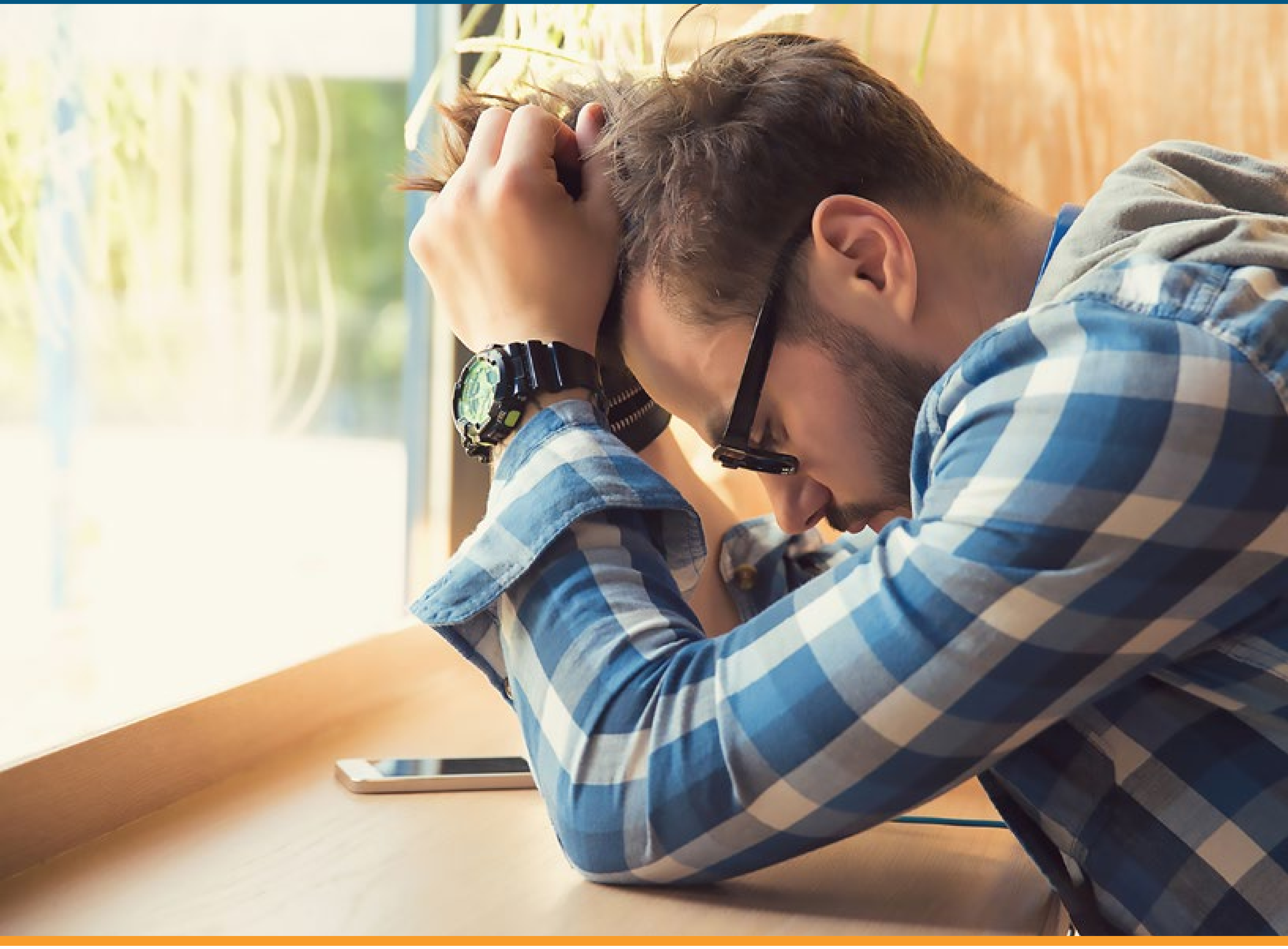
November 2018

Money Shame

The Hidden Threat to Financial Wellness



Financial Health index

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'It's shameful to feel financially strapped. It's better to keep this a secret, and put up a non-needy "I'm financially ok" front.'

