CFP BOARD CENTER FOR FINANCIAL PLANNING

2022 ACADEMIC RESEARCH COLLOQUIUM

FOR FINANCIAL PLANNING & RELATED DISCIPLINES

OCTOBER 24 & 25

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AGENDA AT A GLANCE

Poster exhibitions open at 8:00 a.m. each day.

MONDAY OCTOBER 24

Time	Session
9:00-10:30 a.m.	**GENERAL SESSION I: Sources of Income Risk Through the Retirement Lifecycle: Implications for Adjustment-Based Planning** Justin Fitzpatrick, Ph.D., CFP®, Income Lab
10:45 a.m.-12 p.m.	**CONCURRENT PAPER PRESENTATIONS**
12:00-1:00 p.m.	**NETWORKING LUNCHEON**
1:00-2:00 p.m.	**GENERAL SESSION II: Women's Issues in Financial Planning: How Research Can Guide Practice** • Sarah Asebedo, Ph.D., CFP®, Texas Tech University • AnnaMaria Lusardi, Ph.D., George Washington University • Mary Quist-Newins, CFP®, Moneyweave Academy Moderator: Vickie Bajtelsmit, Ph.D., Colorado State University
2:30-3:45 p.m.	**CONCURRENT PAPER PRESENTATIONS**
4:00-5:15 p.m.	**GENERAL SESSION III: Advancing Research in Financial Planning** • Christopher C. Geczy, Ph.D., The Wharton School, Univ. of PA • Tom Robinson, Ph.D., CFP®, Robinson Global Investment Management • Vickie Bajtelsmit, Ph.D., Colorado State University Moderator: Stephen Horan, Ph.D., CFP Board Center for Financial Planning
5:15-6:30 p.m.	**POSTER EXHIBITION & RECEPTION**

TUESDAY OCTOBER 25

Time	Session
9:00-10:30 a.m.	**GENERAL SESSION IV: The Implications of Research on Serving Diverse Clients** Miranda Reiter, Ph.D., CFP®, Texas Tech University
10:45 a.m.-12 p.m.	**CONCURRENT PAPER PRESENTATIONS**
12:00-1:00 p.m.	**NETWORKING LUNCHEON**
1:00-2:00 p.m.	**GENERAL SESSION V: Putting Research into Practice** • Joe Goetz, Ph.D., University of Georgia • Sonya Lutter, Ph.D., CFP®, Kansas State University • Ramel Strong, Ph.D., CFP®, Vanguard Moderator: Mary Bell Carlson, Ph.D., CFP®, University of Georgia
2:30-3:45 p.m.	**CONCURRENT PAPER PRESENTATIONS**
4:00-5:15 p.m.	**DOCTORAL SEMINAR**

2022 ACADEMIC RESEARCH **COLLOQUIUM**

WELCOME

The CFP Board Center for Financial Planning is proud to welcome you to the sixth annual Academic Research Colloquium for Financial Planning and Related Disciplines. We are pleased to once again host such a distinguished group of researchers, faculty members, students and practitioners who are leading contributors to the financial planning profession's academic body of knowledge.

We are excited to be joined by keynote speakers Justin Fitzpatrick, Ph.D., CFP® of Income Lab and Miranda Reiter, Ph.D., CFP® of Texas Tech University. Both are accomplished researchers, thought leaders and practitioners. At this year's ARC, each will discuss the interplay of research and practice — Justin in the context of retirement income planning and Miranda in the context of diversity, equity, and inclusion in the financial planning profession.

Across all its sessions, the 2022 ARC features some of our industry's most notable and promising researchers. In eight concurrent sessions and a doctoral seminar, presenters will cover topics ranging from student loans to retirement planning, home equity, and well-being.

Throughout the Colloquium, brief awards ceremonies will recognize a record number of awards for quality research projects and career achievements. This year we will present 7 Best Paper Awards, 1 Best Poster Award and 2 new awards: an Early Career Achievement Award and a Lifetime Achievement Award.

The 2022 ARC will also feature a panel of the Financial Planning Review's (FPR) new editorial board, moderated by new executive editor Stephen Horan, Ph.D., CFA®. As the FPR continues to grow in its fifth full year, this double-blind, peer reviewed research journal continues to disseminate research from authors around the world to a wide audience of scholars, practitioners and students.

This year's Colloquium features expanded programming opportunities for practitioners. Two sessions led by scholar-practitioners will delve into the implications of research presented at the Colloquium for financial planning practice. The Center is also providing continuing education credit for these practitioner-focused sessions as well as three other general sessions.

The Colloquium is an important part of the Center's Knowledge for Practice initiative, which elevates the profession by bringing best practices, research and networking opportunities—so practitioners can offer outstanding, up-to-date advice to their clients.

We want to acknowledge the Center's Founding Sponsors—Northwestern Mutual, Envestnet, Merrill and Charles Schwab Foundation, in partnership with Schwab Advisor Services—for their ongoing support of the Center's Knowledge for Practice initiatives. We are also grateful to the other sponsors that helped make this Colloquium possible: Vanguard, Morgan Stanley, Prudential, Edward Jones, Goldman Sachs, Ballentine Partners and Wealthspire Advisors.

We thank you for your commitment to furthering financial planning as a profession and an academic discipline, and we look forward to our continued collaboration.

Sincerely,

KEVIN R. KELLER, CAE
Chief Executive Officer, CFP Board

KATE HEALY
Managing Director, CFP Board Center for Financial Planning

MATT J. GOREN, Ph.D., CFP®
Director of Knowledge for Practice, CFP Board Center for Financial Planning

MESSAGE FROM THE STEERING COMMITTEE

Welcome to the sixth annual Academic Research Colloquium for Financial Planning and Related Disciplines. We are excited to be here this week in Washington, D.C., and recognize that all of us are part of something significant for the profession of financial planning.

In its first few years, the Colloquium has demonstrated the value of bringing together leading academic researchers with financial planning practitioners to tackle the most pressing issues in consumer financial decision-making, personal investing, saving, risk management, taxation, retirement and estate planning. From a policy perspective, both a growing concern about financial security in retirement and advances in financial technology are fueling a push for democratization of financial advice and planning. In terms of swelling market demand, the financial planning profession has never had greater potential than right now to be more relevant to more people. Delivery on that opportunity is the challenge for the next decade.

There will once again be keynote addresses from leading national researchers, including a panel discussion on financial planning to address the circumstances women face, as well as a discussion with leading practitioners on how they utilize research (and how we can bridge the research-to-practice gap).

As always, the ARC consists of quality paper presentations from a variety of academic disciplines. A primary objective of this conference is to bring together scholars and practitioners to focus on the practical implications of the research being presented. Our Paper Presentation sessions are meant to be interactive. Presiders are listed, but their job is to offer an initial comment or ask the first question, paving the way for the rest of the session attendees to engage with the presenter and others in the audience. In this way, we hope to enrich the conference discussions with the breadth of experience from our practitioners. Everyone has a role, so please engage.

We welcome to the ARC one of its largest student cohorts to date—undergraduate and graduate students from across the United States and abroad. Some of our profession's leading Ph.D. graduate students will present and discuss their research at the Doctoral Seminar.

By the end of the conference, we hope that you will see the ARC as the event for leading thinkers and doers in the growing field of financial planning. We deeply appreciate the CFP Board Center for Financial Planning and its willingness to support and sustain the Colloquium. Please enjoy the conference and accept our invitation to become more deeply involved in this unique opportunity to build the field of financial planning.

Sincerely,

2022 ARC STEERING COMMITTEE

—

Vickie Bajtelsmit, Ph.D., Colorado State University
Jonathan Fox, Ph.D., Iowa State University
Werner DeBondt, Ph.D., DePaul University
Mark Fedenia, Ph.D., University of Wisconsin
Lance Palmer, Ph.D., CFP®, University of Georgia
Michael Staten, Ph.D., University of Arizona
Cäzilia Loibl, Ph.D., The Ohio State University
Auke Plantinga, Ph.D., University of Groningen

BEST PAPER AWARD SPONSORS

Morgan Stanley

Financial Planning Review, an initiative of CFP Board Center for Financial Planning and published by Wiley, is a double-blind, peer-reviewed academic journal that features research within financial planning, as well as disciplines that directly or indirectly relate to the financial planning body of knowledge or financial planning practice. Read the latest edition today.

