

Chapter 2

Theories, Models, and Integration in Financial Therapy

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Introduction

The practice of financial therapy has a long and somewhat undefined history. Research related to the practice of financial therapy is much more recent and easier to track. This chapter identifies one of the largest gaps in the literature—the lack of theoretical frameworks used to frame the research and practice of financial therapy. Theory helps guide practitioners' approaches to improving client behavior and enables the replication of what works. Theory frames how to conduct and evaluate financial therapy.

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In order for work to be replicable and have its effectiveness evaluated, a standardized approach must be developed. To be standardized, theory is generally used to help explain expected outcomes given certain assumptions. To date, there are very few effectiveness studies in financial therapy. A notable exception is in the area of pathological gambling. At least 14 randomized psychotherapy trials have been published on the treatment of pathological gambling (Cowlshaw et al. 2012). However, the treatment approaches are strictly psychological in nature and do not include financial

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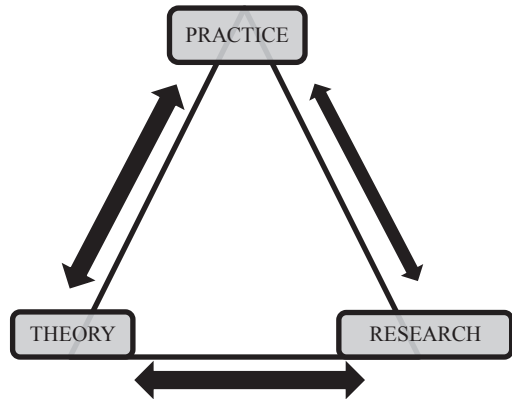
planning components. Perhaps the first study to integrate psychotherapy with financial planning was conducted in 2008, when Klontz and associates completed a study of the treatment of disordered money behaviors. His team tested a specific model of financial therapy that integrates personal finance education with experiential group therapy treatment within a short (6 days) residential program. The treatment focused on identification of problematic financial behaviors and resolution of associated unfinished business (Klontz et al. 2008). Immediately following treatment, the participants showed a decrease in psychological distress, anxiety, and worry about finance-related situations and showed an increase in general financial health. These improvements were retained at a 3-month follow-up testing. A critical aspect to making Klontz et al.'s treatment approach replicable is their use of a theoretical base.

Evaluating research can be a tricky task without a philosophical and practical base. Klontz et al. (2008) approached their study from an experiential therapy practice framework. This framework is grounded in an existential-humanistic philosophy and has been applied to other problematic behaviors. Their unique contribution was applying an existing framework (i.e., experiential therapy) to a new problem (i.e., financial issues). While this is a great way to advance the field, it is possible that new theories could be developed specifically for financial therapy. However, this is a much more cumbersome task. In this book, the authors of Sections 2 (Financial Therapy Research-Based Models) and 3 (Financial Therapy Practice-Based Models) have applied existing theoretical frameworks to financial therapy practice. In Section 2, the models presented have some evidence to support the use of the framework in financial therapy, while Section 3 is more exploratory and hypothetical in nature. Both sections need further testing to validate their effectiveness in financial therapy practice and to become evidence-based models of practice.

What is Theory?

Critics may argue that theory is boring, impractical, not related to reality, and therefore irrelevant. Theory is often thought of as something only scholars care about because they have no practical experience. However, theory is incredibly important to the development of a field as it serves as the foundational building blocks that provide common ground. Theory can be useful to summarize knowledge, to help people do things, and to guide research (Shoemaker et al. 2004). Bengston et al. (2005), in describing family-oriented theories, emphasized that theory is crucial to the expansion of knowledge about families and family relationship processes. Without theory, the application of research findings is limited and the advancement of knowledge in a field is stunted. This directly applies to financial therapy. As an emerging field, theory will help shape the knowledge, understanding, and explanation of how psychological, emotional, and relational aspects of individuals and families intersect with finances. Financial therapy theory will provide the framework for conceptualizing the etiology of such things as financial stress, money disorders, and financial struggles in couples and families. Financial therapy theory

Fig. 2.1 The interrelationship of theory, research, and practice



will provide the lens through which researchers explore such things as financial attitudes, financial behaviors, and their consequences. Financial therapy theory will provide the foundations from which financial therapy interventions are developed, modified, and evaluated.

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Theory is essentially an organized set of interconnected ideas (White and Klein 2002), with the ultimate goal of explaining and predicting a phenomenon (Shoemaker et al. 2004). Without good theory, researchers cannot conduct sound research, and practitioners cannot implement effective interventions or provide helpful recommendations to their clients. At the 2011 Financial Therapy Association annual conference, Archuleta and associates depicted (as shown in Fig. 2.1) the importance of theory and how theory, research, and practice are interrelated rather than isolated functions. Theory and practice have traditionally been thought of as opposites where one is focused on how to “think” and the other is focused on how to “do.” Figure 2.1 shows that (a) practice should inform theory and what research is being conducted, (b) research should be informed by theory and what practitioners are doing, and (c) theory should inform practice models and research design. This integration allows for theory to evolve and expand in response to new findings and ideas on how to do things, allowing for better explanatory power, improved predictability, and, ultimately, increased usefulness.

