

Changes in Household Net Financial Assets After the Great Recession: Did Financial Planners and Other Financial Advisors Make a Difference?

Lini Zhang, University of Georgia¹
Aman Sunder, University of Georgia²
Joseph Goetz, University of Georgia³
Lance Palmer, University of Georgia⁴
Swarn Chatterjee, University of Georgia⁵

Previous research indicated that people lost money during the Great Recession. Based on longitudinal data of the Panel Study of Income Dynamics (PSID) data set, Pfeffer, Danziger, and Schoeni (2013) reported that declines in net worth from 2007 to 2009 were large, and the declines continued through 2011. From 2007 to 2011, 12.2% of households experienced a loss of \$250,000 or more in net worth, and 33.2% of households lost at least \$50,000. According to Survey of Consumer Finances (SCF) 2007 to 2009 longitudinal data, high-wealth households are more exposed to shocks in financial markets through their ownership of retirement savings and financial assets (Grinstein-Weiss, Key, & Carrillo, 2015).

This study focused on studying the relationship between use of financial planners and other financial advisors before and after the Great Recession and the changes in household net financial assets following the Great Recession among high-wealth households. Use of financial planners had been divided into four groups: (1) continue to use a financial planner, (2) start to use a financial planner, (3) discontinue to use a financial planner, and (4) never use a financial planner as suggested in Cummings and James (2014). Use of financial advisors had been divided into four groups in the same way.

The first research question was to examine whether households who utilized the services of a financial planner did better with preserving and increasing the value of their net financial assets after the Great Recession compared to the net financial assets of households who did not seek the services of a financial planner. The second research question was to explore whether households who utilized the services of other financial advisors did better with preserving and increasing the value of their net financial assets after the Great Recession compared to the net financial assets of households who did not use other financial advisors. Other financial advisors referred to bankers, brokers, insurance agents, accountants, and lawyers in this study.

This study used the 2007-2009 panels of the Survey of Consumer Finances (SCF) dataset. A sample of high-wealth households (N=748) from SCF dataset was analyzed using two regression models to study the two research questions. Use of financial planners was the independent variable in the first regression model, while use of financial advisors was the independent variable in the second regression model, after controlling for a series of socioeconomic, demographic, and behavioral factors.

The results of the first regression model indicated that compared to those who did not have a financial planner in both 2007 and 2009, the net financial assets for those who did not have a financial planner in 2007 but started to use one in 2009 had increased by 12.2%; the net financial assets for those who had a financial planner in 2007 but dropped to use in 2009 had decreased by 13.5%. There were no significant differences between those who had a financial planner in both 2007 and 2009 and those who did not have a financial planner in both periods.

The results of the second regression model showed that compared to households that did not use a financial advisor (banker, broker, insurance agent, accountant, or lawyer) in both 2007 and 2009, there was no significant impact on preserving and increasing household net financial assets after the Great Recession for those households that continued to use a financial advisor. Similarly, neither households that started to use a financial advisor nor households that dropped to use a financial advisor had a significant influence on changes in household net financial assets compared to households that did not use a financial advisor in both 2007 and 2009. The results suggested that financial planners and financial advisors were two different concepts that need to be distinguished in the future research.

References

Cummings, B. F., & James III, R. N. (2014). Factors associated with getting and dropping financial advisors among older adults: Evidence from longitudinal data. *Journal of Financial Counseling and Planning*, 25(2), 129-147.

- Grinstein-Weiss, M., Key, C., & Carrillo, S. (2015). Homeownership, the Great Recession, and wealth: Evidence from the survey of consumer finances. *Housing Policy Debate*, 25(3), 419-445.
- Pfeffer, F. T., Danziger, S., & Schoeni, R. F. (2013). Wealth Disparities before and after the Great Recession. *The ANNALS of the American Academy of Political and Social Science*, 650(1), 98-123.

¹Research Associate, Department of Financial Planning, Housing and Consumer Economics, 262 Dawson Hall, 305 Sanford Dr., University of Georgia, Athens, GA, 30602, USA. Phone: 706-372-9031. Email: lzhang@uga.edu.

²Ph.D. Candidate, Department of Financial Planning, Housing and Consumer Economics, 262 Dawson Hall, 305 Sanford Dr., University of Georgia, Athens, GA, 30602, USA. Phone: 785-317-6604. Email: amansunder@uga.edu.

³Associate Professor, Department of Financial Planning, Housing and Consumer Economics, 204 Financial Planning Research Center (House B), 407 Sanford Dr., University of Georgia, Athens, GA, 30602, USA. Phone: 706-542-2066. Email: goetz@uga.edu.

⁴Professor, Department of Financial Planning, Housing and Consumer Economics, 108 Financial Planning Research Center (House B), 407 Sanford Dr., University of Georgia, Athens, GA, 30602, USA. Phone: 706-542-4916. Email: lpalmer@uga.edu.

⁵Associate Professor, Department of Financial Planning, Housing and Consumer Economics, 106 Financial Planning Research Center (House B), 407 Sanford Dr., University of Georgia, Athens, GA, 30602, USA. Phone: 706-542-4722. Email: swarn@uga.edu.