Are You a Wealthy Type?

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Forty-three percent of the Baby Boom generation will not be able to retire. Fifty percent of Generation X will not be able to retire. The generation behind them isn't doing much better -- college borrowing is up 85% over the past five years and a quarter of college students carry a credit card balance of $3,000 or more.

That's all scary. But it's someone else's problem, right? The government, your husband, your ex-husband, your wife, your employer – somebody should take care of you, right? Wrong.

Reasons for the Study

We've all heard the basics of how to take care of yourself and your loved ones when it comes to money: spend less, save more, and invest what you save. Yet few do it. Most live in fear, or make excuses, or both. We take actions (or more accurately, don't take actions) that ultimately hurt us and those we love. Why? That's what this study sought to find out.

Traditional psychology takes the stand that fear, greed, a gross lack of self-discipline, and a few other hideous assorted ills cause this ultimately self-destructive behavior. But with so many people unprepared for retirement, and skyrocketing debt, could so many people *really* be so weak? I don't buy it.

In an effort to create a more positive and empowering approach to improving one's own finances, I hypothesized that our behaviors are significantly influenced by our gender and our psychological type, most widely recognized through the Myers-Briggs Type Indicator®, or MBTI®. Over 1,000,000 people take the MBTI® every year, making it one of the most readily available tools for use in the study.

I've worked with the MBTI® for 10 years in my management consulting practice, and have often seen clients use the insights gleaned from this instrument to become more effective in their work and their relationships.

I wanted to see if these same insights could also help people become more adept and confident in managing their money. I knew, however, that when it comes to money, most women have a more complex relationship than do most men, so I was certain to establish hypotheses that focused on the intersection of Type and gender, and to sort all data by gender *and* Type, not just gender *or* Type.

The study indicated that in fact, one's relationship with money -- and to a lesser extent, one's management of money -- is highly correlated with Type and gender.

The Study

The Wealthy Types study was conducted November 22 – December 10, 2006. It is the first study to explore the impact of both gender and psychological type (as measured by the MBTI®) on feelings, attitudes and behaviors involving money. It is one of only two quantitative studies ever conducted on psychological type and money.

Participants included 115 men, 156 women, and 18 others who did not identify their gender. Most were college-educated professionals residing in the United States who responded to an email campaign to recruit study participants.

The data was analyzed at the 90% confidence level, with individual questions at the 90% +/-12 level of confidence. In plain English, we can be pretty darn sure that these results can be explained by Type and gender, and that participants didn't randomly answer the questions without thinking about them.

Helene Cahen of Strategic Insights provided independent analysis of the data. Data transfer and preliminary diagnostics were overseen by Jennifer Berkeley of The Insight Advantage.

Key Findings

Similarities

There is some good news:
- 88% feel they understand trade-offs between spending, saving, and investing (although there is some indication from other survey items that they may not)
- 87% take responsibility for success
- 82% have financial goals
- 80% know how much they make and spend
- 78% save some money regularly

However, a significant minority feel:
- Scared about making mistakes (41%)
- Overwhelmed by the jargon (30%)
- Overwhelmed by all they don't know (36%)

Men

Men were significantly more willing to take risk and accept failures, and were more likely to manage their finances independently:

- 25% of the men say "*I feel overwhelmed with all I don't know*" compared to 44% of women
- 60% of men seek investments on their own compared to 40% of women
- 74% vs. 61% of women say they know they will have financial failures

