

FINANCIAL ATTITUDE, KNOWLEDGE, INVESTMENT BEHAVIOUR AND SATISFACTION AMONG THE CLIENTS OF COMPREHENSIVE FINANCIAL PLANNING SERVICES

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ABSTRACT

We investigate whether and how financial planning (FP) services affect the clients' financial behaviour and satisfaction through the changes in financial attitude and knowledge. Our sample includes 216 clients for whom an independent FP firm performed all six steps of comprehensive FP from April 2012 to February 2015 in Korea. Our results indicate that attitude towards FP, financial knowledge, and satisfaction improved after FP services were completed. Additionally, clients reduced discretionary expenses and increased savings and investments by almost 20 per cent of median income. Positive behavioural changes are attributed to the changes in financial attitudes, but not to the changes in financial knowledge, which are instead related to client satisfaction. Our results support the role of independent financial planners in improving the clients' financial behaviour and satisfaction, which can lead to a sustainable relationship between FP professionals and their clients.

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Introduction

Financial satisfaction contributes most to overall happiness compared to satisfaction in family, health, and work domains (Easterlin, 2006). Although saving for retirement is a critical component of consumer financial wellbeing, retirement savings by US consumers are inadequate according to the studies that examined the Survey of Consumer Finance (SCF) (Yuh, Hanna and Montalto, 1998; Kim, Hanna and Chen, 2014; Munnell, Webb and Golub-Sass, 2012). Naturally, many have argued for the potential benefits of financial education and professional financial planning (FPA, 2008).

Independent financial planning (FP) services may improve both financial behaviour and financial satisfaction of the clients. Increased retirement savings is a very important change in behaviour of the FP service clients. Maintaining the modified financial behaviours through a sustainable relationship between a planner and a client is a necessary condition for the ultimate goal of financial wellbeing. Clients' satisfaction will reinforce such stable long-term relationships.

In this study, we examine the financial behaviours and satisfaction of FP service clients with two aspects of FP services distinguished: *counselling* and *education*. We argue that the financial planners' counselling role influences their clients' financial attitude while the education component of the FP improves their financial knowledge. According to the theories of reasoned action and planned behaviour, attitudes and norms of individuals determine their intention, which determines behaviour (Fishbein and Ajzen, 1975; Ajzen, 1991). In the FP framework, change in clients' attitude towards FP would change their financial intention and, consequently, savings and investment behaviours. In addition, enhanced self-efficacy would promote active work toward a desirable behavioural change (Prochaska, DiClemente and Norcross, 1992). Improved financial knowledge of FP clients would enhance their self-efficacy, which would promote desirable FP behaviours (i.e. continuation of FP activities) and increase their psychological satisfaction with FP activities.

Although a few studies have examined who would benefit more from FP services, there is little attempt to evaluate the actual benefits from such services (Warschauer, 2008). In addition, the attempts to examine the relationships among financial attitudes, knowledge, behaviour and satisfaction reported mixed results. That is, previous studies of cross-section analyses failed to show unambiguous results on how any change in attitude and knowledge affects financial practice and satisfaction. Moreover, they did not attempt to examine the impact of FP services on the changes in attitude, knowledge, behaviour and satisfaction.

The current study attempts to examine whether and how FP services improve clients' positive financial behaviours and financial satisfaction through their changes in financial attitude and knowledge, as these two factors impact behaviours in general (Eagly and Chaiken, 1993). A sample of 216 randomly selected clients was obtained from independent financial planners at one of the largest FP firms in South Korea. Their fee- and commission-based FP services were performed during the April 2012 to February 2015 period. On average, all self-reported measures of FP attitude, planning knowledge, and financial satisfaction improved after FP was completed. Discretionary and untraceable expenses decreased while total savings and investments increased by a significant amount and as a percentage of income. Further analyses show that clients'

financial behaviour changes are related to their changes in attitude (especially, future time preference), but not to the changes in financial knowledge which, instead, are related to their financial satisfaction.

The next section reviews the research literature and presents hypotheses. Then the data and research methods are explained, and the empirical results are presented. Finally, the study concludes with a summary and discussion section.

