

RAISE

Texas Summit 2018



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FINANCIAL CAPABILITY PROGRAMS & SERVICES

WITHIN THE CONTEXT OF



FINANCIAL
HEALTH

What is **FINANCIAL HEALTH?**



- Being free from financial illness or injury
- A person's financial condition
- Accumulation of wealth & finance-related human capital

Financial Health & Finance-Related Human Capital



**Financial
Health**

Financial Health & Finance-Related Human Capital

FINANCE-RELATED HUMAN CAPITAL

What we know (KNOWLEDGE), and
ability to apply what we know (SKILL)

FUNCTIONAL FINANCE

(FINANCIAL LITERACY)

PERSONAL
FINANCE
KNOWLEDGE

PERSONAL
FINANCE
SKILL

PERCEPTUAL FINANCE

(Biases, thoughts &
emotions that impact
our Money Behavior)



**Financial
Health**

Financial Health & Finance-Related Human Capital



FINANCE-RELATED HUMAN CAPITAL

What we know (KNOWLEDGE), and ability to apply what we know (SKILLS)

FUNCTIONAL FINANCE

(FINANCIAL LITERACY)

PERSONAL FINANCE KNOWLEDGE

PERSONAL FINANCE SKILLS

KNOWHOW

that impact Money Behavior)

Financial Health Outcome



Financial Health & Finance-Related Human Capital



FINANCE-RELATED HUMAN CAPITAL

What we know (KNOWLEDGE), and ability to apply what we know (SKILL)

FUNCTIONAL FINANCE

(FINANCIAL LITERACY)

PERSONAL FINANCE KNOWLEDGE

PERSONAL FINANCE SKILL

PERSONAL FINANCE SKILL & BEHAVIOR (that impact Money Behavior)

KNOWHOW

Financial Health Outcome

NO!



Financial Health & Finance-Related Human Capital



Financial Health & Finance-Related Human Capital

FINANCE-RELATED HUMAN CAPITAL
What we know (KNOWLEDGE), and ability to apply what we know (SKILL)

FUNCTIONAL FINANCE (FINANCIAL LITERACY)		PERCEPTUAL FINANCE (Biases, thoughts & emotions that impact our Money Behavior)
PERSONAL FINANCE KNOWLEDGE	PERSONAL FINANCE SKILL	



MONEY BEHAVIOR



Financial Health



Financial Health & Finance-Related Human Capital



Financial Health, Finance-Related Human Capital & Money Behavior



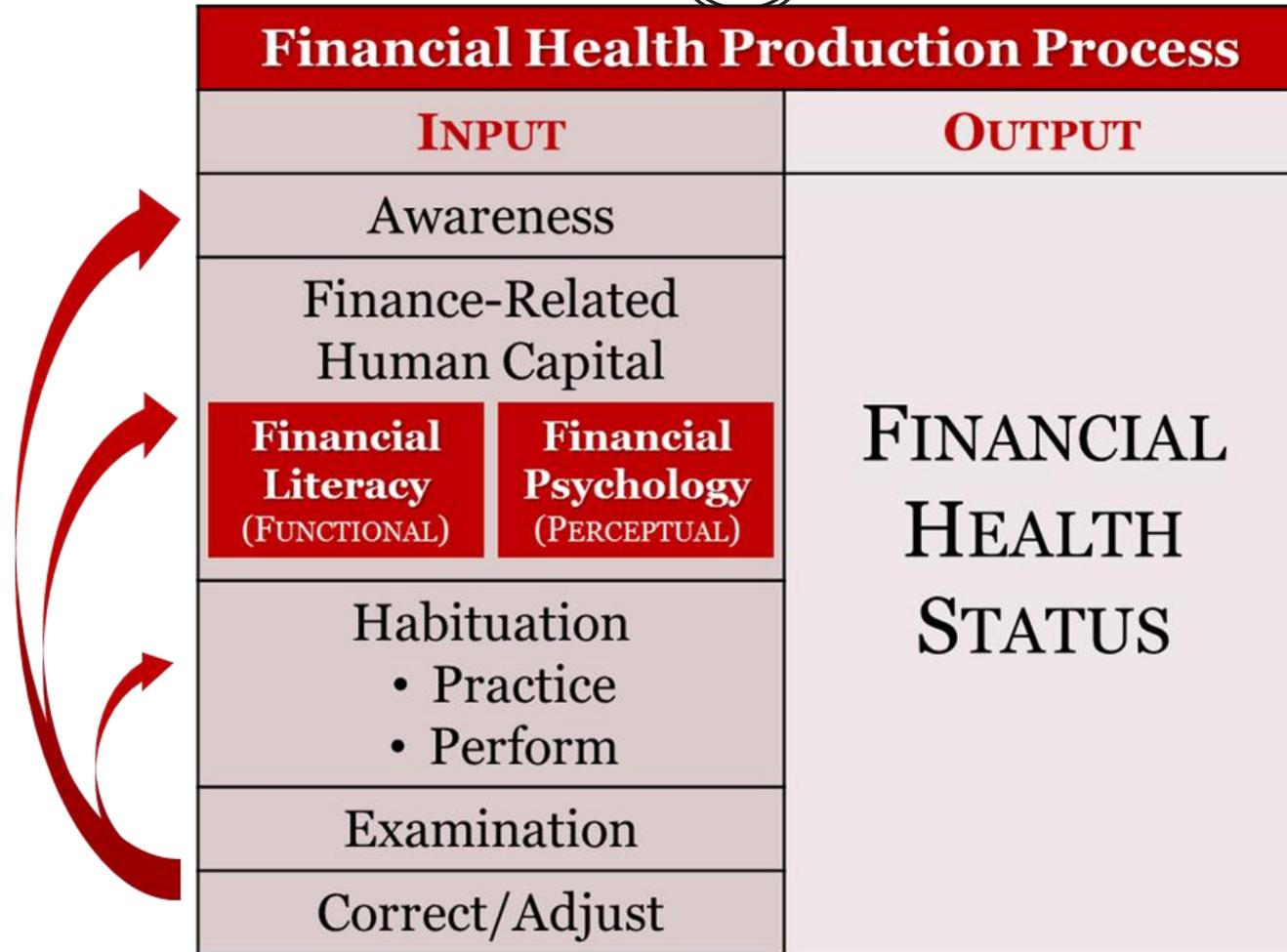
We are providers of Financial Health Services



