

How Clients Handle Money: Research Results and Implications

This article summarizes ten key findings from a study of MONEY 2000™ participants and their implications for Extension educators. The MONEY 2000™ program is a national Cooperative Extension System initiative that is operational in over 30 states and had a documented impact of over \$12 million of savings and debt reduction as of December 1999. It was initially launched by Rutgers Cooperative Extension in New Jersey and replicated by Cornell Cooperative Extension in New York in 1996. Participants are asked to set a personal savings and/or debt reduction goal and report their progress periodically. The questionnaire used for this study included items about financial goal attainment, planned and actual changes in financial practices, amount of increased savings and reduced debt, perceptions of progress, financial resources and obstacles, most and least helpful aspects of MONEY 2000™, learning preferences (i.e., teaching methods and financial topics), and demographic characteristics of respondents.

Methodology

A convenience sample of 520 New Jersey and New York MONEY 2000™ participants was surveyed; a response rate of 22.7% of 2,292 program participants who received a questionnaire. The 8-page survey was mailed with the Fall 1998 issue of *MONEY 2000 News*, a newsletter for program participants. The sample was more affluent and educated than average Americans with 54.8% reporting a household income over \$45,000, compared to a 1997 U.S. median income of \$37,005 (“Statistical Abstract,” 1999). Three of ten respondents earned over \$65,000 and almost one in ten earned over \$100,000. Over half (53.7%) of respondents had a 4-year college education or higher. Over three-quarters (76.6%) of survey respondents were female, 55% were married, and 83.5% were Caucasian. The largest age range was 35 to 44, with 29.6% of respondents. Another 27.1% were age 45-54, 16.6% were 55-64, 16% were under 35, and 10.7% were age 65 and over.

Findings

1. More than four in ten (41.7%) of respondents indicated that debt reduction was the main reason why they enrolled in MONEY 2000™. Other reasons were: to increase financial knowledge (37.6%), to increase savings (32.1%), to increase net worth (10%), and other reasons (4.9%). Percentages exceed 100% because multiple responses were given.
2. Eight in ten respondents reported their financial situation at the time of data collection was “much better now” (24.7%) or “somewhat better now” (55.8%), indicating a high perception of positive change as a result of participation in MONEY 2000™. Another 14.5% rated their financial situation a “neither better nor worse,” 3.8%, “somewhat worse,” and 1.2%, “much worse.” Just under three-quarters of respondents (74.3%) reported that they had increased their savings. The mean and median amounts of reported savings progress were \$4,826 and \$1,500, respectively. Just over three-quarters (76.2%) of respondents indicated they had reduced their debt. The mean and median amounts of debt reduction were \$5,680 and \$2,000, respectively.
3. The five most helpful features of MONEY 2000™ were the quarterly newsletter (22.5%), tips/advice/hints (15.4%), Extension publications (9.6%), workshops/classes/conferences (9.6%), and direction/focus/structure (9.1%). The five least helpful program features were none/nothing; i.e., respondents found nothing negative (12.7%), workshops/classes/conferences—mostly due to accessibility issues (9.1%), service delivery issues such as mailings and returned calls (4.8%), paperwork/periodic reports (4.6%), and no or insufficient personal contact from

Extension (4.2%). New York participants were more likely than New Jerseyans to cite insufficient contact and service delivery issues.

4. Respondents were asked what helps them make progress toward their financial goals and what challenges them in making progress. The five most frequently mentioned financial resources were personal qualities (e.g., discipline) and action (36.5%), having a goal/plan (8.5%), financial publications/media/software/Web sites (8.5%), seeing results/progress/success (8.1%), and adequate income/increased income/good job (6.5%). Males were more likely to cite an adequate income or good job and spouse/family support as resources while females were more likely to report seeing results and progress. The five most frequently mentioned financial challenges were debt/credit use/spending habits (18.8%), low income/loss of income/irregular income (17.9%), unexpected expenses/high expenses/emergencies (14.2%), children/children's expenses/family (11.5%), and personal qualities (7.5%). Respondents near retirement age (55-64) were more likely to report investing wisely and investment decision-making as financial challenges. Those with higher incomes (over \$65,000) were more likely to cite children/children's expenses/family. Respondents who listed personal characteristics as a resource were more likely to list them as a challenge.
5. Respondents were asked if MONEY 2000™ had an effect on their financial situation. Eight of ten (80.4%) respondents replied in the affirmative. Those who answered yes were asked to describe the effects of the program. The top five perceived effects were awareness/knowledge of personal finances or financial topics (16.6%), increased saving/investing (15.2%), provided motivation/reinforcement/structure/support/focus (13.7%), reduced debt (11.8%), and developed/follow a plan or set/acted upon financial goals (6.4%). Program participants from households ranging from \$45,001 to \$100,000 were more likely than other income groups to report that their financial situation was better than prior to when they enrolled. Respondents enrolled in the program longer were more likely to report increased savings than those enrolled for shorter periods.
6. Respondents were asked how they prefer to receive financial information and asked to select three answers. The most preferred teaching method was newsletter (65%), followed by classes/seminars (46.7%), fact sheets (40.6%), one to one counseling (29.2%), home study (22.9%), series of workshops (22.7%), video (13.8%), audio tape (8.1%), and other (e.g. Internet, radio and television) teaching methods (3.7%). Almost one in ten (9.8%) respondents did not answer. These percentages exceed 100% because multiple responses were provided. Male respondents were more likely to prefer video, home study, and other teaching methods while female respondents were more likely to prefer one to one counseling. Participants age 55 and older were more likely than their younger counterparts to prefer "other" delivery formats.
7. Respondents were provided with ten possible responses to the question "What financial topics are you most interested in learning more about?" and asked to select three. The most preferred program topic was best day-to-day financial practices (43.5%), followed by reducing expenses/living on less (42.1%), general investing (36.7%), retirement planning (31.3%), credit/debt management (28.8%), saving options (19.2%), stocks/bonds/T-bills (14.6%), mutual funds (14.4%), estates/wills (13.8%), and 401(k) and 403(b) plans (8.5%). One in eight respondents (12.5%) did not respond. These percentages exceed 100% because multiple responses were provided. Chi-square analyses showed that participants age 45-65 were more likely to want to learn about retirement planning and estate planning. Participants age 54 and younger were more

