Chapter 1
Financial Therapy: Establishing an Emerging Field

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Introduction

Financial therapy is an emerging field interested in the evaluation and treatment of cognitive, emotional, behavioral, relational, and economic aspects of financial health.

The Financial Therapy Association (FTA) was formed in 2009 to provide a forum for financial and mental health practitioners and researchers to share their vision of financial therapy.

Of all aspects in life, money is one area that cannot be avoided—we rely upon it for food, shelter, and clothing. Not only do we rely on money to meet our basic needs, money is a fundamental aspect of our sense of safety, security, quality of life, goals, and aspirations. Despite the importance of money and money management, very few high schools or colleges require a money management course. As of 2014, about half of all states in the USA either require a full-semester course on financial education or more likely require that personal finance topics be integrated within an existing high school course (JumpStart 2014). The impact of poor money management can range from overspending and missed credit card payments, to partner and family conflict, to gambling disorder and hoarding, to bankruptcy and legal

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B. T. Klontz et al. (eds.), *Financial Therapy,* DOI 10.1007/978-3-319-08269-1_1

problems. These issues can be influenced by one's attitudes towards and relationship with money. Financial therapy is an emerging field consisting of mostly financial and mental health professionals that addresses the interpersonal and intrapersonal facets of money by "integrating cognitive, emotional, behavioral, relational, and economic aspects to promote financial health" (Financial Therapy Association (FTA) 2014). The major objective of financial therapy is not only to improve financial well-being but to ultimately improve quality of life (Archuleta et al. 2012).

As an emerging field, very few financial therapy training programs have been established to date. Kansas State University has the only known academic program specifically in financial therapy (ipfp.k-state.edu/grad/ft-certificate), although a number of schools offer counseling courses to financial planning students. In regard to traditional mental health programs, none appear to require a course in personal finance (American Association for Marriage and Family Therapy 2004; American Psychological Association 2009; Council on Social Work Education (n.d.), creating a void in a mental health clinician's ability to work with clients experiencing financial issues. This void in psychotherapy training has been identified as problematic by educators, practitioners, and researchers alike (Klontz et al. 2008; Trachtman 1999). However, a core competency requirement of social workers is to "advance human rights and social and economic justice" (p. 5), which lends itself well to the vision of financial therapy.

Financial professionals have traditionally been trained in fields of finance, accounting, business administration, and financial planning, to name a few. The most well-known financial planning programs are registered with the Certified Financial Planning Board of Standards (CFP Board). In 2012, the CFP Board added interpersonal communication skills to their list of principle topics covered in the examination; however, academic programs are still not required to offer an exclusive course on counseling techniques (CFP Board 2014), presenting a gap in technical knowledge and delivery, and implementation of services. Furthermore, financial planning and other financial training programs do not currently address behaviors and attitudes that drive financial decision making.

As with any new field, empirical data and scholarly writings are necessary to establish the area as a field. Since the formation of the FTA in 2009, financial therapy has been rapidly gaining momentum in academic writing. The *Journal of Financial Therapy,* the FTA-sponsored journal, featuring cutting-edge research and the latest theoretical developments in financial therapy, is one such outlet for scholarly publications. Figure 1.1 shows a historical trend of the number of research references related to financial therapy in the past decade and the number of total references on a popular Internet search engine. The number of unique entries was capped at 1000 starting in 2011. While the uniqueness of the references cannot be authenticated past 2011 (i.e., duplicates could have been reported), the number of results related to "financial therapy" in 2013 was over 1500.

As leading researchers and practitioners in financial therapy, we have attempted to gather other leaders to help us explain what financial therapy is and where it is going. This book provides empirical data and theoretical frameworks from which