SERVICE PROVIDERS
CAN INFLUENCE
BUT
CANNOT
PRODUCE
FINANCIAL HEALTH
FOR OUR CLIENTS



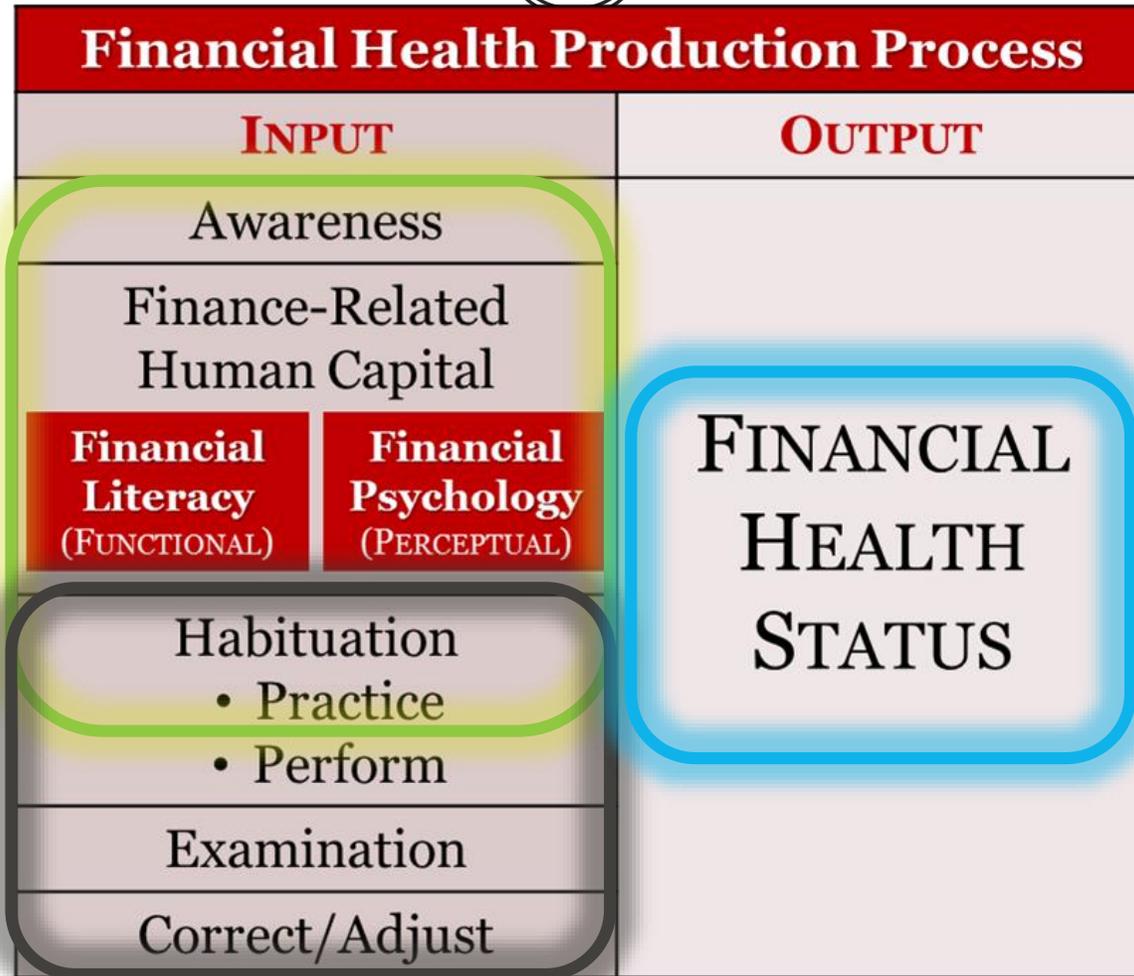
FINANCIAL HEALTH PRODUCTION



FINANCIAL HEALTH PRODUCTION



KNOWHOW



Outcome

Finance-Related Human Capital & Financial Education...



KNOWHOW

FINANCE-RELATED HUMAN CAPITAL

What we know (KNOWLEDGE), and ability to apply what we know (SKILL)

FUNCTIONAL FINANCE
(FINANCIAL LITERACY)

PERSONAL FINANCE KNOWLEDGE	PERSONAL FINANCE SKILL
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PERCEPTUAL FINANCE
(Biases, thoughts & emotions that impact our Money Behavior)

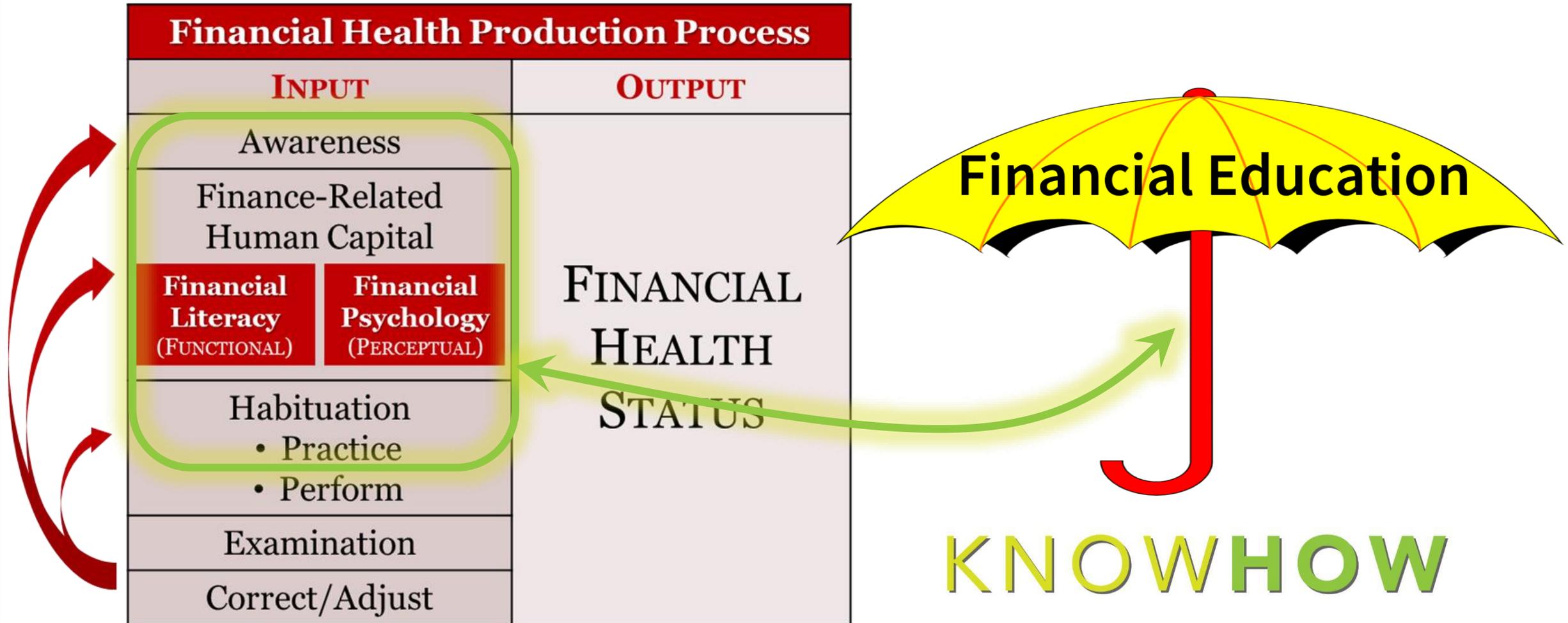
MONEY BEHAVIOR

Financial Health

EXTERNAL INFLUENCES
(family, culture, economic, religion, etc.)

