

## Measuring Financial Wellness

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The poster provided a schematic diagram based on Joo's 2008 definition of financial wellness and discussed the available subjective and objective instruments for measuring the defined components. Tests and measures from Financial Planning and Counseling Scales (Grable, Archuleta & Nazarinia, 2011) were utilized as well as suggestions for gaps not addressed by current methodologies.

### What is Financial Wellness?

"Financial wellness is a comprehensive, multidimensional concept incorporating financial satisfaction, objective status of financial situation, financial attitudes, and behavior that cannot be assessed through just one measure" – Sohyun Joo (2008)

Because of the multifaceted nature of financial wellness, research struggles to find a comprehensive yet comprehensible measure to express the concept. This poster explored a series of possible measures and methodologies to assess this potentially important component of overall well-being.

### Components of Financial Wellness

#### *Objective Measures.*

Income and consumption measures that are proxies for financial status such as net worth, net worth related to life expectancy, housing adequacy, nutrition adequacy, availability of cash, income stability.

#### *Financial Satisfaction.*

A self-assessed measure indicating an individual's perception of satisfaction with his or her current level of resources with a strong relationship to financial strain, employment issues and locus of control.

#### *Financial Behaviors.*

The multitude of behaviors with outcomes possibly affecting financial wellness. These may be reflected in activity in which the individual participates as well as activity that the individual avoids. Examples of behaviors considered to be positive include cash management, holding emergency savings, moderating credit, planning for long-term goals such as retirement, managing risks through purchasing insurance, having wills and other estate documents in place to see to beneficiaries. Negative behaviors included gambling, binge spending, opting-out of employer sponsored retirement programs and avoiding financial education and discussions.