CO-EDITORS

Chris Geczy, Ph.D.
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University of Pennsylvania

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Robinson Global Investment Management, LLC

Megan McCoy, Ph.D., LMFT, AFC, CFT-1
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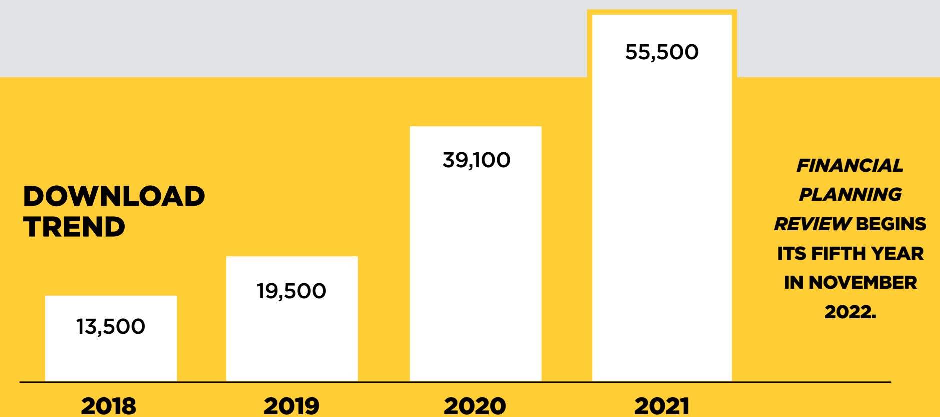

FINANCIAL PLANNING REVIEW **BEGINS ITS FIFTH YEAR IN NOVEMBER 2022.**

CFP BOARD CENTER FOR FINANCIAL PLANNING

2022 ACADEMIC RESEARCH **COLLOQUIUM**

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45 POSTER PRESENTATIONS

AGENDA: MONDAY, OCT 24

8:00 a.m.

Registration Opens
Poster Exhibition (Open until 7:00 PM)

8:00-9:00 a.m.

Breakfast

9:00–9:20 a.m.
Grand Ballroom C/D

Opening Remarks
- Kevin Keller, CAE, CEO, CFP Board
- Matt Goren, Ph.D., CFP®, Director of Knowledge for Practice, CFP Board Center for Financial Planning
- Kate Healy, Managing Director, CFP Board Center for Financial Planning

9:20–10:20 a.m.
Grand Ballroom C/D

General Session I – Keynote
Sources of Income Risk Through the Retirement Lifecycle: Implications for Adjustment-Based Planning

CE eligible (1 hour)

Justin Fitzpatrick, Ph.D., CFP®, CFA®, Income Lab
Introduction by: Kate Healy, Managing Director, CFP Board Center for Financial Planning

Session description: Research on retirement income guardrails has largely focused on portfolio withdrawals and withdrawal rates. However, most retirees fund retirement from a variety of sources and many follow a multi-stage pattern of portfolio withdrawals called the retirement hatchet. This and other patterns of retirement income sourcing hold different sources and levels of risk at different points in time. Researchers and planners can improve retirement outcomes and experiences, and build more robust approaches to adjustment-based planning, by understanding these diverse sources of risk and how they change over the retirement lifecycle.

Session sponsored by: Morgan Stanley

10:20–10:25 a.m.

The 2022 Morgan Stanley sponsored ARC Best Paper Award

10:25–10:45 a.m.

Break — Poster Exhibition (Open until 7 p.m.)

MONDAY, OCT 24 CONTINUED

10:45 a.m.-12:00 p.m. **Concurrent Sessions 1 – Paper Presentations**

Grand Ballroom A

RETIREMENT PLANNING

The Effect of Wealth on the Probability and Severity of Long-term Events: Evidence from HRS

- Jimmy Cheng, Ph.D., CFP®, CFA®, Morningstar Inc.
- Kris Carroll, Ph.D., CFP®, CFA®, Wealth Enhancement Group
- Michael Finke, Ph.D., CFP®, The American College of Financial Services
- Tao Guo, Ph.D., CFP®, CFA®, Morningstar Inc.

You've Got to Know When to Hold 'Em: Insights Into the Investment Switching Behavior of Pension Fund Members During the COVID-19 Crisis

- Kirsten MacDonald, Ph.D., CPA, Griffith University
- Mark Brimble, Ph.D., CPA, Griffith University
- Karen Wildman, Griffith University

ESG Fund Allocations Among New, Do-It-Yourself Defined Contribution Plan Participants

- Zhikun Liu, Ph.D., CFP®, Employee Benefit Research Institute
- David Blanchett, Ph.D., CFP®, CFA®, PGIM

Presider: Vickie Bajtelsmit, Ph.D., Colorado State University

Grand Ballroom B

PROFESSIONAL PRACTICE

The Relation Between Compensation and Equity Level Recommendations Among Financial Advisors

- Michael Guillemette, Ph.D., CFP®, Texas Tech University
- David Blanchett, Ph.D., CFP®, CFA®, PGIM
- Qi Sun, Ph.D., CFP®, Pacific Life Insurance Company

Collaborative Divorce: A Model for Joint Work of Financial and Mental Health Professionals

- Sara Stolberg Berkowicz, Ph.D., CFP®, College for Financial Planning

The Value of Professional Financial Planning Services: Towards a Holistic Theory

- Stuart Heckman, Ph.D., CFP®, Kansas State University

Presider: Jonathan Fox, Ph.D., Iowa State University

MONDAY, OCT 24 CONTINUED

12:00-1:00 p.m. *Grand Ballroom C/D* **ARC Networking Lunch**

12:20-12:25 p.m. **The 2022 CFP Board Center for Financial Planning Early Career Award**

Presented by Kate Healy, Managing Director, CFP Board Center for Financial Planning

12:30-12:55 p.m. **Morgan Stanley Remarks**

Daniel Hunt, CFA®, Managing Director and Head of Portfolio Management

Morgan Stanley

1:00–2:00 p.m. *Grand Ballroom C/D*

General Session II – Practitioner Implications Panel

Women's Issues in Financial Planning: How Research Can Guide Practice

CE eligible (1 hour)

Session description: Over the last 20 years, researchers have established that women are different from men in many important characteristics that impact financial wellness. In this session, a panel of experts will summarize the most important findings from this body of research, areas of concern for the future and ways in which the financial planning profession can better meet the needs of women.

- Sarah Asebedo, Ph.D., CFP®, Texas Tech University
- AnnaMaria Lusardi, Ph.D., George Washington University
- Mary Quist-Newins, CFP®, Moneyweave Academy

Moderator: Vickie Bajtelsmit, Ph.D., Colorado State University

Session sponsored by:

MONDAY, OCT 24 CONTINUED

2:00–2:10 p.m.

The 2022 CFP Board Center for Financial Planning Diversity & Inclusion Best Paper Award

The 2022 Charles Schwab Founding Sponsor Best Paper Award

FOUNDATION

2:10–2:30 p.m. — **Break — Poster Exhibition (Open until 7 p.m.)**

2:30–3:45 p.m. — **Concurrent Sessions 2 – Paper Presentations**

Grand Ballroom A — **STUDENT FINANCES**

Student Loans: Lessons From Borrowers
- Inga Timmerman, Ph.D., CFP®, California State University Northridge
- Nik Volkov, Ph.D., Mercer University

The Impact of Financial Literacy Interventions on College Funding and Retirement Accumulation
- Chia-Li Chien, Ph.D., CFP®, The American College of Financial Services
- Jeffrey Lang, CFP®, The American College of Financial Services, Lincoln Financial Advisors
- Benjamin Cummings, Ph.D., CFP®, Utah Valley University
- Jason Martin, Ph.D., Swarthmore College
- Terrance Martin, Ph.D., Utah Valley University

Financial Literacy Assessment: Assumptions, Inferences and Bias
- Diana Simpson, Ph.D., CFP®, Florida State University

Presider: Michael Staten, Ph.D., University of Arizona

MONDAY, OCT 24 CONTINUED

Grand Ballroom B — **RETIREMENT INCOME**

Welfare Improvements From Default Annuitization in Defined Contribution Plans
- Michael Finke, Ph.D., CFP®, The American College of Financial Services
- David Blanchett, Ph.D., CFP®, CFA®, PGIM

Seeking Tax Alpha in Retirement Income
- James DiLellio, Ph.D., Pepperdine Graziadio Business School
- Andreas Simon, Ph.D., University of Southern California

Redefining the Optimal Retirement Income Strategy
- David Blanchett, Ph.D., CFP®, CFA®, PGIM

Presider: Werner DeBondt, Ph.D., DePaul University

3:45–4:00 p.m. — **Break — Poster Exhibition (Open until 7 p.m.)**

4:00–5:15 p.m.
Grand Ballroom C/D

General Session III – Financial Planning Review
Advancing Research in Financial Planning

CE eligible (1 hour)

FINANCIAL PLANNING REVIEW

Session description: A hallmark of a profession is independent peer-reviewed research that pushes the frontiers of knowledge and guides the evolution of practice. In this session, the editorial leadership of Financial Planning Review will discuss how academic research benefits the profession, as well as recent developments and future direction of research publication generally and the Financial Planning Review specifically.