Literature Review

Some studies in the past examined the relationship between *financial advice* and the client's financial behaviour and outcome. Among those studies, some have found that financial advice is related to positive financial behaviours and outcomes. Dolvin and Templeton (2006) discovered in a study of 72 employees in a Midwestern law firm that restructured its 401k plan in 2004, that attendance at a retirement investing seminar was related to an increase in the number of funds invested, a decrease in percentage invested in equity, and a decrease in standard deviation of returns. Kramer and Lensink (2012) found among 5,661 Dutch equity investors during 2003–2007 that financial advice from salaried advisors improved risk-adjusted equity returns and reduced trading frequencies. Hudson and Palmer (2014) uncovered from the 2010 Survey of Consumer Finances that use of an advisor (widely defined as financial planner, broker, banker, accountant, insurance agent, lawyer, or material from work) was positively related to desirable savings and cash-flow management behaviours among low-income employees, although not among middle- or high-income employees. Winchester and Huston (2015) found for 3,022 respondents to a 2008 survey by a large independent financial services firm that middle-class households who purchased financial advice were more likely to be well prepared for retirement, use employee benefits appropriately, and have an adequate emergency fund. However, their retirement preparedness was measured through survey questions rather than the size and types of retirement investment and/or assets.

Some other studies, however, have reported confounding results in terms of possible impact of financial advice on financial behaviour. Marsden, Zick and Mayer (2011) examined the employees of a large Mountain West university in its defined contribution plan. They found that working with a financial advisor within the last two years was positively related to FP activities like goal setting, calculation of retirement needs, diversification, use of supplemental retirement accounts, and accumulation of emergency funds, but was not related to retirement savings or account value growth. Bhattacharya *et al.* (2012) found for a large number of German retail brokerage customers that only about 5 per cent of the customers obtained advice, and those who did hardly followed the advice and did not improve their portfolio efficiency by much. Hackethal, Haliassos and Jappelli (2012) found among investors from a large brokerage firm and a major bank that involvement of a financial advisor increased account turnover and investment in mutual funds, and lowered portfolio returns net of direct cost and the Sharpe ratio. Such negative effects are stronger for bank-employed financial advisors than for independent ones, consistent with the range of products bank advisors offer and incentives built into the commission structure. Their results suggest that a study of independent service is important in examining the effects of financial advice. Thus, this study

examined the relationship between financial attitudes, knowledge, behaviour and satisfaction, using data collected from independent financial advisors in Korea.

In addition, a group of studies that investigated the relationships between financial attitudes, knowledge, behaviour and satisfaction reported mixed results. Godwin (1994) found among 256 randomly selected newlywed couples, that a positive attitude toward FP was the greatest predictor of cash flow management after ability and need to manage were controlled, and record-keeping predicted greater satisfaction with the financial situation. Mugenda, Hira and Fanslow (1990) reported a negative relationship between financial knowledge and satisfaction with financial status, while Godwin (1994), Hira, Fanslow and Vogelsang (1992) and Titus, Fanslow and Hira (1989) did not find a significant relationship. Parrotta and Johnson (1998) examined the impact of financial attitudes and knowledge on financial management practices and satisfaction. They used a dataset of 194 recently married individuals, and found that positive financial attitudes, but not financial knowledge, predicted use of recommended financial management practices. Their cross-sectional study, however, was not able to determine whether an individual's change in attitude and knowledge led to improvements in behaviour and satisfaction. In this study, we would like to provide new insights on the relationship among financial attitudes, knowledge, behaviour and satisfaction by examining how *changes* in financial attitudes and knowledge through FP affect clients' financial behaviour and satisfaction.

Test Hypotheses

On the effects of personal attitude on retirement saving, Jacobs-Lawson and Hershey (2005) observed from a sample of 270 young working adults that future time preference, risk tolerance, and retirement planning knowledge positively affect self-assessed retirement saving behaviour. Hershey *et al.* (2007) found in a study of 256 middle-aged working adults that self-reported retirement savings as a percentage of income are positively related to goal clarity, future-time preference, self-assessed knowledge of FP, and planning activity. Mayer, Zick and Marsden (2011) also concluded that the respondents who have ever calculated their retirement needs and those with higher time preference reported higher retirement savings. Martin, Guillemette and Browning (2016) examined the National Longitudinal Survey of Youth (NLSY79) between 2004 and 2008. Employing age, race, education, gender, family size, marital status, health, income, net worth, homeownership, business owner, and regions as control variables, Martin, Guillemette and Browning (2016) found that respondents with a lower future time preference (i.e. higher personal discount rate) accumulated 37 per cent less retirement wealth than those with a higher preference. The effect, however, disappears when retirement planning activities (i.e. calculating a retirement income need or hiring a financial planner) are introduced. It should be noted that their study did not examine the effects of attitude *changes* on savings behaviour.