Imagine if research was conducted without theory. There would be no way to coherently approach or explain the findings of a study. Now, picture a practitioner not using theory. How does a practitioner make sense of clients’ behaviors? How does a practitioner know what kind of technique to use when a client behaves in a certain way or brings up a particular issue? Without having a lens through which to explain

what is going on or predict what will happen if a client continues down a certain path of behavior, a practitioner is simply guessing as to what to do next. Does theory require us to have only one way of looking at a phenomenon? Absolutely not. In a diverse field like financial therapy, our professional training and backgrounds are very different, which may allow us to look at the same situation from different points of view. A mental health clinician may look at a situation using a different theoretical lens than a financial practitioner. However, neither professional would be wrong; they are simply making different assumptions and describing different aspects of the same phenomenon because they are using two different theories. Our theory of choice will depend on our point of view and how we see the world (Ingoldsby et al. 2004). The majority of this book is dedicated to various types of theory or theoretically informed practices.

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To understand what theory is, it is important to understand that scientific theory can vary in scope of content, ranging from narrow to broad, and level of abstraction from low to high (Doherty et al. 1993), and is comprised of *assumptions*, *concepts*, and *propositions*. Assumptions are theoretical statements that are taken for granted or assumed to be true and may or may not be testable (Shoemaker et al. 2004). Assumptions serve as the core of a theory (Ingoldsby et al. 2004). A concept is a general idea that serves as a building block for a theory. A concept is sometimes used interchangeably with the term construct (Shoemaker et al. 2004). Generally speaking, a concept refers to an abstract idea and a construct refers to a broader abstract idea. Variable is another term used when referring to concepts of theory. Variables measure concepts and can take on two or more values (e.g., male or female; Shoemaker et al. 2004). Propositions describe the relationship between two or more concepts. More than one proposition must exist for a theory to be formulated (White and Klein 2002). If only one proposition is present, it is simply a hypothesis rather than a theory.

Good theory should be able to describe in detail, predict with accuracy, and be applied to a broad range of cases (Ingoldsby et al. 2004). According to Doherty et al. (1993), there are 17 criteria to evaluate good theory, which include the following:

- Richness of ideas
- Clarity of concepts
- Coherence of connections among concepts,
- Parsimony
- Clarity of theoretical assumptions
- Consistency with its own assumptions
- Acknowledgment of its socio-cultural context
- Acknowledgment of theoretical forebears

- Acknowledgment of underlying value positions
- Potential for validation and current level of validation
- Acknowledgment of limits and points of breakdown
- Complementary with other theories and levels of explanation
- Openness to change and modification
- Ethical implications
- Sensitivity to pluralistic human experience
- Ability to combine personal experience and academic rigor
- Potential to inform application for education, therapy, advocacy, social action, or public policy (see Doherty et al. for a complete discussion on each of these criteria)

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Although all of these criteria are important, the most salient to financial therapy is related to richness of ideas, clarity, coherency, parsimony, and potential to inform application. Without these criteria, theory will be difficult to develop and implement as well as to teach consistently to future financial therapists.

In summary, theory can be used to help explain or predict relationships between variables. It helps explain what may happen under given circumstances. It helps explain why certain behaviors and processes occur as they do. It helps us understand and measure phenomenon of interest. Basically, theory helps a practitioner and researcher see the trees through the forest by providing a consistent way to approach a situation. Theory allows practice to be tested for effectiveness, ultimately improving client satisfaction and outcomes.

Theoretic Integration and Technical Eclecticism

The use of theory in practice has been a central aspect for psychotherapy training programs. Training for psychotherapists involves learning many distinct clinical theories that can be used to help clients achieve goals. Like psychotherapists, financial therapists can benefit from training in multiple theories and theoretically informed modalities. As mentioned previously, theory can help financial therapists make sense of what is going on and know what to do when working with a client. However, it is rare for a psychotherapist to adhere to just one theory of psychotherapy in their work with clients. Even if they happen to work from just one theoretical base, many will borrow techniques from other theories to use with clients. Technical eclecticism describes an approach to the integration of theories and techniques, which predominates the actual practice of psychotherapy (Consoli and Jester 2005)

and can be useful for financial therapists as they try to find a theoretical lens that fits for both the financial therapist and the clients they serve. Financial therapy can borrow from many of the clinical theories already developed.