Women

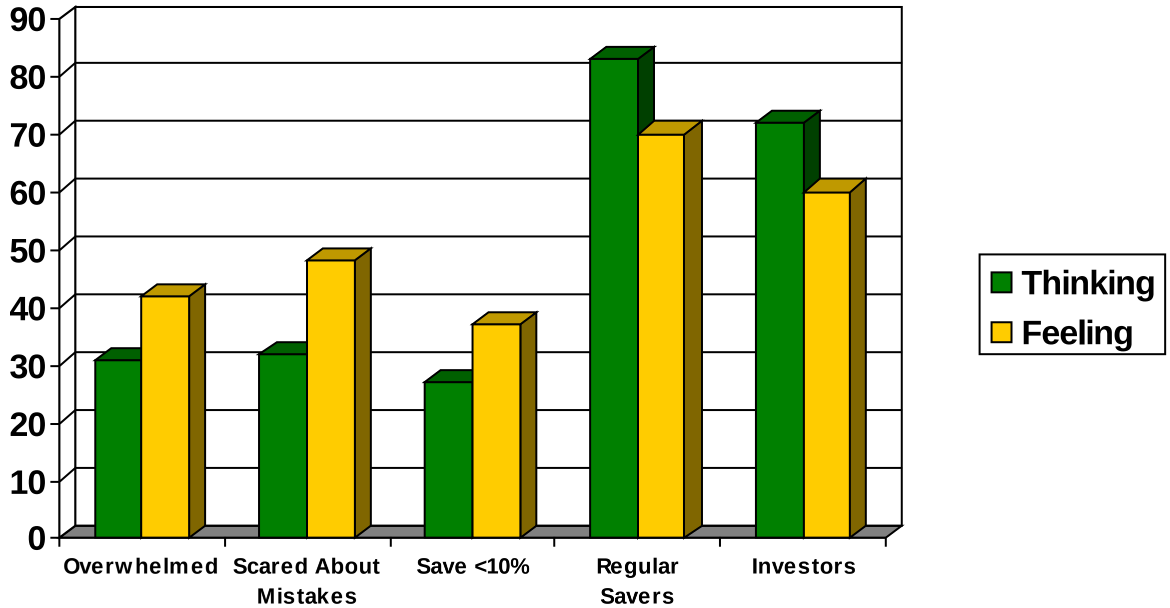
Women were significantly more likely to be overwhelmed, seeking help (but not necessarily trusting professional advisors), or ignoring their finances.

- 38% of women vs. 22% of men say they feel overwhelmed by all of the jargon
- 25% of women compared with 10% of men say they ignore their personal finances
- 36% of women compared with 24% of men say they are too busy to think about it now
- 36% of women use an advisor from a brokerage or insurance agency compared to 25% of men
- 41% of women vs. 30% of men use a Certified Financial Planner

Thinking vs. Feeling Preference

Thinking Types (those who prefer the objective and impersonal aspects of decision-making) seem to have significant differences with Feeling Types (those who prefer the subjective and personal aspects of decision-making) regarding financial issues. For more information about the Thinking and

Feeling preferences, please see Appendix A: Psychological Type and Study Hypotheses.