- Christopher C. Geczy, Ph.D., The Wharton School, University of Pennsylvania
- Tom Robinson, Ph.D., CFP®, Robinson Global Investment Management
- Vickie Bajtelsmit, Ph.D., Colorado State University

Moderator: Stephen Horan, Ph.D., CFA®, CFP Board Center for Financial Planning

5:15–6:30 p.m. — **Poster Exhibition & Reception (Open until 7 p.m.)**

The 2022 CFP Board Center for Financial Planning Best Poster Award

TUESDAY, OCT 25

8:00 a.m. — **Registration Opens – Poster Exhibition (Open until 6 p.m.)**

8:00-9:00 a.m. — **Breakfast**

9:00–9:20 a.m.
Grand Ballroom C/D

Day 2 Welcome Remarks
- Matt Goren, Ph.D., CFP®, Director of Knowledge for Practice, CFP Board Center for Financial Planning
- Michael Kothakota, Ph.D., CFP®, Head of Research, CFP Board

9:20–10:20 a.m.
Grand Ballroom C/D

General Session IV – Keynote
The Implications of Research on Serving Diverse Clients

CE eligible (1 hour)

Miranda Reiter, Ph.D., CFP®, Texas Tech University
Introduction by Martin Seay, Ph.D., CFP®, Kansas State University

Session description: Increasingly, efforts have been established to promote diversity, equity and inclusion (DEI) in the financial planning profession. Still, there is a lack of women, Black, and Hispanic CFP® professionals. Many theories exist as to why underrepresentation persists among these groups. However, research is able to shed light on these issues, providing well-founded insights by testing various theories and hypotheses and delivering valuable information on the phenomena to effectively understand the issue at hand. Research allows us the opportunity to have a direct impact on a growing, dynamic profession. The objective of this presentation is to provide an overview of the history of DEI research in financial planning, explain the major findings of contemporary DEI research, and share the areas of opportunity for future studies to continuously improve the profession.

Session sponsored by: Vanguard

TUESDAY, OCT 25 CONTINUED

10:20-10:30 a.m.
Grand Ballroom C/D

The 2022 CFP Board Center for Financial Planning ARC Best Paper Award

The 2022 CFP Board Center for Financial Planning Emerging Scholar Best Paper Award

10:30-10:45 a.m. — **Break — Poster Exhibition (Open until 6 p.m.)**

10:45 a.m.-12:00 p.m. — **Concurrent Sessions 3 – Paper Presentations**

Grand Ballroom A

HOME OWNERSHIP

Economic Security in Retirement: Does Borrowing From Home Equity After a Health Shock Affect Health Outcomes?
- Cäzilia Loibl, Ph.D., The Ohio State University
- Stephanie Moulton, Ph.D., The Ohio State University
- Joshua Joseph, M.D., The Ohio State University
- Alec Rhodes, The Ohio State University
- Donald Haurin, Ph.D., The Ohio State University

Individual Investors' Housing Income and Interest Rates Fluctuations
- Antonio Gargano, Ph.D., University of Houston
- Marco Giacoletti, Ph.D., University of South Carolina

Why Do Individuals Use Inefficient Debt When Better Alternatives are Available?
- Matthew Sommer, Ph.D., CFP®, CFA®, Janus Henderson
- Tim Todd, Ph.D., J.D., CPA, Liberty University School of Law
- HanNa Lim, Ph.D., CFP®, Kansas State University

Presider: Mike Kothakota, Ph.D., CFP®, Head of Research, CFP Board

TUESDAY, OCT 25 CONTINUED

Grand Ballroom B

WELLNESS

A Psychological Perspective on Household Financial Distress: The Role of Emotional Support
- Da Ke, Ph.D., University of South Carolina

Influence of Basic Human Behaviors (Influenced by Brain Architecture and Function), and Past Traumatic Events on Investor Behavior and Financial Bias
- Geoffrey VanderPal, D.B.A., CFP®, Purdue University Global
- Randy Brazie, M.D., Neuroconsulting Group LLC

Managing Household Finances: How Engaging in Financial Management Activity Relates to the Experiential Well-Being of Americans
- Thomas Korankye, Ph.D., CFP®, University of Arizona

Presider: Lance Palmer, Ph.D., CFP®, University of Georgia

12:00-1:00 p.m.
Grand Ballroom C/D

ARC Networking Lunch

12:20-12:25 p.m.

The 2022 CFP Board Center for Financial Planning Career Legacy Award
Presented by Kamila Elliott, CFP®, CFP Board Chair & CEO and Founder, Collective Wealth Partners

12:30-12:55 p.m.

Morningstar Remarks
Lee Davidson, Senior Director, Head of Quantitative Research and Manager Research

TUESDAY, OCT 25 CONTINUED

1:00–2:00 p.m.
Grand Ballroom C/D

General Session V – Practitioner Implications Panel
Putting Research Into Practice

CE eligible (1 hour)

Session description: A panel of research-practitioners discuss how they stay up-to-date on financial planning research, how they implement the latest research into practice, and how our profession can further bridge the gap between research and practice.

- Joe Goetz, Ph.D., University of Georgia
- Sonya Lutter, Ph.D., CFP®, Kansas State University
- Ramel Strong, Ph.D., CFP®, Vanguard

Moderator: Mary Bell Carlson, Ph.D., CFP®, University of GA

Session sponsored by:

2:00–2:10 p.m.
Grand Ballroom C/D

The 2022 Northwestern Mutual Founding Sponsor Best Paper Award

The 2022 Envestnet Founding Sponsor Best Paper Award

2:10-2:30 p.m.

Break — Poster Exhibition (Open until 6 p.m.)

TUESDAY, OCT 25 CONTINUED

2:30-3:45 p.m. **Concurrent Sessions 4 – Paper Presentations**

Grand Ballroom A

ECONOMIC ENVIRONMENT

Unexpected Inflation and Real Stock Returns
Massimiliano De Santis, Ph.D., CFP®, Texas State University and DESMO Wealth Advisors, LLC

RegTech
- Ben Charoenwong, Ph.D., National University of Singapore
- Alan Kwan, Ph.D., Hong Kong University
- Zach Kowaleski, Ph.D., Notre Dame University
- Andrew Sutherland, Ph.D., Massachusetts Institute of Technology

The Increase in the Proportion of Households With Heavy Financial Obligations Burdens, 2016 – 2019
- Congrong Ouyang, Ph.D., Kansas State University
- Sherman Hanna, Ph.D., The Ohio State University
- Kyoung Tae Kim, Ph.D., University of Alabama

Presider: Cäzilia Loibl, Ph.D., The Ohio State University

Grand Ballroom B

RISK

Long-Term Expectations
- Harry Turtle, Ph.D., Colorado State University
- Richard Sias, Ph.D., University of Arizona
- Laura Starks, Ph.D., University of Texas

Is Risk Taking in Our Nature?: Genetics and Personality in Financial Decisions
- Vickie Bajtelsmit, Ph.D., Colorado State University
- Lisa Posey, Ph.D., Pennsylvania State University
- Sharon Tennyson, Ph.D., Cornell University

