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Money matters

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IMPACT PARAGRAPH

In my dissertation, I address financial well-being from a multidisciplinary, multi-method perspective. Improving the understanding of financial well-being is important, as financial well-being positively contributes to individual outcomes, such as health (O'Neill et al., 2005; Sturgeon et al., 2016) and happiness (Netemeyer et al., 2018; Ng & Diener, 2014), as well as to societal outcomes, such as economic development (Jorda et al., 2016; Mian et al., 2017). Currently, there is a global lack of financial well-being, which manifests as a variety of financial problems, such as a lack of engagement with financial services, poor financial decision-making, indebtedness, insufficient savings for people's financial futures, and financial worries. In this thesis, I explore objective and subjective financial outcomes to strengthen the understanding of how financial well-being can be improved. First, I will describe how my research contributes to current scientific knowledge on financial well-being.

My dissertation contributes to the financial well-being literature by demonstrating the importance of sound measurements for deriving meaningful conclusions about the association between objective indicators and subjective financial well-being. If either component is measured erroneously, solid claims about the strength of the association between these components cannot be made. I resolve this issue by using a nationally representative sample survey (LISS panel) to measure subjective financial well-being and link these data to administrative tax registry data. I show that the association between objective financial indicators and subjective financial well-being is stronger than previously assumed. Furthermore, I define and quantify financial well-being correspondence. This approach transcends current financial well-being knowledge, which generally assesses objective financial indicators and subjective financial well-being in isolation.

Furthermore, my research contributes to the customer engagement literature. Specifically, I further the understanding of ways to engage individuals with retirement planning. I show why promoting engagement in a utilitarian, outcome-oriented service setting requires unique insights that cannot be derived from knowledge of customer engagement with hedonic services. This insight contributes to the customer engagement and retirement planning literature by identifying the importance of context for engagement's nature, drivers, and outcomes. This chapter impacts engagement research by triggering a shift in focus. By explicating the assumptions held in engagement research and contrasting them against the reality of utilitarian service settings, this article triggers future research to investigate the context in which engagement unfolds.

Next, I provide a novel perspective on approaching financial well-being predictors by allowing the relationship between cognitive ability and financial well-being to take different functional forms rather than assuming a linear relationship. This perspective contributes to the financial well-being literature by showing that the relationships between cognitive ability and financial outcomes are heterogeneous and that do not follow the same shape for all outcomes. My research impacts future research that seeks to establish the relationship between an individual predictor—such as ability, personality, or beliefs—and financial outcomes. Nonlinear relationships should be explicitly considered when seeking to establish the association between an individual difference and a financial outcome.

I contribute to the decision assistance in the financial decision-making literature by developing a novel intervention to increase savings. While evaluative structures have previously been used in the nutrition domain, they have yet to be applied to financial decision assistance. Extending the applicability of evaluative structures to financial decision-making contributes to the knowledge of how to increase savings. Evaluative structures help guide consumers to specific saving rates rather than mere increases. This is beneficial because mere increases may be insufficient for consumers to reach their desired future outcomes. My research impacts the literature by providing a novel application domain for evaluative outcomes. Future research may consider this intervention as a starting point to develop novel saving interventions that enhance the mental imagery of future financial outcomes.

In addition to its scientific impacts, my research has direct implications for financial services, policymakers, and marketers. Financial decisions do not occur in isolation; rather, they happen in a complicated ecosystem in which consumers, financial service providers, policymakers, regulators, and researchers interact. For example, consumers engage with many financial service providers, such as banks, insurance companies, and retirement scheme providers. Policymakers and regulators oversee this ever-changing, complex financial landscape to protect consumers and improve consumer financial outcomes. Governmental policy is in turn often informed by academic research that seeks to systematically establish how to help individuals improve their financial outcomes. All these actors play a role in improving financial well-being. In the following paragraphs, I reflect on the implications of my findings in practice.

Chapter 1 quantifies the importance of objective financial indicators for subjective financial well-being. Policymakers and companies often only have access to objective data and

cannot continuously monitor whether individuals feel financially well. This is problematic if perceptions of financial well-being are shaped by individual differences and comparative processes rather than objective financial conditions. The findings show that objective financial indicators are associated with subjective financial well-being and can thus be used as a basis for policymaking and studying consumer behavior.