FINANCIAL EDUCATION
and/or EXPERIENCE

FINANCIAL HEALTH PROFESSIONALS: EDUCATORS



Financial Education

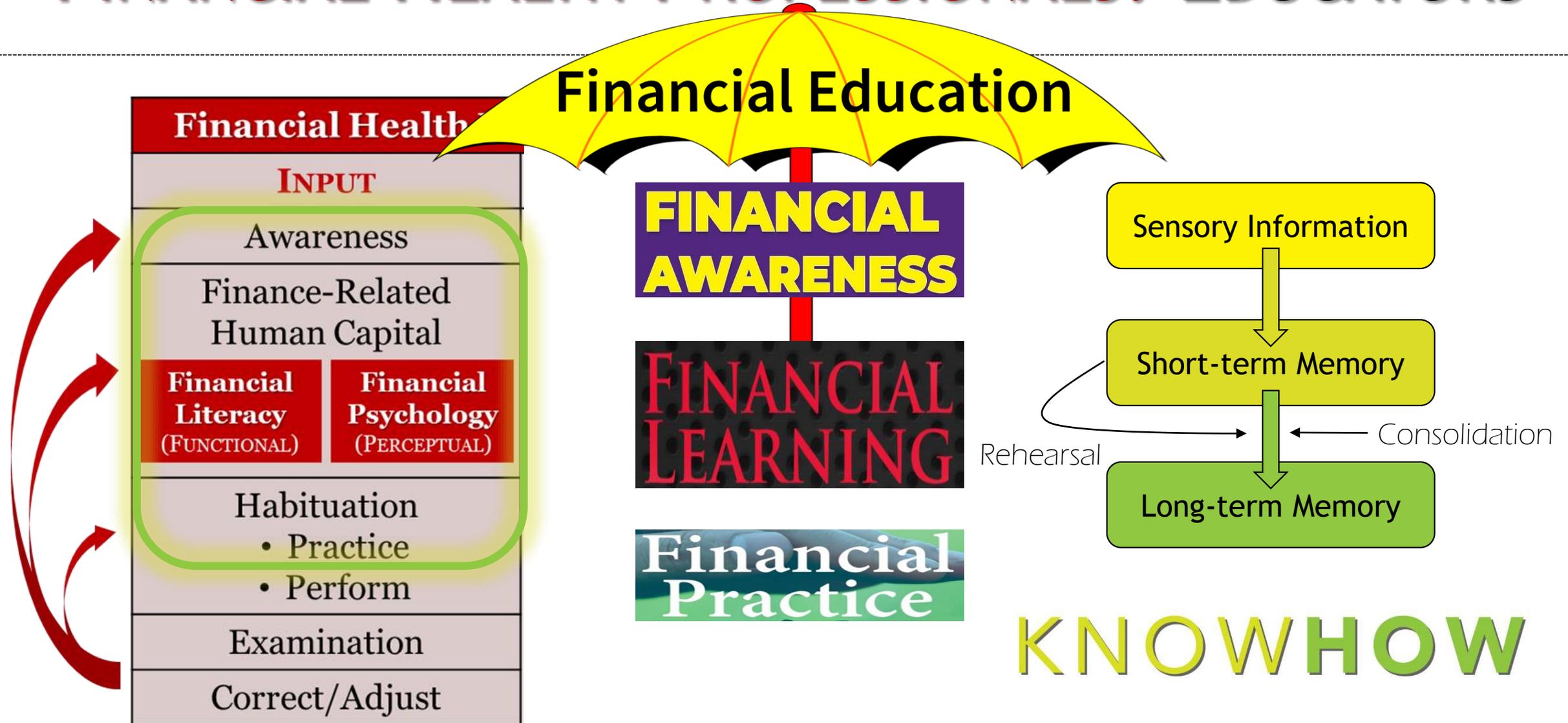
**FINANCIAL
AWARENESS**

**FINANCIAL
LEARNING**

Financial
Practice



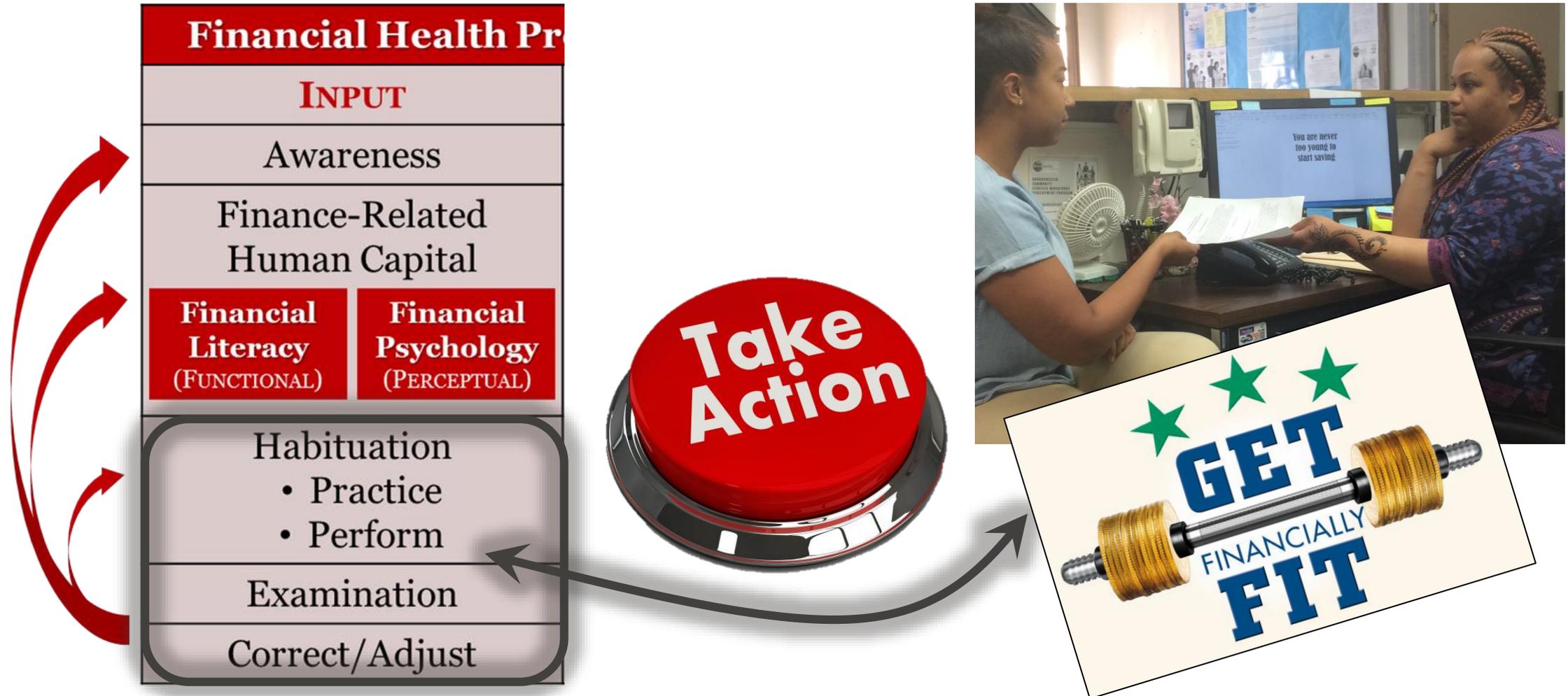
FINANCIAL HEALTH PROFESSIONALS: EDUCATORS



Money Behavior (Financial Performance) & Financial Coaching...