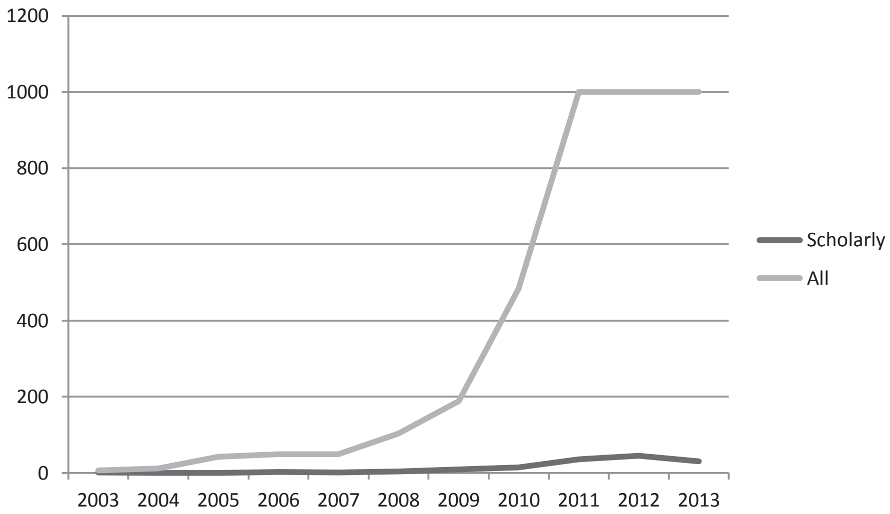

Fig. 1.1 Financial therapy references

the field can build upon in future work. Sections 2 and 3 review practice models that are based on research findings (Section 2) and others that are theoretically based only and in need of empirical testing (Section 3).

Historical Perspective

While it is unknown how early people began using the term "financial therapy" or who should be credited with coining the term, references to financial therapy are found as early as 2001 in Internet searches. A growing number of financial and mental health professionals and scholars who were practicing and studying financial therapy joined together and formed the FTA in 2010, to provide a forum to share their vision of financial therapy. The *Journal of Financial Therapy* was developed shortly after the establishment of the FTA, in which a more thorough historical perspective of the FTA was published in the inaugural issue (McGill et al. 2010).

Financial therapy is a uniquely defined, growing field and can be distinguished from other fields and professions, like financial life planning, financial counseling, and financial coaching. In general, financial planning tends to be proactive and future oriented, utilizing products and services to meet an individual's and family's financial goals (Archuleta and Grable 2011). To become a Certified Financial Planner™, one must meet certain education requirements that address insurance, tax, estate, retirement, and investment planning; write and present a comprehensive financial plan; pass a comprehensive exam; and gain three years of experience. An offshoot of financial planning is financial life planning. The Kinder Institute of Life Planning, an institute practicing and training others in financial life planning, states financial life planning "is based on the premise that advisors should first discover a client's most essential goals in life before formulating a financial plan, so a client's finances fully support those goals" (The Kinder Institute of Life Planning 2014). In other words, life planning is value based. While financial therapy is also based on the premise of values guiding financial goals, it considers beliefs, behaviors, and relationship dynamics that identify, further clarify, or otherwise impact the ability to carry out financial goals. Money and the interpersonal and intrapersonal aspects of one's life are considered to be inseparable (Archuleta et al. 2012). Financial goals cannot be fully achieved and financial well-being cannot be attained without considering the whole person and their relationships with others around them.

Financial counseling tends to be focused on debt and credit counseling, mostly engaging in helping individuals and families change negative situations and behaviors to achieve financial stability (Archuleta and Grable 2011). The Association for Financial Counseling, Planning, and Education certifies Accredited Financial Counselors, who must undergo a rigorous training, examination, and supervision process. Accredited Financial Counselors take two exams—one on financial counseling and another on personal finance (AFCPE 2014). While a financial counselor is likely to approach a client situation from a semi-holistic perspective, the focus is still on financial-specific goals. Financial therapy can be both proactive, like financial planning, and reactive, like financial counseling, all the while considering both financial matters and the psychological and systemic impediments to achieve financial well-being.

In *Facilitating Financial Health: Tools for Financial Planners, Coaches, and Therapists,* Klontz et al. (2008) created a "Financial Facilitation Decision Tree" to help financial professionals differentiate between the services of financial planning, financial coaching, and financial therapy. They suggested that financial stress prompts individuals to seek professional financial advice in any form. This financial stress could be the result of a financial crisis, an inheritance, starting a business, fear about retirement, etc. If the client's financial stress is not associated with significant psychological distress (e.g., anxiety, depression, relationship problems), then traditional financial planning may be all that is needed to help the client achieve financial health. If traditional financial planning advice does not lead to permanent changes in financial behavior, then financial coaching—which might entail identifying and exploring money scripts—could be beneficial. If the client's financial stress is associated with significant psychological distress at the outset of the engagement and/or if financial coaching is not sufficient to facilitate financial health, Klontz et al. (2008) suggested that financial therapy targeting "unresolved emotions and dysfunctional thoughts that keep maladaptive behaviors in place" would be recommended (p. 59).

