# Chapter 5
# Assessment in Financial Therapy

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## Introduction

Financial therapy as a discipline is in the embryonic stage, striving to combine best practices and theories found in multiple stand-alone fields: marriage and family therapy, psychology, and personal finance (Grable et al. 2010). Financial practitioners have long observed that problematic client financial attitudes and behaviors are a function of more than just a lack of financial acuity; however, they have been at a loss as to how to provide meaningful guidance to troubled clients. Likewise, mental health practitioners have observed financial related problems in working with individuals, couples, and families, but have not had adequate skills or tools to effectively work with their clients. The emerging field of financial therapy bridges the gap that exists in practice and provides meaningful solutions to both financial and mental health professionals.

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> Assessment becomes even more important in evolving disciplines, such as financial therapy in order to evaluate the effect of therapies upon clients and to establish the field of financial therapy as a profession. (Grable et al. 2010)

In the field of social science research, it is essential to assess the efficacy of interventions and measurement techniques to advance knowledge and refine approaches for the benefit of clients. Assessment becomes even more important in evolving disciplines, such as financial therapy, in order to evaluate the effect of therapies upon clients and to establish the field of financial therapy as a profession (Grable et al. 2010). Grable et al.'s (2010) book, *Financial Planning and Counseling Scales,* was the first of its kind in the financial planning, financial counseling, and financial therapy arenas to provide a resource where established measures could be easily accessed by researchers, practitioners, and students. As a follow-up to Grable et al.'s work, this chapter adds new and updated instruments that can be useful in financial therapy. In this chapter, six established and evolving assessment instruments are presented as tools to collect important information from clients to identify areas of strengths and weaknesses and to gauge or track client progress. The measures in this chapter represent a combination of financial well-being and financial beliefs and behavior assessments. Some of these measures have been successfully applied to research in allied fields, while others are evolving as the practice of financial therapy develops. In both cases, it is common for social science researchers to confirm that targeted assessment measures have a solid track record for the intended situational use before employing them (Rossi et al. 2004).

## Assessment in Practice

At the outset of a client–practitioner relationship, assessment processes are routinely employed to assist the practitioner in gaining subjective or objective information. For example, when a client initially presents for psychotherapy, the therapist will devote substantial time to becoming acquainted with the client. These initial sessions will typically entail some form of assessment on the part of the therapist in an effort to pinpoint client needs as well as client beliefs and thought processes that contribute to client emotional distress and presumed destructive behaviors (Grant et al. 2008). Through the use of assessment tools, a therapist can identify specific treatment options and strategies to assist in the reduction of distress and harmful beliefs as a means of ensuring that interventions employed are suitably tailored to client needs. The same can be true for financial planners; however, assessment has typically only encompassed gathering personal financial information that would be useful in identifying assets, debt, income, and expenses. Gathering financial,

emotional, and behavioral information are important to a financial therapist who is working with the client using an integrated approach.

In addition to the initial presenting concerns a client may bring to the practitioner, assessment techniques may also assist a financial therapist in uncovering additional considerations that may otherwise be masked by the presenting problem. For example, various money scripts formed early in life, may work to inhibit financial well-being at a subconscious level (Klontz and Klontz 2009). As such, a client may not even be aware of, or be able to provide insight into the money beliefs that they hold. Assessment instruments, like the Klontz Money Script Inventory (Klontz et al. 2011), may be helpful in the identification of belief and behavioral patterns that may prove to be detrimental, but are not initially evident to the therapist or client.

Assessment techniques need to be broad and varied, depending upon the clientele being treated. For example, it is becoming clear that financial anxiety among college students is associated, in part, with student loan debt (Archuleta et al. 2013; Sages et al. 2013). Conversely, individuals who are approaching the traditional age of retirement may find that savings over the work life cycle, and/or investment returns due to an ultra-conservative risk profile, may be inadequate to sustain a comfortable post-retirement life style (Yuh et al. 1998). Furthermore, research has demonstrated there are myriad approaches to financial management based on gender (Noone et. al. 2010) and cultural differences (Yao et al. 2005). Therefore, assessment techniques need to be specific to an array of both financial needs and demographic characteristics, which will enable the financial therapist to understand the etiology of client behaviors.