Hooked on Stock Trading
- Werner DeBondt, Ph.D., DePaul University

Presider: Mark Fedenia, Ph.D., University of Wisconsin

TUESDAY, OCT 25 CONTINUED

3:45–4:00 p.m. **Break — Poster Exhibition (Open until 6 p.m.)**

4:00–5:15 p.m. **Doctoral Seminar**
Grand Ballroom C/D

Moderator: Cäzilia Loibl, Ph.D., The Ohio State University
Moderator: Jonathan Fox, Ph.D., Iowa State University
Moderator: Werner DeBondt, Ph.D., DePaul University

Negative Home Equity: Are Military Households More Exposed and Why?
- Eric Olsen, CFP®, The Ohio State University
- Cäzilia Loibl, Ph.D., The Ohio State University
- Andrew Hanks, Ph.D., The Ohio State University

Cognitive and Psychological Factors and the Investment Behavior of Cognitive and Psychological Factors and the Investment Behavior of Older Adults During COVID-19
- Eric Ludwig, CFP®, Kansas State University
- HanNa Lim, Ph.D., CFP®, Kansas State University
- Chet Bennetts, CFP®, Kansas State University

To File or Not to File: Tax Return Filing Trends Among Households in the United States Between 2001 and 2019
- Danah Jeong, University of Georgia
- Aman Sunder, Ph.D., College for Financial Planning
- Lance Palmer, Ph.D., CFP®, University of Georgia

How Is Financially Supporting Young Adult Children Associated with Parents' Retirement Planning?
- Tapiwa Sigauke, Texas Tech School of Personal Financial Planning
- Charlene Kalenkoski, Ph.D., CFP®, James Madison University

5:15 p.m. **Closing Remarks**
Kate Healy, Managing Director, CFP Board Center for Financial Planning

KEYNOTE SPEAKERS

Justin Fitzpatrick, Ph.D., CFP®

Income Lab

Justin Fitzpatrick, CFP® is co-founder and Chief Innovation Officer of Income Lab, a firm that develops software for dynamic retirement income planning. Before co-founding Income Lab, Justin led consulting teams focused on financial planning and portfolio strategy. Prior to his work in financial services, he spent seven years in academia. He has taught at the Massachusetts Institute of Technology (MIT); Harvard University; Queen Mary, University of London; and the University of California, Los Angeles.

Justin has dedicated his career to being a teacher and student of financial planning and to advancing innovation in the industry. He is an experienced public speaker and writer, and his research and thought leadership on retirement income planning has appeared in many well-known industry publications.

Justin holds a BA from the University of Michigan and a Ph.D. from MIT. He is a Chartered Financial Analyst (CFA®) Charterholder and a CERTIFIED FINANCIAL PLANNER™ professional.

Miranda Reiter, Ph.D., CFP®

Texas Tech University

Miranda Reiter, Ph. D., CFP® is an assistant professor at Texas Tech University in the School of Personal Financial Planning. She began her career in the financial services industry in 2003 and has worked as a financial planner and banker at several Fortune 500 firms before academia. Her financial advice has been quoted in popular media outlets such as The BBC, U.S. News and World Report, and USA Today.

Her research focuses on diversity, equity and inclusion in the financial planning industry. Miranda has received recognition for her work including: the 2022 Robert O. Herrmann Outstanding Dissertation Award (ACCI), 2020 Omicron Nu Research Fellowship (Kappa Omicron Nu), 2020 Center for Financial Security Junior Scholar (University of Wisconsin-Madison), 2019 Financial Planning Association Best Research Award, and the 2019 40 Under 40 Award (InvestmentNews).

She is currently writing a personal finance audiobook, which will be released at the end of 2022. Miranda earned her Ph.D. in Personal Financial Planning from Kansas State University.

CONCURRENT SESSION PRESENTATIONS

The Effect of Wealth on the Probability and Severity of Long-term Events: Evidence from HRS

Jimmy Cheng, Ph.D., CFP®, CFA®, Morningstar Inc.
Kris Carroll, Ph.D., CFP®, CFA®, Wealth Enhancement Group
Michael Finke, Ph.D., CFP®, The American College of Financial Services
Tao Guo, Ph.D., CFP®, CFA®, Morningstar

As the population of a society ages, the need to provide LTC services becomes a concern for individual families. This study is the first to propose that out of pocket (OOP) medical risk is a relative concept and will differ based on the net worth level of a household. A ratio measurement to quantify the severity of risk among different wealth levels was proposed. Quantile regression was used to examine the severity of LTC event risk at various quantiles and for various groups. Families with high net worth see a relatively small financial impact even at the 90th percentile of medical spending. Families with wealth below $500,000 face dire consequences from an LTC event especially for those that are not married or in a partnership. The need for insurance to protect families in this wealth group is evident but these individuals are less likely to carry insurance.

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You've got to know when to hold 'em: Insights into the investment switching behavior of pension fund members during the COVID-19 crisis

Kirsten MacDonald, Ph.D., CPA, Griffith University
Mark Brimble, Ph.D., CPA, Griffith University
Karen Wildman, Griffith University

Extant research on the investment switching behavior of pension fund members during the Global Financial Crisis highlights that even those who are educated, experienced and financially capable are prone to cognitive and emotional errors. Additionally, crises are known to create a sense of urgency in decision-making, so when fueled by media and coupled with technology that enables a switch at the push of a button, the potential for significant financial outcomes increases. This paper presents evidence on the frequency, timing, direction and volume of more than 132,000 pension fund switches preceding and during the COVID-19 pandemic. Mixture and regression modeling is used to determine investor profiles differentiated by sociodemographic and behavioral characteristics and to assess the efficacy of

decisions. While some member profiles were more associated with switching, more switching occurred overall during the pandemic, and a negative relationship was observed between the number of switches and returns. We conclude that most investors would have been better off to hold than switch, and call on pension fund trustees and policymakers to better inform and educate fund members.

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ESG Fund Allocations Among New, Do-it-Yourself Defined Contribution Plan Participants

Zhikun Liu, Ph.D., CFP®, Employee Benefit Research Institute
David Blanchett, Ph.D., CFP®, CFA®, PGIM

Investment strategies focused on Environmental, Social and Governance (ESG) issues have been receiving increased interest among defined contribution (DC) plan sponsors, consultants and regulators. This research explores the allocation decisions of 9,324 newly enrolled DC participants who are self-directing their accounts in a DC plan that offers at least one ESG fund.

Overall interest in ESG strategies among these participants is relatively weak, with only 8.9% of participants having any allocation to an ESG fund and average allocations to ESG strategies of only 18.7% among those holding any ESG funds. While there are some clear demographic preferences for ESG funds (e.g., among younger participants with higher incomes), ESG allocations appear to be primarily a function of weak preferences, driven by naïve diversification. There is a notable plan interest effect, whereby ESG allocations are significantly higher in plans where general ESG usage is higher.

Participants who self-direct their portfolios have significantly lower expected returns than those using professionally managed investment options, such as target-date funds, which is an important consideration for plan sponsors when adding ESG funds to the core menu to the extent they entice participants to self-direct their accounts. Overall, this research paints a mixed picture about the actual participant interest, and drivers of demand, for ESG funds in DC plans and suggests that plan sponsors should take a thoughtful approach when considering adding ESG funds to an existing core menu.

The Relation Between Compensation and Equity Level Recommendations Among Financial Advisors

Michael Guillemette, Ph.D., CFP®, Texas Tech University
David Blanchett, Ph.D., CFP®, CFA®, PGIM
Qi Sun, Ph.D., CFP®, Pacific Life Insurance Company

There is significant evidence that risk aversion, a fundamental preference in the selection of optimal investment portfolios, varies over time, despite the fact it is inconsistent with traditional finance theory. For example, Guiso, Sapienza and Zingales (2018) find that both a qualitative and quantitative measure of risk aversion among Italian bank customers increased substantially following the 2008 Global Financial Crisis (GFC). A similar effect is especially pronounced among older investors using daily responses to a risk tolerance questionnaire from January 2006 through October 2012 (Blanchett, Finke & Guillemette, 2018).