According to the theory of reasoned action (Fishbein and Ajzen, 1975), a person's behaviour is determined by behavioural intention, which is determined by one's attitude toward the behaviour, the subjective norm, and the relative importance between the attitude and the subjective norm (Xiao, 2016). The theory of planned behaviour contends that three factors influence behaviour intention: the positive or negative valence of attitudes about the behaviour (+), subjective norms

(+), and perceived behavioural controls (-) (Ajzen, 1991). Intention then influences one's actual behaviour. An attitude is a person's positive or negative evaluation of a relevant behaviour and is composed of one's beliefs regarding the perceived outcomes of performing a behaviour. A subjective norm refers to one's perception of whether significant referents approve or disapprove of a behaviour. Perceived behavioural controls describe the perceived difficulty level of performing the behaviour.

Armitage and Conner (2001) note that subjective norms are a weaker predictor of intention than attitude and perceived control. After evaluating 185 studies on the theory of planned behaviour, they further note that self-reports are a less reliable source of information than objective and observed measures. The current study contends that a change in financial attitude among the clients of FP services is related to the change in their objective financial behaviour as reflected in measures like expenditure reduction and retirement investment/saving, and proposes the following hypothesis:

H1: A positive financial attitude change is related to the desirable financial behaviours of the clients who received professional financial planning services, cet. par.

Studies have found that *financial knowledge* is related to financial outcomes like mortgage delinquency ratio, possession of emergency funds, and retirement savings. Gerardi, Goette and Meier (2010) observed among those borrowers in Connecticut, Massachusetts and Rhode Island who obtained sub-prime mortgages in 2006 and 2007, that 20 per cent of the borrowers in the bottom quartile of their financial literacy index experienced foreclosure, while only 5 per cent of those in the top quartile did so. They also found the financial literacy index was negatively related to the mortgage delinquency ratio after controlling for socio-demographic and mortgage characteristics. Babiarez and Robb (2014), using the 2009 National Financial Capability Study, concluded that households showing better financial knowledge or higher assessment of their knowledge are more likely to have emergency funds after controlling for socio-demographic variables. Jacobs-Lawson and Hershey (2005) also found that financial knowledge positively affects self-assessed retirement saving behaviour, and is positively related to time preference and risk tolerance.

Financial satisfaction, as a measure of self-perceived overall financial status, is the most commonly used subjective measure of financial wellbeing (Xiao, 2016). Studies of financial satisfaction are important because they contribute most to overall happiness compared to satisfaction in family, health, and work domains (Easterlin, 2006). Financial satisfaction is also a strong predictor of life evaluation (Ng and Diener, 2014) and financial anxiety (Archuleta, Dale and Spann, 2013).

From a sample of 220 mail surveys of white-collar clerical workers in a west Texas community, Joo and Grable (2004) concluded that self-assessed financial knowledge level had a direct impact on financial satisfaction. Robb and Woodyard (2011) found for the Finance Industry Regulatory Authority (FINRA)'s 2009 National Financial Capability Study that self-assessed financial confidence is highly correlated with overall satisfaction on current personal financial condition regarding assets, debts and savings. Perceived financial capability was also found to contribute positively to financial satisfaction (Xiao, Chen and Chen, 2014).

According to Bandura (1982, p. 122), “perceived self-efficacy is concerned with judgments of how well one can execute courses of action required to deal with prospective situations.” Treatments to enhance self-efficacy would promote active work toward a desirable behavioural change (Prochaska, DiClemente and Norcross, 1992). Financial knowledge measure as a proxy for financial self-efficacy would promote desirable financial planning activities, which would then increase financial satisfaction regardless of a change in investments or wealth. Thus, we contend that a change in financial knowledge among the clients of professional FP services is related to the change in their financial satisfaction, and propose the following hypothesis:

H2: A positive financial knowledge change is related to the financial satisfaction of the clients who received professional financial planning services, cet. par.

