

Military Families Learning Network
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Ferryboat Captains and the Case for Teaching Behavioral Strategies in Financial Decision-Making

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What We Do...

- Beginning in 1991, ISFS research has had a far-reaching impact.
- ISFS social psychological and behavioral finance research has explored and informed financial literacy education and evaluation.
- ISFS teaches educators and counselors to use **behavioral research** and apply it to economic life circumstances, planning, and transactions for clients and students.

Today's Webinar...

Will focus on:

- Why we are all **Ferry Boat Captains**.
- What we *prioritize* in our lives and why.
- Some surprising realities about everyday decision-making!
- How we can use behavioral economics to help our “passengers” navigate today’s difficult challenges and marketplaces more successfully.

Ferry Boat Captains...

- ✓ Require highly-skilled steering capabilities through competing social norms and human values.
- ✓ Carry clients and students from one life “shore” to another—sometimes through “bad weather.”
- ✓ Teach behaviors, not just information.
- ✓ Know that finance is complicated and emotion-laden.

All Financial Educators must...

- ✓ Create financial value for stakeholders, the community, and society as a whole.
- ✓ Implement content in a practical manner.
- ✓ Be interesting, relevant, important, scalable and sustainable.
- ✓ Deliver better *financial results* over time.

Research Behind LifeValues Teaching

1. The decision making sciences.
2. The social psychology of Values: Personal, Social, Physical, and Financial.
3. Well-being, preference and choice, satisfaction and happiness.
4. Behavioral economics and behavioral finance.
5. How cultural environments influence all human behaviors.

Three Webinar Themes...

- I. Discover how psychological, social, and cultural environments influence everyone's financial choices and behaviors.
- II. Recognize your own LifeValues, how you developed them and why.
- III. Learn how *you* can use Behavioral Economics to improve your decision-making and then help clients and/or students do the same.

Shifting Accountability

Health care, retirement and investment models, and workplace trends:

1. Are all becoming less certain,
2. Leaders are needed who are not only focused on personal gain.
3. More accountability to others is required.
4. Leadership that is anchored in shared values is known to work best.

In Fact...

Most of us *like* feeling accountable when we:

1. Know what is expected of us.
2. Believe we actually can achieve what we are undertaking.
3. Have the *tools we need* to be successful.
4. Can fully invest in the outcome.

