



Optimizing Change in Positive Financial Behaviours by Credit Counselling Clients

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Overview

- **Purpose**
- **Literature review**
- **Theoretical framework**
- **Research Questions**
- **Methodology**
- **Results**
- **Discussion**

Purpose

- To explore processes drawn from the transtheoretical model of change (TTM) as factors affecting financial behaviour.

Credit Counselling Clients

- Likely to experience delinquency, bankruptcy, derogatory record on credit report
(Staten & Barron, 2006; Staten, Elliehausen, & Lundquist, 2002)
- Female, married, white, one dependent, employed, college or high school, renters
- Debt load over 20% of take home pay
(Bagwell, 2000; Kim, Garman, & Sorhaindo, 2003, 2005; O'Neill, Xiao, Sorhaindo, & Garman, 2005; Xiao, Sorhaindo, & Garman, 2005)

Effectiveness of Credit Counselling

- Consistent, but limited evidence
 - reduce debt
 - reduce expenses
 - use spending plans

(Bagwell, 2000; Elliehausen, Lundquist, & Staten, 2007; Kim et al., 2003, 2005; Klingander, 2000; O’Neill, Xiao, et al., 2005; Sorhaindo, Kim & Garman, 2003; Staten & Barron, 2006; Xiao et al., 2005)

Effectiveness of Credit Counselling

- Other effects include
 - Improve credit profile
 - Lower incidence of delinquency and bankruptcy
 - Reduce stress
 - Increase savings

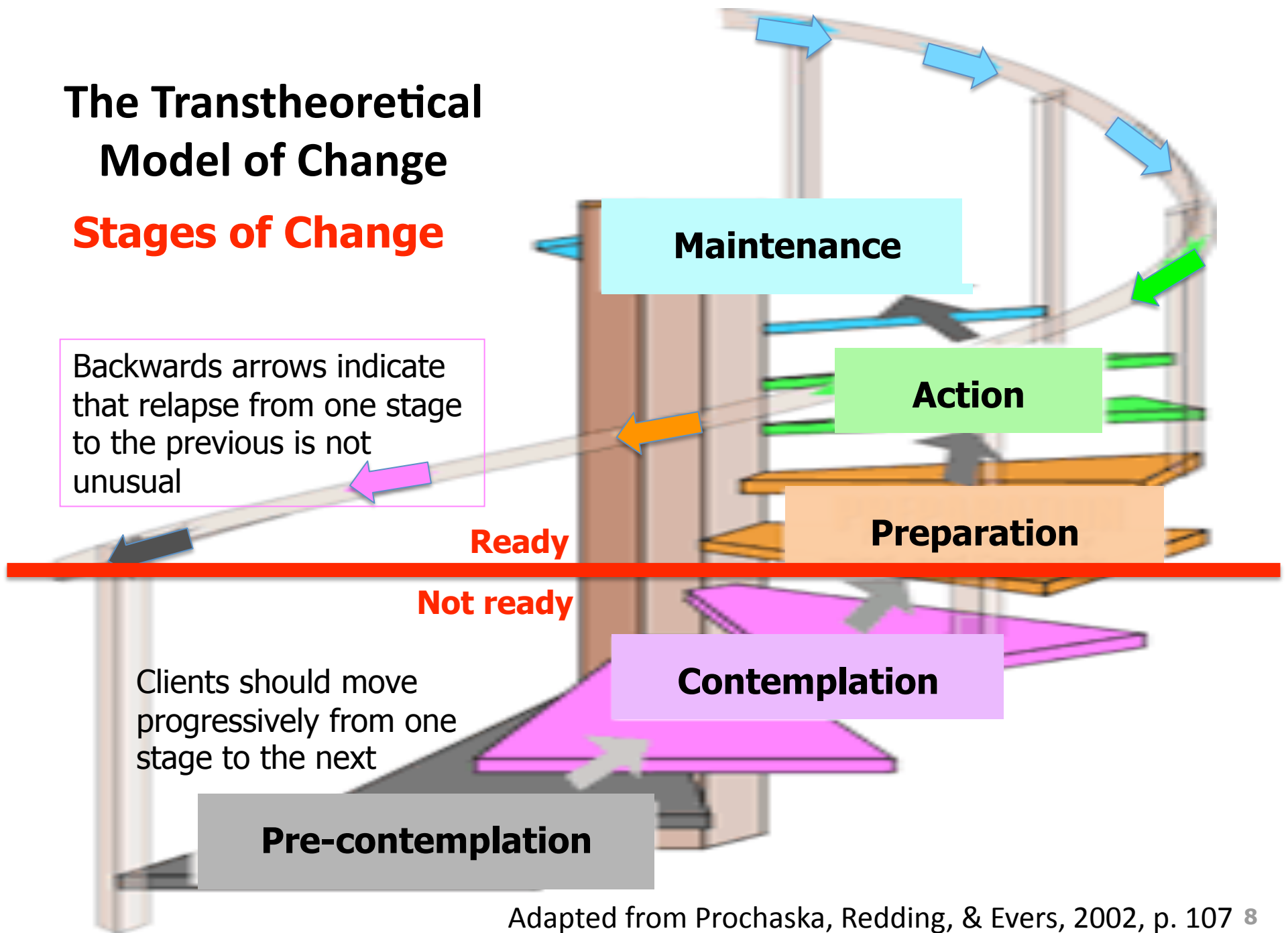
(Bagwell, 2000; Elliehausen et al., 2003; Kim et al., 2003, 2005; Klingander, 2000; O'Neil et al, 2006; O'Neill, Xiao et al, 2005; Staten & Barron, 2006; Xiao et al., 2005;)