Klontz et al. (2008) made a clear distinction between "coaching" and "therapy." They argued that coaching is focused on solutions, aimed at optimizing behaviors, and fits into an advisory model, a model quite familiar to financial planners. In contrast, Klontz et al. (2008) wrote that therapy is based on a medical model and involves the diagnosis and treatment of mental disorders. Since the publication of *Facilitating Financial Health,* the financial therapy field has developed to include financial planners, counselors, coaches, and therapists. While we agree with Klontz et al. (2008) that the term therapy has its roots in a medical model, we suggest that the term "psychotherapy" more accurately reflects this type of medically-based intervention. With regard to financial therapy, we see the term therapy as much more inclusive and not limited to the diagnosis and treatment of money-related mental disorders. In fact, *therapy* has multiple definitions and has been defined as both "psychotherapy" and "any act, hobby, task, program, etc., that relieves tension" (Dictionary.com 2014). Furthermore, the term "therapy" has been applied to a range of nonmedically based tension reducing activities in popular culture (e.g., exercise therapy, music therapy, massage therapy, aroma therapy). We argue that financial therapy theory and techniques could be integrated into any and all of the financial professional roles within the constraints of each profession's scope and ethical standards of practice, including financial planning, financial counseling, financial coaching, and financial psychotherapy targeting specific money disorders (e.g., gambling disorder, hoarding disorder, compulsive buying disorder).

We often hear concerns about the use of the term *financial therapy*. These concerns include professional turf arguments about what *financial therapy* is and what it is not, and who should be allowed to use the term *financial therapist* and who should be excluded. For example, we have heard financial planners argue that psychotherapists need degrees or certification in personal finance in order to practice financial therapy. Conversely, we have heard arguments from psychotherapists that financial planners need degrees and licensure in mental health in order to use financial therapy. We encourage readers to not get bogged down in these disputes. Instead, we hope readers will focus on how financial therapy theory, research, and practice may be useful in your financial planning, mental health, coaching, counseling, and/or research work within the scope of your professional practice.

Financial therapy is a young field. As the field continues to mature, additional training programs are likely to develop. As this happens, it may become necessary to regulate the use of the terms "financial therapy" and "financial therapist." Therapy is not a protected term in most states given the wide usage of the word in a variety of professionals and activities, as previously mentioned. To promote financial health—an objective defined by the FTA—it is necessary to evaluate the client holistically. To address cognitive, emotional, behavioral, and relational aspects of financial health, some training in counseling is necessary. To address economic aspects, a basic understanding of personal finance is necessary. Throughout this book, you will be exposed to a number of financial therapy techniques that address the components of the definition set forth by the FTA. Each requires a unique skill set, which typically involves advanced training in cognitions, emotions, behaviors, relationships, and personal finance. While not currently regulated to obtain formal academic training and/or professional experience, formal degree and/or certificate programs in financial therapy are available. In the future, financial therapists may eventually need to be certified or licensed through a regulatory board that has specific educational experience, exam, and continuing education requirements. The following section highlights a few of the reasons we believe that financial therapy is a much-needed field and will continue to grow.

Need for Financial Therapy

> Despite the significant increase in scholarly attention financial therapy has received in recent years, very little empirical research exists on the behavioral aspects of financial problems.

Comments from the inaugural financial therapy forum revealed that an association was needed because (McGill et al. 2010):

- "A need exists to look for what works and how treatment plans can be implemented and incorporated into financial planning practice" (p. 3).
- "There is a lack of research on the effectiveness of practice techniques" (p. 4).
- "There is a lack of teaching materials related to financial counseling and financial therapy. An interdisciplinary approach to helping clients, through a new association, would be a great place to start in filling this gap in teaching materials" (p. 4).

These same comments relate to our rationale for writing this book. A number of pre-FTA research findings demonstrated the link between financial and relational/emotional/behavioral issues. We have highlighted just a few of these findings here to show what we know about financial therapy and what is yet to be empirically explored.