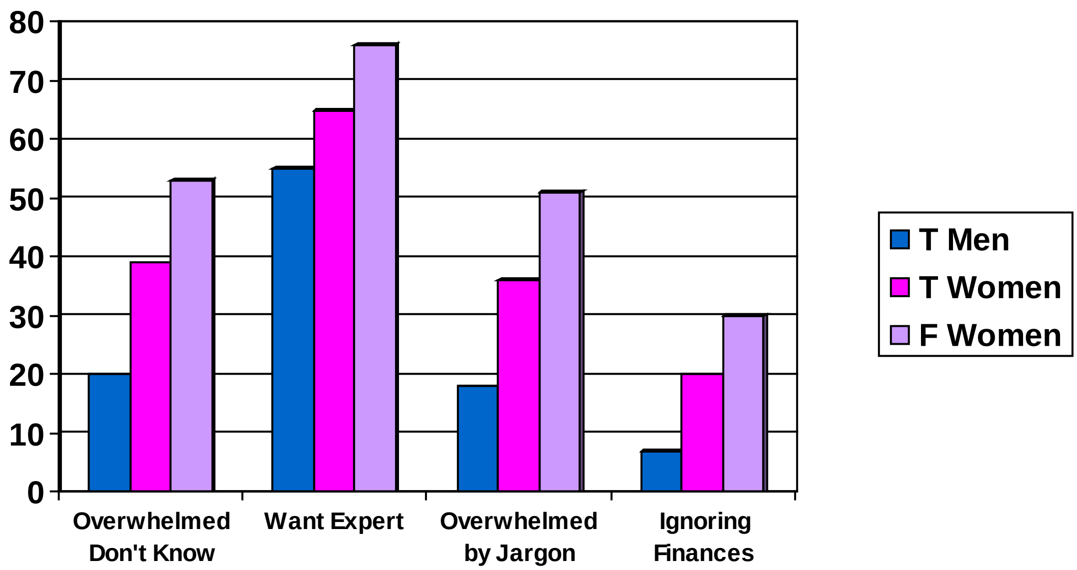


The Feeling group was also less likely to:

- Own a home
- Have a brokerage account
- Measure their progress or make adjustments accordingly

This is of particular concern because the Feeling group was actually slightly older than the Thinking group.

Many issues appear to be impacted by both Thinking/Feeling preference and gender:



I am unable to provide data about men who prefer Feeling, because there were not enough participants in this group to provide statistically sound analyses.

Judging and Perceiving

Those who prefer Judging generally see themselves as plan-oriented, seeking more decisions and closure. Those who prefer Perceiving generally see themselves as more open-ended, seeking more information and options. For more information about the Judging and Perceiving preferences, please see Appendix A: Psychological Type and Study Hypotheses.

Judging Types of both genders are:

- More interested in managing their finances
- More savvy about managing their finances (as indicated by five questions about financial savvy)
- Having more fun managing their finances (44% of Judging Types vs. 35% of Perceiving Types)
- Better diversified in their investments

The more alarming findings in the study involve Perceiving women, who are in trouble:

- Ignoring their finances (32%)
- Living in denial, believing, "I'm too busy to deal with it right now" (44%)
- More overwhelmed by all they don't know (41% vs. 30% of Judging women)
- More bored with the whole process (36% of Perceiving women vs. 25% of Judging women)

Perceiving women have among the lowest:

- Incomes
- Participation rate in all types of investments, savings, and other financial vehicles
- Net worth

And yet:

- Perceiving women are the oldest group in the study
- Half are the primary decision-maker in their households
- One-third make financial decisions jointly with their spouses

Next Steps

The survey has been reopened and is available at:
www.selbygroup.com.

I warmly invite everyone to participate. The more participants we have, the more meaningful analysis we can do, including Feeling men, who were under-represented in the first study, and researching other aspects of personality type which were under-represented in our first sample, so could not be analyzed at all.

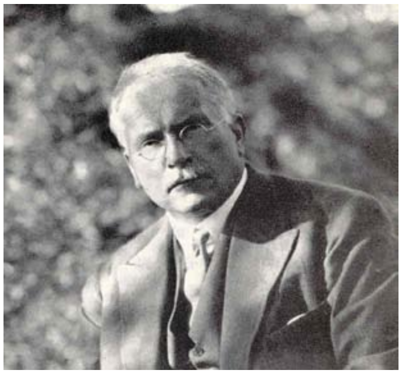
Tips for All Types: How to be More Successful with Your Money Regardless of Your Psychological Type or Gender

During the process of building the survey, as well as in advance of it, I did quite a bit of reading on the attitudes and behaviors of people who are successful at managing their personal finances. For what it's worth, here are four tips, backed by solid research:

1) *Attend at least one seminar which focuses on financial planning for retirement.* In a 2004 study conducted by Annamaria Lusardi, Professor of Economics at Dartmouth, those who had attended retirement seminars had a 20% increase in net worth.
2) *Do "a lot" of retirement planning.* In a separate study, Lusardi teamed up with Olivia Mitchell, Professor of Insurance and Risk Management at the University of Pennsylvania and Executive Director of the Pension Research Council. Their question was simply: How much retirement planning have you done? Options were: a lot, a little, or hardly at all. Those who said, "A Lot" had a net worth of $200,000 compared to $84,000 for those who choose "Hardly At All."
3) *Be able to calculate simple compound interest.* Lusardi and Mitchell quizzed people on simple calculations. Those who grasped compound interest had a median net worth of $309,000 vs. $116,000 for those who missed the question.
4) *Make a plan that you understand, review it from time to time, and make adjustments accordingly.* This was the consensus of nearly every financial advisor quoted in any publication, as well as those I interviewed, regardless of their background, industry affiliation, or specialty.

Appendix A: Psychological Type and Study Hypotheses

Although there are four aspects of this particular personality model, this study indicated that only two were relevant to personal financial management, so I will focus only on these, which include how one prefers to deal with the outside world, and decision-making.



Carl Jung

Carl Jung's theory (on which the MBTI is based), states that, when dealing with the outside world, an individual will generally prefer to make decisions or to seek out additional information and options.

Those who prefer to seek out additional information and options are called *Perceiving Types* and often describe themselves as spontaneous and willing to turn on a dime.

Those who prefer to make decisions when dealing with the outside world are called *Judging Types*, and often describe themselves as planners, with an orderly approach to nearly everything from the time they eat lunch to how they complete their work.

I had no hypotheses for how Perceiving and Judging would impact personal financial management, but as it turned out, these were some of the most interesting and important findings in the study.

Let's turn to decision-making. All of us have an objective and impersonal side to our personalities as well as a subjective and personal side. In Carl Jung's model, these two sides of the personality are called Thinking (the objective/impersonal) and Feeling (the subjective/personal).

Both the Thinking and Feeling functions of our personality are involved in any decision we make. However, each of us tends to find one more energizing than the other (and often, more familiar, trustworthy, and comfortable), and this is called our *preference*. So if I tell you I am a *Feeling Type*, it doesn't mean I am in touch with my feelings and am a creative and sensitive person. It simply means that the subjective and personal aspects of decision-making are by nature more energizing, familiar, trustworthy, and comfortable for me. As we age, preference tends to remain the same, but the non-preference does typically become more comfortable and familiar, from years of use.

Financial decision-making involves *a great deal* of impersonal and objective decision-making, such as researching which stock fund in your 401(k) plan had the best five-year performance record and the tenure of the fund manager. However, financial decision-making involves *only a little bit* of subjective and personal decision-making, such as reflecting on the higher personal values that you can serve by saving and investing toward your retirement, an example of which might be the personal value of not being a burden on your family in your final years.

My hypothesis, then, was that Thinking Types, being more drawn to the objective nature of the task, would have greater confidence and involvement in managing their money.

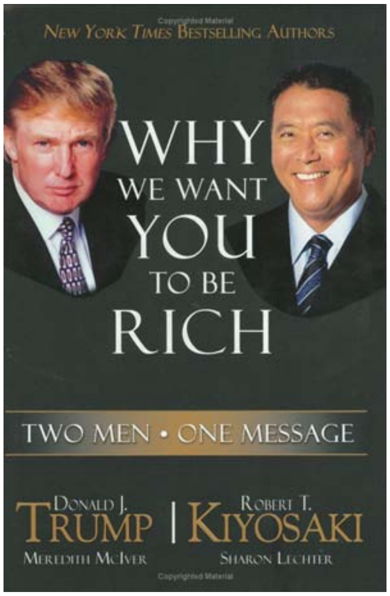
Adding gender to the mix, however, makes for a more complex set of attitudes and behaviors. We are frequently exposed to messages in the media indicating that financial management is “men’s work,” and definitely not something of interest to a lady. Certainly, for baby boomers and the generation before them, there were plenty of direct messages that this should be left up to the husband and a good wife shouldn’t doubt him about such things.

Women’s media is filled with advice on how to spend money, and occasionally a minor tidbit on how to spend a little less money (clipping coupons, shopping seasonal sales, saving on home remodeling, etc.).

