

Embracing Financial Literacy From a Practical Behavioural Perspective

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The emotional and practical aspects of money are critical components for success with any financial literacy program. Applied knowledge will produce better overall financial results when delivered with consideration for the psychological need for immediate gratification. Furthermore, applied financial literacy needs to be differentiated from financial planning and financial product sales. Both disciplines compliment each other, but are not synonymous. Both need to be delivered separately to provide maximum benefit from neutrality, confidentiality and consumer support.

Embracing Financial Literacy From a Practical Behavioural Perspective

Our relationship with money begins from the moment we first identify with things we want. To want something implies lack, a negative emotion, which means that from early in life our relationship with money is based on negatives.

If the reaction we receive in response to our wants is also negative, such as being told 'we cannot afford it,' then the gap between our desires and our current reality is reinforced to the point that eventually it is easier to not have desires or expectations in the first place. In other words, it is easier to not set goals and to avoid money issues than it is to embrace them proactively.

To begin to embrace financial confidence means to overcome a lifetime of negative reinforcement in terms of what you can and cannot have, can and cannot do, or can and cannot experience as it relates to money. To begin to help expand possibilities through financial education, we must first help people learn positive problem solving with empowering questioning skills such as:

- **When** can I have, do, or experience that thing I want?
- **How** can I have, do, or experience that thing I want?
- **Who** else can help me have, do, or experience that thing I want?
- **Why** do I really want that thing in the first place?
- **What** alternatives can I have, do, or experience instead?

My own personal relationship with money started off rocky. I wanted a car, and was helped to get a loan and a credit card so I could have one. Instant gratification was rewarded and I was a happy teenager with new freedom – or so I thought. My happiness was quickly wiped out by the reality of expenses exceeding my ability to pay for my 'freedom', and a debt consolidation was arranged to alleviate the pressure – whew – another instant gratification and I rewarded myself with an opportunity to celebrate the disappearance of my financial stress with a celebratory dinner out.

There is no mystery why lottery mentality is prevalent and why statistics demonstrate that actual lottery winners are not set for life as the ads claim. In fact, most end up worse off than when they started. Instant gratification is an extremely strong motivator and that is the key to understanding financial behaviour.

Financial literacy is more than making a lot of money and it's more than learning the math and technical aspects of financial products and concepts. Financial literacy is a lifelong process that is primarily emotional. Whatever is immediate is always going to be a stronger motivator than what is far off (even if it's just until tomorrow). Whatever is small and relatable is always going to be a stronger motivator than what's large, complicated or seemingly impossible.

In 1987, I decided I needed to figure out how to get this money stuff working for me. I was in my mid twenties and had learned how to create a 6-figure income for myself and had bought my own home; drove a nice car; had an RRSP; but wow, was I naive about everything to do

with money: including where and how to learn more about it. I had grown up middle class, and my mother stayed home and my father was a University Professor.

I decided to do the thing that made the most sense to me at the time and took an industry sponsored money course: The Canadian Securities Course (the only thing I could think of and could find at the time) to help me figure out how to manage my money better. Hmm... well, 10 years later, when I started teaching this course and other financial planning courses for industry licensing requirements, I discovered that I was not alone in not really knowing where to turn for programs to help me learn to manage my money better.

I also discovered that not knowing where to go for help was also a major cause of inappropriate financial decisions, or how victims of fraud end up losing their life savings. They think that the research they're doing, the people they're talking to and the information they're receiving is appropriate.

One of the most profound things I have done in my 20-year financial career is to prepare the content for BC Securities' *Investigate Before You Invest* presentation. However, equally interesting now, is that so much of the original emotion and the investor checklists and evaluation tools from this program has had much of the emotional content removed or watered down and looks more and more mechanical every time I see them. There seems to be an avoidance of the emotional aspects of financial decision making, and clearly, we all know that money is the most intimidating subject to discuss. We talk about interest rates and stocks, but we would never talk about our income or anything that might actually provide a clue as to what our income actually is.

Obviously, making more money, saving more money, and getting out of debt are not the only answers to raising a financially confident and literate society. While working in the financial industry, I have experienced first-hand that financial literacy is necessary for people whether they have money or not. I have worked with many multi-millionaires and a billionaire who were financially insecure despite having more than enough money for all their needs and desires. They are intimidated about money on many different levels: making decisions, revealing their financial situation, and letting on that they have questions at all.