FINANCIAL HEALTH PROFESSIONALS: COUNSELORS

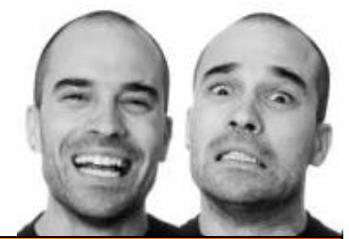




ACCOUNTABILITY



DUAL-SELF MODELS



LONG-TERM/PATIENT

SYSTEM 2 (SLOW)

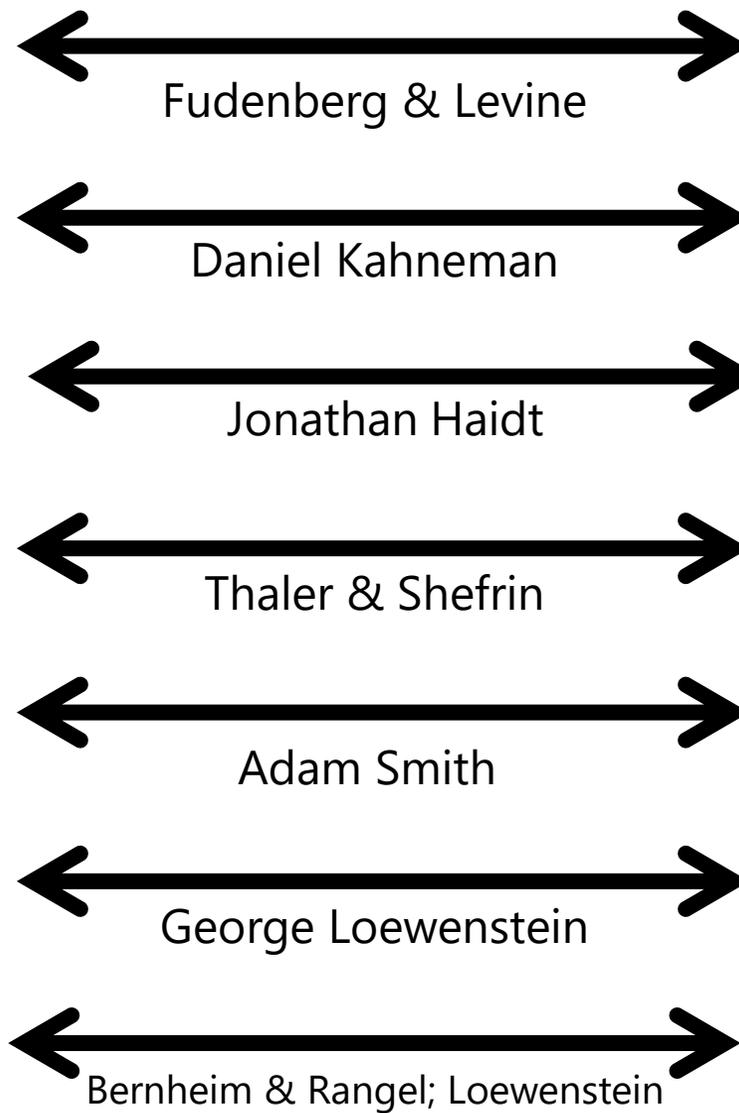
RIDER

PLANNER

IMPARTIAL SPECTATOR

DELIBERATIVE

COLD STATE



SHORT-TERM/IMPULSIVE

SYSTEM 1 (FAST)

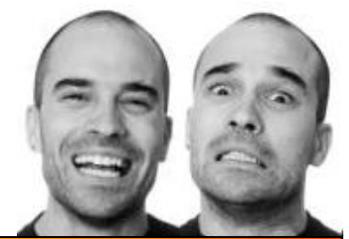
ELEPHANT

DOER

PASSIONS

AFFECTIVE/VISCERAL

HOT STATE



DUAL-SELF MODELS

LONG-TERM/PATIENT

SHORT-TERM/IMPULSIVE

SYSTEM 2 (SLOW)

SYSTEM 1 (FAST)

RIDER

ELEPHANT

PLANNER

Thaler & Shefrin

DOER

IMPARTIAL SPECTATOR

PASSIONS

DELIBERATIVE

AFFECTIVE/VISCERAL

COLD STATE

HOT STATE

Fudenberg & Levine

Daniel Kahneman

Jonathan Haidt

Adam Smith

George Loewenstein

Bernheim & Rangel; Loewenstein



“The **PLANNER**
is **FUTURE-ORIENTED**
and
concerned with
lifetime utility...”

R.H. Thaler (Santa Clara) & H. M. Shefrin (Cornell), 1981, An economic theory of self-control, *Journal of Political Economy*, 89(2), 392-406.

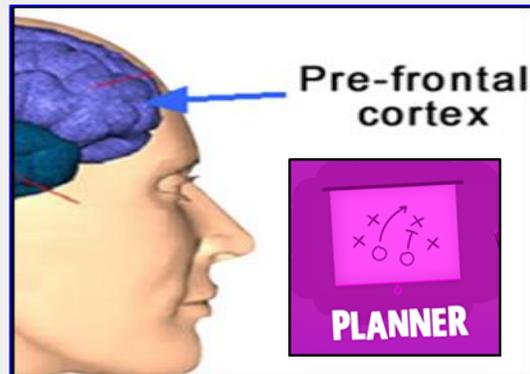
“The **DOER** is **PRESENT-ORIENTED**, exists only for 1 period and is selfish or myopic.”