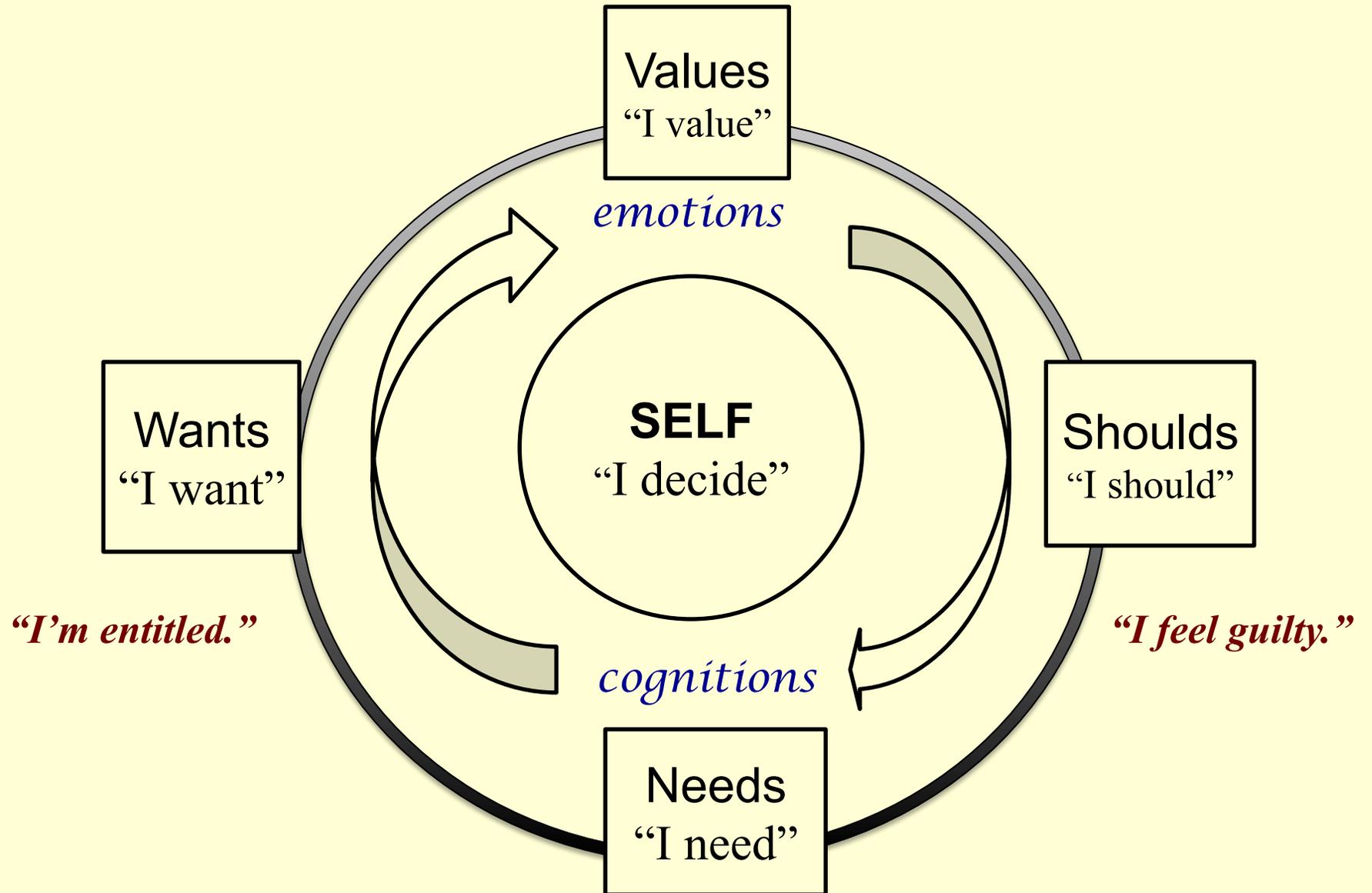
Call to Action

AWARENESS – assess yourself (and perhaps your organization) to achieve maximum effectiveness in your leadership role. What about you causes others to want to follow you?

ALIGNMENT – Is there congruence among your leadership values, words and actions? Are you true to your values?