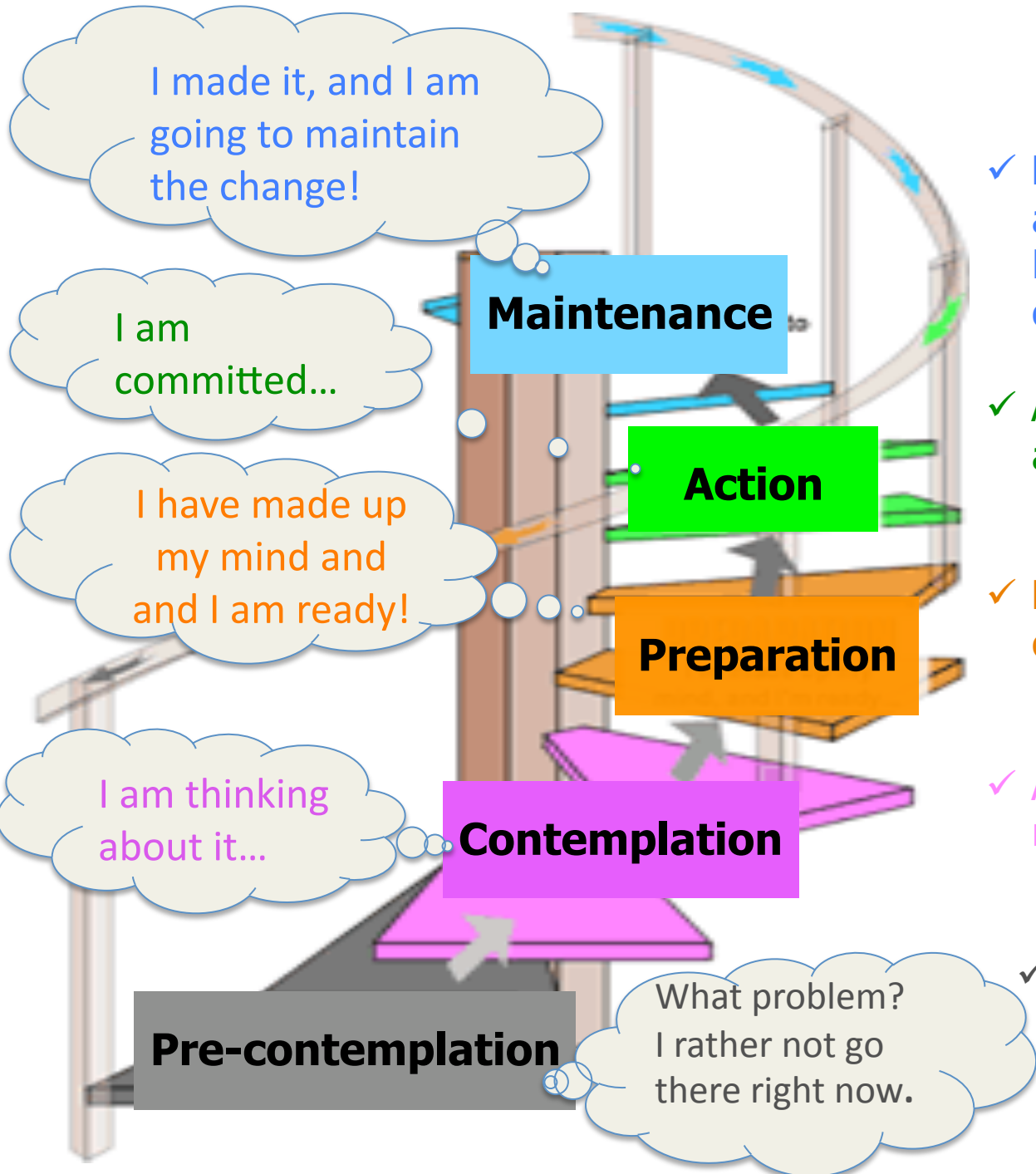
The Transtheoretical Model of Change - TTM

