Delivering Advice

<b>IF</b>	<p>FINANCIAL VALIES</p>	<p>FINANCIAL BEHAVIOR</p>	<b>THEN</b>	<p>Advise for Opportunities that Fine-Tune</p>	<p><b>EXAMPLE:</b></p> <p>“You commented on feeling alone in your pursuit of financial stability. What if you involved your family more?”</p>
<b>IF</b>	<p>ONE</p>	<p>THE OTHER</p>	<b>THEN</b>	<p>Advise for Reducing the Stress and Closing the Gap</p>	<p><b>EXAMPLE:</b></p> <p>“What if instead of stopping at the mall when you feel stressed, you visited your elderly neighbor that you said you worry about?”</p>
<b>IF</b>	<p>FINANCIAL VALIES</p>	<p>FINANCIAL BEHAVIOR</p>	<b>THEN</b>	<p>Never Judge their Values but Advise for Behaviors that Raise the Bar</p>	<p><b>EXAMPLE:</b></p> <p>“You really like buying your lunch. What if every time you bought your lunch, you stashed an equal amount of money in savings?”</p>

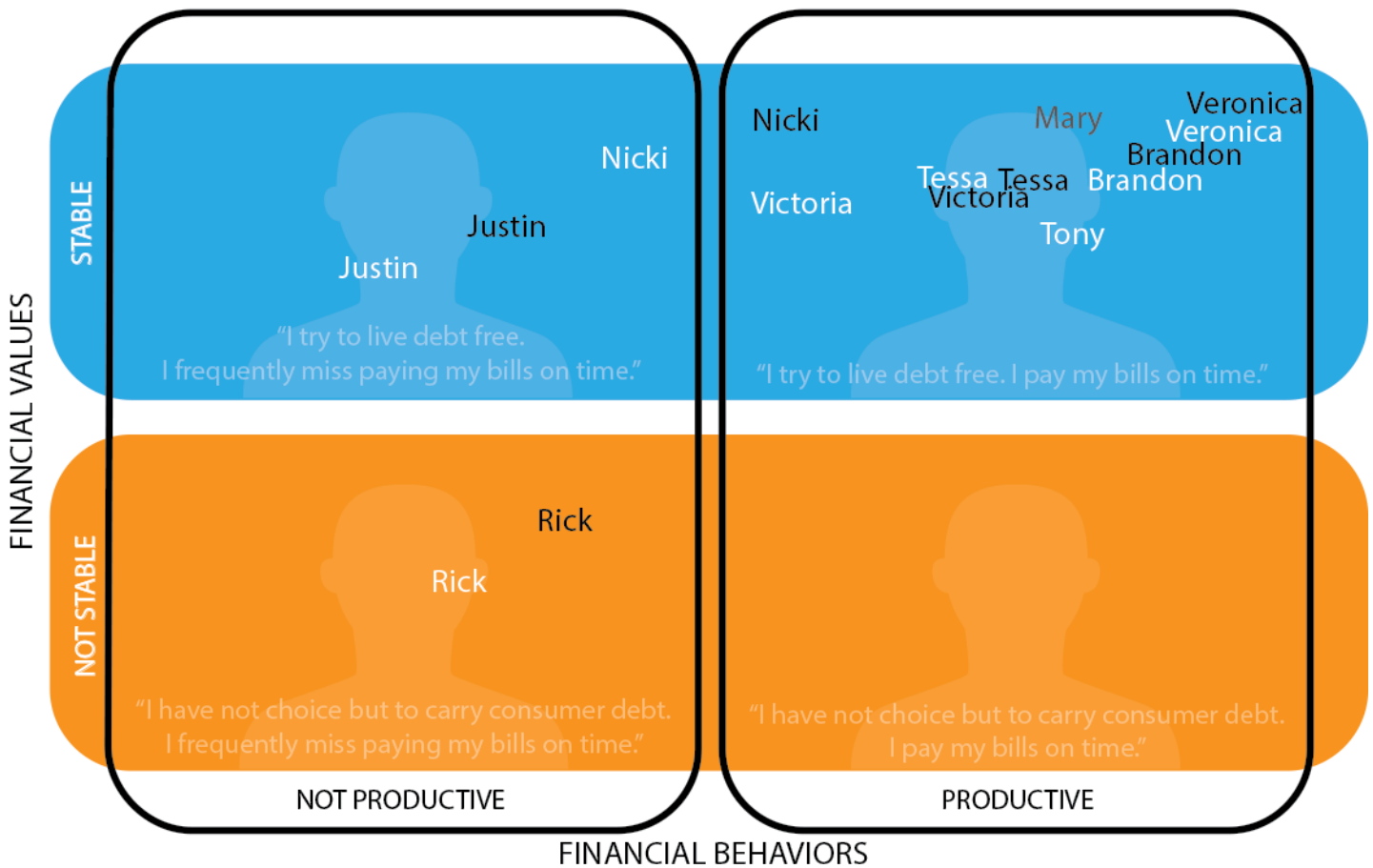
### Don't judge!

People set their financial values based on a variety of reasons. And we learned from our research that financial values can be changed—positively or negatively. You need to pay attention to how to appropriately advise them.

# Effects of the Mock Counseling Sessions

## Taking Action Improves Confidence

Initial =   
 Follow-Up =   
 No Change =



After 4 weeks, we followed up with 8 folks from the Counseling Sessions. 7 of them had taken action after the Counseling Session—most acting on the advice they had received, some taking additional steps. All who took action seemed to take on more productive behaviors, seemed to elevate their financial values, and exhibited more confidence. All planned to take more action—even the one participant who had not yet taken action. All found the experience very helpful. We had supported our Theory 2: If we can advise people on which actions they could take to bring their financial behaviors in alignment with their financial values, then that would reduce their stress and move them toward a state of financial well-being.

## In Summary

### Our research supported our theories:

- If people's financial behaviors are not aligned to their financial values, then that friction creates stress for individuals—stress that becomes an obstacle to their progress toward financial confidence.
- If we can advise people on which actions they could take to bring their financial behaviors in alignment with their financial values, then that would reduce their stress and move them toward a state of financial well-being.

### And the research went one step further. We learned that our new model for coaching individuals was effective at motivating action that made a difference:

- Ask people to reveal their financial values—what they believe about the usage of money
- Get them to identify their financial behaviors
- Draw out where they see gaps between their financial values and behaviors, and have them make a list of what they feel they need to work on

Invite them to prioritize that list

- Offer just-in-time how-to information, if needed, to tackle the list. ■