> To establish sound assessment instruments, three measurement properties of concern must be addressed, including reliability, validity, and sensitivity. (Rossi et al. 2004)

Throughout the treatment process, periodic assessments are also beneficial. According to Lambert (2013), minimizing client deterioration and maximizing client benefits "…involves routinely measuring, regularly monitoring, and tracking client treatment response with standardized scales throughout the course of treatment while providing clinicians (and clients) with this information" (p. 45). This is the essence of assessment, and the ultimate degree of success in treating clients' hinges on the tools that the financial therapist possesses to measure, monitor, and track therapy outcomes. As Lambert (2012) noted, mental health therapist optimism surrounding treatment of clients has been found to be a factor inhibiting an objective assessment of client progress. Under these circumstances, therapists may fail to recognize when clients are failing to achieve positive outcomes because they believe the treatment will work, thereby leading to client deterioration. These findings apply to financial therapists, because bias and attitude of the practitioner can negatively impact treatment success.

While measurement techniques are commonly employed to assess client needs and monitor client progress throughout treatment, assessment also plays a useful role in the training and education of future financial therapists as a means of bridging the gap between research and practice (Hershenberg et al. 2012). In this regard, there are varying academic approaches across a limited number of institutions for educating and training future financial therapists. The Financial Therapy Association (FTA) consists of financial planners, financial counselors, mental health clinicians, academic researchers, and students. One of the primary objectives of the FTA is to help researchers and practitioners collaborate. One aspect of this collaboration invites scholars to conduct research on existing professional practices to begin to understand what works and what doesn't work, so that approaches can be replicated, modified, and taught to a new generation of financial therapists. Academic institutions, like the University of Georgia and Kansas State University, are engaged in multidisciplinary research to study models of financial therapy. In addition, these institutions engage with practitioners across the country to study modalities and techniques. These two institutions, specifically, offer courses in their curriculum to address many of the relevant issues of financial therapy, and Kansas State University is the first to offer a dedicated curriculum to financial therapy, offering a graduate certificate in financial therapy.

### *Reliability, Validity, and Sensitivity in Assessment*

Conducting assessment is important, as previously discussed, and utilizing sound assessment instruments is vital to accurately and effectively establish baselines and benchmarks to help clients identify underlying issues and recognize when they have reached their goals. To establish sound assessment instruments, three measurement properties of concern must be addressed: reliability, validity, and sensitivity (Rossi et al. 2004). Reliability is commonly defined as a measure of consistency of outcome, whereby the instrument is used repeatedly to ensure it is measuring the same thing (Babbie 2010). In the field of financial therapy, reliability of measurement is particularly important as client assessments may include the evaluation of psychological factors. Accurate diagnosis of a client's presenting problem assists the financial therapist in the design of appropriate treatment protocols. Thus, assessment techniques that have been employed in previous research and have a proven track record in measuring psychological constructs have been found to be the most reliable (Babbie 2010).

Validity of measurements is a more challenging concept to demonstrate, although the definition of the concept is fairly straightforward (Rossi et al. 2004). Validity of a measurement technique is commonly regarded as the extent to which the measure actually "reflects the real meaning of the concept under consideration" (Babbie 2010, p. 153). When undertaking an assessment in social science research,

acceptance of a measure as being a representative portrayal of a concept by constituents and researchers alike is essential to being respected as a valid measurement technique.

Sensitivity as a concept in assessment refers to a measurement's ability to detect noticeable differences that are attributable to the treatment being prescribed. Measurement results, however, can sometimes be associated with factors that are not part of a treatment protocol, which may mask the true effects and benefits of the measure. In addition, it is possible that some assessment measures may be designed for certain limited purposes, such as for diagnostic purposes, and that their use for more precise detection would be inappropriate. Many psychological and personality measures fall into this category, confining their use to situations that are narrowly defined (Rossi et al. 2004). Under these circumstances, a social science researcher may administer a pre- and post-treatment survey as a tool to identify the sensitivity of the measure.