- **Stages of change** – progress over time
- **Processes of change** – activities used to progress from one stage to the next
- **Decisional Balance** – weighting the importance of pros and cons
- **Self Efficacy/temptation** – confidence to cope with high-risk situation without relapsing

The Transtheoretical Model of Change

Stages of Change





I made it, and I am going to maintain the change!

I am committed...

I have made up my mind and and I am ready!

I am thinking about it...

What problem? I rather not go there right now.

Maintenance

Action

Preparation

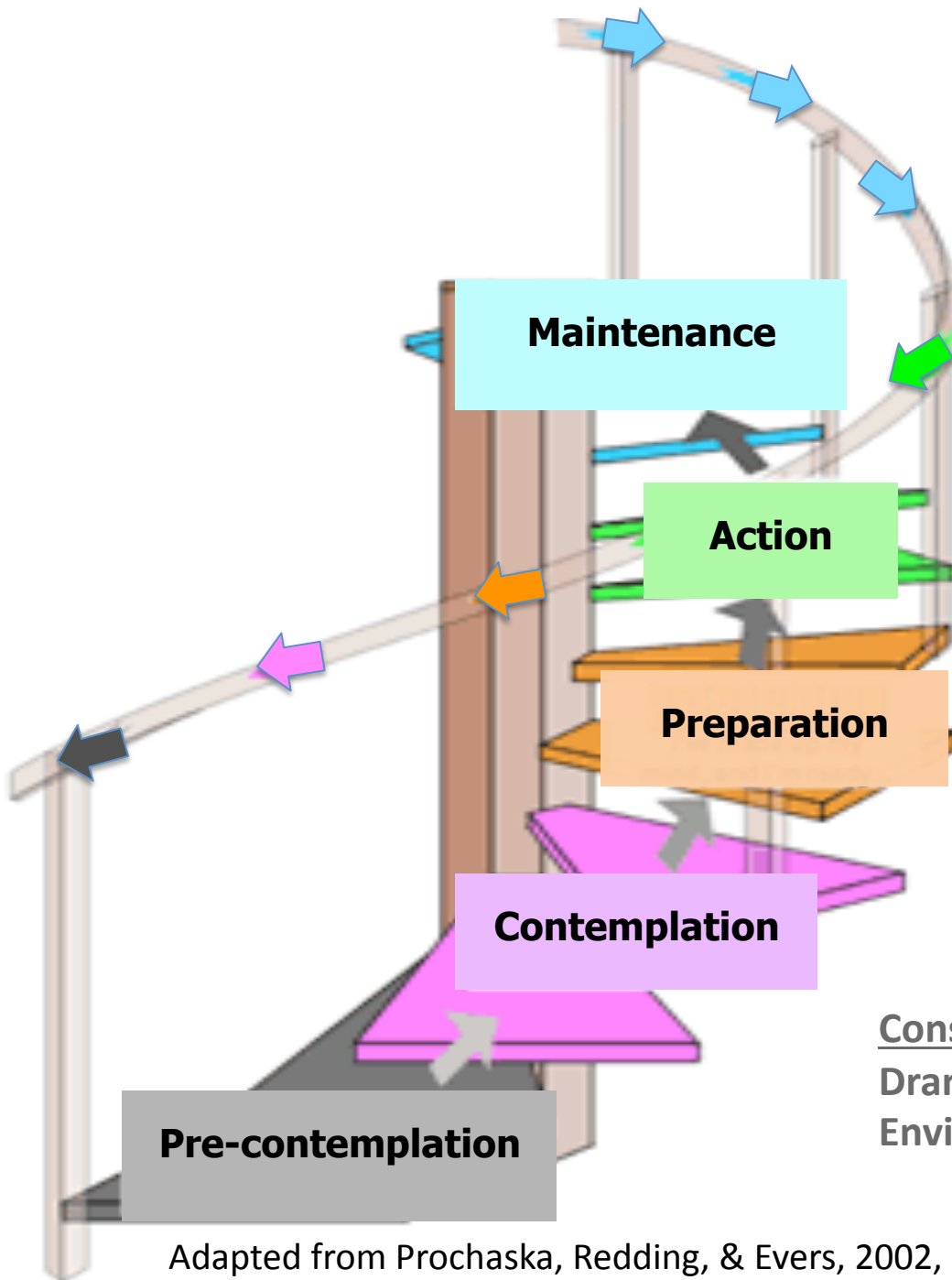
Contemplation

Pre-contemplation

- ✓ Have you followed your action plan for 6 months? Have you noticed positive outcomes?
- ✓ Are you able to stick to your action plan most of the time?
- ✓ Do you have an action plan or have you set a start date?
- ✓ Are you planning to change next month?
- ✓ Are you considering to change behaviour within next 6 months?

Processes of Change

Moving from one stage to the next



Reinforcement management – rewards

Helping relationships - support

Counter conditioning - replace

Stimulus control - reminders

Self-liberation - commitments

Self-reevaluation – self-identification
or self- reappraisal

Consciousness raising – awareness

Dramatic relief – grief, emotional arousal

Environmental-reevaluation – social reappraisal

TTM and Personal Finance

- Pattern of relationship among TTM constructs similar to other behaviours¹