Data and Research Methods

The research sample was collected through the fee- and commission-based professional FP services performed from April 2012 to February 2015 at one of the top three independent financial planning firms in Korea. Studies on the effects of financial planning using South Korean data are scant. For example, Sohn *et al.* (2012) found that the South Korean youths who saw money as good or as a reward for efforts tended to show higher levels of financial literacy, but their sample is limited to teenagers and they did not examine either behaviour or satisfaction. South Korea is a good country to study the effects of professional FP services because this G20 country is more developed than most other countries in the world, but its social welfare systems are much weaker than others, especially among the OECD countries. South Korea's *per capita* GDP in year 2015 was not far from the OECD average (\$34,549 vs \$40,095). However, Korea's public spending on pension, unemployment and disability benefits as a percentage of GDP were less than one third of the OECD averages (OECD 2011, 2013, 2016). Korea spent 2.2 per cent of GDP on pensions while OECD average spending was 7.9 per cent in 2011. Spending on unemployment (0.3% vs. 0.9%; 2013), incapacity (0.6% vs 2.1%; 2013), and social spending (10.4% vs. 21%; 2016) is also much lower than the OECD averages. Given the weak national welfare system, it is not surprising that the poverty rate among 66 years and older in Korea was the highest (49.6%) in 2013 among OECD countries (OECD, 2017). Hence, the need for professional FP services is strong in Korea. In addition, the high social importance of education and near-perfect literacy levels minimize the potential selection bias in sampling.

For 216 randomly selected clients, financial planning and counselling were performed. All clients in our sample received *comprehensive financial planning* according to the FPA (2008) definition, which includes planning for three or more of the following areas: retirement, savings, debt management, college savings, protection plans, tax management, investment planning or estate planning. Clients were consulted by a CERTIFIED FINANCIAL PLANNER™ or an ASSOCIATE FINANCIAL PLANNER KOREA™ (AFPK, a certification awarded by Financial Planning Standards Board of Korea) over at least three meetings. Each meeting lasts about two hours, and both husband and wife are consulted for married couples.

Meeting 1: The financial planner establishes a client-planner relationship, explains the concepts of FP and its six steps defined by the CFP Board, and gathers information about balance sheets and statement of cash flows from the clients. The planner gathers information for a pre-planning period and establishing financial goals.

Meeting 2: The planner analyses and evaluates the current financial status, cash flows, income and expenses, savings and investment, and stability and growth potential, and develops a financial plan. The planner presents and discusses a financial plan with clients. After the second meeting, the planner implements the financial plan.

Meeting 3: This meeting happens about 14 months after the first meeting. The planner monitors the plan and obtains the information for the post-planning period.

Clients are surveyed at their first and third planning sessions in three areas with 1-5 Likert-type scales. First, attitudes towards financial planning are measured by *AttGoal* (Financial goal setting is most important), *AttFTP* (I feel better when accumulating money than spending for current satisfaction) and *AttEarly* (Planning and preparing early for retirement is important). Next, knowledge of FP is measured by *KnowPlan* (I can analyse family financial goals and prepare for them), *KnowBudget* (I can analyse my income and financial needs to budget properly) and *KnowRetNeeds* (I can calculate the necessary income during retirement and choose proper financial assets). Financial satisfaction is measured by *SatAsset* (I am satisfied with the size and types of my current assets), *SatInv* (I am satisfied with the amount and types of investments) and *SatRet* (I am satisfied with amount and types of savings for stable retirement life).

In addition to the clients' demographic information such as age (*Age*), marital status (*Married*) and number of members in household (*#Household*), asset size (*Asset*), monthly income (*Income*), investment/saving amount (*Inv&Sav*) and discretionary and untraceable expenditures (*ExpDisc*) are also surveyed.

In order to test our hypotheses, we employ paired t-tests and multiple regression analysis. We first compared measures for financial attitude, knowledge, satisfaction and behaviour before and after FP services are provided. Paired t-tests were performed for changes in those measures to identify any significant change in measures of financial attitude, knowledge, satisfaction, and behaviour after clients received FP services. Next, we ran a multiple regression to test if financial satisfaction and behaviour are affected by changes in financial attitudes and/or financial knowledge. Dependent variables are changes in financial satisfaction and financial behaviour, and explanatory variables are changes in financial attitude and financial knowledge. In the regression analysis, we control for the clients' age, marital status, household size, asset size and monthly income.

Results

Table 1 reports the demographics of the 216 clients in the sample. Client age (*Age*) ranges from 23 to 59 with the average age of about 37 and the median age of 35. Two-thirds of the clients are married (*Married*), and the average household size (*#Household*) is three family members.

Average total asset value (*Asset*) is KRW396,460,000 (US\$360,414) while the median value is only KRW140,620,000 (US\$127,836). Clients' average total monthly income (*Income*) is KRW 4,962,000 (US\$4,511), while their median income is only KRW3,600,000 (US\$3,273). The sample is left-skewed in terms of asset and income, and logged values of *Asset* and *Income* are used (*Ln Asset* and *Ln Income*). In comparison to our sample median annual income of US\$39,276 (12 times the monthly median income), the median income of a US family in 2012 was US\$51,017 according to the U.S. Census Bureau (DeNavas-Walt, Procter and Smith, 2013).