Since many of the assessment instruments reviewed in this chapter are of recent design, financial therapy practitioners and social science researchers may wish to routinely survey the literature to gain further insight into the situations to which the measures have been applied and their resulting outcomes. Where available, the measurement properties of each of the instruments are provided. With regard to reliability, psychological measures are deemed suitable if Cronbach's alpha is above 0.70, with a coefficient of 0.80 or higher being good, and a coefficient above 0.90 being excellent (Saad et al. 1999). The creation and initial interpretation of assessment measures is usually the domain of social science researchers until they have become widely employed and accepted in the practitioner community. Notwithstanding, practitioners will frequently collaborate with, and call upon researchers to assist in the interpretation of assessments completed by financial therapy clients. For a more in-depth discussion on utilizing measurement in practice and understanding when a measurement is sound, interested readers are referred to Webb (2010) and Roszkowski and Spreat (2010).

## Financial Assets and Liabilities

### *Relevance for Financial Therapists*

A review of financial assets and liabilities will enable financial counselors and therapists to assess potential financial stress the client may be facing. In addition, this information can be a good indication of social, economic status and financial resources and constraints of the client, and suggest certain courses of action. For example, clients with a large negative net worth may want to consider bankruptcy.

| Balance sheet | | |
|---|---|---|
| Item | Definition | Examples |
| *Financial assets* | | |
| Liquid assets (monetary assets) | Assets that can be quickly accessed and turned into cash | Checking, savings, money market, cash-on-hand, Certificates of Deposit, etc. |
| Investment assets | Assets that are being held in anticipation of future appreciation | Retirement accumulations, securities, rental properties, mutual funds, 529 College Saving Plans, pensions, etc. |
| Material assets | Use assets. Things of value that client may have in the home or use regularly | Home, autos, RVs, clothing, electronics, furniture, jewelry, collectibles, tools, etc. |
| Total assets | Value of everything you own | Liquid assets + Investment assets + Material assets |
| *Liabilities* | | |
| Current liabilities | Debts that will be paid off within a year | Credit cards, bills due, overdue payments, doctor bills, utilities, title loans, etc. |
| Long-term liabilities | Debts that are scheduled to take more than a year to repay | Auto loans, mortgages, student loans, home equity loans, other consumer loans. |
| Total liabilities | Total of everything owed to others | Current + Long-term liabilities |
| *Net worth* | Amount remaining after all assets are used to pay all liabilities | Total assets – total liabilities |

Source(s): Altfest 2007; Grable et al. 2013

## Income and Expenses

### *Relevance for Financial Therapists*

Appropriate categorization of income and expenses will enable financial counselors and therapists to identify financial values and patterns of financial behavior. An income and expense statement can also be helpful for gathering data to perform client ratio analyses that may then be compared against accepted benchmarks to ascertain client's financial health and practices.

| Income and expense statement (monthly and annually) | | |
|---|---|---|
| Item | Definition | Examples |
| *Income* | | |
| Gross income (nominal income, pre-tax income) | Total household income before taxes | Wages, salaries, interest, dividends, rents, winnings, royalties, subsidies, gifts, social security, pensions, annuities |
| Net income (disposable income, after-tax income, take-home pay) | Amount of income remaining after taxes and deductions | Paycheck, direct deposit statement, etc. |
| *Expenses* | | |
| Savings | Money set aside for future spending | Retirement, emergency, college, down payments, etc. |
| *Net expenses* (*consumption expenses*) | | |
| Housing expenses | Payments required to live in a property | Loan principle, interest, property taxes, Home Owner's insurance, mortgage insurance, association fees (PITI), etc. |
| Utilities | Payments required for utility services | Gas, electricity, sewer, water, garbage, cable, phone, internet, etc. |
| Transportation expenses | Payments related to transportation | Auto loans, insurance, gasoline, parking, registrations, repairs, etc. |
| Food | Payments for food consumed | Groceries, eating out, school lunches, snacks, etc. |
| Child care | Payments for supervision of children | Child care/day care, baby-sitting, child support, etc. |
| Medical/Health care | Cost of medical and dental care | Insurance, doctor, dentist, eye care, prescriptions, hospital, etc. |
| Debt payments | Consumer debt payments | Student loans, credit cards, other short-term loans, etc. |
| Contributions and gifts | Payments for charity and gifts to others | Church, birthdays, anniversaries, holidays, etc. |
| Clothing, personal and other | Payments for clothing and personal expenses | Clothing, diapers, shoes, dry cleaning, hair care, cosmetics, entertainment, vacations, personal expenses, subscriptions, bank fees, life insurance, all other expenses, etc. |