By contrast, financial media is filled with images of men, books written by men, male editors of the financial press, and male CEO’s leading big businesses.

There are so few women that they are often clumped together in articles such as “The Top Women to Watch in Finance,” and there are so few female financial writers that most people can name almost all of them by memory (Suze Orman, Jane Bryant Quinn, and more recently, Jean Chatzky and Kim Kiyosaki).

On the following page, you will see two recent examples.



Note how both Trump and Oprah are billionaires ($2.4 billion and $1.5 billion, respectively), but while Trump's book is about becoming rich, building personal wealth doesn't make the cover of Winfrey's magazine. If any woman in America is more qualified to advise people on how to become financially successful, I don't know who it would be. Her life began in poverty. Trump, by contrast, started with the advantage of working for his successful father, real estate developer Fred Trump. Yet, who is presenting a public image of a money-maker, who is not?

Feeling Types typically have more porous personal boundaries, so they tend to pick up more of these messages about who they should or shouldn't be. Thinking Types typically have sharper, less permeable personal boundaries, and pick up fewer messages about who they should or shouldn't be. Our boundaries can be both asset and liability, as at times it is beneficial to shut out messages from others and at times it is vital to let these messages in.

Combining Type theory with social messaging, then, my hypothesis about personal financial management was that we would see the following patterns:

- *Thinking men:* the constant messages that this is men's work mostly bounce off of them, but it doesn't impact their relationships with money, because their Thinking preference draws them to the work of managing their finances
- *Feeling men:* the signals that this is men's work are absorbed by Feeling men, leading them to be drawn to the work of managing their finances because that's what a real man and a good man does and does well

- *Thinking women:* a somewhat more complex relationship with money emerges here, because the Thinking preference draws them to the tasks and sets clear personal boundaries, yet the unrelenting messaging that it's not feminine to manage your money and become financially successful creates a logical inconsistency which is annoying at best
- *Feeling women:* the most complex relationship with money happens in this group, because the Feeling preference draws them toward other activities while finding the typical activities involved in personal financial management to be dull, overwhelming, or scary. Meanwhile, they absorb constant messages that a man should be taking care of this, and would do a better job.

The study indicated that the hypotheses about Thinking men, Thinking women, and Feeling women are true. Once the sample contains enough Feeling males (a minimum of 50), we will test this hypothesis as well. We will also sort Thinking and Feeling Types together, regardless of gender, to see what this analysis yields, if anything.

Appendix B: Wealthy Types Survey Questions

1. Using no more than two sentences, please describe your feelings about managing your personal finances.
2. Thinking about the way you feel about managing money, how much do you agree or disagree with the following statements:
    a. I feel scared about making mistakes
    b. I feel bored with the whole process
    c. I feel overwhelmed by all I don't know
    d. I feel worried about the future
    e. I don't understand how to manage my personal finances
    f. I am overwhelmed by all of the jargon
    g. I want direction from an expert
    h. I understand the relationships between my spending, saving, and investing choices
    i. I know that I will have financial failures
    j. It's interesting to manage my personal finances
    k. It's fun to manage my personal finances
    l. I accept total responsibility for my financial success
3. Thinking about the actions you take in managing your money, how much do you agree or disagree with the following statements?
    a. I have developed the habit of saving on a routine basis
    b. I (or my spouse/partner and I) know how much I/we make and how much I/we spend
    c. I (or my spouse/partner and I) have a budget or spending plan
    d. I (or our) budget/spending plan is less than our total income
    e. I/we do not spend more than is in our budget/spending plan
    f. I routinely seek out financial education (magazines, books, websites, seminars, or other financial education) to improve my ability to manage my personal finances
4. Actions
    a. I have attended at least one seminar which focused on financial planning for retirement.
    b. How much retirement planning have you done?
        i. A lot
        ii. A little
        iii. Hardly at all
    c. Just for fun; let's say you invested $1000 and your investment earned 10% interest every year. How much money do you think you would have in two years?
5. Thinking about the actions you take in managing your money, how much do you agree or disagree with the following statements?
    a. I (or my spouse/partner and I) have financial goals
    b. I (or my spouse/partner and I) have a plan to reach my/our financial goals