Table 1: Descriptive statistics

	Mean	S.D.	Min	Med	Max
Age	37.21	9.38	23	35	59
Married: Single=0, Married=1	0.66	0.48	0	1	1
#Household: Number of household members	2.94	1.44	1	3	7
Assets Total (10,000 KRW)	39,646	67,675	0	14,062	489,285
Ln Asset: ln (1+Assets Total)	8.89	2.52	0	9.55	13.10
Income Total (10,000 KRW)	496.2	437.1	0	360	3500
Ln Income: ln (1+Income Total)	5.88	0.99	0	5.89	8.16
ΔAttGoal: Δ Financial goal-setting is most important.	0.31	0.66	-1	0	3
ΔAttFTP: Δ I feel better when accumulating money than spending for current satisfaction.	0.39	1.25	-3	0	4
ΔAttEarly: Δ Planning and preparing early for retirement is important.	0.37	0.87	-2	0	4
ΔKnowPlan: Δ I can analyse family financial goals and prepare for them.	0.71	1.12	-3	1	4
ΔKnowBudget: Δ I can analyse my income and financial needs to budget properly.	0.67	0.95	-2	1	4
ΔKnowRetNeeds: Δ I can calculate the necessary income during retirement and choose proper financial assets.	0.89	1.06	-2	1	4
ΔSatAsset: Δ I am satisfied with the size and types of my current assets.	0.43	0.91	-2	0	3
ΔSatInv: Δ I am satisfied with the amount and types of investments.	0.88	1.04	-2	1	4
ΔSatRet: Δ I am satisfied with amount and types of savings for stable retirement life.	0.88	1.21	-2	1	4
ΔInv&Sav: Δ All investment and savings (10,000KRW)	70.64	101.76	-410	40.5	500
ΔExpDisc: Δ Discretionary and untraceable expenses (10,000KRW)	-67.71	122.36	-614	-49	483

KRW10,000 is about US\$9 when converted at the average exchange rate during 2012-2015.

Table 1 also presents the descriptive statistics of the variables that capture the changes in self-assessed value of financial attitude, knowledge, and satisfaction. All measures of attitudes toward, knowledge of, and satisfaction with FP have improved after completion of professional FP services. The last two lines report the average improvement in investment/savings by KRW706,400 (US\$640) per month, and the average monthly reduction in discretionary untraceable expenditure by KRW677,100 (US\$601).

The correlation coefficients among the variables are reported in Table 2. Demographic characteristics are highly correlated with changes in financial knowledge and satisfaction. An interesting observation is that *Age* is negatively correlated with all changes in knowledge and satisfaction measures, reinforcing the importance of starting FP early. *Married* and *#Household* variables have negative correlations with financial satisfaction measures. Also notable are the strong correlations among the knowledge and satisfaction variables. Univariate and multivariate statistical tests are necessary to examine the effects of FP services on financial attitudes, knowledge, satisfaction, and expenditure/investment behaviours.