Notes for items: Below are some commonly recommended percentages useful as guidelines for consideration when looking at spending by category. The ranges allow for some variation, but the total should not exceed 100 %. If a person spends at the maximum end of the range in one category, they will need to curtail spending in other categories to stay below 100 % of net income
Housing (including utilities): 30–35 %
Food: 18–25 %
Transportation: 11–15 %
Medical: 6–8 %
Debt payments: 10–15 %
Contributions and gifts: 2–10 %
Clothing, personal and other: 11–15 %
Source(s): Altfest 2007; Grable et al. 2013

## Financial Ratios

### *Relevance for Financial Therapists*

Financial ratio analysis is an efficient way to assess objective client financial conditions after obtaining accurate reports of financial assets/liabilities and income/expenses. Financial planners, financial counselors, and financial educators regularly use financial ratios for summarizing financial information and to aid in financial decision-making. Financial ratios are designed to address specific financial questions, such as "How long could my client live on existing savings?" or "How much of my client's income is used to pay debt?" The typical *ratio* is constructed from two numbers, one representing a financial resource, and the other a financial demand. Although a single financial ratio calculation represents only a snapshot in time, through periodic reassessments over time, financial ratios serve as excellent barometers of objective financial progress.

Individual/Family financial ratios (Greninger et al. 1996)

| Ratio name | Ratio | Benchmark | Use |
|---|---|---|---|
| *Overall financial status* | | | |
| 1. Solvency ratio = | $\frac{\text{total assets}}{\text{total liabilities}}$ | >100 % | Shows if the household could pay off all their debts |
| 2. Expense ratio = | $\frac{\text{net expenses}}{\text{net income}}$ | <100 % | Shows the proportion of take-home income that is consumed by monthly expenses |
| *Liquidity* | | | |
| 3. Liquidity ratio = | $\frac{\text{liquid assets}}{\text{annual expenses/12}}$ | >300 % | Shows the "emergency fund" capacity of assets on hand, each 100 % representing one month's coverage<br>Note: If an accurate income and expense statement is not available the denominator can be based on net income |
| *Savings and investments* | | | |
| 4. Savings ratio = | $\frac{\text{savings}}{\text{gross income}}$ | ≥10 % | The percentage of income is being saved for the future |
| Asset allocation | | | |
| 5. Capital accumulation ratio = | $\frac{\text{investment assets}}{\text{net worth}}$ | ≥ 25 % | Used as a benchmark for retirement readiness adequacy and financial well-being for households. What percentage of net worth is held outside of housing equity |

(continued)

| Ratio name | Ratio | Benchmark | Use |
|---|---|---|---|
| *Debt payments and housing* | | | |
| 6. Debt payment ratio = | $\frac{\text{total debt payments}}{\text{net income}}$ | ≤36 % | Back-end test benchmark is for a conventional loan with higher limits permitted from FHA, VA, and USDA mortgage loans |
| 7. Consumer debt payment ratio = | $\frac{\text{consumer debt payments}}{\text{net income}}$ | ≤10 % safe<br>≤15 % reduced flexibility<br>≥20 % danger point | Amount of consumer debt payments as a percentage of take-home pay. Shows the extent to which a household is using credit |
| 8. Housing expense ratio = | $\frac{\text{housing expenses} + \text{utilities}}{\text{net income}}$ | ≤30–35 % | Some prefer to measure with net income in denominator. Renters may have a lower benchmark |