Consumer interview, Summer 2018

'To struggle financially is a source of shame, a daily humiliation . . . Silence is the only protection.'

Neal Gabler in The Atlantic, May 2016

Introduction

In keeping with Seymour Consulting's established financial wellness practice and Financial Health Index research, we propose to shine a light on deeper emotions around money and people's relationship with it. Often linked to needs, fears, anxieties and other issues experienced while growing up, these emotional aspects can substantially affect financial and personal well-being in adulthood.

The research summarized in this white paper is based on in-depth interviews with 10 Canadians and Americans in summer 2018. In the next pages, we will highlight real-life stories, themes and insights that relate to what we've called 'money shame'.

Money shame combines a feeling of being out of control financially with embarrassment about admitting this to oneself and others. By forcing people to hide what they know to be true from themselves and others, it diminishes their self-esteem and problem-solving resources.

We believe money shame is an important flipside of financial wellness. It's a subject no one talks about – a dirty little secret that causes many people to lose sleep at night. To foster healthier financial choices, it's essential to better understand the deep money beliefs or 'scripts' an individual may absorb while growing up.

The powerful hidden scripts behind money shame are an important subject for further behavioural finance research. They also suggest a reality check for financial institutions, governments and other organizations that have relied on rational guidance to promote Canadians' and Americans' financial wellness.

1. Money worries cause nearly half of Canadians (45%) **to lose sleep at night**. (2018)
2. At least one out of three Canadians (36%) has had **arguments or fights** with their spouse or partner over money. (2018)
3. 39% of Canadians say money worries **negatively affect their physical well-being**. (2018)
4. 38% of Canadians **don't share their money worries** with anyone else. (2017)

2018 and 2017 Financial Health Index Studies. Seymour Consulting. All rights reserved.

Executive Summary

Many middle-class Canadians and Americans are floundering in financial insecurity these days. But it's not that they're failing to work hard enough to support themselves and their families. On the contrary, even those who work seven days a week are hard put to achieve a sense of financial well-being.

There's no shortage of rational causes of financial distress: economic upheaval and workplace restructuring, for example. But in many cases, unsuspected 'money scripts' from childhood may be driving attitudes and actions that lead to irrational decisions around money – or a reluctance to make decisions at all. Grounded in experiences or messages learned while growing up, these scripts can prompt adult behaviour focused on avoiding old fears, pain or insecurities.

As a result of feeling powerless to realize their aspirations or meet their financial goals, many people feel 'money shame' they're too deeply humiliated to admit. As a landmark 2016 article in The Atlantic noted, this sense of money shame 'has many of the characteristics of sexual impotence, not least of which is the desperate need to mask it and pretend that everything is going swimmingly.'[1]

While the financial services industry tends to assume that consumers are fully rational beings who simply need to be educated in order to budget, invest and save properly, our research validates a need to understand people's deeper fears and beliefs around money. We are all human, with emotional as well as rational forces at play that impact our decision-making.

Instead of fabricating a financial confidence we don't feel, we need support to understand our money scripts. We will then be able to think and act more consciously, allowing ourselves to become more financially empowered and resilient.

1. Neal Gabler, "The Secret Shame of Middle-Class Americans," The Atlantic, May 2016

Uncovering Money Scripts

To become more aware of personal money scripts, a useful exercise is to imagine that Money is a person and write a dialogue about one's relationship with that person. Here's a sample money dialogue:

If Money were a person . . . Maybe Money would be like a boyfriend with the most amazing wonderful times together, but then he's the one that hurts you the most.

If I talked to Money, I'd say,
'Can you tell me some of your secrets?
Can you help me handle ME better?'

Money would say,
'You need to sit down, put yourself to work. . . .
I've met you in the middle, and now you have to step up.'

I'd say,
'I'll try,'

and then say,
'Actually, I can't focus on you right now. I'll be back later.'

Money would then say,
'I'll guess I'll take off then, until you're ready.'

Emerging Themes and Research Findings

1. Many Canadians and Americans worry about money every day, but don't share their feelings with anyone.

Financial uncertainty is more prevalent than ever in a complex world marked by political dissension and economic instability. Many people keep their money worries to themselves, which causes emotional stress and diminishes their sense of well-being. As validated through financial health research and analysis conducted by Seymour Consulting, the money anxiety they feel is rarely even shared with their spouse or closest loved one.