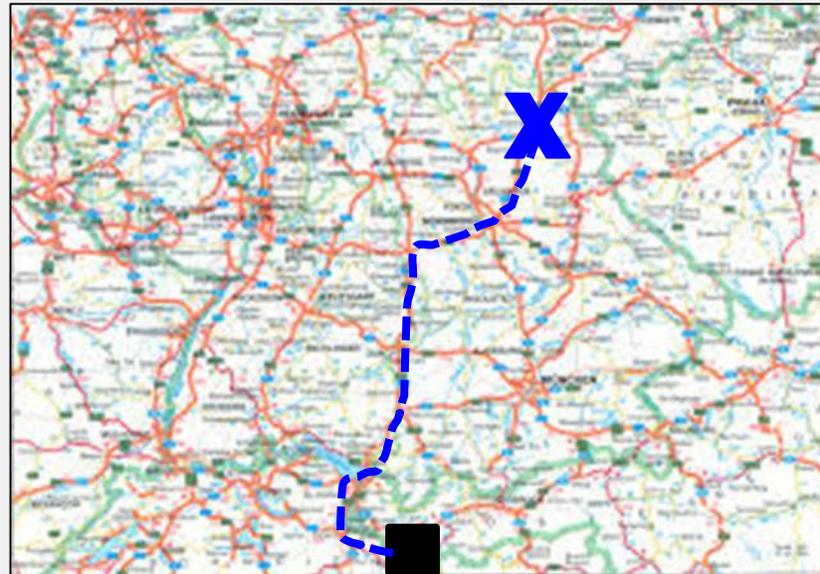
HEALTHY

REQUIRES:

1. Selecting an appropriate destination & path



DO YOU KNOW
WHERE TO
GO?

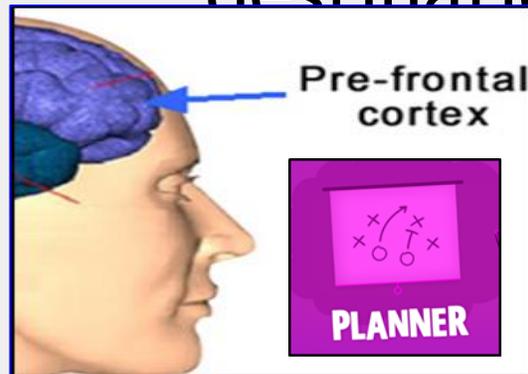


You are
here

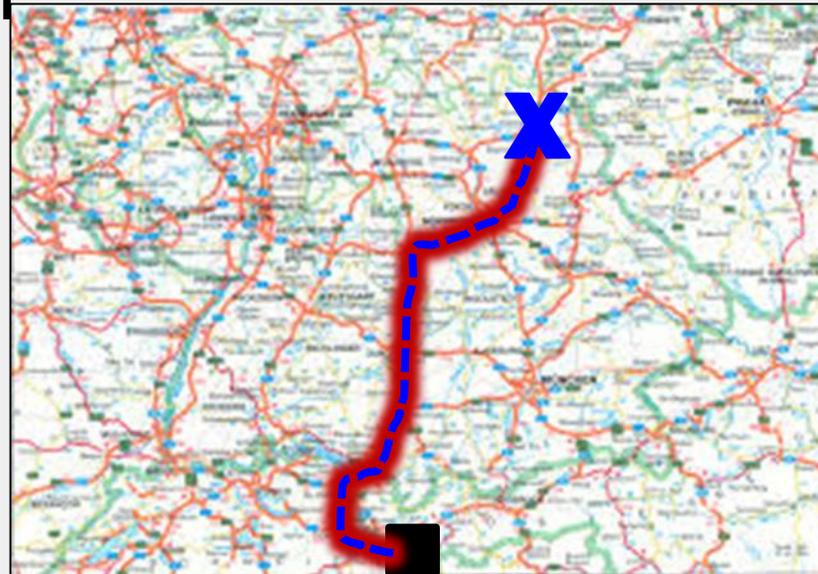
HEALTHY

REQUIRES:

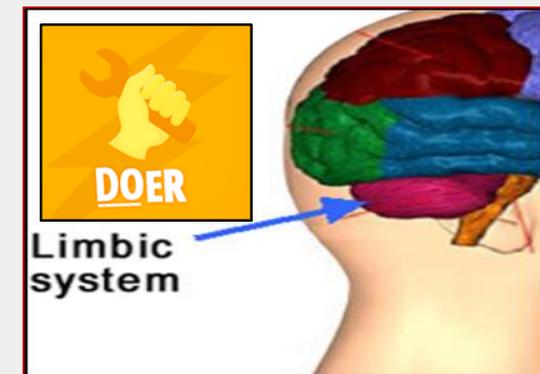
1. Selecting an appropriate destination & path
2. Staying the course as you travel to your destination



DO YOU KNOW
WHERE TO
GO?

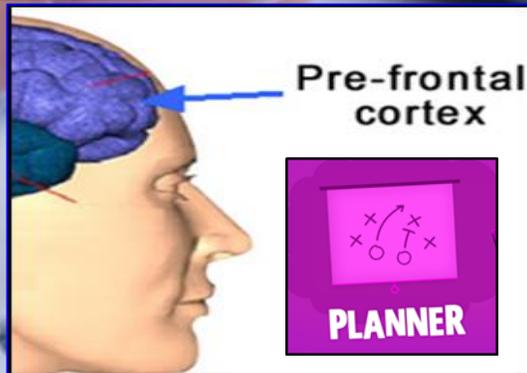
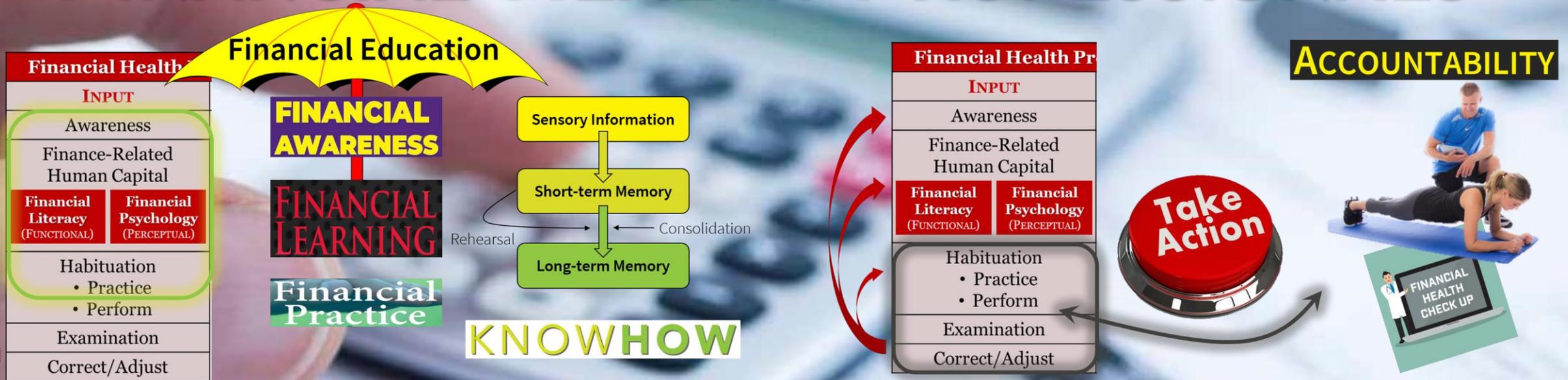