Notes about individual ratios: 1. The solvency ratio is based on the information from the balance sheet. A solvency ratio below 100 % indicates insolvency, meaning that a person's total assets would not presently be sufficient to pay off all debts. Low solvency ratios can be common in early adulthood in an accumulation phase, especially when student loan debt is high. The solvency ratio should decline with age as long-standing debts are paid down and equity in assets grows. This ratio is one of the strongest predictors of bankruptcy

2. The expense ratio is based on information from the monthly income and expense statement. An expense ratio above 100 % indicates that spending exceeded regular income, an unsustainable practice that threatens long-term financial sustainability. An expense ratio less than 100 % is ideal and indicates the ability to save money. Net expenses refer to total spending prior to any saving activity. Net expenses should not include additional money contributed to savings or investments unless part of a "forced" contribution plan, such as to a retirement fund, in which case they may be included as a net expense to generate a more conservative estimate of the ratio

3. The liquidity ratio is based on information from the balance sheet and income and expense statement. The ratio is commonly referred to as an "emergency fund" and reflects the capacity to respond to a short-term financial crisis stemming from events such as illness, job loss, or major unexpected expense without going into debt. The standard recommendation is to have 3–6 months' worth of living expenses held in reserve, thus a minimum ratio of 300 %. Instances where there is low job stability or job security, a history of poor health, a regular income that mainly supports spending only for necessities, or a social or family situation where it is difficult to rely on others in hard times, the ratio should be closer to 600 %. For many families a concerted effort may be required to build up such reserves and in some instances it is better to pay off high-interest debts once the ratio attains 300 %. This ratio is another strong predictor of bankruptcy. Those who have a higher liquidity ratio are more prepared to endure a financial crisis such as a temporary job loss

4. The savings ratio is an indication of how much money a family is setting aside for future spending needs and goals. Many planners recommend this to be 10 % during initial career stages and gradually increase the amount to 15 % or more during peak earning years. If income is going to increase substantially in the near future, it may be reasonable for those families to have a very low savings ratio initially and then increase the savings ratio as income increases. Behavioral economists recommend increasing the savings percentage with each increase in pay. The ratio is representative of all saving, not just retirement or other saving needs

5. The capital accumulation ratio is what proportion of net worth is held in investment assets. This is particularly important for retirement readiness as investment assets will likely be used to supplement Social Security and employer pensions. Many households start with home equity as their primary source of net worth and then add investment assets as savings vehicle for future

## Klontz Money Script Inventory

### *Relevance to Financial Therapists*

In the field of psychology, a script is an attitudinal stance that a person takes towards a topic, which then typically manifests itself in a particular pattern of behavior. Money scripts, therefore, are attitudes that a person holds towards money, and the ways in which these beliefs manifest themselves with respect to the use of money and activities associated with money and other tangible resources. Klontz and Klontz (2009) suggested that money scripts are "(a) developed in childhood, (b) often passed down from generation to generation in family systems, (c) typically unconscious, (d) contextually bound, and (e) a factor that drives much of one's financial behaviors" (p. 2). The identification of unhealthy, self-destructive, or non-prosperous money scripts can be an important task in the financial therapy process and may be addressed both through social–psychological interventions and financial counseling.

Klontz et al. (2011) developed a taxonomy of the most common money scripts and linked money scripts to demographic characteristics of financial therapy clients. Klontz and Britt (2012) went further and showed how these money script patterns

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goals. Therefore, this ratio can increase with age and needs to be interpreted carefully with respect to where the client is in the lifecycle. The ratio is useful for younger households to determine if they are saving in other areas outside of personal or use assets which are a predictor of future retirement adequacy

6. Debt payment ratio is a measure of how much of the total household income is going towards debt repayment. Even though financial lending institutions indicate the maximum ratio to qualify for a loan needs to be 36% or less, higher levels of debt payment ratios can create significant economic stress. The condition of "house poor" is a common term for people who utilize much of their net income to make housing payments, leaving little discretionary income. This ratio must be interpreted with caution in high cost of living areas and in situations where incomes are low. All debt payments are included in the ratio including, mortgage, credit cards, auto loans, and student loans. Some planners recommend including lease or rent payments in this ratio for those families who don't have a mortgage to better measure economic stress of renters