2. Now more than ever, unplanned life events can significantly undermine financial wellness.

Most people have little or no financial cushion to absorb a job loss or (in the US) an illness or injury requiring expensive medical care. At times like these, people tend to bottle up their financial stress, along with the related shame of being unable to keep up with the bills.

3. Money shame and secrets affect many people's sense of resilience and general well-being.

Based on our research, money shame and related messages from people's past are often linked to a deeper sense of personal insecurity – the feeling that 'I'm not enough' and 'I'm helpless'. Those who hide these feelings and pretend that everything is fine can suffer higher levels of financial stress that impair their overall well-being. By contrast, people are likely to be more financially resilient if they can talk about their money worries and take advantage of family and friends' emotional and financial support.

4. Different money styles often reflect people's 'money scripts' – deeper beliefs about money usually shaped by parents or other influences.

A person's 'money style' or combination of styles, such as Spender, Hoarder or Money Avoider, is shaped by brain wiring, behavioural quirks and early life experiences. (See Money Styles section.) In particular, the interpretation people place on childhood attachment issues and needs, and/or on traumatic or memorable financial events, can lead to deeply held beliefs about money. In adulthood, these 'money scripts' may cause them to consciously or unconsciously adapt their money behaviour to avoid fear, pain or insecurities tied to these old issues or events.

5. Money scripts are a major cause of disconnects between people's financial aspirations and their actual behaviour.

Awareness of these money scripts, and the behaviours or tendencies linked to them, is vital for people who want to understand why there are disconnects between their rational and less rational selves. In spite of the financial goals or aspirations they may have, emotions related to inner scripts can prevent them from saving, reducing debt, or otherwise acting in ways that promote financial resilience and well-being.

6. Different money styles and scripts can cause significant stress and challenges in couple relationships and within families.

This is particularly true as more couples divorce or separate, pair up again, and try to parent a blended family where different money scripts may have led to different money styles and ways of doing things. We believe this is such a critical component of individual and family well-being that academics, financial services providers and community organizations need to study how it is impacting family relationships and children's financial wellness.

7. Children are highly influenced by money attitudes and behaviours modelled by their parents.

Parents who aren't conscious of their money beliefs may repeat their behaviour patterns for years, influencing their children's present and future financial wellness. Money Avoiders, for example, may unwittingly raise a new generation who are also Money Avoiders. Parents need to think about the money scripts and styles they are modelling for their children, with a view toward how these scripts may impact the kids as they grow up. Family discussions about saving, debt and other aspects of money management can be highly effective with children as young as eight. In addition, it seems vital for personal financial education to be required in schools.

8. Understanding one's money scripts and style is the first step in developing healthier financial behaviours.

As Maggie Baker points out in Crazy About Money: How Emotions Confuse Our Money Choices and What To Do About It: 'The better you understand not only how you use money, but how you think and feel about it, and how you organize it (or it organizes you!), the easier it is to figure out what is holding you back from having a more balanced attitude towards money.' This balanced attitude is what Olivia Mellan, a Washington, D.C.-based therapist and pioneer in the field of money psychology, calls 'money harmony'.

9. People can consciously 'rewrite' money scripts to improve their financial and general well-being.

This often takes deep work, involving counselling (psychological and/or financial), education and dialogue – including with parents, family or spouses whose different money scripts and styles may cause discord, silent disagreements and other challenges. Based on our research, those who have been through life events (e.g., divorce) that they have learned from and can talk about, and those who actively seek counselling, appear more likely to embrace new thinking and conscious rewriting of their money scripts.

10. Many Canadians and Americans distrust financial institutions, and doubt they will support them in hard times.

We recognize that many traditional and non-traditional Financial Institutions are working hard to support the financial wellness of their customers. That being said, the majority of the consumers interviewed reported that they did not have a strong relationship with their primary Financial Institution (FI). Furthermore, none would consider approaching their FI for help if, for example, their finances were affected by disability or a family member's illness.

This represents a major challenge for financial institutions and professionals, whose qualifications put them in the best position to help people improve their financial well-being.