   c. I (or my spouse/partner and I) measure my/our progress toward my/our financial goals more or less on an annual basis, and make adjustments to the plan as needed
   d. I actively seek to learn from every financial failure I have
   e. I ignore my personal finances because I'm afraid of what I'll find out if I face them
   f. I am too busy to think about it now
   g. Right now, I have too much debt to think about managing my money
   h. I seek out investments on my own
   i. I participate in investing activities (such as buying a particular mutual fund) that are recommended to me by professional advisors
   j. I routinely review my financial situation and seek to optimize it
   k. I use my knowledge and judgment to make smarter financial decisions involving the relationships between earning, spending, saving, and investing
   l. I have one or more financial advisors (such as Certified Financial Planners, CPA's, attorneys, brokers, insurance agents) but I make my own decisions
   m. I'm an investor
6. Where have you turned for financial advice in the past 24 months?
   a. Certified Financial Planner
   b. Certified Public Accountant
   c. Attorney
   d. Advisor from brokerage or insurance agency
   e. Retirement planning advisors offered through my employer
   f. Financial press (such as Money Magazine, Smart Money, or the Wall Street Journal)
   g. Financial sites on the internet (such as Motley Fool, Smart Money, or Money Clubs)
   h. Books
   i. Classes
   j. Other (please specify)
7. Which types of investments, savings, or other financial vehicles do you have? Please check all that apply.
   a. Emergency fund
   b. Savings account
   c. Retirement account [such as 401(k), SEP-IRA, IRA]
   d. College savings plan
   e. Brokerage account (excluding retirement plans)
   f. Disability insurance
   g. Life insurance
   h. Annuity
   i. Own my home, with or without a mortgage
   j. Other (please specify)

8. Who is the primary financial decision-maker in your household?
    a. I'm the primary financial decision-maker
    b. My spouse or domestic partner is the primary financial decision-maker
    c. Both of us
    d. Financial advisor makes decisions on our behalf; we "rubber stamp" these decisions but do not analyze them ourselves
    e. Other (please specify)
9. Most of my/our assets are in (choose up to three)
    a. Equity in my/our residence
    b. Mutual funds
    c. Stocks
    d. Bonds
    e. Real estate other than my/our primary residence
    f. Other (please specify)
10. Including all savings and investments except for your primary residence (emergency fund, stocks, retirement plan, life insurance, etc.), what percentage of your gross income before taxes do you save in a typical year?
    a. Less than 10%
    b. 11 – 20%
    c. 21 – 30%
    d. Over 30%
    e. Don't know
11. At what age did you first become interested in managing your personal finances?
    a. Childhood
    b. 20 – 29
    c. 30 – 39
    d. 40 – 49
    e. 50+
    f. I'm not interested in managing my personal finances
12. What is your gender?
13. What is your age?
    a. Under 20
    b. 20 – 29
    c. 30 – 39
    d. 40 – 49
    e. 50 – 59
    f. 60 – 69
    g. 70 – 79
    h. 80 or older
14. What is your level of education?
    a. High school or equivalent
    b. Two-year college/some college/trade school
    c. Undergraduate degree