7. Consumer debt payment ratio removes the effect of the mortgage from the debt of the household. This ratio is a good indication of other financial obligations outside of housing. Common examples include student loans, auto loans, and credit cards. High consumer debt ratios could indicate higher levels of economic stress, and greater potential for money arguments. It could be used as a measure of economic self-control as consumer debt is often discretionary in nature. Practitioners recommend consumer debt be limited to less than 10% of net income when possible, with amounts over 20% a strong indication of financial distress

8. Housing expense ratio is the percentage of net income that goes to the payment of housing and utility costs. This ratio varies among high cost of living areas in the country and needs to be used with caution. In general, households who keep utility and housing expenses to less than 35% of take-home pay experience less economic stress. These expenses tend to be the largest household expense as a percentage of income; therefore, how they are managed is likely to have a large impact on the overall economic well-being of the householdSource(s): DeVaney 1994; Greninger et al. 1996; Griffith 1985; Harness et al. 2008; Lytton et al. 1991; Prather 1990

could predict disordered money behaviors. Financial therapists familiar with money scripts and that understand their associated financial correlates and behaviors can use the Klontz Money Script Inventory (KMSI) to assess and intervene on dysfunctional financial beliefs.

## *Measure*

The KMSI emerged directly from work with financial therapy clients, as well as a reexamination of a large number of money attitude scales, including power-prestige, retention-time, distrust, anxiety (Yamauchi and Templer 1982), obsession, power, retention, security, inadequacy, and effort/ability (Furnham 1984). Tang's (1992) money ethics; money is good, money is evil, money represents achievement, money is a sign of respect, budgeting is important, and money is power, were also considered. Measures of these overlapping beliefs and attitudes were condensed into 72 items and administered to 422 financial counseling clients. Exploratory factor analysis resulted in four money script patterns as show in the table below. The response set for these items was a 6-point scale ranging from 1 (*strongly disagree*) to 6 (*strongly agree*). Note that not all items were retained. Reliability scores for each subscale are reported using Cronbach's alpha ($\alpha$).

| The Klontz Money Script Inventory (KMSI) (Klontz et al. 2011) |
| --- |
| *1. Money Avoidance* ($\alpha$=0.84) |
| I do not deserve a lot of money when others have less than me |
| Rich people are greedy |
| It is not okay to have more than you need |
| People get rich by taking advantage of others |
| I do not deserve money |
| Good people should not care about money |
| It is hard to be rich and be a good person |
| Most rich people do not deserve their money |
| There is virtue in living with less money |
| The less money you have, the better life is |
| Money corrupts people |
| Being rich means you no longer fit in with old friends and family |
| The rich take their money for granted |
| You cannot be rich and trust what people want from you |
| It is hard to accept financial gifts from others |
| *2. Money Worship* ($\alpha$=0.80) |
| Things would get better if I had more money |
| More money will make you happier |
| There will never be enough money |
| It is hard to be poor and happy |
| You can never have enough money |
| Money is power |
| I will never be able to afford the things I really want in life |
| Money would solve all my problems |

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|---|
| Money buys freedom |
| If you have money, someone will try to take it away from you |
| You cannot trust people around money |
| *3. Money Status* (α=0.77) |
| Most poor people do not deserve to have money |
| You can have love or money, but not both |
| I will not buy something unless it is new (e.g., car, house) |
| Poor people are lazy |
| Money is what gives life meaning |
| Your self-worth equals your net worth |
| If something is not considered the "best," it is not worth buying |
| People are only as successful as the amount of money they earn |
| It is okay to keep secrets from your partner around money |
| As long as you live a good life you will always have enough money |
| Rich people have no reason to be unhappy |
| If you are good, your financial needs will be taken care of |
| If someone asked me how much I earned, I would probably tell them I earn more than I actually do |
| *4. Money Vigilance* ($\alpha = 0.70$) |
| You should not tell others how much money you have or make |
| It is wrong to ask others how much money they have or make |
| Money should be saved not spent |
| It is important to save for a rainy day |
| People should work for their money and not be given financial handouts |
| If someone asked me how much I earned, I would probably tell them I earn less than I actually do |
| You should always look for the best deal before buying something, even if it takes more time |
| If you cannot pay cash for something, you should not buy it |
| It is not polite to talk about money |
| I would be a nervous wreck if I did not have money saved for an emergency |
| It is extravagant to spend money on oneself |
| I would be embarrassed to tell someone how much money I make |

