SPEAKER NOTES FROM KEYNOTE DELIVERED at PHENND CONFERENCE
President Karen Gross, Southern Vermont College
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**Introduction:**

It is nice to be here with all of you for this important conference. It is wonderful for me to see old friends like Jeanne Hunt and to meet new people. I appreciate Sister Carol Jean Vale's shared ancestry with respect to the Sisters of St. Joseph. I also had a remarkable insight from a participant from La Salle University about the value of my adding a service learning component to the class I am teaching this semester.

I want to thank you, together with President Sister Carol Jean Vale, for the remarkable work you are doing for students, families and communities.

Since I am among many experts at this PHENND conference, it is not easy to come up with a topic on money, finance and fiscal literacy that will engage all of you and provide some insights into the excellent work you already do. I looked at the topics you are all talking about today:

- tax preparation,
- financial literacy,
- debt advice,
- mortgage foreclosures,
- social safety net programming (public benefits)

I looked at the goals of this event and how to involve campuses in these important initiatives. What I have chosen to speak about is why the issues you are addressing at this conference are so very difficult and why they are made all the more difficult by this economic climate (although there are some true silver linings in the otherwise bleak financial sky).

**Money as a Language:**

So, I want to talk about money as a language and why our capacity to speak that language is so challenging. Everything you are doing – all your work – rests on the capacity of your presenters and volunteers to speak money's language to others and for others to be able to share in that learning. So, let me decode money's language a bit today – to the extent that I can – and share with you some clues and tips for helping each other and those with whom you work, speak money's language. I hope, in essence, to provide some meaningful takeaways.

Here's the silver lining -- well one of them: Everyone is talking about money. You don't have to go far to hear it spoken:

- Within families;
- On television;
- On radio;
- In the newspaper;
- At the workplace (assuming employment);
- In government (at every level);
- In the street – on the sidewalks, at restaurants, in car dealerships, in stores.

And, all this talk about money is disquieting – we are not used to it. It is giving us a headache and heartache, and it is stressing us. Part of the reason is because money is a like a foreign language and if you have even been in a foreign land and not spoken the language there, you get a huge head and brain ache.

Let's look at some of the reasons.

First, money is more than dollars and cents, yes, to be sure it is about dollars and cents. But there is a psychodynamic property to money and debt; money is a stand-in for lots of other issues like power, self-worth, control, status, love, security, opportunity… It is a symbol and a very powerful one at that.

That is why teaching about budgeting or financial scams or taxes is so hard and eyes glaze over among participants – it isn't just about money. This is why on campuses, where we offer some fiscal education with respect to student loans, the education does not stick. It is not offered at a teachable moment. It is given as students enter and exit a university – which is a time on the front end when the students are trying to meet their roommates and find their way to the bathroom and on the back end, when students are just striving to get that magical piece of paper for which they have been working.

Teachable moments matter. We are not rational actors when it comes to money and if we were, we would not be in the trouble we are in today. Although many economists would have us believe we are rational economic maximizers, we know this is not true.

Research on behavioral economics and neuroeconomics (topics to which I will return) shows that what drives our consumption decisions, our savings decisions, our money choices is not rational decision-making.

**<u>Jelly Beans:</u>**

Let me give you an example of that --- apart from lotto tickets (although there is a reason we buy them even though we know we will lose --- anticipated good feelings trip off a part of the brain that is similar to a cocaine hit in brain imaging studies) – but, to return to the point, look at the Jelly Bean Syndrome (Note: Jelly beans jars are drawn with beans in them on a flip chart at the presentation):

> Small bowl with 10 jelly beans. 9 are white; one is red. You want red. You have a 1 in 10 chance of getting red.

> Picture a larger bowl with 100 jelly beans. Depending on the experiment, there are 9, 8, 7, 6, 5 red beans. This means you have a less than 10% chance of getting a red bean. At best, you have only 9 red beans and 91 white beans. That is a less than 10% chance. When there are only 5 red beans, you only have a 5% chance of getting RED.
>
> Yet, when presented with both bowls, many people choose the big bowl. Almost 2/3 of the participants in the experiment chose the big bowl when there were only 9 red beans. And, 1/4 still chose the big bowl when there were only 5 red beans.

The technical reason for this choice – which is not rational -- is denominator blindness. I'd like to suggest that this demonstrates that how we act with respect to money and finance is complex and there are many drivers – which gets me to my second major point:

Second, our money choices have complex sources:

1. Family
2. Society
3. Gender
4. Emotion/Mood
5. Brain Hard Wiring.

If we are teaching, talking to and counseling people about money and finance, we have to understand how they got their money language. We need to learn their langua-culture. We need to be sensitive to their money stories, money issues, money problems.