likely to want to learn about credit and debt management, as were those from families with dependent children.

8. Of 426 respondents who answered the question about perceived progress toward savings goals, 31.1% reported much progress, 24.5% a fair amount of progress, 30.5% a little progress, and 13.9% no progress. Respondents who joined the program earlier, specifically those enrolled a year to over two years before data were collected, were more likely than later participants to report making much progress, as were New Jersey participants and respondents with a household income between \$45,001 and \$100,000. A total of 354 respondents reported progress toward their debt reduction goal as follows: 26.8% reported much progress, 29.7% a fair amount of progress, 33.3% a little progress, and 10.2% no progress. Early participants and respondents from New Jersey were more likely than others to report much progress.
9. For each of 15 pairs of questions about financial behaviors and attitudes before and after joining MONEY 2000™, respondents were asked to check five possible answers: strongly agree, agree, don't know, disagree, and strongly disagree. Chi-square test results of differences in responses were significant ($p < .001$) for all pairs of questions, indicating many different types of program impact (e.g., confidence levels, goal achievement). Interestingly, in response to the items "My family is (was) helpful in the process of reducing debt and increasing savings," a majority of respondents- before and after MONEY 2000™ enrollment- did not perceive their families to be a resource for improved financial well being. Another finding was that a large majority (70.5% and 68%, respectively) of respondents did not consult financial professionals if they had questions about reducing debt and increasing savings before enrolling in MONEY 2000™. After enrollment, these percentages were still high: 54.3% (reducing debt) and 53% (savings).
10. Respondents were asked to list planned and actual behavior changes in thirteen categories of financial management. The responses were similar to those used previously to operationalize the Transtheoretical Model of Change (Prochaska, DiClemente, & Norcross, 1992) and included the following options: "I have no problem in this area," "I have started to make changes within the past six months," "I intend to start making changes within one month," "I intend to make changes within six month," and "I do not intend to change." These responses were designed to correspond to specific behavior changes in the Transtheoretical Model such as pre-contemplation, contemplation, preparation, and action. Financial behaviors listed most frequently as not a problem were paying bills and credit cards on time (67.6%), paying off consumer debt (43.9%), and keeping good financial records (43.3%). The most frequently-reported changes made within the past six months were paying off consumer debt (48.3%), reducing spending on household expenses (42%), and setting financial goals (41.7%). Financial behaviors listed most frequently as intended within one month were setting up and using a spending plan (18.8%), keeping good financial records (13.7%), and building and maintaining an emergency fund (12.6%). The most frequently planned changes within six months were building and maintaining an emergency fund (27.9%), putting savings where it gets the highest return (25.1%), increasing income (26.5%), and putting some money into investments (20.9%).

Implications

- ◆ **Help Clients Deal With Debt-** Debt reduction was the primary motivating factor for enrolling in MONEY 2000™ and debt/credit use/spending habits was the most frequently listed challenge to achieving financial goals. Services such as one to one financial counseling and the PowerPay™ debt reduction software program developed by Utah State University (Miner,

Harris, & Bond, 1993) can be used to assist clients. Follow-up evaluations should be used to track the financial (e.g., reduced debt) and behavioral impact of these services.