> 'I don't talk about money with my family, in order to avoid conflict and shame. Instead my behaviours continue, and money flies away from me.'
>
> Consumer interview, Summer 2018

Financial Institutions: Meeting the Challenge

How can financial institutions, and other organisations, help improve financial wellness, when many peoples' money issues and experiences are hidden behind shame and negativity?

Meeting the challenge will be particularly difficult among men and in rural areas, according to findings from the Canadian 2017 Financial Health Index study[2]:

- 44% of men keep their money stresses and problems private, compared to just 32% of women. Men are also far less likely than women to turn to close friends or family in time of financial need or hardship (20% vs. 27%).
- 49% of people living in rural Canada say they don't talk about their finances with anyone, vs. just 37% of those in urban or suburban areas.

Overcoming shame and secretiveness must begin with the adviser or counsellor acknowledging that each person has an individual money style and unique challenges that may make it difficult to achieve their goals. By fostering trust, this can encourage customers to be more open in some of the areas where they need help.

In particular, financial advisors and financial institutions need to show that their top priority is the customer's best interest, not their own. This involves empathizing with the customer's issues, and being able to demonstrate that empathy by extending a non-judgmental helping hand. As connections grow based on understanding and trust, customers will gain confidence in their ability to evolve from money shame to money mastery and empowerment.

2. 2017 and 2018 Financial Health Index studies, Seymour

Money Styles

Based on our own research and the work of Olivia Mellan[3] we have identified eleven different money styles (see chart). Individuals may incorporate two, three or more styles at the same time, one of which may be dominant.

It's important to recognize that no style is inherently 'good' or 'bad'. In many cases, it simply characterizes a basically healthy attitude towards money. However, if someone's attitude or behavior is obsessive, they may want to examine their money style(s) in greater depth.

Money Style	Emotional Drivers	Money Behaviour
Conserver or Guardian	• External fear, doubt, pessimism. • Motivated to find the best value for money, no matter what it takes. • Determined not to waste resources or be taken advantage of. • Want to feel safe from being exploited.	Protect it by all means. Don't spend it.
Spender or Pleasure Seeker	• Insecurity, need for attention/love. • Affirmation 'I'm important'. • Seek immediate pleasure and/or fear deprivation.	Spend it. Show it. Enjoy it.
Binger	• Save obsessively, then binge-spend compulsively.	Pride in saving. Spontaneous relief of splurging.
Saver or Hoarder	• Anxiety; fear of making bad decisions. • Fear of losing money.	Don't spend it on self or loved ones.
Money Avoider	• Discouragement, financial inadequacy, powerlessness. • Overwhelmed; anxious or fearful of dealing with money or making financial choices.	Don't worry, all will be fine. Someone or something will take care of the money.
Risk Avoider	• Fear of debt and risk. • Dislike of financial surprises and setbacks. • Prefer safety and security in all things financial.	Taking out a loan or investing in the market scares me. What if something unexpected happens?
Caretaker	• Control, martyrdom, power. • Need to be needed.	Protect someone. Control someone.

3. Olivia Mellan, Author of 'Money Harmony' published by Walker and Company (May 1, 1995)

Money Style	Emotional Drivers	Money Behaviour
Empire Builder or Amasser	• Fear of poverty, vulnerability or abuse. • Need to feel sense of growth or power. • Happiest when possessing large amounts of money.	Pile it up. Smile when you see your account balance rising. Try not to spend it, even if you need something.
Money Monk or Idealist	• Resentment, detachment, blame. • Believe there is something immoral about liking money. • Believe that a life of creativity, simplicity, or spirituality is more meaningful.	Despise it. Blame it. Do without it as much as possible.
Risk Taker	• Enjoy the thrill of taking a risk, especially with money. • Feel braver or smarter than others – maybe even invincible – when they win.	Enjoy the risks and thrill.
Dealer	• Power, control. • Enjoy visibly dominating others. • Determined to aggressively negotiate discounts on everything. • If a passive dealer, may be more subtle, negotiating with ‘an iron fist in a velvet glove’.	Get the most for your money. Don’t settle for the same deal everybody else receives.