- Individual seeking help are in the preparation stage or beyond²
- Some processes of change are more relevant than others for changing financial behaviours³

(²Shockey & Seiling, 2004; ¹Xiao, Newman, et al., 2004; ³Xiao, O'Neill, et al., 2004)

Research Questions

- Would respondents who **acknowledge negative financial behaviours among the causes of their financial problems** be more likely to adopt positive financial behaviours?
- Would respondents who **experience more processes of change as defined by the TTM** be more likely to adopt positive financial behaviours?
- Would respondents who experience **self-liberation** and **stimulus control** more frequently also more frequently apply positive financial behaviours?

Acknowledge Negative Financial Behaviours

– *What happened in your household to cause your financial problems?*

12 items

- Not enough income
- Unemployment
- Cutback on hours of work
- Illness
- **Overuse of credit**
- **Spending too much**
- Legal problems
- Got divorced or separated
- Lottery or gambling
- Alcohol or drug use
- Caring for dependents or parents
- **Lack of a spending plan or budget**
- Other (please specify)

Experience Processes of Change

- *In the past 6 months, how often did you experience...*
5 – point scale
- **Consciousness raising** - Awareness
- **Self-liberation** - Commitment
- **Reinforcement management** - Rewards
- **Self-reevaluation** - Self-identification
- **Stimulus control** - Reminders