- ◆ **Positive Change Was Perceived by Participants-** More than three quarters of respondents perceived a positive change in their financial situation. Median savings and debt reduction figures were in the four figures after up to almost three years of program enrollment. A perception of financial progress, as well as increased savings amounts, was particularly pronounced among those enrolled in MONEY 2000™ the longest. This finding suggests that patience is necessary, by both clients and Extension agents, to allow time for financial progress to occur during extended “campaign” style programs. This is not surprising. The longer participants are enrolled, the more likely they are to have time to move from the contemplation stage (thinking about making a change) to the preparation stage (making a commitment to change and seeking resources) to the action stage (changed behavior). According to the Transtheoretical Model of Change, self-change is a gradual process that occurs in stages.
- ◆ **Provide Effective Client Service-** Newsletters, publications, and open public meetings were cited frequently as the most helpful program aspects. Therefore, resources should be allocated to make these teaching methods of the highest quality possible (e.g., visually attractive newsletters, class handouts, and PowerPoint presentations). Some respondents reported unhappiness with the frequency or timeliness of Extension services. New Yorkers were more likely to cite insufficient contact and service delivery issues. Perhaps this is because, unlike New Jersey participants, they paid a fee to enroll and expected more of the program. Whenever a program is marketed widely throughout a state, thought must be given to the consistency of client service (e.g., “covering” specialist or agent vacancies).
- ◆ **Address Financial Resources and Obstacles-** Personal qualities such as determination and discipline (or lack thereof), factor prominently into goal attainment. Value clarification activities and peer role models (real people who have improved their finances) can be used to motivate change. More than 10% of the sample identified children or family members as a major financial challenge. This suggests a need for programs and information related to family finance communication issues. Another issue that should be addressed is helping clients build an emergency reserve and cope with unexpected expenses.
- ◆ **Create Awareness and Support-** Among the top perceived effects of MONEY 2000™ were increased awareness/knowledge of financial topics by participants and the structure and support that the program provided. Thus, it appears to have influenced learners at several stages of behavior change. Awareness materials, such as the quarterly newsletter, emphasize the benefits of financial changes and are particularly effective in the pre-contemplation and contemplation stages. For those taking action, or preparing to, periodic progress reports and ongoing support services (e.g., conferences, personal counseling) provided additional resources to motivate change. Of course, individual progress varies. The finding that middle to upper-middle income households with incomes ranging from \$45,001 to \$100,000 were more likely to perceive an improvement in their finances makes intuitive sense. They have more resources than households earning less and yet have more room for improvement, perhaps, than \$100,000+ earners who may have perceived themselves as financially comfortable before enrolling.
- ◆ **Use Preferred Teaching Methods-** Clearly, newsletters are a preferred teaching method and tips for better financial management should be featured prominently. Females may appreciate

personal financial counseling while males indicated a preference for “self study” learning methods. Interestingly, Web sites were barely mentioned by respondents, despite their high incomes and educational levels. This indicates that the using the Internet alone to present financial information may have little impact on people’s financial behavior change. Instead, different program delivery methods are needed to reach different audiences.

- ◆ **Teach Preferred Topics-** Not surprisingly, older respondents preferred classes on retirement and estate planning while younger respondents were more interested in credit and debt management. Thus, it is important for Extension educators to learn the ages of an audience in advance, if possible, and plan course content accordingly. For example, if a worksite class about retirement planning is scheduled and the majority of the audience is in their 30s and 40s, a key topic should be finding the money to invest by reducing household debt and spending.
- ◆ **Teach Clients How to Select Financial Advisors –** This study found that many people do not consult professional advisors with questions about their finances. There are probably a variety of reasons for this, including lack of awareness of specific advisors and preconceived notions about the cost or quality of service. Extension educators can teach consumers how to select financial advisors. A resource is unit 10 of the *Investing For Your Future* basic investing home study course (available online at www.investing.rutgers.edu). Information should also be provided to assist confirmed “do-it-yourselfers” (e.g., worksheets to calculate net worth and cash flow and financial quizzes to assess progress).
- ◆ **Not All Impacts Contain Dollar Signs-** The most widely reported indicator of MONEY 2000™ participant progress has been a dollar amount (i.e., aggregated totals of increased savings and debt reduction across county and state lines). This study showed that there are also significant “soft” impacts (e.g., changes in the feelings and attitudes of program participants). For each of 15 pairs of questions about financial attitudes and practices, there were significant changes in respondents’ perceptions before and after joining MONEY 2000™. For example, more participants felt that were on the right track, had more confidence about making decisions, and were personally rewarded about reducing debt and increasing saving after enrolling.
- ◆ **Teach Clients How to Invest-** This study found that many respondents were in the contemplation stage with respect to investing. Frequently reported changes planned six months out involved investment decisions and re-positioning of assets to earn a higher return. One effort underway to assist learners is the development of a six-week class series called *Investing For Your Future* to accompany the recently released Extension home study course by the same title. The curriculum will be available in Fall 2000 and will include both an initial and a follow-up evaluation instrument to assess behavior change.

References

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