

## CAUSAL ATTRIBUTIONS AND PERSONAL FINANCIAL MANAGEMENT INSTRUCTION

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Many colleges and universities have instituted some form of formal instruction in personal financial management in their curricula. Some have implemented a single course of instruction, while others have gone as far as designing full-blown degree programs around the topic. Over 300 educational institutions nationwide have gone as far as to register their programs with CFP Board of Standards, an indication that students enrolled in these programs will be exposed to the various topics that CFP Board considers crucial to success as a financial planner. Still other non-profit organizations offer various workshops to address the need for financial literacy in American society. Bookshelves are filled with various “self-help” works designed to bring readers to a point where they can become informed participants in the financial services sphere.

However, almost all of these efforts rest on the assumption that the end-user of the information believes that they can control their own future through their behavior. For meaningful and long-lasting behavioral change to take place, the student/program participant/reader must believe that the skills they are being taught can be used to improve their lives and create a better financial future. For those that do not hold this belief, no incentive exists to expend the time, energy and resources needed to engage in the financial management behaviors being taught in these classes. For this group, exhortations and instructions in how to budget, save and invest will fall on deaf ears and have no meaningful behavioral effect, defeating the purpose of the education.

The author has conducted several research projects over the last few years that have consistently indicated that the characteristics of causes of events identified by respondents has a meaningful effect on the extent to which the respondent engages in financial management behavior. The results consistently indicate that explanations for bad events tend to be the major predictor of such behavior, while the nature of explanations for good events is far less valuable as a predictor.

In particular, those who see bad events as being due to causes that tend to be internal, stable over time, and uncontrollable are much less likely to be willing to engage in the sorts of behaviors that our educational efforts tend to encourage; they simply do not see the point. Conversely, those who see bad events as due to causes that tend to be external, relatively unstable over time and controllable are significantly more willing to engage in the same behaviors.

This pattern of explanation makes a good degree of sense. Events with a positive outcome are scrutinized far less often and with far less depth than are events with a negative outcome. We simply think and dwell less on the causes of successful outcomes than failure outcomes.

These findings suggest that educational programs may not be equally effective for all audiences, and that the characteristics of the population being approached have to be considered with respect to program design in order to enhance effectiveness. One size fits all approaches will be less than effective, and may end up as an inefficient use of resources.

## References

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