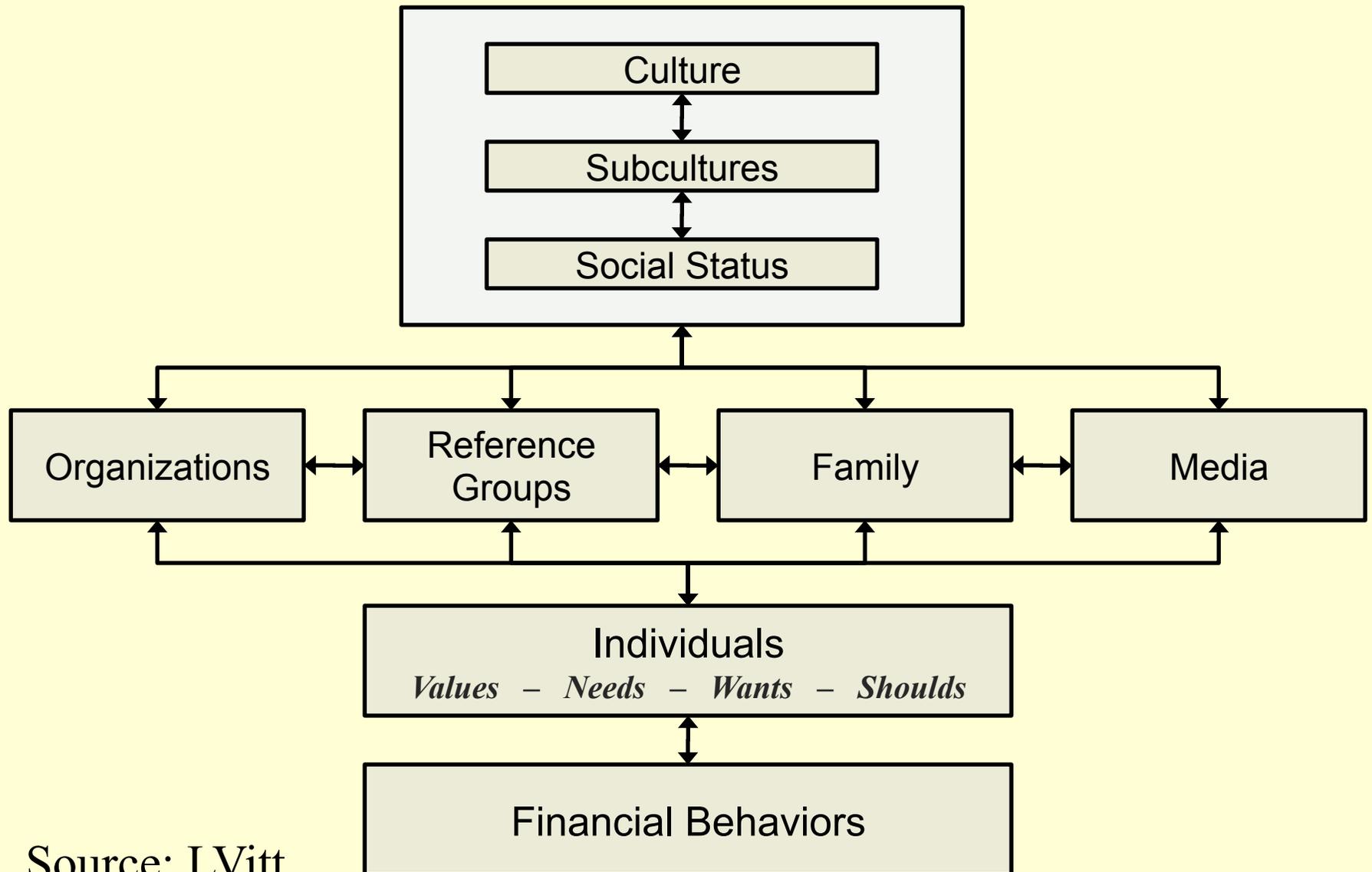
ACCOUNTABILITY – How do you assess your accountability to others? Do you communicate effectively?