Despite the significant increase in scholarly attention financial therapy has received in recent years, very little empirical research exists on the behavioral aspects of financial problems. This is surprising given that money is the number one source of stress in the lives of Americans (APA 2014). Researchers have also found that money is one of the topmost frequently argued topics among couples (Britt et al. 2010; Zagorsky 2003), and the number one reason for divorce in the early years of marriage (Oggins 2003). Others have found financial problems to be among the primary stressors for women seeking therapy for marital distress (Cano et al. 2002). Borooah (2006) suggested that standard of living is highly associated with life satisfaction; when one spouse is unsatisfied with life (i.e., sad/ depressed), it is highly likely that the other spouse will be negatively influenced (Halford et al. 1999). Others have found similar results of how perceptions of financial issues impact the quality of interpersonal relationships, specifically noting an association between relationship satisfaction and financial satisfaction (Dean et al. 2007; Grable et al. 2007).

Fitch et al. (2007) noted a financial effect that resembles an addictive process. In their study, they found that individuals suffering from a mental health disease were three times more likely to have debt problems than individuals not suffering from a mental health issue. They proposed a conceptual framework that views debt as a spiraling process, where clients progress from manageable to overwhelming levels of debt. This appears similar to the disease concept of addiction, in that compulsive spending, hoarding disorder, and gambling disorder often worsen over time without intervention. The behavior starts out as manageable and progresses into abuse and dependence. It is not uncommon for people in drug recovery to develop money disorders because of the initial perception that financial problems are normal, socially acceptable, and easily hidden from view. Apart from the credit card companies (to a certain extent), nobody cares if an individual maxes out his or her credit card each month and continually fails to make minimum payments because the individual does not have an immediate and direct impact on society. Clearly, that is a misconception, but it is easy to transfer addictive patterns from one behavior to another one that is more socially acceptable.

Potential Uses of This Book

This book is designed for students, practitioners, and researchers of financial therapy. Our goal is to share a historical perspective of financial therapy and lay a foundation for future theoretical and empirical work in financial therapy. *Financial Therapy: Theory, Research, & Practice* is the first textbook of financial therapy, targeting four major audiences who are engaged in financial therapy, including: (a) financial planners interested in the psychology of financial planning and investor behaviors; (b) mental health professionals who want tools to help clients deal with financial stress and treat money disorders; (c) researchers in financial planning, financial psychology, and behavioral economics; and (d) graduate and undergraduate students in financial planning, finance, business, addictions, psychiatry, psychology, counseling, social work, marriage and family therapy, and family studies in universities across the country.

Ethical Considerations

Sections 2 and 3 chapters include ethical issues that should be considered before implementing the techniques or recommendations presented in that chapter. Some of the themes you will see throughout the chapter are similar to what Gale et al. (2012) believe to be the top ten considerations for developing financial therapy into a profession. According to Gale et al., the task of developing financial therapy as a recognized field is monumental due to the vast diversity of professionals practicing some form of financial therapy. Gale et al.'s ten considerations include the following:

- Establishing successful outcomes of financial therapy services
- Developing theoretical models

- Identifying the client of financial therapy
- Defining professional boundaries
- Developing a financial therapy skill set
- Developing assessment tools
- Ensuring knowledge expertise
- Acknowledging power dynamics
- Addressing cultural and spiritual diversity
- Adhering to a code of ethical behavior, professional standards, and best practices

Another notable addition to Gale et al.'s list includes the payment for financial therapy services. When financial therapy is practiced by more than one professional, does one professional accept full payment (possibly through insurance if the person is a licensed mental health professional), and subcontract the services of the other professional? Or do both professionals bill separately? Even if one professional is a licensed mental health professional, should services be billed to insurance as a mental health disorder? What ramifications might this have on the client to be diagnosed with a mental health disorder? If the professional is a financial advisor, should fees be accepted through assets under management? What ramifications might this have on the recommendations presented by the financial therapist? These are all issues that need to be addressed as financial therapy becomes an established field. The FTA is currently working to address these issues and regularly conducts research with its members to help create a viable field and profession. The FTA membership profile is a regular survey sponsored by the FTA, and published in the *Journal of Financial Therapy* as a mechanism to provide a platform for discussion to move the field forward.