It is less clear, though, the extent recommendations of financial advisors are subject to time varying risk aversion and in particular the relation between these recommendations and compensation of financial advisors. There has been a notable shift in the financial advising industry away from up-front commission-based compensation models toward approaches focused on receiving little (or no) additional up-front compensation where fees are paid on an ongoing basis. While in theory, this shift is good for clients (i.e., investors) since it better aligns the incentives of the financial advisor and the client, there is somewhat limited empirical research on this effect.

This research uses a novel dataset of approximately 400,000 annuity contracts sold by a single U.S. insurance company from January 1999 to January 2022 to explore how equity allocations have varied during the period, with a particular focus on differences among different types of financial advisor compensation methods. All contracts purchased in this dataset were sold by a financial advisor, although there are four different potential compensation options (called commission codes, which are A, B, C and D) where the mix between up-front commission and trail commission varies. Similar to mutual funds, the A compensation code results in the highest up-front commission and the lowest trail commission, while the D compensation code results in the lowest up-front commission and the highest trail commission. Exhibit 1 includes average values across the four contract-types.

Collaborative divorce: A model for joint work of financial and mental health professionals

Sara Stolberg Berkowicz, Ph.D., CFP®, College for Financial Planning

The divorce process is often stressful, lengthy and expensive. In 1992, attorneys, therapists, and financial advisors created an alternative model for dissolving marriages that provided spouses with support from neutral financial and mental health professionals. These neutrals consult with both sides, offering objective advice, coaching and analysis during the divorce process. The couple's present and future finances can be explored using interviews and scenario development, in a confidential, client-centered, non-competitive environment. The financial and emotional well-being of the entire family can be protected at a time when it is vulnerable and weak.

This paper explains the development of the collaborative divorce model and how it differs from traditional litigated divorce and mediation. The roles that financial and mental health professionals play in the collaborative divorce process, the training required to participate, and different ways that the professionals work together are described. Similarities and differences from financial therapy engagements are explored. Benefits and limitations of collaborative divorce are analyzed.

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The Value of Professional Financial Planning Services: Towards a Holistic Theory

Stuart Heckman, Ph.D., CFP®, Kansas State University

The financial planning profession has grown substantially since its inception, and the market for financial advice continues to play an important role in economies around the world. An important objective for financial planning professionals and financial planning researchers is to determine the value or effect of using professional financial planning services (Heckman et al. 2016). However, many professionals and consumers may have different perceptions of financial planning or financial advice, so value propositions can get fairly challenging.

Student Loans: Lessons from Borrowers

Inga Timmerman, Ph.D., CFP®, California State University Northridge
Nik Volkov, Ph.D., Mercer University

The subject of the high cost of higher education and the "student loan crisis" has been at the forefront of the media coverage and the political debate over the last decade. As such, the student loan forgiveness programs and the ideas of free college education have been frequently referenced as the solutions to the student loan crisis and means of providing equal opportunity to people of all socioeconomic groups. Furthermore, the economic benefit of obtaining higher education has been recently put in question by arguing that the returns on higher education are no longer as attractive as they used to be historically (see Forbes, September 25, 2020).

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The Impact of Financial Literacy Interventions on College Funding and Retirement Accumulation

Chia-Li Chien, Ph.D., CFP®, The American College of Financial Services
Jeffrey Lang, CFP®, The American College of Financial Services, Lincoln Financial Advisors
Benjamin Cummings, Ph.D., CFP®, Utah Valley University
Jason Martin, Ph.D., Swarthmore College
Terrance Martin, Ph.D., Utah Valley University

Not all households are on track for a sustainable retirement according to the JP Morgan Guide to Retirement 2018 (J.P. Morgan, 2018). Previous studies analyze who is retirement ready and the impact of decisions. This research aims to understand certain factors that lead to being "on track" or "not on track" and the specific roles that children's educational savings/expenditures and financial literacy interventions play in retirement readiness.

Specifically, this research tests if households who put more money into education, controlling for income, are less likely to be on track for retirement. Additionally, this research reviews the relationship of financial literacy interventions to build on which examined interventions against accumulation and retirement savings levels (Martin & Finke, 2014). Measuring 1) "on track" and 2) "not on track" by each intervention and combinations of interventions will allow us to study the impact on retirement readiness. Additionally, this research tests to see if there is a statistically significant relationship between those who have used financial illiteracy interventions and the level of educational support in dollars for both "on track" and "not on track" households.

Using the National Longitudinal Study of Youth (NLSY79) data (Bureau of Labor Statistics, U.S. Department of Labor, and National Institute for Child Health and Human Development, 2019) and the JP Morgan Guide to Retirement 2018 (J.P. Morgan, 2018). This research evaluates the impact of levels of education expense, retirement readiness and the impact of financial literacy interventions.

The research builds on the prior studies adding combinations of financial literacy interventions and adding the attending meetings on retirement and reading about retirement variables, in search of a meaningful expansion of the body of knowledge. This research controls for important demographic variables to help develop a better prescription for financial literacy interventions for select underperforming households.

Findings include an understanding that even variables not seen as statistically significant can have an influence on improving percent "on track" among "not on track" households due to financial literacy interventions. None of the financial literacy interventions were individually statistically significant. Also, for "on track" households, consulting and calculation are statistically significant. Conversely, the addition of reading and attending retirement meetings were not a significant benefit. While income and net worth were an indication of increased percent "on track," family size was counterintuitive.

The conflict of priority of clients' goals in their retirement and their children's education funding can delay clients' actions toward their financial goals. The financial planning profession could perform necessary planning, calculation and consultation to guide clients in necessary actions.

With the necessary planning and consultation with financial planning professionals, the clients would make sense to make timely decisions toward their goals.

Financial Literacy Assessment: Assumptions, Inferences, and Bias

Diana Simpson, Ph.D., CFP®, Florida State University

Financial education has become the popular antidote to the widespread financial literacy "problem" in the United States. Certain demographic groups (i.e., young adults, the elderly, women and people of color) have been consistently identified as "financially illiterate." However, substantial increases in financial education—many targeting these specific groups—have achieved little; research consistently finds that improvement to financial literacy in the U.S. remains elusive.

The current study examined the validity and fairness of financial literacy assessments: specifically, whether test score interpretations and uses may be unfair due to measurement bias. Validity and reliability measures were analyzed, and Differential Item Functioning (DIF) analysis was conducted to identify potential measurement bias for the six financial literacy questions included in the 2018 National Financial Capability Study. These items have served as a measure of financial literacy in numerous studies over the past fifteen years, and the findings, inferences and recommendations have changed little.

This study examined whether these six items provide evidence of validity, that is: Do these items measure 'financial literacy'? Item responses were examined by participant age, race and gender. The study found a lack of validity evidence regarding internal item consistency and item correlation, suggesting that the items measure different or multiple constructs. Furthermore, analyses using Differential Item Functioning (DIF) indicated measurement bias for three of the six items. Evaluation theory is applied, and alternative factors are presented, to support future research in financial literacy assessment.

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Welfare Improvements from Default Annuitization in Defined Contribution Plans

Michael Finke, Ph.D., CFP®, The American College of Financial Services
David Blanchett, Ph.D., CFP®, CFA®, PGIM

Most American workers save for retirement in defined contribution (DC) plans using default investments, primarily target-date funds. Adding annuities to a default offers two potential benefits over retail annuities. First, passive acceptance of defaults will likely increase in the percentage of workers who receive guaranteed lifetime income. Second, DC participants, and especially those who invest in defaults, may not live as long as retail annuity buyers resulting in a mortality pool that allows lower fair annuity pricing. We estimate that the average DC participant has a longevity that is about 2 years less than the average retail annuity buyer. The more attractive mortality pool of DC participants would result

in annuity income that is 7.4% higher for females and 2.7% higher for males. Respondents who indicate a preference for investing through defaults exhibit characteristics associated with lower expected longevity than average DC participants. This suggests an additional pricing improvement to annuities that are placed in investment defaults. Welfare analyses demonstrate that a risk-averse female with $500,000 of retirement savings who invests in a default could increase her total welfare in retirement by 18.8% upon annuitizing 25% of her wealth and by 35.0% with 50% annuitization versus not annuitizing.