Decision Dynamics Model



Source: Schweig-Vitt2006,

Flows of Social Influence on Financial Behaviors

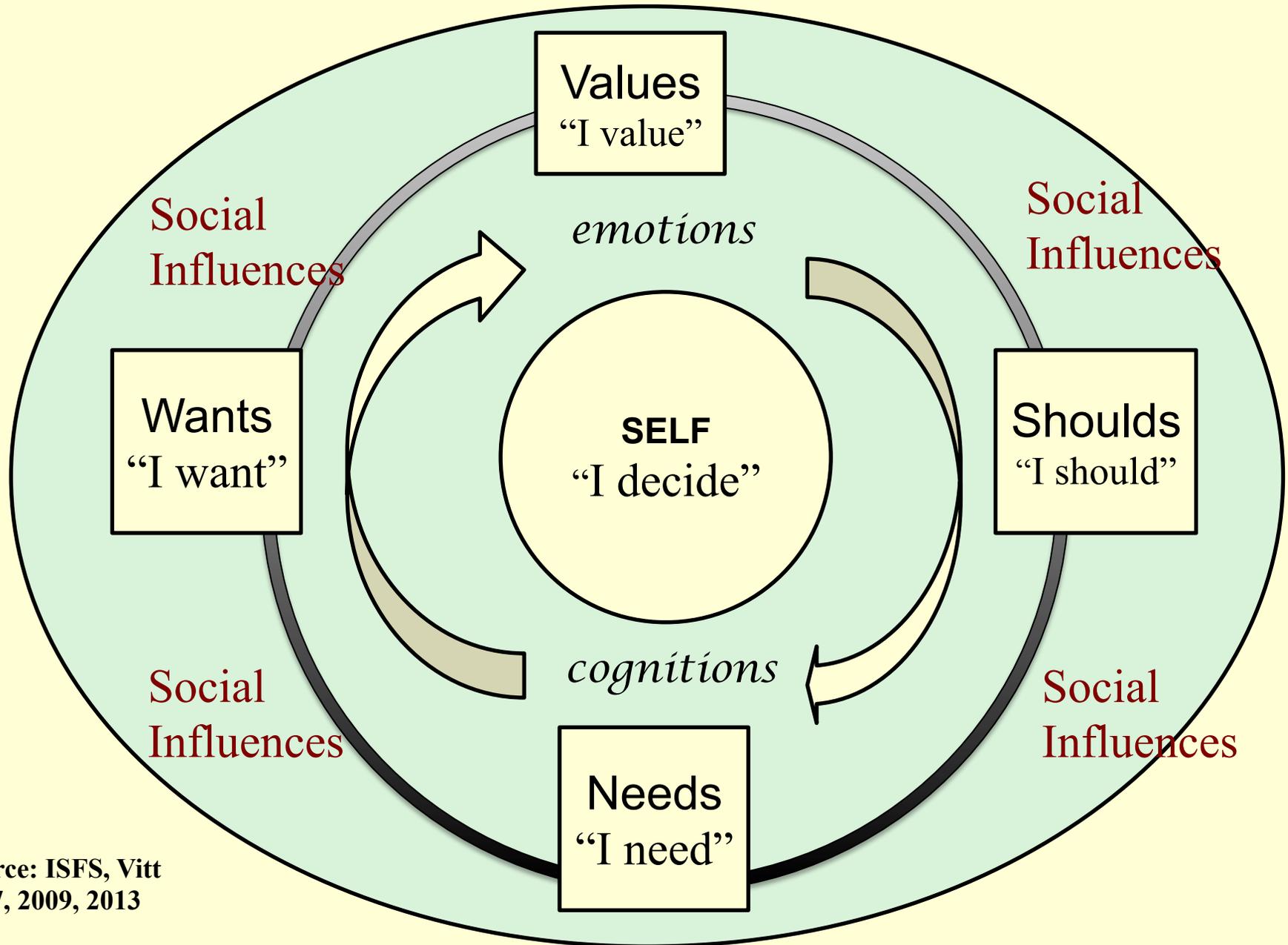


Source: LVitt
2008, 2013

Tools You Need

1. Understand Life Values Principles.
2. Know what your clients/students value and why.
3. Develop an awareness of societal trends and behavioral biases.
4. Have a plan for meeting client/student needs where they are and want to be.

Financial Decision Dynamics Model



Source: ISFS, Vitt
2007, 2009, 2013

Principle No. 1...

- Financial decision-making is about all of one's life.

Principle No. 2...

- One's societal and family history influences every financial decision today.

Principle No. 3...

- One's LifeValues drives all of their important decisions, consciously or unconsciously.

Principle No. 4...