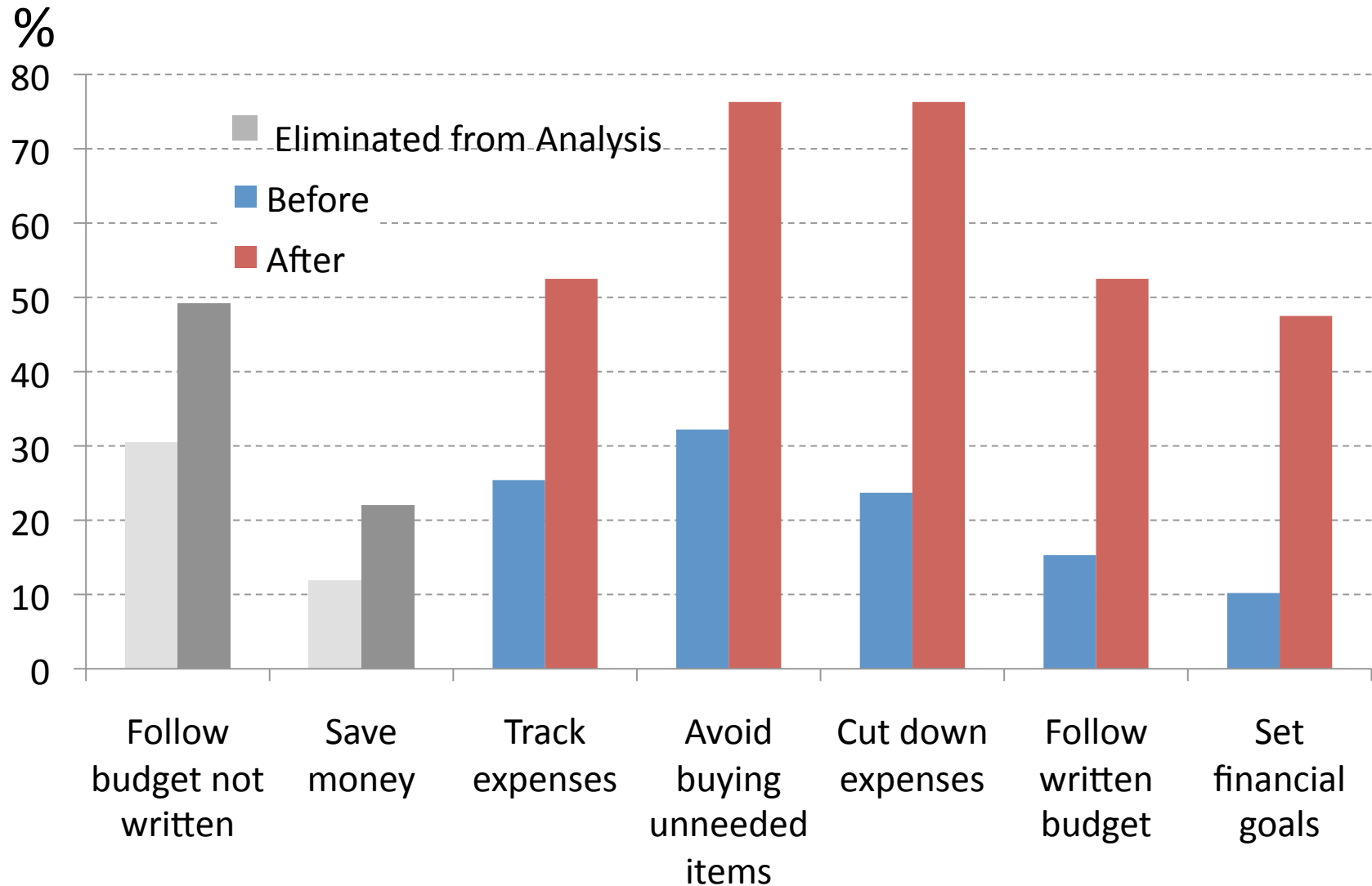
Adopt Positive Financial Behaviour

- *How often do you ...?*
- *Before contacting the CFCS, how often did you...?*
 - *5-point scale*
- *Score variable*
- *Ordinal variable with two categories*