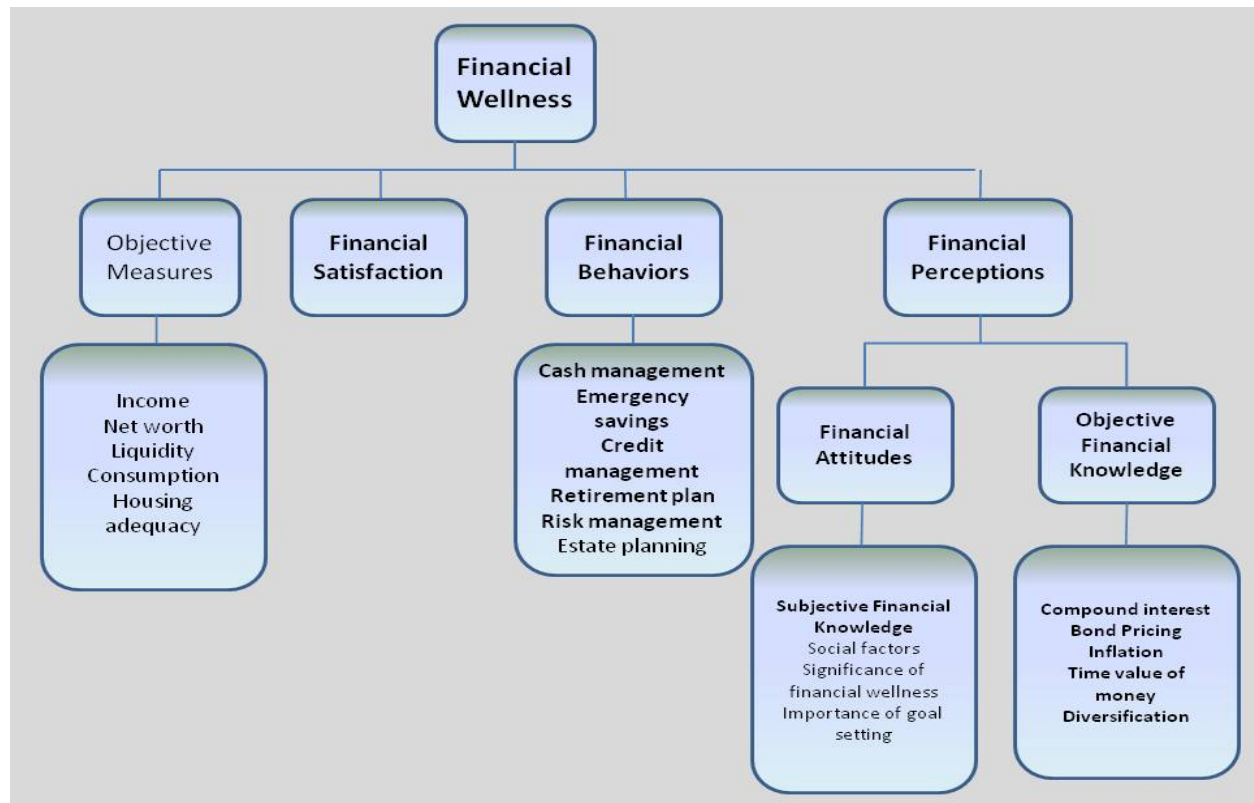
#### *Financial Perceptions.*

These exist in both objective and subjective forms. Objective financial knowledge reflects the individual's knowledge of specific financial issues such as compound interest, the effects of inflation on savings, the time value of money, the benefit of diversification and interest rates. Subjective knowledge indicates a person's interest in financial matters, enjoyment in working with financial issues and confidence in one's ability to make financial decisions.

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**Conceptual Framework**



**Data Sources**

Many potential data source exist for exploring financial wellness. Unfortunately, a single resource or data set has not yet be collected to answer all of the questions currently proposed as relating to financial wellness. Existing data sources include but are not limited to:

- FINRA National Financial Capability Data Set
- American Life Panel
- Panel Study on Income Dynamics
- Health and Retirement Survey
- Survey of Consumer Finances
- Retirement Confidence Survey
- National Survey of Families and Households
- Methodological Considerations

Multivariate analysis offers opportunities for exploring complex and multidimensional concepts. The wellness literature supports factor analysis and structural equation modeling (Hattie, Myers & Sweeney, 2004). This approach uses the theoretically-based development of an instrument to measure the various components of wellness, refinement of the instrument through practice and statistical analysis of the underlying concepts to develop therapies and educational programming to improve wellness.

**Existing Measures**

See Attachment 1.

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Attachment 1

Component	Subcomponent	Measure	Reference	Data set
Objective Measures				
	Financial Measures	Various	N/A	N/A
	Health Status	Health Status Item	O'Neill, Sorhaindo, Xiao & Garman (2005)	Proprietary (debt counseling clients)
	Demographics	Age, sex, educational attainment, religiosity, marital status, etc.	Various	Various
Financial Satisfaction				
	N/A	Single-item measure	Various	Various
	N/A	Financial Satisfaction Scale	Hira & Mugenda (1998)	Proprietary (Iowa residents)

	Locus of Control	Financial Locus of Control Item	Fitzsimmons & Wakita (1993)	Proprietary (Residents of eight states)
Financial Behaviors				
	Credit and Risk Management, Cash and Retirement Planning	Best Practices Behavior Scale	Robb & Woodyard (2011)	FINRA
	Cash Management	Financial Management Behavior	Porter & Garman (1993)	Proprietary (Virginia residents)
	Charitable Behaviors	Charitable Orientation	Woodyard & Grable (In Press)	General Social Survey (GSS)
Financial Perceptions				
	Objective Knowledge	Perceived Financial Knowledge Item	Varcoe, Martin, Devitto & Go (2005)	Proprietary (high school students)

		Objective Financial Knowledge Scale	Robb & Woodyard (2011)	FINRA
	Subjective Knowledge	Financial Confidence Scale	Robb & Woodyard (2011)	FINRA
	Risk Tolerance	Various	Various	Various
	Financial Knowledge	Financial Knowledge Scale	Knoll & Houts (2012)	ALP