The second version of the FTA membership profile (Asebedo et al. 2013) addressed many of the considerations set forth by Gale et al. (2012). In particular, they found that of the 68 responses received, about half of financial therapists are paid by salary or hourly rate and half are paid through fee for service or commission-type arrangements. However, half of those respondents reported that financial therapy made up less than a quarter of their income. About 50 % of mental health professionals surveyed work with a financial professional, whereas 26 % of financial professionals work with a mental health professional. When collaborating with other professionals, the majority of respondents either abided by their own code of ethics or the most stringent of ethics among the professionals. Only 11 % of respondents did not belong to a professional association that required them to abide by a code of ethics. While no formal code of ethics exists for financial therapists, the ethical standards set forth by the American Psychological Association (APA) and the Code of Ethics and Professional Responsibility of the CFP Board of Standards are useful references for setting standards in the field of financial therapy (Klontz et al. 2008). Both sets of standards place an emphasis on providing services in a competent manner, based on adequate education and knowledge. Both also put an emphasis on providing services with integrity and doing one's best to protect the client from harm (Klontz et al. 2008).

One ethical consideration is of particular concern to the integration of financial planning and financial therapy services and worthy of discussion: Mental health professionals providing psychotherapy—including psychologists, social workers, counselors, and marriage and family therapists—are strictly prohibited from entering into "multiple relationships" with their clients (Klontz et al. 2008). For example, a multiple relationship would exist if a psychologist was treating a person for depression and was also engaged in another relationship, such as a romantic relationship or business partnership. This blurring of boundaries is strictly forbidden, due in part to the power differential that exists in the therapeutic relationship, which could lead to undue influence and exploitation of the client as a result of the emotional vulnerability inherent in psychotherapist–client relationships. For example, in the realm of financial therapy, a potentially unethical multiple relationship could exist if a mental health professional was treating a client for hoarding disorder and was also managing that client's investments. In this circumstance, the mental health professional would need to either: (a) refer the client to a different financial planner for asset management services and treat the client's hoarding disorder, or (b) manage the client's assets and refer to a different mental health provider for treatment of the client's hoarding disorder. Attempting to provide both services simultaneously to a client would be unethical.

Ethical considerations become more important when dealing with the integration of professions, specifically around the definition of roles. This is of special concern in financial therapy, which may include financial planners trained in financial therapy and mental health professionals trained in financial therapy and/or financial planning. In these circumstances, it is critical that roles be defined at the onset of a relationship with clients. For the nonmental health financial planning professional trained in financial therapy, it should be made clear to the client that while financial therapy theory and techniques may be a part of the engagement, the financial planner is acting in an advisory role and is not providing psychotherapy for a mental health disorder. A similar distinction should be made when a mental health-trained financial planner is acting in the role of a financial advisor. He or she may be drawing on financial therapy theories and techniques in service of the client, but is acting in an advisory role and is not providing psychotherapy for a mental health disorder.

Future Directions

> Financial therapists reading this book must do their part by educating the public on who they are, what role they are serving for the client, what they do, and what ethical guidelines they are required to follow.

As a developing field, there are a number of areas in which to grow. As mentioned earlier in the chapter, there are not yet education, experience, ethics, and continuing education requirements for financial therapists. This lack of unified standards can be confusing for consumers. Financial therapists reading this book must do their part by educating the public on who they are, what role they are serving for the client (e.g., acting as a mental health provider or a financial advisor), what they do, what they don't do, and what ethical guidelines they are required to follow.

Public awareness of financial therapy will also aid in helping individuals find the right professional to help with their needs. It takes courage to seek help and not feeling helped is frustrating and may lead to refusal of future help seeking. It is advantageous to society to help individuals find the right services the first time to help individuals better themselves and their relationships at home, work, and school.

Lastly, it is critical that more research be conducted in financial therapy. As approaches to financial therapy are developed and refined, it is important that efforts be made to measure the impact these approaches have on client's financial, emotional, and relational well-being. Until the effectiveness of financial therapy interventions can be established, in both the financial planning and mental health worlds, the field of financial therapy will be at risk of irrelevance. However, what may be most promising to the field of financial therapy are the major strides that have been taken within just a few years in regard to theoretical development and research as well as the organization of a formal forum for professional development and information dissemination. This progress is quite remarkable for an emerging field in an infant stage. Both scholars and practitioners who are passionate about financial therapy and want to see the field move forward and succeed have joined forces and are at the helm of these groundbreaking advances that seek to understand how to deal with financial issues in a variety of contexts.

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