After more than 12 years of specializing in what I now know to be financial literacy and behavioural finance, I realize that a lot of what I taught and advised clients while I was still in practice was actually contributing to the problem of financial stress, rather than helping to alleviate it.

There are subtle shifts that can dramatically impact positive change that are not much more than psychology 101 concepts when you start to break them down:

Saving – for what? Saving is not the same as investing, and investing is not the same as saving. Investing is about your money working for you. Saving is passive; putting money aside for a particular purpose.

Rate of Return – Yes, important, however there are a lot of factors that impact rate of return and sometimes the highest rate on an investment, or the lowest rate on a loan is not really in the best interest of the person. It will create fear, competitiveness and always be susceptible to the next best rate. Making money and accumulating assets or getting out of debt are counter productive to the psychology of wealth and to profitable financial

decisions. The return on investment, an exit strategy and a contingency plan are far more valuable decision making criteria.

Good Debt / Bad Debt – The implication of defining debt this way is that you are bad if you carry any kind of consumer debt. Does it really help to be told that the lifestyle you have financed on credit is bad? It doesn't encourage anyone to want to take control of their finances, or to make positive choices when their desires and lifestyle choices are being examined and judged as good or bad because they carry consumer debt. Outstanding debt can be a powerful motivator when examined for what it says about how the carrier really wants to live their life. Debt is a negative mindset, yet access to credit provides powerful wealth building opportunities and access to more of the things and experiences everyone desires for themselves.

Retirement – We have all come to expect that this is something you do later in life, and anything less than 65ish is 'early'. Since we already know that what is immediate is far more powerful than anything longer term, it is absolutely no mystery that way more people do not 'save' their money for retirement. What does retirement have to do with age anyway? Retirement is a point in time when you have set up your finances in such a way that you can choose whether you go to work or not. If this is the case, then you have been able to provide income for yourself, which means you are now financially independent. Isn't this really what we're all working towards? This is obviously not age dependent, and can certainly be accomplished by other means than simply accumulating a sum of money that you plan to draw down and hope you don't run out of before you die.

Risk Tolerance – The definition of risk is the potential for loss. Much of investing is about managing financial risk, yet it's interesting that risk tolerance is about being comfortable with volatility. This is a very confusing subject when you consider the volumes of different ways it is used in relationship to personal finances. It is common teaching to advise people approaching 'retirement' to reduce their risk because they 'cannot afford' to lose their money because it's all they have. The real message is fear, scarcity and intimidation. It's no wonder that the message of low risk, high return is so alluring and why victims of fraud or investment loss are embarrassed to admit that they lost money: most people are responsible and conservative and don't want to admit they made a bad choice.

Budget – For the 12 years that I have been teaching and developing programs and the MoneyMinding Methodology for financial decision making, not one person has said that their first thought of a budget was anything other than restrictive, negative and controlling. Yet, the reality is that the definition of a budget is 'planned expenditures and a program for financing them.' Hmm... how business-like and practical. What a necessary skill for almost every area of personal finance: from day-to-day living, to planning a home renovation, starting and running a business, and your overall financial independence. This essential skill is not about taking the money you have and figuring out how to allocate it into envelopes so you don't overspend; it's about figuring out what you would like to spend your money on, and how you are going to fund it – in essence, this is the skill of cash flow forecasting.

The entire profession of financial planning is about managing your financial resources effectively. Yet, what is fascinating is that in order to have financial resources, you have to start with having an income. I have had the unfortunate experience of being told by the head of the financial planning profession that helping people create income isn't the role of the industry. Yet, financial planning and financial literacy are very closely related because when you develop financial literacy it leads to effective and efficient use of financial products and services – but both disciplines require income to make decisions that provide for immediate needs as well as improving life circumstances and achievement of dreams. The financial planning industry and any financial profession play a major role in making Canadians and Canada strong, competitive and successful.

In order to accomplish this, we must realize that how we earn income, how we manage income and how we create ongoing income has to be part of the day-to-day personal financial landscape. It is how we confidently and competently use our current resources to expand our resources, and ultimately, to engage in financial behaviours that lead to financial independence – at any age, any time and under any circumstance. These concepts have been successfully taught and implemented with people from all ages and backgrounds and are accomplished by recognizing and working to break down barriers that create the intimidation, the fear and the dependent scarcity mindset that interferes with financial learning in the first place.