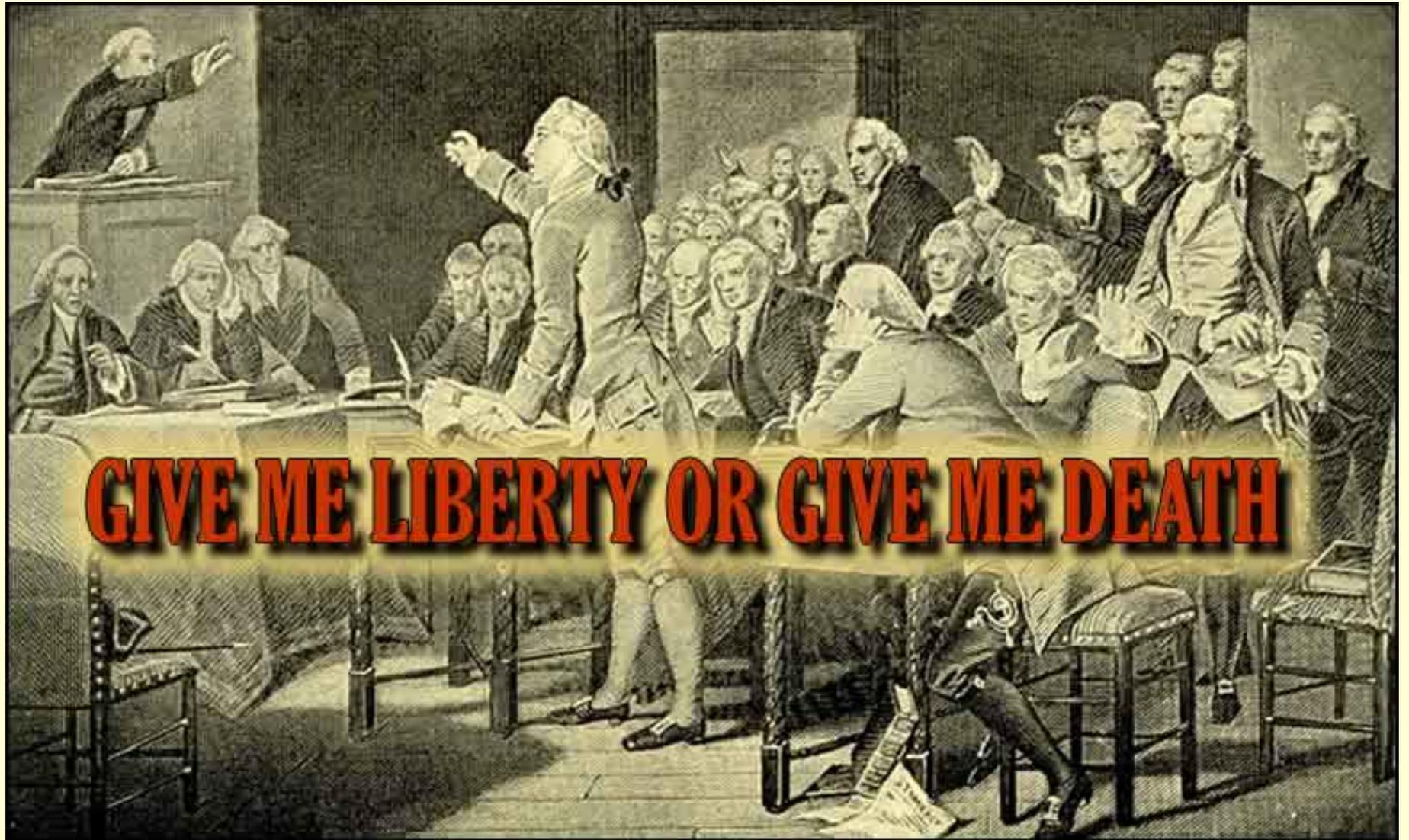
- One can consciously use their LifeValue system to make better choices and decisions.

Principle No. 5...

- One's LifeValues system is life long.

Break...

What are Values?



GIVE ME LIBERTY OR GIVE ME DEATH

Terminology

Beliefs, attitudes, and values
are terms often used interchangeably

In the previous slide:

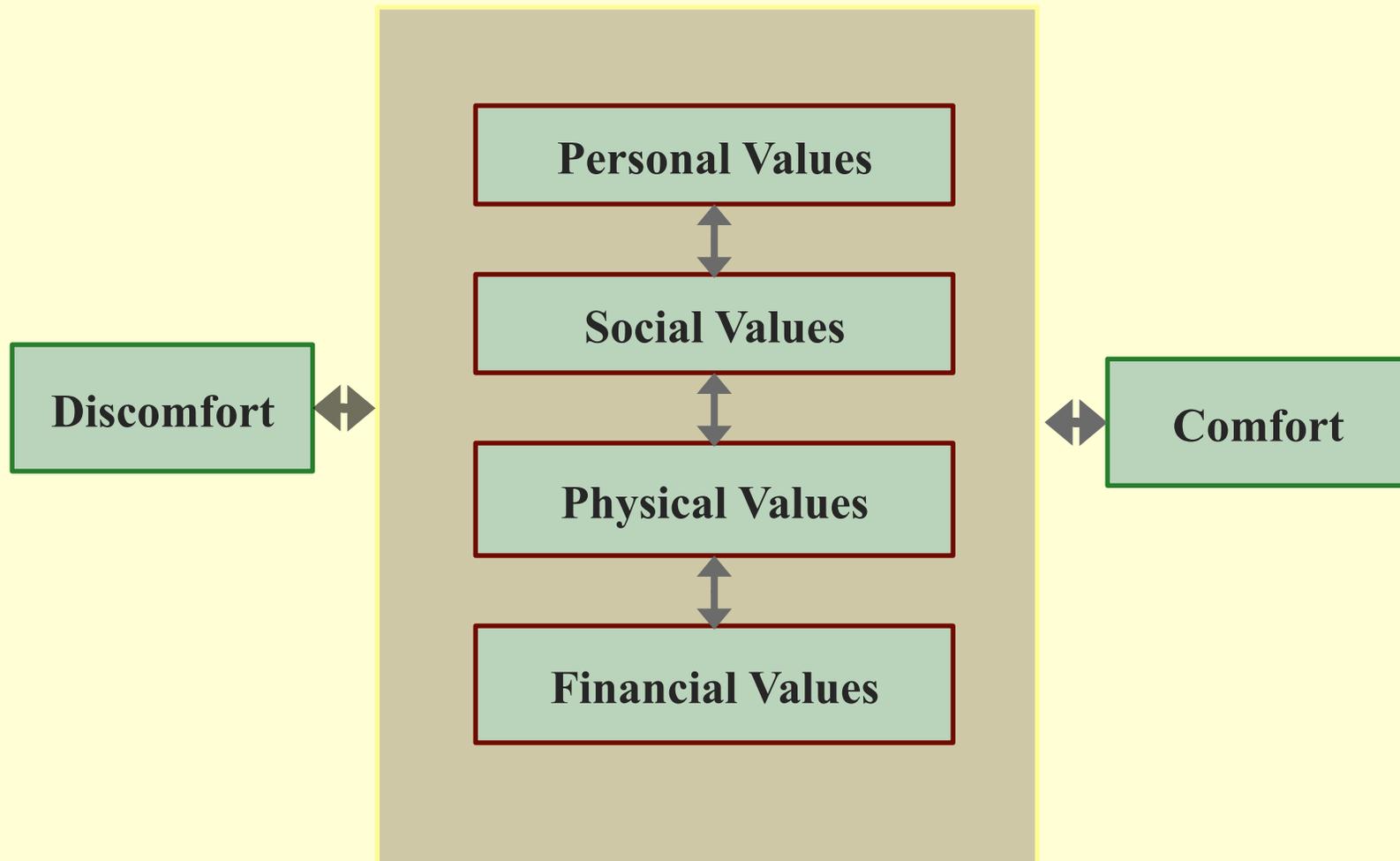
- The *value* is **Liberty**
- The *belief* is in a Nation (system) where individuals are free to pursue happiness, religious life, etc.
- Patrick Henry's *attitude* might be "I hate tyrants..."

Your LifeValues System

All LifeValues are *Subjective* and consist of what we think and feel about these dimensions of our lives.

- Inner/Personal
- Physical/Material
- Relationships/Societal
- Financial/Economic

LifeValues Model*



*Source: Lois A. Vitt.

Personal Values ...

Psychological

- Safety and Security
- Autonomy and Control
- Identity and Social Identity

Spiritual

Social Values...

- Family and Friends
- Communities of Interest
 - Employees and Customers
 - Peer Groups, Neighbors
 - Associations, Organizations
 - State, Nation

Physical Values...