Table 2: Correlations

	Age	Married	#House hold	Income	ΔAtt Goal	ΔAtt FTP	ΔAtt Early	ΔKnow Plan	ΔKnow Budget	ΔKnow RetNds	ΔSat Asset	ΔSat Inv	ΔSat Ret	ΔInv& Sav
Age	1	.633**	.639**	.541**	0.012	-0.049	-.173*	-.191**	-.169*	-.255**	-.156*	-.285**	-.277**	0.018
Married	.633**	1	.687**	.419**	0.036	0.028	-.142*	-0.115	-0.112	-.285**	-.162*	-.199**	-.267**	0.053
#Household	.639**	.687**	1	.341**	-0.123	0.012	-0.119	-0.118	-.163*	-.317**	-.192**	-.245**	-.346**	-0.056
Income	.541**	.419**	.341**	1	-0.044	-0.004	-.186**	-0.089	-0.118	-0.061	-0.083	-0.112	-0.123	.282**
ΔAttGoal	0.012	0.036	-0.123	-0.044	1	-0.011	.372**	0.012	0.047	0.071	-0.067	-0.073	0.057	-0.069
ΔAttFTP	-0.049	0.028	0.012	-0.004	-0.011	1	0.065	0.063	0.102	0.101	0.096	0.099	0.040	0.087
ΔAttEarly	-.173*	-.142*	-0.119	-.186**	.372**	0.065	1	0.109	.183**	.155*	0.005	0.073	0.030	-0.062
ΔKnowPlan	-.191**	-0.115	-0.118	-0.089	0.012	0.063	0.109	1	.335**	.367**	.322**	.331**	.238**	-0.035
ΔKnowBudget	-.169*	-0.112	-.163*	-0.118	0.047	0.102	.183**	.335**	1	.537**	.290**	.402**	.366**	-0.008
ΔKnowRetNeeds	-.255**	-.285**	-.317**	-0.061	0.071	0.101	.155*	.367**	.537**	1	.279**	.452**	.479**	-0.016
ΔSatAsset	-.156*	-.162*	-.192**	-0.083	-0.067	0.096	0.005	.279**	.290**	.279**	1	.483**	.432**	0.017
ΔSatInv	-.285**	-.199**	-.245**	-0.112	-0.073	0.099	0.073	.331**	.402**	.452**	.483**	1	.597**	-0.023
ΔSatRet	-.277**	-.267**	-.346**	-0.123	0.057	0.040	0.030	.238**	.366**	.479**	.432**	.597**	1	0.030
ΔInv&Sav	0.018	0.053	-0.056	.282**	-0.069	0.087	-0.062	-0.035	-0.008	-0.016	0.017	-0.023	0.030	1
ΔExpDisc	0.013	-0.027	0.033	-.254**	0.053	-0.101	-0.012	0.036	-0.054	0.005	-0.007	0.004	0.007	-0.826**

See Table 1 for variable description. * and ** denote correlation significant at the 5% and 1% levels (2-tailed), respectively.

Table 3 reports the results of paired t-tests, examining the differences before and after comprehensive FP services. All attitude, knowledge, and satisfaction measures improved after FP, and all the changes show strong statistical significance. Clients' average reduction in discretionary and untraceable expenditure ($\Delta ExpDisc$) is US\$601 per month, which is more than 13 per cent of average monthly income or 18 per cent of median income. Total investment and savings have increased by US\$640 per month ($\Delta Inv\&Sav$) on average, which amounts to 14 per cent of the average monthly income or 20 per cent of the median. The changes in expenditure and investment amounts are both economically and statistically significant.

Table 3: Paired t-tests: After – Before for Same Client

	Mean Before	Mean After	Diff	<i>t stat</i>
Attitude				
AttGoal: Financial goal-setting is most important (1-5).	4.465	4.772	.308	8.523***
AttFTP: I feel better when accumulating money than spending for current satisfaction (1-5).	3.179	3.566	.388	5.871***
AttEarly: Planning and preparing early for retirement is important (1-5).	4.249	4.622	.372	7.967***
Knowledge				
KnowPlan: I can analyse family financial goals and prepare for them (1-5).	3.212	3.923	.711	12.568***
KnowBudget: I can analyse my income and needs to budget properly (1-5).	3.123	3.791	.668	13.135***
KnowRetNeeds: I can calculate the necessary income during retirement and choose proper financial assets (1-5).	2.671	3.560	.889	15.836***
Satisfaction				
SatAsset: I am satisfied with the size and types of my current assets (1-5).	2.899	3.332	.434	8.943***
SatInv: I am satisfied with the amount and types of investments (1-5).	2.597	3.480	.883	15.980***
SatRet: I am satisfied with amount and types of savings for stable retirement life (1-5).	2.563	3.446	.883	13.794***
Financial Behaviours				
Inv&Sav: Investment and savings Total (10,000KRW)	91.402	162.046	70.64	10.708***
ExpDisc: Expense Discretionary Total (10,000KRW)	321.621	253.913	-67.71	-6.985***

KRW10,000 is about US\$9 when converted at the average exchange rate during 2012-2015. *** denotes 2-tailed statistical significance at 1% level.

To examine the effects of financial attitude and knowledge changes on the clients' retirement planning behaviours, regression analyses were performed with control variables like age (*Age*), marital status (*Married*), number in household (*#Household*), assets (*Ln Asset*), and income (*Ln Income*) as suggested by previous studies about the variables that affect financial satisfaction. Columns A and B of Table 4 report that change in future time preference ($\Delta AttFTP$) is negatively related to change in discretionary and untraceable expenditure ($\Delta ExpDisc$), and positively related to change in savings and investment ($\Delta Inv\&Sav$). The average change of *AttFTP* (.387) is related to reduction of discretionary expense by \$49 ($\Delta ExpDisc$) and increase of investment by \$50 per month ($\Delta Inv\&Sav$). Thus, hypothesis H1 is supported. Change in investment/saving is negatively related to the number of household members (*#Household*), and positively related to income (*Ln Income*). It is noteworthy that neither expenditure change nor retirement investment change is related to any financial knowledge variable. Change in attitude towards FP contributes to positive financial behaviour changes, but improved knowledge in financial preparation, budgeting, or retirement needs analysis does not.