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Seeking Tax Alpha in Retirement Income

James DiLellio, Ph.D., Pepperdine Graziadio Business School
Andreas Simon, Ph.D., University of Southern California

This article provides a framework to find an optimal decision for tax-efficient retirement income. By developing a model for income and capital gains tax with stock and bond investments in tax-deferred, tax-exempt and taxable accounts, we identify three categories of retirees based on their income needs and net worth. We propose and evaluate a simple heuristic to determine what retirement income strategy is optimal, quantifying a 0.5% annual return benefit. We call this benefit tax alpha, which is due to paying taxes early, contrary to common wisdom, and show tax alpha robust to varying model input parameters. We illustrate that seeking an optimal decision for retirement income withdrawals requires different strategies. We also suggest approaches for large institutions or FinTech firms to improve their existing financial planning tools based on tax laws common among many developed countries.

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Redefining the Optimal Retirement Income Strategy

David Blanchett, Ph.D., CFP®, CFA®, PGIM

Retirement is significantly more complex than commonly modeled. This paper introduces a cohesive series of models that improve the efficacy of retirement income projections and can be realistically implemented in financial planning tools today. Varying levels of spending elasticity are assumed (needs and wants), where spending evolves during retirement using a dynamic spending model based on the funded ratio concept. Optimal strategies are determined using a utility model based on prospect theory, with a goal completion metric that can be used to evaluate the efficacy of various strategies that is significantly more robust than common probability of success-related metrics.

Economic Security in Retirement: Does Borrowing from Home Equity After a Health Shock Affect Health Outcomes?

Cäzilia Loibl, Ph.D., The Ohio State University
Stephanie Moulton, Ph.D., The Ohio State University
Joshua Joseph, M.D., The Ohio State University
Alec Rhodes, The Ohio State University
Donald Haurin, Ph.D., The Ohio State University

The onset of a costly disease in retirement can present a significant threat to economic security. Older adults often self-insure against these risks by accumulating wealth, including home equity. For many older adults, particularly those who rely on Social Security for their income, home equity is their primary component of wealth.

In this study, we ask: To what extent does home equity mitigate the economic hardship created by a health shock, ultimately leading to better health outcomes? We use data from the 1998 to 2016 waves of the Health and Retirement Study (HRS), including biomarker and physical health data construct indicators of a disease being adequately controlled. Health shocks are measured as the onset of diabetes, heart disease, lung disease or cancer.

We find that the level of home equity held prior to diagnosis is not associated with disease outcomes post diagnosis. Rather, it is home equity extraction that has a significant effect on disease outcomes post diagnosis. We treat home equity extraction as endogenous by exploiting intertemporal and geographic changes in house prices during our study period to construct instruments. We find that each $10,000 borrowed after diagnosis reduces the probability of the disease being uncontrolled by 33%. The study concludes by discussing implications for policy and the role of home equity as a resource to enable economic security for older adults.

Individual Investors' Housing Income and Interest Rates Fluctuations

Antonio Gargano, Ph.D., University of Houston
Marco Giacoletti, Ph.D., University of South Carolina

Rental properties are a common form of investment, and small individual landlords are widespread in many countries. Using unique data on tax filings from Australia, we show that approximately 20% of median income individuals of middle and retirement age directly own rental properties. This fraction has substantially risen over the last 20 years, in particular for retirement age individuals, who have seen a relative increase of participation in the rental market of 80%. We link the increase in participation to surprise cuts in interest rates, and investors' preference for assets with high recurring income payments and yields. The increase in participation in response to rate cuts is stronger in areas where real estate pays higher rental yields, and where small landlords face lower rent competition from large multifamily developers. Retirement age individuals are also the most likely to use investment properties as a source of recurring income and, as rates drop, concurrently reduce their fixed income and interest-paying investments. The expansion of rental market participation has important implications. Higher reliance on rental income rises the exposure of middle age and retirement age individuals to local economic shocks. Moreover, increased investment in rental properties, driven by interest rates cuts, leads locally to higher house prices and lower rental yields, especially in areas with constrained land supply.

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Why Do Individuals Use Inefficient Debt When Better Alternatives are Available?

Matthew Sommer, Ph.D., CFP®, CFA®, Janus Henderson
Tim Todd, Ph.D., J.D., CPA, Liberty University School of Law
HanNa Lim, Ph.D., CFP®, Kansas State University

This article uses the 2018 National Financial Capability Study to examine the differences of those who use suboptimal consumer-debt products (such as credit cards or alternative financial services) when they could likely use tax-preferred, more efficient products, such as home-equity loans or non-purpose margin loans. The decision to use traditional debt products when more ideal options are available has generally not been studied in the financial planning literature. Using bounded rationality as a theoretical framework, this research advances the literature in consumer debt and borrowing decisions. It finds that objective financial knowledge differentiates those who use strategic, tax-efficient debt products, even after controlling for an array of covariates. This research is important for academic researchers to further explore the consumer calculus when selecting debt products or making borrowing decisions. As well, given the present and ongoing increase in interest rates, this research is important for financial planning practitioners to help their clients make optimal borrowing and debt decisions.

A Psychological Perspective on Household Financial Distress: The Role of Emotional Support

Da Ke, Ph.D., University of South Carolina

Using microdata from two complementary U.S. household surveys, this paper documents that individuals who lack emotional support from family and friends are more likely to experience financial hardship. This pattern is substantially stronger for women as well as for those prone to anxiety and depression. Further evidence suggests a belief-based channel through which emotional support improves financial preparedness for potential adverse shocks. Overall, these findings underscore the importance of the psychological dimension of social networks in shaping household financial outcomes.

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Influence of Basic Human Behaviors (Influenced by Brain Architecture and Function), and Past Traumatic Events on Investor Behavior and Financial Bias

Geoffrey VanderPal, D.B.A., CFP®, Purdue University Global
Randy Brazie, M.D., Neuroconsulting Group LLC

Human behaviors are influenced by past experiences. Stress and trauma are potent determinants of thought processes and decision-making. They also influence perceptions toward risks. Past studies have linked these behaviors to various financial biases. This article explores human behavior and impacts on investment decisions. Behavioral finance shows that investment decisions are affected by cognitive factors such as biases, mood and emotions. They also influence the rationality and nonrationality of investment decisions.

The paper demonstrates that human brain architecture is an element in decision-making due to its involvement in information processing and memorization. However, cognitive psychology does not fully address the underlying nervous system response to stress and perceived threats. Based on the findings, exposures to stress and trauma can increase the sensitivity to financial uncertainty. Individuals who experienced the devastating effects of trauma may be risk averse or excessive risk takers. This element of underlying Sympathetic Nervous System response, explained by Polyvagal Theory as applied to behavioral finance and financial bias specifically, is not addressed in past or current literature.

Managing Household Finances: How Engaging in Financial Management Activity Relates to the Experiential Well-Being of Americans

Thomas Korankye, Ph.D., CFP®, University of Arizona

Using nationally representative data from the U.S. Bureau of Labor Statistics' American Time Use Survey and its associated Well-Being Modules, this study examines how engaging in financial management activities influences well-being. The current study estimates ordered probit models for several measures of experiential well-being, which consider how meaningful an activity is for a household and how happy, sad, tired, in pain and stressed respondents felt during the activity.

Controlling for a standard set of demographic and socioeconomic factors, the econometric results indicate that households report lower utility gains (lower happiness, greater sadness and higher stress) when engaging in financial management activities relative to other activities. Moreover, the results suggest increases in household time allocated toward performing financial management activities is associated with a lower (higher) likelihood of being very happy (very stressed) compared to other activities. The findings indicate that households perceive financial management activities as vexing, reinforcing the need for financial stewardship support to promote household well-being.

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Unexpected Inflation and Real Stock Returns

Massimiliano De Santis, Ph.D., CFP®, Texas State University and DESMO Wealth Advisors, LLC

We review the relationship between inflation and real stock returns. Stocks tend to outperform inflation over long horizons, and recent data show a weakened correlation between inflation and real returns. However, controlling for monetary shocks in the post-2008 period, expected real stock returns are significantly lower during periods of higher than average inflation.

We find that a one standard deviation increase in unexpected inflation can lower expected returns by about 1% per year over a 5 year horizon. Investors concerned with inflation should consider the potential for lower expected stock returns in their plans.