Notes about Items:See Chapter 3 for a more in-depth discussion about money scripts
Source(s): Klontz and Britt 2012; Klontz et al. 2011; Klontz and Klontz 2009

## Klontz Money Behavior Inventory

### *Relevance to Financial Therapists*

Money disorders represent pathological, compulsive, and severe relational problems associated with money and objects. Money disorders can interfere with everyday living, can result in financial ruin, and can interfere with the close personal relationships a person needs to thrive. Klontz et al. (2012) investigated eight money behavior disorders including compulsive buying, pathological gambling, compulsive

hoarding, workaholism, financial enabling, financial dependence, financial denial, and financial and management, using a sample of 422 individuals. Typically, in order to be considered a disorder, the money behavior will be extreme and debilitating. Financial therapy clients who experience disordered money behaviors may go to great lengths to hide these behaviors. Strategies for hiding a disordered money behavior may include limiting the behavior to a low-key location that is private, such as hoarding in one's own home, gambling in another city, shopping online, or by colluding with others in whom they confide. Thus, financial therapists may not become directly aware of a money disorder, but instead learn about such behaviors from clients' family or friends. Financial therapists with training in family therapy can use these interpersonal connections in their systems-based training to reach out indirectly to those who experience money disordered behaviors.

### *Measure*

Klontz et al. (2012) verified the existence of eight disordered money behavioral patterns among their participants. These included an 11-item compulsive buying scale, a 7-item pathological gambling scale, an 8-item compulsive hoarding scale, a 10-item workaholism scale, a 5-item financial dependency scale, a 6-item financial enabling scale, a 3-item financial denial scale, and a 3-item financial enabling scale. Each of these scales exhibited high factor loadings and good inter-item reliability. Reliability for each subscale is reported below.

| Klontz Money Behavior Inventory (KMBI) (Klontz et al. 2012) |
|---|
| *1. Compulsive buying* ($\alpha$=0.92) |
| My spending feels out of control |
| I obsess about shopping |
| I buy more things than I need or can afford |
| I feel irresistible urges to shop |
| I shop to forget about my problems and make myself feel better |
| I feel guilt and/or shame after making purchases |
| I often return items because I feel bad about buying them |
| I have tried to reduce my spending but have had trouble doing so |
| I hide my spending from my partner/family |
| I feel anxious or panicky if I am unable to shop |
| Shopping interferes with my work or relationships |
| *2. Pathological gambling* ($\alpha$=0.95) |
| I have trouble controlling my gambling |
| I gamble to make relieve stress or make myself feel better |
| I have to gamble with more and more money to keep it exciting |
| I have committed an illegal act to get money for gambling |
| I have borrowed money for gambling or have gambled on credit |
| My gambling interferes with other aspects of my life (e.g., work, education, relationships). I have hid my gambling from people close to me |
| *3. Compulsive hoarding* ($\alpha$=0.91) |