1. Internal

- *Health, Senses*

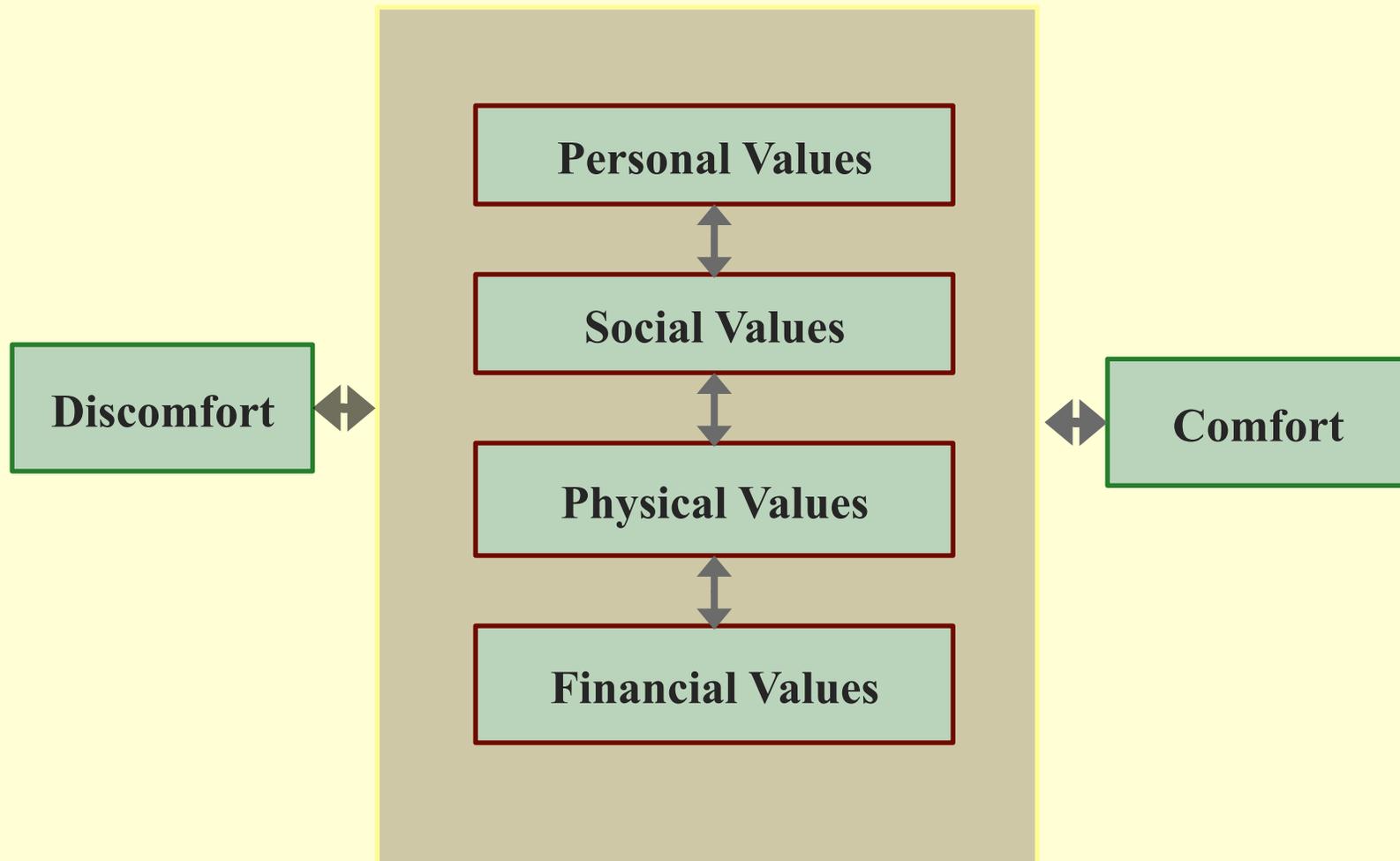
2. External

- *Material*
- *Environmental*

Financial Values...

- Sufficiency
- Sustainability
- Appropriateness

LifeValues Decision Making*



*Source: Lois A. Vitt.

Biases, fallacies, and Errors

- Status Quo
- Confirmatory
- Risk Aversion
- Conformity
- Over Confidence
- Anchoring
- Etc., Etc., Etc.

Overcoming Biased Decisions

- Widen your thinking-decision horizon.
- Find and try out contrary positions.
- Understand emotions and cognitions.
- Maintain realistic confidence levels.
- Sleep on every important decision and some with possible important consequences.
- Become acquainted with “Mattering” principles.

Points to Ponder

- You cannot “negotiate away” your values. You must accommodate them.
- You cannot “negotiate away” another person’s values either. Think about how they were formed and instead try to put yourself in their place.
- You must find a decision solution that accommodates your values as well as those of your staff members and employees.
- Too difficult? Stay tuned by downloading...

Resources at www.isfs.org

1. **Publications:** *Values-Centered Financial Education: Understanding Cultural Influences on Learners' Financial Behaviors*
2. **On Home Page Click on SmartAboutMoney.org**
 - Tools and Resources
 - LifeValues Quiz & Other Exercises