Table 4: Regressions

	[A]	[B]	[C]	[D]	[E]
	$\Delta ExpDisc$	$\Delta Inv\&Sav$	$\Delta SatAsset$	$\Delta SatInv$	$\Delta SatRet$
c	156.542 ***	-87.222 *	0.097	0.942 **	1.020 *
	2.612	-1.753	0.236	2.094	1.918
$\Delta AttGoal$	10.692	-14.310	-0.155	-0.079	0.148
	0.806	-1.299	-1.598	-0.745	1.180
$\Delta AttFTP$	-14.128 **	14.490 **	0.055	0.010	0.006
	-2.000	2.471	1.073	0.178	0.089
$\Delta AttEarly$	-16.163	3.015	-0.038	-0.021	-0.142
	-1.512	0.340	-0.486	-0.245	-1.410
$\Delta KnowPlan$	7.591	-4.790	0.206 ***	0.112 *	0.098
	0.900	-0.684	3.527	1.749	1.285
$\Delta KnowBudget$	-10.704	-0.866	0.138 *	0.208 ***	0.176 *
	-1.038	-0.101	1.910	2.600	1.864
$\Delta KnowRetNeeds$	8.669	-4.279	0.020	0.262 ***	0.344 ***
	0.934	-0.555	0.304	3.553	3.934
Age	1.796	-0.835	0.002	-0.022 **	-0.004
	1.400	-0.784	0.200	-2.140	-0.351
Married	1.411	16.500	-0.039	0.040	0.120
	0.055	0.778	-0.210	0.194	0.496

Table 4 continued

	[A]	[B]	[C]	[D]	[E]
	$\Delta ExpDisc$	$\Delta Inv\&Sav$	$\Delta SatAsset$	$\Delta SatInv$	$\Delta SatRet$
#Household	7.168	-12.003 *	-0.085	-0.015	-0.113
	0.854	-1.723	-1.396	-0.226	-1.428
Ln Asset	-3.320	1.548	-0.014	0.044	-0.051
	-0.655	0.368	-0.390	1.093	-1.054
Ln Income	-48.394 ***	34.998 ***	0.079	-0.008	0.034
	-4.238	3.691	1.074	-0.096	0.353
N	216	216	216	216	216
R2	.139	.126	.173	.275	.274
Adj. R2	.084	.070	.121	.229	.228
F	2.529 ***	2.243 ***	3.885 ***	5.949 ***	6.775 ***
Sig.	.003	.009	.000	.000	.000

See Table 1 for variable description. t-stats below coefficients. *, **, and *** denote statistical significance at 10%, 5%, and 1% levels, respectively. Statistical and economic significances of the coefficients for major variables do not materially change in models C, D and E when $\Delta Inv\&Sav$ and $\Delta ExpDisc$ are controlled for in the regressions.

Columns C, D and E in Table 4 report the results of the regressions of the financial satisfaction variables against attitude and knowledge variables along with control variables. Improvement in satisfaction in asset size and types ($\Delta SatAsset$) is positively related to financial planning and budgeting knowledge ($\Delta KnowPlan$ and $\Delta KnowBudget$). Satisfaction in general investment ($\Delta SatInv$) is positively related to the knowledge of financial planning, budgeting and retirement needs analysis ($\Delta KnowPlan$, $\Delta KnowBudget$ and $\Delta KnowRetNeeds$), while satisfaction in retirement savings ($\Delta SatRet$) is positively related to budgeting and retirement needs analysis knowledge ($\Delta KnowBudget$ and $\Delta KnowRetNeeds$). Thus, H2 hypothesis is also supported.

Since Dowling, Corney and Hoiles (2009) found that financial management behaviours such as savings, budget and credit card payment are positively related to financial satisfaction, we also included behaviour variables, $\Delta Inv\&Sav$ and $\Delta ExpDisc$, in the financial satisfaction regressions in columns C, D and E. Statistical and economic significances of the coefficients for major variables do not materially change in models C, D and E, when $\Delta Inv\&Sav$ and $\Delta ExpDisc$ are controlled for. None of the attitude variables, however, are related to client satisfaction.