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|---|
| I have trouble throwing things away, even if they aren't worth much |
| My living space is cluttered with things I don't use |
| Throwing something away makes me feel like I am losing a part of myself |
| I feel emotionally attached to my possessions |
| My possessions give me a sense of safety and security |
| I have trouble using my living space because of clutter |
| I feel irresponsible if I get rid of an item |
| I hide my need to hold on to items from others |
| *4. Workaholism* ($\alpha$=0.87) |
| I often feel an irresistible drive to work |
| My family complains about how much I work |
| I feel guilty when I take time off of work |
| I feel a need to constantly stay busy |
| I often miss important family events because I am working |
| I have trouble falling or staying asleep because I am thinking about work |
| I have made promises to myself or others to work less but have had trouble keeping them |
| It is hard for me to enjoy time off of work |
| People close to me complain that I am so focused on my "to-do" lists that I ignore them or brush aside their needs or concerns |
| I have trouble saying "no" when asked to work extra hours or take on extra projects |
| *5. Financial dependence* ($\alpha$=0.79) |
| I feel like the money I get comes with strings attached |
| I often feel resentment or anger related to the money I receive |
| A significant portion of my income comes from money I do nothing to earn (e.g., trust fund, compensation payments) |
| I have significant fear or anxiety that I will be cut off from my non-work income |
| The non-work income I receive seems to stifle my motivation, passion, creativity, and/or drive to succeed |
| *6. Financial enabling* |
| I give money to others even though I can't afford it |
| I have trouble saying "no" to requests for money from family or friends |
| I sacrifice my financial well-being for the sake of others |
| People take advantage of me around money |
| I lend money without making clear arrangements for repayment |
| I often find myself feeling resentment or anger after giving money to others |
| *7. Financial denial* ($\alpha$=0.84) |
| I avoid thinking about money |
| I try to forget about my financial situation |
| I avoid opening/looking at my bank statements |
| *8. Financial enmeshment* ($\alpha$=0.81) |
| I feel better after I talk to my children (under 18) about my financial stress |
| I talk to my children (under 18) about my financial stress |
| I ask my children (under 18) to pass on financial messages to other adults |

Notes about Items: See Chapter 4 for an in-depth discussion of money disorders
Source: Klontz et al. 2012

## Financial Anxiety Scale

### *Relevance to Financial Therapists*

Anxiety has been defined as a psychosocial syndrome in which individuals have an unhealthy attitude toward managing their own personal finances effectively (Burchell 2003; Shapiro and Burchell 2012). Shapiro and Burchell (2012) noted that financial anxiety can be associated with low financial literacy and an inability to manage money. When people have no ability to handle money, anxiety can be displayed. As a psychological aspect of financial well-being, high financial anxiety can impede an individual's ability to make good financial decisions, leading to poor financial outcomes and even higher financial anxiety. Although research is limited in the area of financial anxiety (Archuleta et al. 2013; Sages et al. 2013; Shapiro and Burchell 2012), it is possible that financial anxiety could become severe enough that it leads to psychosomatic symptoms, which are physical symptoms such as nausea, heart palpitations, or headaches caused by psychological distress. Financial therapists should be aware of the severity of a client's financial anxiety and refer to an anxiety specialist when symptoms are extreme.

### *Measure*

Archuleta et al. (2013) developed the Financial Anxiety Scale (FAS) to measure an individual's financial anxiety. The seven-item scale is measured on a 7-point Likert-type scale, ranging from 1 (never) to 7 (always). Total scores can range from 7 to 49 with higher scores indicating increased anxiety. The FAS had excellent reliability ($\alpha = 0.94$). The FAS cannot currently be used as a diagnostic tool as it does not provide cut-off scores to establish the severity of one's financial anxiety.

| Financial Anxiety Scale (FAS) (Archuleta et al. 2013) | |
|---|---|
| 1 | I feel anxious about my financial situation |
| 2 | I have difficulty sleeping because of my financial situation |
| 3 | I have difficulty concentrating on my school/or work because of my financial situation |
| 4 | I am irritable because of my financial situation |
| 5 | I have difficulty controlling worrying about my financial situation |
| 6 | My muscles feel tense because of worries about my financial situation |
| 7 | I feel fatigued because I worry about my financial situation |

Notes about items: Items were adapted from the Generalized Anxiety Disorder criteria set forth by the American Psychiatric Association's Diagnostic and Statistical Manual of Mental Health Disorders-IV-TR (DSM-IV-TR) (2000) and applied to a person's financial situation
Source(s): Archuleta et al. 2013

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