The Increase in the Proportion of Households with Heavy Financial Obligations Burdens, 2016 – 2019

Congrong Ouyang, Ph.D., Kansas State University
Sherman Hanna, Ph.D., The Ohio State University
Kyoung Tae Kim, Ph.D., University of Alabama

The purpose of this paper is to examine factors associated with changes in the proportion of households with heavy financial obligations ratios in the United States between 2016 and 2019. The proportion of households paying more than 40% of income for debt, rent, vehicle leases, property taxes and homeowners' insurance, which we refer to as having a heavy burden, increased from 11.2% for homeowners and 35.7% for renters in 2016, to 13.0% for homeowners and 42.1% for renters in 2019. Multivariate analysis of a combination of 2016 and 2019 Survey of Consumer Finances data sets indicates that for renter households, 2019 is associated with having an odds ratio for having a high financial obligations ratio 1.59 times as high as for 2016. For homeowner households, 2019 is associated with having an odds ratio for having a high financial obligations ratio 1.18 times as high as for 2016.

In addition to year difference, homeowners who stay employed and obtained a higher income level were less likely to have heavy financial burdens, and homeowners with education loans or from Hispanic, Black or Asian households were more likely to have heavy financial burdens. Similarly, Hispanic or Asian renter households were more likely to have heavy financial burdens than white renters. For renter households, having a bachelor's degree or graduate degree was positively related to having a heavy burden, suggesting that having a heavy burden is not simply a cognitive error.

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RegTech

Ben Charoenwong, Ph.D., National University of Singapore
Alan Kwan, Ph.D., Hong Kong University
Zach Kowaleski, Ph.D., Notre Dame University
Andrew Sutherland, Ph.D., Massachusetts Institute of Technology

Compliance-driven investments in technology—or "RegTech"—have grown rapidly in recent years. To understand these investments, we study how financial institutions respond to new internal control requirements. First, we show that affected firms make significant investments in enterprise resource planning, data management and hardware. These investments then allow for complementary expenditures on customer relationship management tools that rely upon information quality. As a result, customer complaints and employee misconduct decline at affected firms. Additionally, market concentration increases. Our results illustrate how regulation can directly and indirectly affect technology adoption, which in turn affects noncompliance functions and market structure.

Long-Term Expectations

Harry Turtle, Ph.D., Colorado State University
Richard Sias, Ph.D., University of Arizona
Laura Starks, Ph.D., University of Texas

Perceived long-term (10-year horizon) return distributions are remarkably bearish and most individuals believe that uncertainty is only marginally greater in the long term than the near term (1-year horizon), resulting in inferred variance ratios that require unprecedented levels of mean reversion. Although respondents' near-term beliefs are extrapolative, long-term beliefs are countercyclical. Long-term beliefs are more important than near-term beliefs in explaining equity market participation. Respondents agree more about long-term than near-term returns and respondents' characteristics better explain long-term, versus near-term, belief heterogeneity. These patterns have important implications for understanding household finance and both behavioral and traditional asset pricing.

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Is Risk Taking in our Nature?: Genetics and Personality in Financial Decisions

Vickie Bajtelsmit, Ph.D., Colorado State University
Lisa Posey, Ph.D., Pennsylvania State University
Sharon Tennyson, Ph.D., Cornell University

We use data from the Health and Retirement Study to explain risky household financial decisions based on genetic propensities and personality traits, after controlling for risk tolerance, sociodemographic factors and early life economic conditions. We find that the genetic propensity for neuroticism, the genetic propensity for educational attainment, and genetic propensity for risk tolerance have significant associations with one or more financial decisions.

We also document significant effects for the Big Five personality traits on a variety of measures of financial risk-taking. Individuals who experienced greater volatility in risky returns in early adulthood have lower risky asset allocations. Risk tolerance, as measured by responses to the HRS income gamble questions, remains a significant factor in risky decisions even after controlling for demographics, genetics, personality and cohort effects. We conclude that innate human characteristics, environment and experience each have significant influences on individual decisions related to financial risk.

Hooked on stock trading

Werner DeBondt, Ph.D., DePaul University

Many amateur stock market traders buy and sell shares over very short intervals in naïve expectation of extraordinary returns. Past research finds that such voluntary risk taking, on average, does badly. Here, we study a narrow sample of 300 or fewer individuals who get trapped in short-term trading so extreme and perilous that it may well threaten their long-term financial security.

We start from a vast archival data set provided by a brokerage house in Belgium (2003-2012). A key metric of speculative intensity—the fraction of stock market trades that are reversed within 14 calendar days—is used to isolate our limited sample. We offer a profile of the subjects and diagnose the severity of their addiction. Trading records are matched with survey data so that people's mindsets and behavior can be assessed in concert. Trading in bank shares at the time of the global financial crisis and the later European debt crisis gets special emphasis. Even as their trading losses build up, many addicts are shrewdly able to sustain the misconception that "they are doing fine." This denial of reality likely stops them from changing their behavior.

DOCTORAL SEMINAR PRESENTATIONS

Moderated by:
Cäzilia Loibl, Ph.D., The Ohio State University
Jonathan Fox, Ph.D., Iowa State University
Werner DeBondt, Ph.D., DePaul University

Negative home equity: Are military households more exposed and why?
Eric Olsen, CFP®, The Ohio State University
Cäzilia Loibl, Ph.D., The Ohio State University
Andrew Hanks, Ph.D., The Ohio State University

This study examines one of the largest asset classes for Americans, home equity, and how it relates to the financial position of U.S. military households. We examine if there is a significant difference in rates of negative home equity between military and civilian households, and whether financial decision factors might contribute to that difference. To investigate the ability of military members to build home equity, as compared to civilian households, this study applies the financial capability framework. This framework posits that both internal and external factors affect overall financial capability (referred to as "ability to act" and "opportunity to act," respectively) (Sherraden, 2010; Sherraden et al., 2015). With regard to military households, an important external factor related to financial capability is the requirement of frequent relocation; an important internal factor is the ability to make housing decisions well.

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Cognitive and psychological factors and the investment behavior of Cognitive and psychological factors and the investment behavior of older adults during COVID-19
Eric Ludwig, CFP®, Kansas State University
HanNa Lim, Ph.D., CFP®, Kansas State University
Chet Bennetts, CFP®, Kansas State University

Managing retirement assets effectively can have a significant impact on retirement adequacy and satisfaction. During times of market volatility, such as the COVID-19 pandemic, older adults may be more inclined to exhibit risk averse investing behavior, resulting in reducing or completely selling their stock positions, which in turn is associated with long-term underperformance. This study investigates how cognitive ability, psychological factors and the stimulus check impact investing decisions during COVID-19. Using the Health and Retirement Study, results indicate cognitive ability, market outlook, financial risk tolerance, time horizon and receiving the stimulus check is positively associated with staying invested. Holding all else equal, higher starting equity allocation and expectation of receiving the stimulus check was negatively associated with stock reallocation. Implications highlight which groups interventions should focus on during market volatility. Results suggest cognitive decline, psychological factors and the stimulus check impact the quality of investment decision-making.

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To File Or Not to File: Tax Return Filing Trends among Households in the United States Between 2001 and 2019
Danah Jeong, University of Georgia
Aman Sunder, Ph.D., College for Financial Planning
Lance Palmer, Ph.D., CFP®, University of Georgia

The U.S. income tax system is complex and serves multiple purposes. How individuals interact with and are impacted by the U.S. tax system can dramatically impact their after-tax income and wealth accumulation over time. One goal of the federal income tax system is to raise revenue for the federal government, while another purpose goal is to facilitate government transfers to specific households. Individuals must file an income tax return to comply with U.S. tax laws. Many households are exempt from filing a federal income tax return because their income is below certain thresholds. However, failure to file an income tax return prevents some households from receiving government transfers through the tax system, such as the Earned Income Tax Credit and Child Tax Credit. This paper examines households from 2001 to 2019 using the Survey of Consumer Finances. Filing patterns across income levels are discussed. Household financial behaviors and demographics are also explored in relation to filing patterns. We find that low-income and low-net-worth households are more likely not to file a tax return than higher- young households with few or no children, have few or no children, have less education, and of other races are also less likely to file a tax return. Overall, the pattern of not filing a tax return increases over time. For organizations concerned with financial inclusion and increasing resources available to low-income and low-wealth households, a key focal point in that effort is helping them file their federal income tax returns.