   d. Graduate or professional degree
   e. Other (please specify)
15. What is your level of financial knowledge?
   a. Excellent
   b. Good
   c. Fair
   d. Poor
   e. Nonexistent
16. What is your household situation?
   a. Single
   b. Married
   c. Domestic partnership
   d. Other (please specify)
17. What is your annual household income before taxes, including both passive and earned income?
   a. $0 – 100,000
   b. $100,001 – 200,000
   c. $200,001 – 500,000
   d. Over $500,000
   e. Don't know
18. What is your approximate household net worth (the value of what you own minus the amount you owe in mortgages, credit cards, and all other debt combined) in relation to your annual household income before taxes? For example, if your annual household income is $100,000 and your net worth is $200,000, your net worth is two times your annual income. Please select the answer that most closely resembles your situation.
   a. Less than two times my/our income
   b. Two times my/our income
   c. 3 – 5 times my/our income
   d. 6 – 10 times my/our income
   e. 11 – 20 times my/our income
   f. More than 20 times my/our income
   g. Don't know
19. Have you taken the Myers-Briggs Type indicator® (MBTI®)?
20. What is the first letter of your MBTI® type?
   a. E (Extraversion)
   b. I (Introversion)
   c. Don't know
21. What is the second letter of your MBTI® type?
   a. S (Sensing)
   b. N (iNtuition)
   c. Don't know
22. What is the third letter of your MBTI® type?
   a. T (Thinking)
   b. F (Feeling)

   c. Don't know
23. What is the fourth letter of your MBTI® type?
   a. J (Judging)
   b. P (Perceiving)
   c. Don't know
24. What level of experience do you have with psychological type? Please select the statement that most closely resembles your situation.
   a. I administer and interpret the MBTI®, or otherwise professionally use psychological type, on a routine basis
   b. I utilize the MBTI® or similar tools in my work from time to time
   c. I do not use psychological type professionally, but I routinely seek to further my personal knowledge of type
   d. I have taken the MBTI® or similar instrument, but I do not seek to learn more about type on a routine basis
25. Do you have children who are dependents (under 18, college students, etc.)?
26. Have you recently had, or do you soon expect to have, a significant change in your life situation, such as birth of a child, nearing retirement, children entering college, or starting a new business?
27. If so, how has this event impacted your financial decisions, if at all? Please check all that apply.
   a. Spend more
   b. Save more
   c. Take fewer financial risks
   d. Take greater financial risks
   e. No change
   f. Other (please specify)
28. What is your occupation? Please select the answer that most closely resembles your situation.
   a. Financial services professional (CFP, CPA, Banking, Investment Advisor, etc.)
   b. Other professional
   c. Tradesperson
   d. Retired
   e. Not working
   f. Other (please specify)
29. If you are currently working, what is your employment situation?
   a. Self-employed without employees
   b. Owner of small business with employees
   c. Employee of small organization (less than 200 employees)
   d. Employee of medium organization (200 – 5000 employees)
   e. Employee of large organization (over 5000 employees)
   f. Other
30. Is there anything else that you think is important for us to know about you, your feelings about money, or the various actions you take to manage your money?

Appendix C: About the Author

Jennifer Selby Long
Founder & Principal, Selby Group

Some consultants create brilliant market strategies. Others analyze financial data to find opportunities for their clients. Jennifer's knack is helping clients navigate the leadership and organizational challenges triggered by change and growth. She knows firsthand that great plans often fail because companies don't take into account the human factors that come into play when implementing them.

Jennifer provides leadership and organizational development services to a wide variety of industries and professions. Clients repeatedly hire Jennifer during critical points of change and growth because of her ability to help them identify key areas of improvement and inclusive solutions. Her style is supportive and direct.

She has worked in a wide range of industries, including consumer products, technology, biotechnology, weather services, and law. Her previous experience includes consulting for Arthur Andersen, where she supported the development of their small business consulting practice, as well as training and human resources management positions at Amoco and Nestle´ USA.

The Western Region Chair of the International Association for Psychological Type and past president of the Bay Area Association for Psychological Type, Jennifer is a leading expert in the Myers-Briggs Type Indicator®. She is currently conducting research on how psychological type and gender impact financial behavior. Jennifer teaches in the UC-Berkeley Extension School of Business, Technology, and Engineering, and is a member of the Society for the Advancement of Consulting. She has an MA in organizational communication from the University of Illinois.