Chapter 2 provides practical insights for financial advisors and counselors. I describe how individuals may experience a mismatch between their objective financial situation and their subjective financial well-being. For these individuals, looking at either the objective financial situation or their subjective financial well-being may lead to incorrect conclusions and erroneous advice. Financial service providers should consider subjective financial well-being and objective financial situation alignment to provide effective financial advice. Individuals who feel as though they are doing well financially while they are objectively in a poor financial state require different financial advice than individuals who are feeling and objectively doing well financially. Considering the alignment between objective financial indicators and subjective financial well-being can aid in the creation of a holistic assessment of a person's financial situation.

In Chapter 3, I identify customer engagement as a route to improved financial well-being. Individuals find it difficult to direct time and attention in the present to uncertain future outcomes, such as retirement (Trope & Liberman, 2003). A lack of engagement can be seen as an individual responsibility, but it is important to question whether systems can be redesigned to reduce the need for engagement to achieve financial well-being. The retirement planning journey figure in my research on customer engagement illustrates financial planning's complexity and shows that life events are crucial touchpoints that require action. However, life events may reduce the availability of the required resources for engagement with complex activities (Blakstad et al., 2017). It is important to consider whether financial services can be designed in such a way as to remove the need to engage to receive benefits, for example, by using defaults (Beshears et al., 2009). For example, if consumers invest in stocks that are inappropriate for their retirement goals, pension funds could automatically rebalance these portfolios while offering participants the opportunity to opt out.

Chapter 4 shows that childhood cognitive ability is associated with financial well-being in adulthood. Individuals require cognitive ability, literacy, numeracy, and digital literacy to make sound financial decisions. This chapter underscores the importance of education in

fostering cognitive ability. As society's financial environment becomes increasingly complex, the importance of early interventions to overcome background disadvantages is apparent. Financial service providers should consider the connection between cognitive ability and financial outcomes when designing their services. Offering financial products and services may be insufficient if individuals do not use these services due to a lack of ability. To overcome this, financial service providers can consider presenting financial service information in a simplified (yet transparent) way. Furthermore, offering financial advice or counseling can help customers make better-informed financial decisions contribute to their financial well-being.

In Chapter 5, I demonstrate that showing people the consequences of their saving rates in words and consumption possibilities, rather than numbers, changes the saving decisions they make. Going beyond mapping the numerical outcomes of financial decisions over time enables individuals to effectively consider the future. Furthermore, specifying the concrete consumption possibilities that individuals will have in the future makes it easier for them to understand how their financial decisions in the present will affect their future lifestyles. Evaluative structures that map numerical outcomes onto evaluative scales are an easy-to-implement, scalable intervention to motivate savings and promote future financial well-being. Financial service providers can implement this chapter's findings. The main premise of the findings is that individuals become more future oriented when the consequences of their financial decisions are expressed in words rather than numbers. This premise has direct implications for motivating retirement savings beyond the minimum required savings rate and can be applied broadly. For example, showing students how higher monthly student loan payments affect their future mortgage options in terms of the type of house they could afford instead of the maximum mortgage may help make the consequences of the present decision for an individual's future self tangible. Financial service providers should consider how the presentation format of their decision environment impacts individuals' decisions. The findings of this chapter are intended to inform policymakers and financial service providers that a seemingly neutral, objective environment that only shows exact numbers and percentages may have the unintended consequence of making individuals neglect the future consequences of their current financial decisions.

Overall, my dissertation contributes to the developing research field on financial well-being. Financial well-being profoundly impacts individuals and society at large, so further research that facilitates an understanding of how it can be enhanced is of critical importance.

Financial well-being is complex and multifaceted, and the ways in which we approach it should reflect this. Specifically, I argue that improving the understanding of financial well-being and how to strengthen it requires (1) carefully choosing and using specific definitions, (2) using high-quality data, (3) considering non-linear relationships between individual differences and financial outcomes, (4) considering the context in which studies occur, and (5) designing interventions that make numeric financial decisions meaningful. I hope that this dissertation will serve as a catalyst for future research on financial well-being that can be used to inform policymakers and financial service providers in an empirical, evidence-based manner.

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