



# Recalling Confidence for Better Outcomes

## A Simple Exercise

**Remember a time when you felt highly confident with your personal finances.**

**Don't rush. Really take this moment to form a strong memory.**

**Do you have it?**

Are you ready for a bombshell? The memory you just recalled—where you felt good about your personal finance situation—is just as likely to be another individual's negative memory.

A recent study demonstrates that it is common for individuals to single out a comparable financial experience that stimulates diverging sentiments. For example, when asked to recall a low-confidence experience, 32 individuals responded with a memory related to credit and loans. By contrast, 28 individuals noted credit and loans as an experience that made them feel confident. A similar divide is exhibited for a variety of financial experiences, from making a major purchase to paying bills. Unsurprisingly, unexpected expenses or major losses were only recalled as low-confidence experiences, and discretionary spending was only recalled as a high-confidence experience.

Recalled financial experience	Number of people reporting as a low-confidence experience	Number of people reporting as a high-confidence experience
Paying, or paying off, routine bills	57	46
Job decisions or changes in income	29	36
Applying for, refinancing, or establishing loans or credit	32	28
Making a major purchase	88	49
College expenses and funding sources	40	12
Investments and savings	23	52
Discretionary spending	0	43
Unexpected expenses or major loss	33	0
Establishing financial habits	1	9

n = 491; only select responses shown

Researchers find that recalling past experiences can especially impact financial confidence, which may determine whether or not desirable financial management behaviors are cultivated. It is important for personal finance practitioners to be aware of varied reactions to financial experiences when teaching concepts. Moreover, in helping people achieve a frame of mind that is conducive to learning about personal finance, it is critical that practitioners be mindful that reactions to experiences are not always consistent.

## ABOUT THE STUDY

In this study of 491 adults, ages 18-25, in an online environment through Amazon's Mechanical Turk platform<sup>1</sup>, individuals were exposed to a confidence framing exercise that asked them to recall and write down a positive, neutral or negative financial experience. At the completion of the framing exercise, some watched a six-minute video on emergency savings while others watched a video unrelated to personal finance. Finally, all participants answered questions about their confidence, knowledge and financial management as it applies to emergency savings. Those that watched the emergency savings video displayed a higher average confidence score than those who watched the non-financial video. Notably, individuals that watched the emergency savings video did not have a statistically different average score on knowledge or financial management.

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Those that had their confidence manipulated by recalling a time they felt happy or excited about a financial experience had a higher average score on financial management. The inverse was true for those who were asked to recall a time they felt doubtful or uncertain.

## RESEARCH TO PRACTICE

Before teaching a lesson, consider having learners or clients pause for a moment to remember a time when they felt confident in life—whether or not in a financial context. Have learners write it down or share within pairs or the group. This activity alone can remind learners or clients that they are competent and capable in some aspect of life—which can be harnessed or utilized when it comes to personal finance.

<sup>1</sup> Amazon's Mechanical Turk Marketplace (M Turk) is an online platform where businesses and researchers can pay people to perform tasks such as taking surveys or transcribing audio recordings. In the research world, it is common to use M Turk to gain access to a diverse sample of study subjects.



## Citation

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