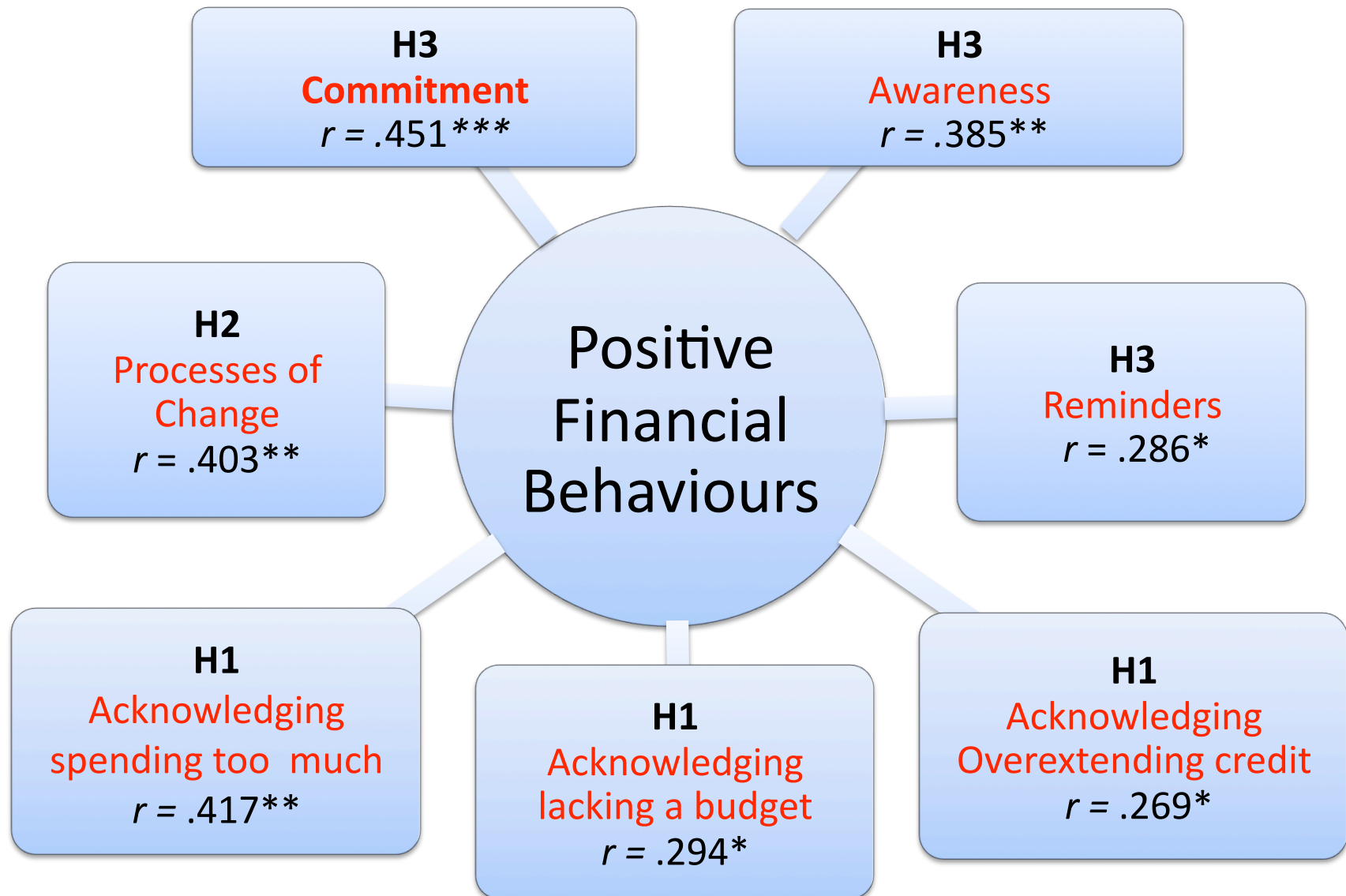
Method

- Sample
 - Community Financial Counselling Service
 - Clients from April 1st to June 30th 2007
 - 60 respondents (59 valid)
 - Response rate 40% ($59/148=39.86$)
- Data Collection
 - From October 2007 to March 2008
 - Clients' files at counselling agency
 - Telephone survey questionnaire