I am not suggesting that we all be money therapists (such people really do exist) but it helps if we understand why complete strangers will not be comfortable addressing money, whether the setting is educational or counseling based (in addition to arithmaphobia which is a topic in and of itself).

Some examples:

<u>Family</u>: Money messaging from family is powerful and often unrecognized. I like to tell a shopping bag story – about a person who buys goods and hangs them in the closet and then answers her husband when he comments on the items: "No, these are not new items; I have had them for months." The point is to ask families about talking, not arguing, about money. Consider your own money messages from growing up (i.e. only the poor go to heaven; you will have friends only because you are rich). Adrienne Furnham's book, <u>The Psychology of Money</u>, is useful in this regard and with respect to the locus of control discussion that is forthcoming.

<u>Societal</u>: Look at advertising - thin, young, beautiful: We can change messaging. Think about the book <u>Nudge</u> by Thaler and Sunstein. Food shopping, cafeteria lines; savings; default provisions can all be structured differently. We can change societal messaging.

Think about our choice architecture!! (We could put the foods we want people to buy at eye level. We could allow people to opt OUT not IN to savings opportunities. You get the idea.

Gender: Women have different perceptions about money than their male counterpart – arithmaphobic, myths and fears about "bag lady" and "Cinderella", different risk quotients; different hard wiring with respect to shopping (women like to touch and feel merchandise – ask yourselves why all the softest fabrics are at the front on a table).

Emotion and Mood: Despite word similarities, we have different rationale for spending ---the drivers behind "overspending" can be diverse – love spenders, depressed spenders, reward spenders, revenge spenders, sale spenders, independence spenders, Jones' spenders.

Also, our anticipated emotions affect the consumption choices we make. If we expect good feelings, we make a purchase.

If we anticipate negative feelings (like now, in today's economy), we don't want to purchase and that might explain the decline in consumer purchasing in the consumer section. We are not getting a good feeling from buying; in fact, we are getting the opposite feeling.

As consumers, we are also not perfect predictors - we can forecast badly - we overestimate consequences and their duration.

Brain Science: The brain science affects purchasing too and this is an emerging science. Purchasing choices impact of our brain chemistry. Some examples are useful. Thrill of anticipated winning also leads to better memory because of activation of the hippocampus; expectation seers memory. Unexpected gains produce a release of dopamine. And, memories last. So, that is part of the reason why gamblers keep gambling – they expect to feel good even if they in fact lose.

Look at Leadership and the Sexes by Gurian and Annis; this book talks about the brain hard wiring differences between men and women and there is an extension of those differences to shopping, decision-making and money choices.

Quote from the book by Zweig, Your Money & Your Brain:

"Women are more risk averse than men. Hormones change financial behavior. The more activity there is the prefrontal cortex, you are more risk averse – and women have more activity in this area."

**What Does All This Mean?**

With these complex and multi-faceted influences, what can we do? How can be help people? How can we improve the way people handle money?

Let me share some initial thoughts:

1. Recognize Complexity. These are not simple issues – there is an important richness here. Really. Money is more than numbers.

2. Things Are Happening Without Your Noticing It. (Charity auctions – failed – bidding on Billie Jean King) Look at things – and see if you are doing things differently (using coupons; not window shopping; not opening bills)

3. Word Choice Matters: Consider the rhetoric today on the failure of consumers to be responsible for the unwise fiscal choices they made. Look at messaging that comes through descriptors like Galas, Festivities, Holidays, Crisis, Depression, Recession.

4. Watch For Avoidance in Consumers – increased non-opening of bills, retirement account balances not being looked at, refusal to get a credit score. We need help seeing, we need help speaking, we need help coping.

5. Shift: We need to move the economic locus of control from an externality to an internality. If you feel out of control, you will act out of control. It is both perceptual and real.

   Take Action – Negotiate With Creditors.

   Evaluate Loan Products – don’t take the first offer – compare and contrast to the extent possible.

   Reach Out Without Commentary – bag ladies, shoeboxes, bags of documents.

**<u>Conclusion:</u>**

Let me conclude with these thoughts:

These are not easy times.

These are not easy money conversations.

But, we can become more empowered to be our own best advocates and if we do that, we will feel more in control.

So, with those five tips above, the world will not be fixed.

I wish I could say the economy will be better tomorrow.

I wish I could say that we are all fiscally literate.

I wish I could say that no one is out there who will take advantage of us.

I cannot.

But, I can say that we can do better --- as parents and as teachers and members of society to be empowered and become our own collective best advocates with respect to money if we can learn its language.

I hope these suggestions are the start of helping you with your work.

I hope that they enable you to speak money's language more effectively and to navigate the current financial times in ways that are beneficial.

I look forward to chatting with you after the program and in the future.

It has been a pleasure being with you.

And I appreciate and respect the work you are doing.  Thank-you.