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How Is Financially Supporting Young Adult Children Associated with Parents' Retirement Planning?
Tapiwa Sigauke, Texas Tech School of Personal Financial Planning
Charlene Kalenkoski, Ph.D., CFP®, James Madison University

Recent evidence shows that there has been an increase in the number of parents who are financially supporting their adult children. The concern is whether this is affecting parents' retirement planning negatively. This study uses data from the 2018 National Financial Capability Study (NFCS) to examine how financially supporting young adult children is associated with parents' retirement planning. The results suggest that individuals who financially support their young adult are less likely to have retirement accounts and are more likely to worry about running out of money in retirement compared to those who do not have financially dependent young adult children.
I plan on having updated results from the 2021 National Financial Capability Study (NFCS) by the time of the conference.

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POSTER PRESENTATIONS

The Value of Financial Advice: A Literature Review and Conceptual Framework

• Kirsten MacDonald, Ph.D., CPA, Griffith University
• Mark Brimble, Ph.D., CPA, Griffith University
• Karen Wildman, Griffith University

Efforts to increase the low global uptake of financial advice have been hampered by a pervasive distrust of financial advisors, driven by product and advice failures, misconduct, and a lack of awareness of credible information on the outcomes of professional financial advice. While our systematic quantitative literature review identified considerable research on the value of financial advice (286 papers and reports published between 1993 and 2021), a synthesis of scholarship is surprisingly absent.

To determine the ways in which value has been contextualized and measured and the extent to which value has been substantiated, this themes-based narrative literature review comprehensively examines tangible outcomes, such as investment performance, and less tangible components of value relating to the client-adviser relationship and consumer well-being. This paper concludes with a conceptual framework of the value of financial advice to support the development of a more rigorous and coherent body of future research and increased transparency for consumers and other stakeholders of financial advice.

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The Impact of Annuity Riders on Withdrawal Percentage in Advanced Age

Michael Guillemette, Ph.D., CFP®, Texas Tech University
David Blanchett, Ph.D., CFP®, CFA®, PGIM
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Annuities assist in mitigating longevity risk in advanced age. However, for many retirees it becomes difficult from a behavioral standpoint to transition from saving labor income to withdrawing assets to fund retirement later in the lifecycle. Prior research has found evidence that annuity riders enhance the take-up rate of the product. This research aims to answer the question of whether, and to what extent, annuity withdrawal rates change when a rider is included with the product. This research uses a novel dataset of approximately 400,000 annuity contracts sold by a single U.S. insurance company from January 1999 to January 2022. Descriptive statistics indicate that annuity withdrawal rates,

as a percentage of the annuity premium, are approximately 15-26% higher for annuities with riders than without for the 60-65 age group. The increase in annuity withdrawal rates in approximately 4% higher when the product includes a rider when control variables are included in the empirical model for the full sample (ages 60-70). The next steps of the research project include running interaction effects between annuity riders and age groups to determine differences between younger and older individuals on annuity withdrawal rates.

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Business Hardships and COVID Adversities of Older U.S. Business Owners

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As the COVID-19 pandemic has caused severe financial shocks for U.S. businesses, to survive this economic downturn, the top priority for business owners in the current timeline is to find a path for recovery. This research aims to investigate the relationship between the unprecedented COVID-19 pandemic and business-related hardships. This study utilizes the 2020 Health and Retirement Study (HRS) Core dataset, which gives a unique opportunity to evaluate the adverse impact of the COVID-19 pandemic on the various challenges confronted by business owners.

The HRS provides comprehensive information on the socioeconomic and demographic characteristics, health, finances, and psychological aspects of older Americans over the age of 50. The COVID-19 section was first added to the 2020 wave of the HRS dataset. The sample contains 629 U.S. business owners whose businesses have been affected because of the pandemic. This study introduces the techniques of using Exploratory Factor Analysis (EFA) and Confirmatory Factor Analysis (CFA) to examine how COVID adversities are associated with business hardships by the Structural Equation Model (SEM).

The preliminary results indicate that business owners who have suffered from COVID adversities (income drop, increased household spending, change of living place) are more likely to encounter business hardships (close business, extra policies, workers quit, related business affected). The results from this study will have practical implications for policymakers and government agencies on implementing timely policies to help business owners to build their financial resilience, so that they can survive and rapidly recover from the pandemic-related adverse outcomes.

Specifically, policies that can prevent income drop, provide allowances for household expenditures and reduce housing expenses to avoid unwanted eviction are expected to mitigate the business hardships. This paper is still at the preliminary stage, and the initial result looks encouraging by discovering positive relationships between COVID adversities and business hardships.

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Inflation; Persistent or Transitory? Constructing Investor Portfolio Accordingly: A Financial Planning Challenge

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A large and inextricable part of holistic financial planning is to be able to guide investors to reach their long-term goals—both quantitative and qualitative—and have a nimble enough process, even as a strategic planner, to make tactical shifts as warranted. Black swans abound. Even though Nassim Nicholas Taleb would deny the onset of COVID-19 as a black swan event—having alluded to its kind in his book *The Black Swan: The impact of the Highly Improbable*—the fact is that the pandemic was a shock to the global system. We can argue over whether states, especially the developed ones with resources, were proactive enough but that is not the focus of this research matter. With both monetary and fiscal stimuli unleashed in a form considered rare to date, the economy made a V-shaped recovery, and so did the capital markets.

The almost forgotten macro indicator, inflation, started rearing its ugly head in 2021, ever so gingerly. The amount of money supply in the system and the robust growth in the M2 number should have portended an inflationary environment. To further exacerbate the issue, the pandemic caused supply constriction so acute that the demand-supply curve became completely misaligned, especially in goods for which demand soared relative to services with the lockdown. Most economists and investment strategists, however, masked themselves from the much needed granular scrutiny of the etymology of the inflation surge and termed it as a fleeting phenomenon.

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Financial Indebtedness, Perceived Financial Management Behavior and Mental Health During COVID-19

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According to the Pulse survey conducted in October 2021, approximately 12 million experienced a severe level of debt due to stalled economic growth

characterized by expiring unemployment benefits and supply chain problems that added to soaring prices of goods (Center On Budget and Policy Priorities, 2021). The impacts of the pandemic have been widespread; however, they particularly remain prevalent among Black people, Latino people, and other people of color. These disproportionate impacts are reflective of long-standing inequities largely stemming from structural racism (Center On Budget and Policy Priorities, 2021). While the link between debt levels and health has long been recognized (Adler et al., 1994; Adler & Stewart, 2010; Sweet et al., 2013), there is little evidence of financial indebtedness as a determinant of mental health during COVID-19. With the rise in economic burden during COVID-19, it becomes crucial to understand how a change in debt levels associates with mental health. In addition to examining this relationship, this study gauges the association between perceived financial management and mental health assessment after accounting change in employment in COVID-19. In doing so, we ascertain how managing finances, in terms of planning for the future, relates with mental health during COVID-19.

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Financial Knowledge and Credit-Card Management Behavior of American Adults

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Among Americans, the use of credit cards has grown rapidly, both as a payment tool and a source of credit. As per Experian (2021), the average number of credit cards owned by Americans is 3.84. The total amount owed on revolving credit cards from month to month is $357 billion, with the average American household owing $6,006. As of 2021, the total outstanding credit-card debt in the United States is $910 billion (New York Federal Reserve, 2021).

When credit cards are not paid off, an unpaid balance can rapidly build due to interest, resulting in greater debt. In addition, it will also lead to greater stress. According to a The Ohio State University study, credit-card debts create significantly more stress than first mortgages and other lines of credit (Moulton et al., 2019). Furthermore, risky credit card behaviors of individuals are associated with their financial well-being (Gutter & Copur, 2011).

Like any other company, credit-card firms are investing more and more resources in ongoing innovation to attract new clients and expand their customer base. As a result, customers cannot be held solely responsible for the rise in credit-card ownership. However, credit cardholders are the major accountable party when it comes to careless use of the card. Thus, it is important to comprehend the factors that influence the credit-card management behavior of an individual. Financial knowledge is one of the most important factors in making an informed decision, particularly when it comes to consumer credit. Therefore, the present study investigates the association between financial knowledge and credit-card management behavior.

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