Hundreds of theories of psychotherapy are in existence (Consoli and Jester 2005). While some theories of psychotherapy have been researched more extensively than others, there is no universally accepted theory of psychotherapy. As many as 75% of psychotherapists admit to being eclectic in their work with clients and do not strictly adhere to one theoretical approach or set of techniques (Consoli and Jester 2005; Lazarus and Beutler 1993). Most meta-analytic studies have failed to demonstrate the superiority of one approach over another (Consoli and Jester 2005), which helps explain the diversity of approaches. Technical eclecticism has emerged as an integrative approach that allows for the borrowing of evidenced-based techniques from various therapeutic approaches in a systematic, theoretically sound way.

Technical eclecticism is defined as an eclectic, systematic, integrative therapy approach that “provides strategies for developing relationships, interviewing, assessing, generating ideas and alternatives, developing insight, handling cases, managing behavior, evaluating, and terminating” (Gilliland et al. 1994, p. 554). Technical eclectics are typically grounded in a particular theoretical approach (e.g., cognitive-behavioral therapy), but may borrow techniques that have been shown to be effective from other orientations without necessarily subscribing to the theory from which the technique emerged (Lazarus and Beutler 1993). In terms of integrative therapy, Brown (2010) noted that therapists can: (a) work with only one model of therapy, (b) work with more than one model sequentially, or (c) work with more than one model simultaneously. However, it should be noted that attempts to integrate disparate psychotherapy theories and techniques in an unsystematic, haphazard way are ill-advised (Lazarus and Beutler 1993).

This book was designed, in part, to provide a reference for financial therapists to draw theoretically sound financial therapy case conceptualizations and interventions. Financial therapy, by name, represents the integration of financial planning concepts with theories of psychotherapy. As such, to varying degrees, the theories presented in this book are theoretical integrations. They all describe one or more theories of mental health applied in service of improving client/s’ financial health. The techniques offered can be used in a technical eclectic manner provided the financial therapy practitioner is operating from a sound theoretical base. Although research in financial therapy is in its infancy and much more is needed, some of the financial therapy approaches presented have empirical data speaking to their effectiveness.

Ethical Considerations

Without doubt, those trained in mental health fields receive greater exposure to theoretical frameworks. There is no known theory of financial planning, making it more difficult for financial professionals to grasp the practicality and necessity

of theory in their work. There are no professional guidelines restricting financial professionals from using the assumptions, concepts, and propositions of theoretical frameworks developed in the mental health fields. However, financial professionals are typically bound by ethical guidelines to work within their scope of practice. Extensive reading and possibly training programs should be used to gain knowledge to appropriately apply various theoretical frameworks.

Within these ethical considerations is perhaps one of the most widely asked questions related to financial therapy—can one person be a financial therapist or does one have to involve a financial professional *and* a mental health professional? This is a theme one will see repeated throughout the book. Depending on the training and comfort level of the financial therapist, a joint professional approach may be required. However, it is the belief of the authors that one person—trained in both financial and mental health issues—can, indeed, practice financial therapy. However, there are some ethical caveats as pointed out in Chapter 1. For example, a financial therapist treating a client’s hoarding disorder should not also be managing the same client’s investments. You will note throughout the book that some theoretical and practice models described conflict with our belief and do require two or more professionals to work effectively.

Future Directions

All of the frameworks presented in this book are in need of additional testing with larger, more diverse samples. Effectiveness of the models can only be confirmed when rigorous testing has consistently shown improved results among clients. Section 2 (Financial Therapy Research-Based Models) of this book outlines six practice models that have had preliminary testing and have the potential to develop into financial therapy theoretical frameworks with additional research. These research-based models consist of Experiential Financial Therapy (Klontz et al. 2014), Solution Focused Financial Therapy (Archuleta et al.), Cognitive Behavioral Financial Therapy (Nabeshima and Klontz), Collaborative Relational Model (Seay et al.), Ford Financial Empowerment Model (Ford), and Stopping Overshopping Model (Benson).

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The book concludes with an overview of eight theories that can be applied to financial therapy in Section 3, including Humanistic Approaches to Financial Therapy (Johnson and Takasaki), Narrative Financial Therapy (McCoy et al.), Feminist Financial Therapy (Nazarinia Roy and Mitchell), Acceptance and Commitment Financial Therapy for Women (Klontz Wada and Klontz), Psychodynamic Financial

Therapy (Trachtman), Financial Therapy from a Self Psychological Perspective (Baker and Lyons), Systemic Financial Therapy (Archuleta and Burr), and Stages of Change and Motivational Interviewing in Financial Therapy (Klontz et al. 2014). These chapters showcase theoretical approaches that have potential to develop into practice models, but have had no testing to date.

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