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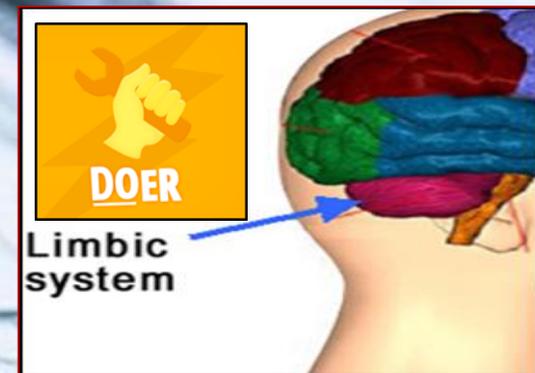
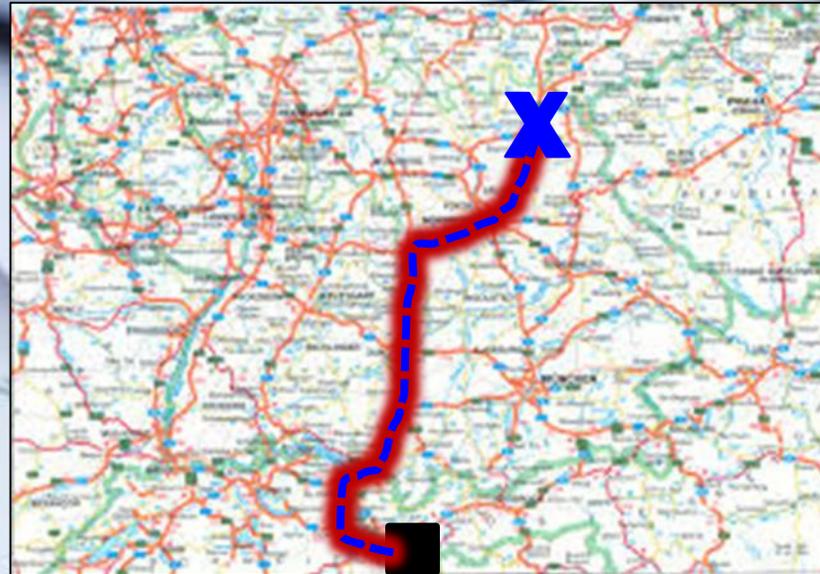


CAN YOU MAKE
IT **HAPPEN**?

FINANCIAL HEALTH PROFESSIONALS

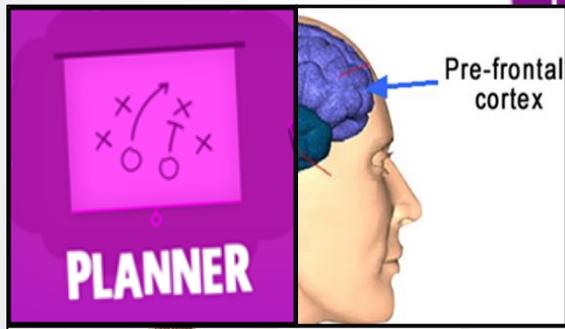


DO YOU KNOW
WHERE TO
GO?



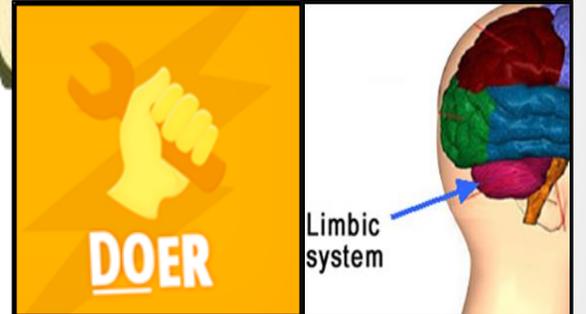
CAN YOU MAKE
IT **HAPPEN?**

WORKING WITH CLIENTS



Pre-frontal cortex

PLANNER



Limbic system

DOER

As a Financial Health Professional, I need to strategize with the “PLANNER” brain and design action plans for the “DOER” brain of my clients