Voices

Three excerpts from our Summer 2018 interviews follow:

Emily

‘My first memory of money was aged six, when my grandma bought me a Barbie doll and told me, “Don’t tell your grandpa.” Aged eight, I learned again that money needed to be a secret from Mom when I borrowed money from school friends. Mom found out, got upset, and told me not to borrow from them [or keep secrets]. Since then, I’ve been used to avoiding things [including money matters or my debt].’

Money Type: Avoider, Worrier, Spender

Money Scripts:

- ‘It’s shameful to be poor. Money secrets are OK.’
- ‘I can’t talk about money with family [if I want] to avoid conflict.”
- ‘Money avoidance is better than looking at the truth.’

David

A highly educated professional, David is 29, gay and married. His parents always warned him that they were living paycheque to paycheque, making him worry that they might run out of money. He started saving avidly at age 16 in order to move to a big city where he could feel free.

The self-limiting money scripts shaped in his childhood made David feel ashamed of his own financial success and worried about ‘outshining’ his parents. Despite a promotion at work, he feared his financial stability could disappear at any time. Frugal and fearful of debt, he resisted moving from a low-rent apartment that he and his husband shared with a flatmate in a rough part of New York City.

David now works with a counsellor and a career coach, learning to rewrite the money scripts from his childhood that caused a lot of discord and challenge in his first year of marriage. He is realizing that success can really be unlimited and that he and his husband can ‘write a new money script together’. His spiritual beliefs also inspire him to think, ‘How much do you actually need to be happy?’

Money Type: Saver/Hoarder, Empire Builder/Amasser, Risk Avoider

Money Scripts:

- ‘Before, I felt like any success was an illusion, and that something good always had to come to an end. I was ashamed of success -- outshining my dad, if you will.’
- ‘I have an underlying fear, admittedly, that despite making well into the six figures, we can’t give up our low rent because we’ll lose our ability to save. I keep raising the bar [in terms of saving] and don’t believe we can buy our own apartment until we have the full amount in cash to pay for it.’

Tom

Tom's father gambled away most of the family money, leading to a lot of debt, foreclosure and two bankruptcies. As a teenager, Tom was bullied by other kids who had more than he did (they 'got Nike shoes while I got J.C. Penney shoes,' he says). He started working when he was 15, but his dad took away 40 percent of his earnings. He feels resentful about that, since his sister was allowed to keep everything she earned.

Now 33, Tom has remarried after a divorce and has sole custody of a seven-year-old daughter. His childhood money scripts lead him to see money as a source of evil. Even though he tries to compensate for his earlier financial deprivation by making sure his daughter has everything she needs, he firmly believes there's no point in working hard just to earn more money.

Money Type: Idealist/Money Monk, Caretaker, Avoider

Money Scripts:

- 'No matter what I do, I can't seem to get ahead of the money situation.'
- 'No matter how much I work and save money, someone or something will take it away from me.'
- 'Money might [seem] good, but in reality it's bad, because people look down on you when you don't have it.'

Appendices

Research Methodology

Our team conducted in-depth interviews with 10 American and Canadian adults, with research design, analysis and this white paper developed as a collaborative effort. We selected a cross-section of Canadians and Americans based on a mix of household income levels, age, education, work, levels of financial confidence and life events. Some of these people had also made the most of financial counselling or general counselling, and were open to talking about their life, money beliefs and money matters on a deeper level. (Names have been changed to respect the privacy of the individuals who kindly participated in this research.)

Topics explored in depth included the following:

- Life experiences that shaped interviewees' views about the meaning of money
- Money beliefs, narratives or 'scripts' created as a result of these experiences that now drive their interactions with money
- Their money styles or approaches
- Critical events that may have altered their relationship to money
- Their financial stresses and worries, goals, aspirations and challenges
- Where and how they feel financially challenged or powerless, or empowered and on the right path
- Disconnects between their financial goals and behaviours that may be linked to money scripts
- Positive steps they have taken to support their financial wellness and/or rewrite their money scripts, and how this has made them feel
- Whether they share deeper money needs or worries with their primary financial institution (or a close family member), or feel they need to handle things alone

This collaborative research project builds on Maggie Baker's published book Crazy about Money, the established counselling practices of Jose and Maggie in Canada and the US respectively, and the Canadian Financial Health Index research and financial wellness consulting practice of Seymour Consulting, based in Vancouver, B.C.