Our results are consistent with the US-based studies by Hudson and Palmer (2014), and Winchester and Huston (2015), which found positive relationships between financial advice and desirable savings and retirement preparation behaviours. Hudson and Palmer (2014) used the 2010 Survey of Consumer Finances sponsored by the Board of Governors of the Federal Reserve System, while Winchester and Huston (2015) used a survey sample of 662 middle class and

1751 affluent households with income levels in the \$35,000-\$99,999 range. On the other hand, Rickwood *et al.* (2017) surveyed Australians aged between 30 and 65 who self-reported that they had spare money to save for retirement in addition to the compulsory superannuation guarantee levy (SGL) received from their employer. Using a sample of 289 affluent respondents, they found that respondents' attitude towards regular savings and meeting with a qualified financial planner and/or accountant positively influence their behavioural intentions to save and meet professionals.

Conclusion and Discussion

On average, 216 clients of professional FP services provided between April 2012 and February 2015 by a large independent planning company in South Korea experienced improvements in their attitudes toward goal-setting importance, future time preference and early planning, and in their knowledge of financial planning, budgeting and retirement needs analysis. In addition, their financial satisfaction levels improved in the areas of asset, investment, and retirement savings. On average, our sample clients reduced discretionary and untraceable expenditures by \$601 per month (13% of monthly income) and increased total investments by \$640 per month (14% of income) compared to the pre-planning levels. These remarkable changes in financial behaviours among the clients of an independent FP firm are significant and promising in practical implications. The results point to further motivation of financial planning and counselling among the middle class in South Korea.

This study finds significantly different impacts of two aspects in FP service: attitude and knowledge. Financial attitudinal changes affect financial behaviours such as expenditure reduction and investment/savings for our sample clients, while financial knowledge changes do not. Financial satisfaction measures of the clients, however, are not influenced by financial attitudes but by financial knowledge. Although the results suggest that individual perception of being more capable of personal financial tasks does not necessarily induce actual financial behavioural changes, the increased level of financial satisfaction through gains in financial knowledge is still very important in client retention and thus sustainable positive financial behaviours. The practical implication of our study is that simultaneous improvements in retirement savings behaviour and financial satisfaction can be achieved through professional FP services as opposed to financial education or counselling alone. Financial planning practitioners need to consider these two complementary factors in designing and examining the effectiveness of FP services in order to achieve sustainable improvements in clients' financial behaviours.

While the studies of the US and Australian consumers relied on *self-reported* measures of financial behaviour or intentions to use a professional to save, our study directly measures expenditure and savings/investment behaviours as well as asset and income levels. In addition, Jacobs-Lawson and Hershey (2005) found financial knowledge related to *self-assessed* retirement saving behaviour, but we contribute to the literature by providing empirical evidence that improvements in financial knowledge are not related to *actual* behavioural changes in retirement savings and expenditure reduction among our sample consumers in South Korea.

Unlike the US and Australia where FP is very popular, the FP market in South Korea is still developing. In 2016, the Korean government introduced a classification of Independent Financial Advisors (IFA) who can receive fees for FP services but cannot receive commission as they can only recommend financial products to clients. Although this is a well-intended initiative to promote more advice-based business in FP industry, there would not be a sufficient number of clients willing to pay fees for FP services while such fees are standard in the US and Australian FP industries.

When we consider the recent significant increase in household debt (about USD1.3 trillion in 2017, an 8.1% increase from 2016), the excessive portion of residential property in retirement assets, rapid ageing of the population, and over-reliance on insufficient national welfare, promotion of FP services is crucial for the whole Korean society. As our results imply a positive impact of FP services on the clients' financial behaviour and satisfaction, policymakers need to consider promoting independent FP services in Korea. One way is to improve awareness of the benefits of independent financial advice by professionals with industry certification like CFP® and AFPK®. Another is to allow financial planners to use a range of models to charge their clients for providing advice, like a hybrid model that allows both commission and fee-for-service. Policymakers may also consider subsidising independent FP services for those who need but cannot afford the services, including young, minority and single-parent consumers.

For future research, difference in differences (DID) analysis may be used with a control group of people who did not utilise FP services. In addition, complex relationships between financial attitude, knowledge, behaviour and satisfaction need to be further analysed because financial education may improve both financial knowledge and attitudes (Batty, Collins and Odders-White, 2015).

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