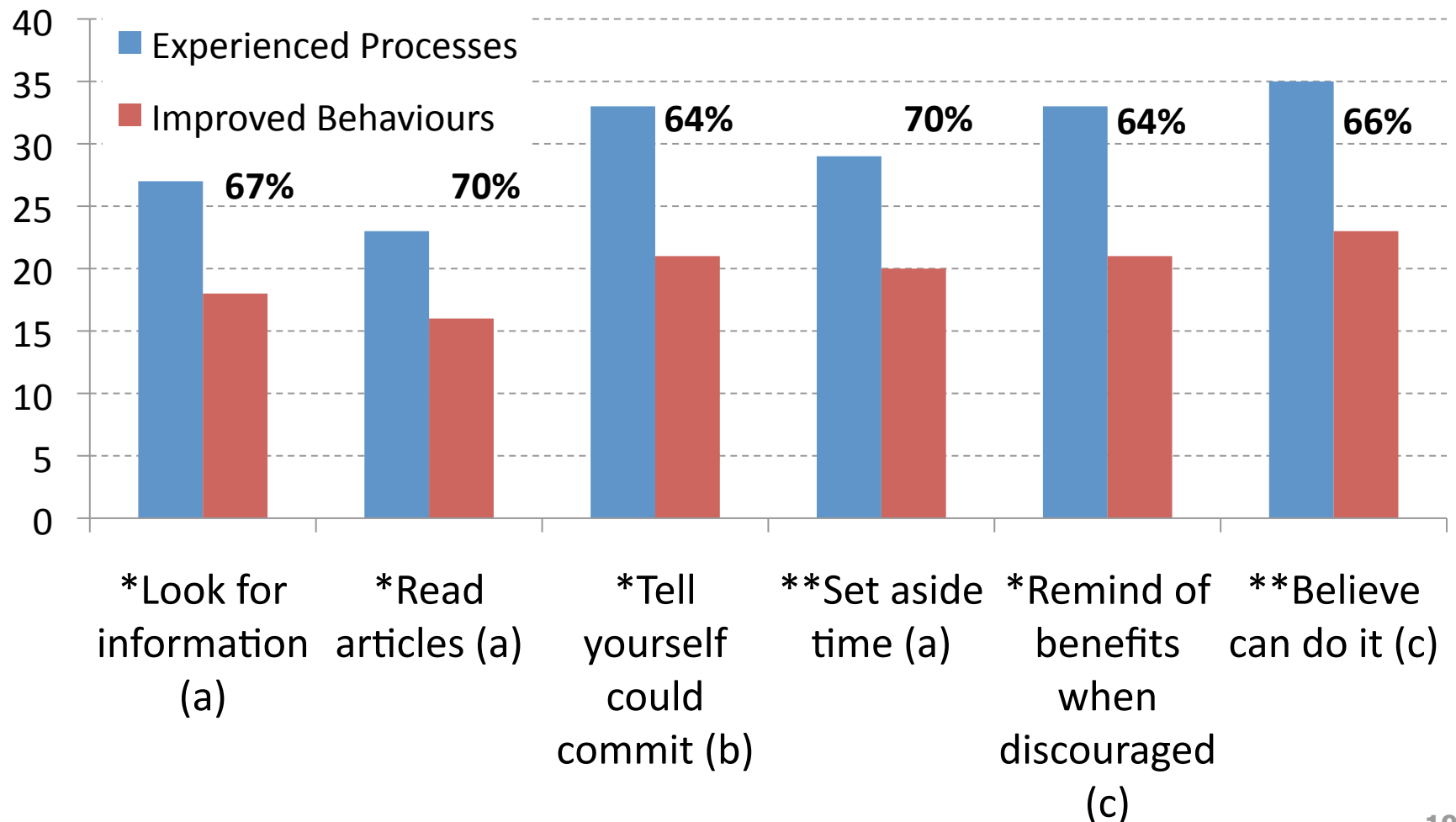
Positive Financial Behaviours Before and After Counselling



Variable Correlations



Improved Behaviours Among Those Who Experienced Processes of Change (Chi-square test)



a n=59; b n=58; c n=57; * p< .05; **p< .01

Limitations

- 5-point Likert scales
- Before and after questions
- Self-selection
- Small sample
- Time of data collection
- ✓ results of this study will reflect the sample studied and should be used with caution.

Contribution to the Literature

- TTM processes in financial behaviours
 - Applicability of the model
 - Relevance of self-liberation - commitments
 - Raising awareness relevant across stages of change
 - Relevance of helping relationships

Application to Practitioners

- Identify the stages to determine action plan
- Identify level of commitment
- Make commitment visible to others
- Create automatic reminders
- Provide continuous source of information and contact
 - Wrist bands, credit card sleeves
 - “Each new charge, a step away from my goals”
 - Newsletters

Future Directions

- Develop a predictive model for positive financial behaviours using TTM processes of change
- Identify specific processes of change experiences based on individuals who change on their own
- Empirical studies assessing counselling intervention based on the TTM

Thank you for your attention

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