The general population likely doesn't know what they don't know, and most of what they do know is that money is an intimidating, stressful subject. Even recognizing that perhaps there are other options to get better results, quicker and easier without gambling with lottery mentality is going to be a challenge. People need to receive some sort of instant gratification, and unfortunately, financial literacy and financial planning seem like the slow boring roads to financial success. The reality is, however, that applied knowledge will always produce better overall results. The emotional and practical aspects of money are therefore critical components for success with any financial literacy program. It is also imperative that financial literacy is differentiated from financial planning and financial product sales. Both disciplines compliment each other, but are not synonymous. Both need to be delivered separately to provide maximum benefit from neutrality, confidentiality and consumer support.

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Tracy Piercy delivers a revolutionary values-based, lifestyle approach to personal finance. A Certified Financial Planner by profession in the industry since 1991, Tracy's expansive knowledge in the industry includes insurance, banking, investments, business, marketing, education and psychology.

From 6-Figure Professional Practice to Entrepreneur and Financial Educator

Tracy was a top producing investment advisor with one of Canada's largest investment firms, CIBC Wood Gundy, when she sold her successful practice to concentrate on financial training. The result of years of study and personal experience is her system called MoneyMinding®. Through her teaching, Tracy introduces a whole new way of looking at every area of personal finance so that decisions people make on a day-to-day basis support wealth creation and lifetime financial security.

Delivering Marketing and Client or Employee Development Programs, Tools and Training

Tracy's consulting, training / speaking and program development services enable her to assist companies, financial institutions and educational providers with a range of financial literacy programs for marketing, client and staff development, customer service, employee assistance, corporate social responsibility and education.

She is the author of four books and several courses and programs, which many of are also available on CD audio and online video. These provide a collection of exercises on developing the mindset for financial success. Her published works include: *Enlightened Wealth*, available in a compact manual or in journal form; *The 12 Simple Steps of MoneyMinding: The Foundation for Expanding Financial Possibilities in Your Life*; *Moneyology: Integrating the Psychology of Success with Real-Life Strategies*; and dozens of articles and special reports on all areas of personal finance. Her courses include *The MoneyMinding Makeover* home-study course; *Wealth Secrets of Everyday Spending*; and *The 7 Day Money Make-a-Difference Program*.

Highlights of Tracy Piercy's Speaking and Teaching Experience

Tracy is an accomplished international speaker and has been featured on radio, television and print throughout North America. Highlights include the following:

- ✓ **Taught licensing programs** to professionals studying for life insurance, financial planning, and securities examinations.
- ✓ **Wrote content** for *Investigate Before You Invest* investor advisory and financial planner compliance materials for the **BC Securities Commission**. The organizational principles from this program have become a key methodology for the delivery of financial education in the province of British Columbia.

✓ **Keynote speaker engagements:**

- Professional women's organizations such as Women's Business Network, Young Women of Distinction and eWomenNetwork.
- Financial industry organizations such as Advocis, Investment Dealers' Association and The Real Estate Network Group.
- Business and charity organizations including varied Chambers of Commerce, Victoria Family Self-Sufficiency (FSS) and church groups.

✓ **Developed and delivered:**

- Sales training and referral programs for the Credit Unions of BC including 2-day intensive seminars for credit union branch managers.
- Coaching and mentorship workshops for the YWCA Young Women's Leadership Development Conference.
- ClientMinding: Industry training on client service to members of the Investment Dealers' Association (now Investment Industry Regulatory Organization of Canada).
- Encouraging Possibilities Workshops: Helping people to create a tangible vision for their future.
- An Introduction to Money Class: Created for grade 10 and 11 students for their Career and Personal Planning (CAPP) program.
- MoneyMinder: Personal financial planning tools for the National Association of Professional Organizers (NAPO) to use with their clients.
- MoneyMinding Mastery: A 4-day certification program for financial professionals from a variety of professional backgrounds (this is a universal application - not limited to North America).
- Other MoneyMinding Training Programs for consumer and advisor groups.

Supporting Financial Literacy to all Economic Sectors

In addition to developing courses and programs for industry and consumer groups, Tracy supports a number of charitable causes including The MoneyMinding Foundation: a registered charity which she founded to ensure that all economic sectors have access to empowering financial literacy.