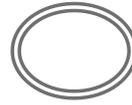


During Session

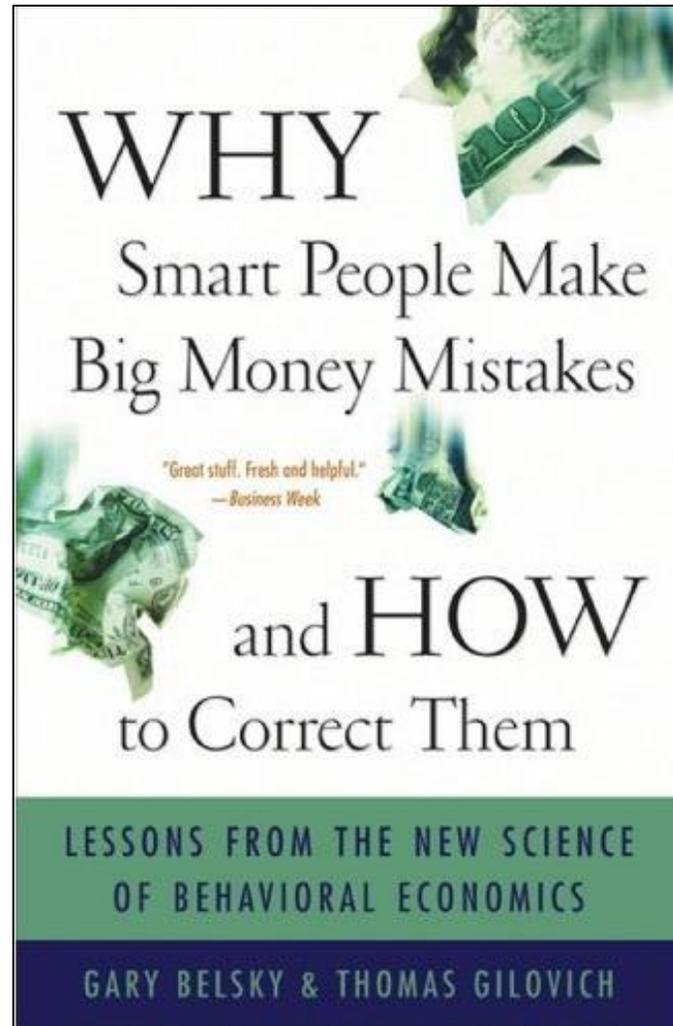


Everyday Life

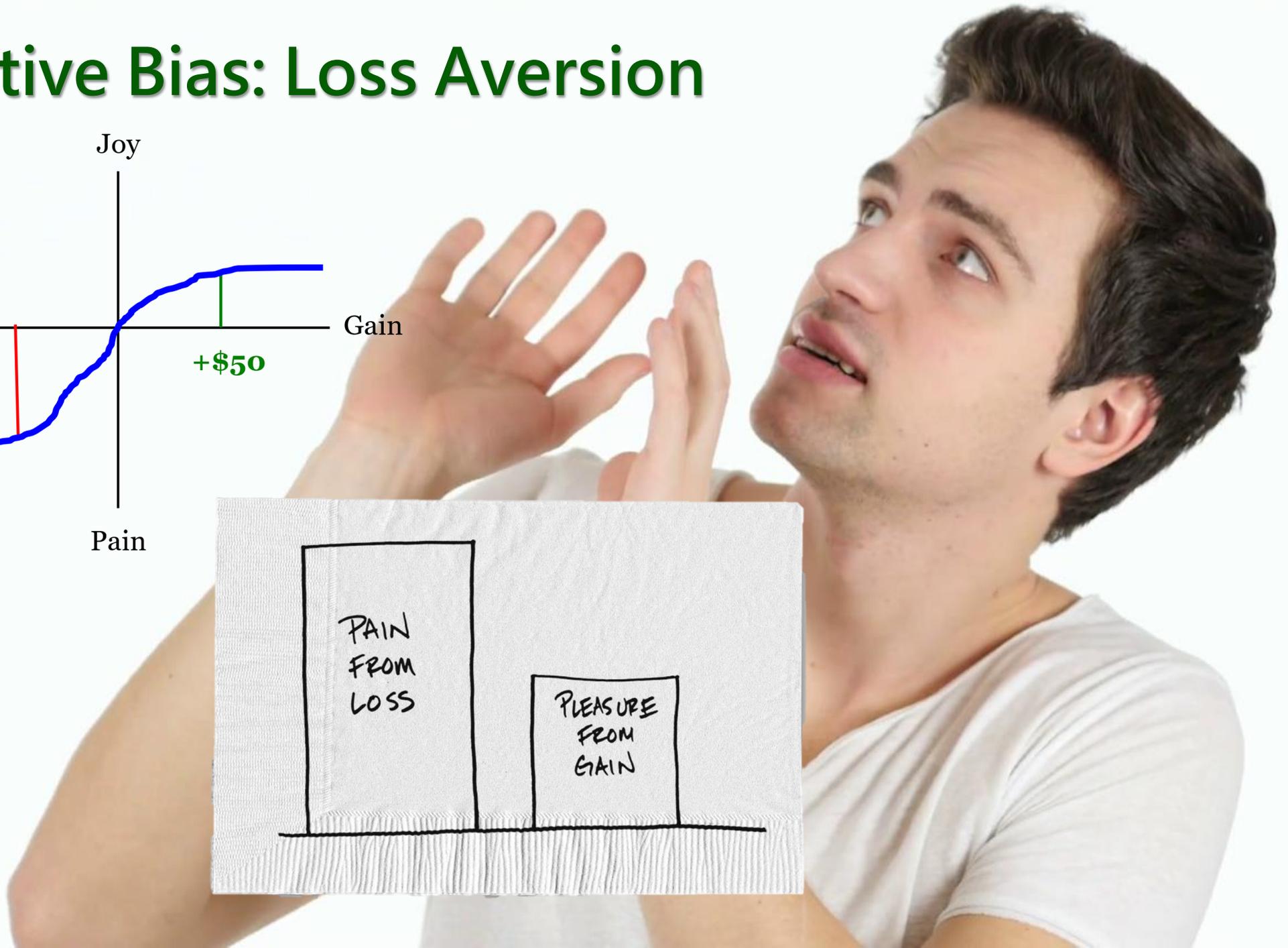
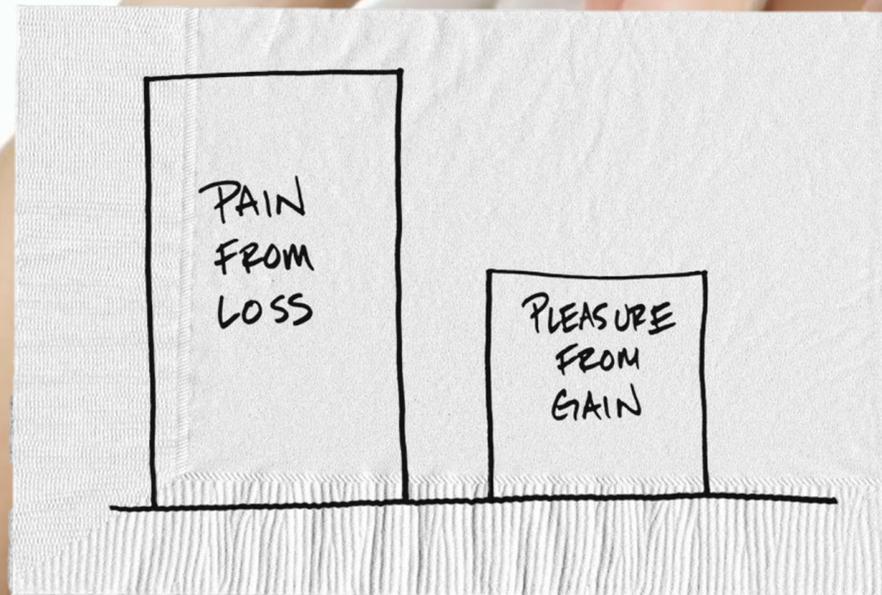
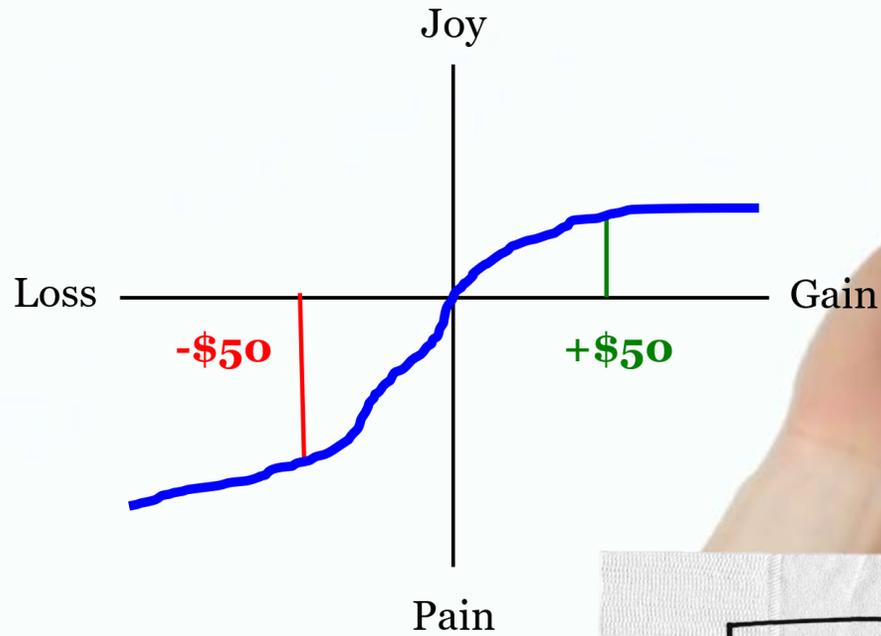
BEHAVIORAL ECONOMICS & FINANCIAL HEALTH



Tools for Financial Health Professionals:



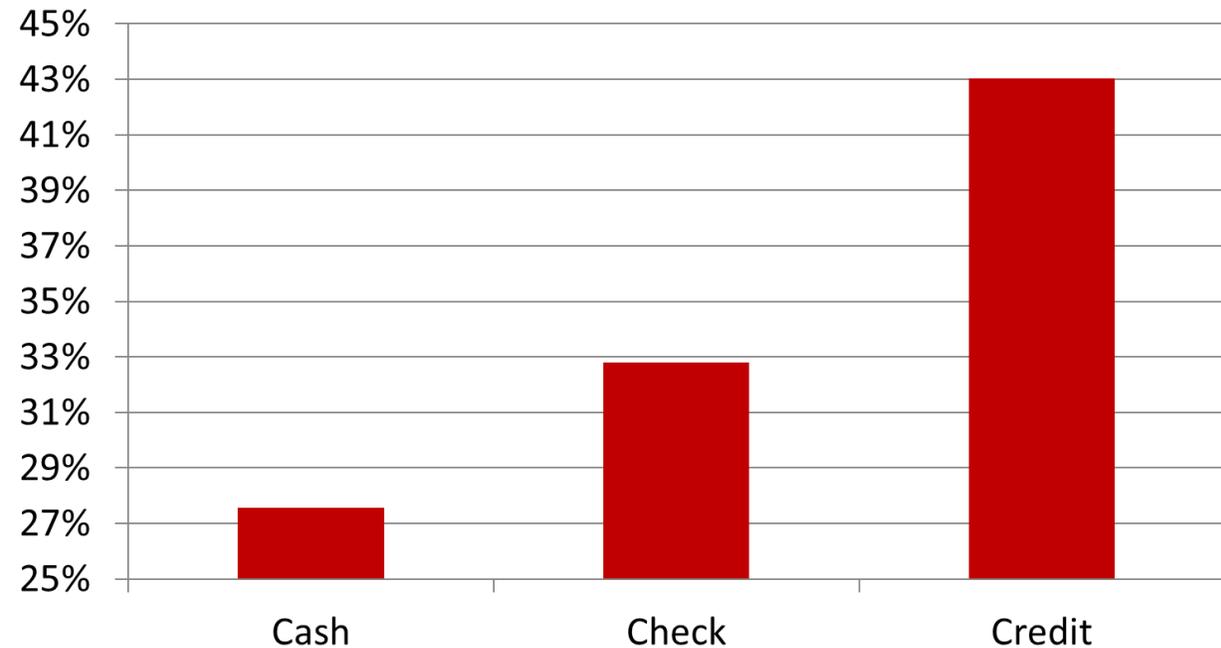
Cognitive Bias: Loss Aversion



ADDING FELT LOSS - PAYING WITH CASH



% spent on non-essential treats and luxuries at grocery store



REMOVING FELT LOSS - TAX REFUND SPLITTING

- Tax refund splitting is a pre-commitment to put a portion of the tax refund into a savings account
- In a pilot program “those that did participate saved 236% more than they said they would before hearing about the program”



KEY TAKEAWAYS

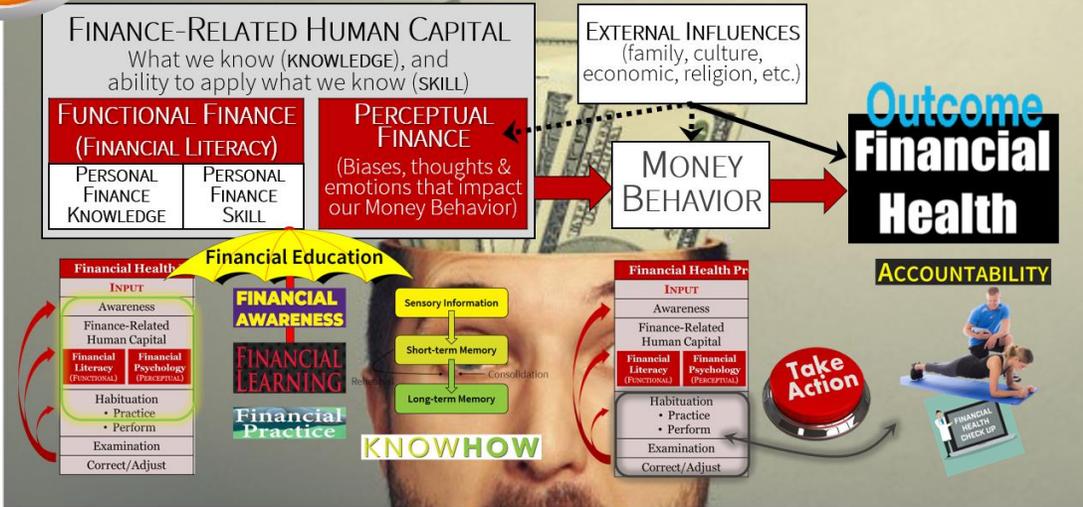
Financial Health is a Production Process

1



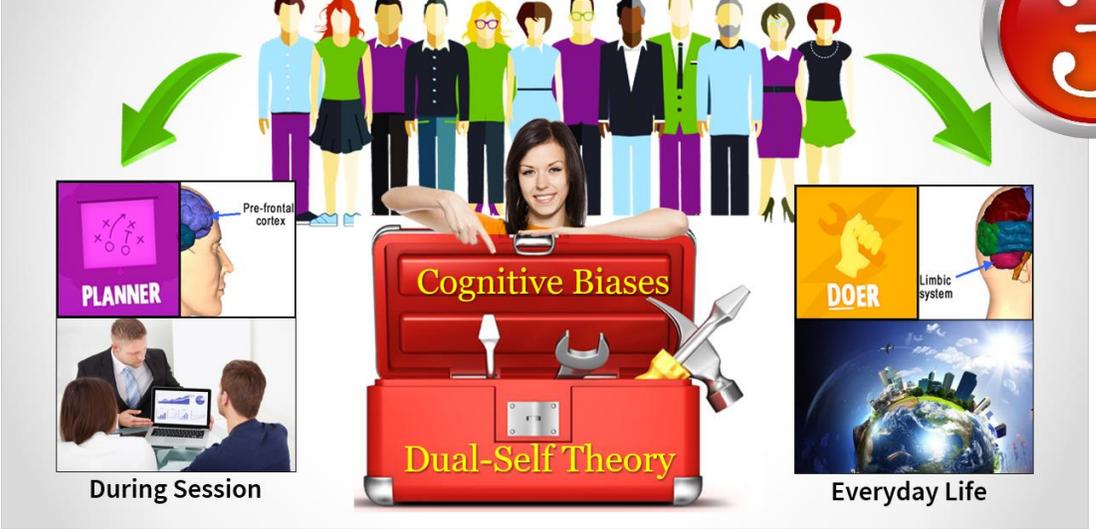
2

WHAT YOU DO AND WHY



WORKING WITH CLIENTS

3



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Thank
you!!



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