Our research builds on research around psychological factors and how they affect financial decision-making (Meza et al. 2008; Erta, 2013 and others). It also builds on behavioral economic insights founded in the 1980s by Amos Tversky and Daniel Kahneman, the psychologists who won the Nobel Prize in economics in 2002. Some of these psychological factors ones include:

- Loss-aversion: placing greater importance on avoiding losses rather than acquiring gains.
- Present–bias: responding to urges for immediate gratification (self-control problems, procrastination) resulting in overvaluing the present over the future.
- Herding, peer pressures or social validation: doing what other people are doing, usually to conform to society norms and 'keep up' with others
- Confirmation bias: seeking out or evaluating information that confirms one's preconceptions

- Inertia or status quo bias: sticking with the familiar
- Over-extrapolation: making predictions on the basis of only a few observations, and, as a result, underestimating uncertainty.
- Use of heuristics: simplifying complex decisions by adopting specific rules of thumb.

Our work also recognizes Neal Gabler's insightful article, 'The Secret Shame of Middle-Class Americans', about the financial fragility of many US households. The article highlighted a report that 47% of Americans had too little savings to handle a $400 emergency – an unnerving message that has resonated with media across the country.

About Seymour Consulting and the Financial Health Index study

Seymour Consulting is a purpose-driven social enterprise, with a vision to help create financial resilience for Canadians and their families. Because we know there's a direct link between financial wellbeing and overall personal wellbeing.

Our mission is to help measurably improve the financial health and well-being of Canadians, and others around the world, by bringing visibility to factors that most impede or improve their financial wellbeing. We collaborate with committed financial services innovators, government and non-profit partners to create true innovation in the financial marketplace at scale.

The annual Financial Health Index study is the nation's most comprehensive independent study of the financial health, wellness and resilience of Canadian consumers. The sample size is 5,000 to 5,200 Canadians aged 18-70 years old across all provinces except Quebec.

The most recent Financial Health Index study was conducted in May-June 2018. It examines multiple aspects related to financial health (ability to balance today's financial needs with those of tomorrow); financial wellness (emotional peace of mind) and financial resilience (ability to weather financial stressors and shocks, including unplanned life events). The study also looks at consumers' financial confidence, knowledge and capability; spending and financial behaviours; income volatility and non-controllable aspects impacting financial wellness; financial product and service usage; access to products, services and tools, and consumers' perceived levels of support from their primary financial institution for their financial wellness.

For examples of how our research has been applied to current events:

- Rob Carrick, "If households are this financially stressed now, how much misery is coming as rates rise?" (The Globe and Mail, 10/10/18)
- Rob Carrick, "One in two Canadians is a bundle of nerves about money" (The Globe and Mail, 11/16/17)

"Money Shame: The Hidden Threat to Financial Wellness" is based on Financial Health Index research and other white papers available at financialhealthindex.org.

About the Authors

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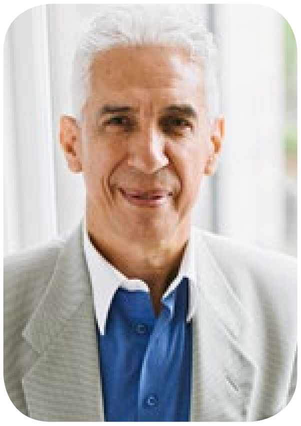
Co-Founder, Financial Health Index

Eloise founded Seymour Consulting in 2009 and co-founded the social enterprise Financial Health Index in 2016. She is a Certified Management Consultant (CMC) and a member of the Institute of Certified Management Consultants of British Columbia.

Maggie Baker, Ph.D.

An Associate of Seymour Consulting, Maggie is the author of Crazy About Money: How Emotions Confuse Our Money Choices and What To Do About It. She has been a financial therapist in the Philadelphia area for 20 years.



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An Associate of Seymour Consulting, Jose is an experienced therapist with a unique blend of over 30 years of corporate finance in multinational organizations and 15 years in clincial psychology practice, Jose is a relentless advocate of people's personal and financial empowerment, and their emotional and economic well-being.

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