USING THE TRANSTHEORETICAL MODEL OF CHANGE TO EXPLORE FACTORS AFFECTING ADOPTION OF POSITIVE FINANCIAL BEHAVIOURS BY CREDIT COUNSELLING CLIENTS

BY

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A Thesis
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Using the Transtheoretical Model of Change to Explore Factors Affecting Adoption of Positive Financial Behaviours by Credit Counselling Clients

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ABSTRACT

This is the first known study in Canada in which a sample of credit counselling clients was interviewed by an independent researcher to assess the effectiveness of counselling practices. The study explored factors affecting the adoption of positive financial behaviours by counselled clients in a non-profit financial counselling agency in Winnipeg, Canada. The factors explored included processes drawn from the transtheoretical model of change. Findings indicate that respondents' financial behaviours improved after counselling. The more helpful aspects of counselling identified by respondents included raising clients' awareness of their financial behaviours, helping them with specific behaviours, and providing them with ideas, motivation and guidance to improve their financial behaviours. Findings also suggest that processes of change experiences drawn from the transtheoretical model are applicable to financial behaviours and could potentially be included in financial counselling interventions. The more important experiences mentioned by clients included their searching for more information about positive financial behaviours, reminding themselves of the benefits of these behaviours, and believing that they could apply them and make commitments to do so. Important implications for financially distressed individuals, for financial counselling agencies and other helping agents, and for researchers interested in this field of study are discussed. The findings can be used to design a model for predicting financial behaviour change in a future study.

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CHAPTER 1

Introduction and Review of Literature

Increasing household debt through the overextension of credit is a major problem facing Canadian families. Between 1982 and 2001 the Canadian per capita personal debt doubled. In 2001, Chawla and Wannell (2005) calculated that almost one half of Canadian households (46.5%) were spending more than their pre-tax income when expenditures included those for mortgage principal and interest, and personal income taxes. Spending more than one makes and borrowing to finance the difference for a long period of time suggests future financial problems, such as delinquency, bad credit, and bankruptcy. Over-indebtedness and bankruptcy are not new problems in modern society. Between 1948 and 1967 bankruptcies in the United States rose about 700%. At that time employment was at a high level and income was increasing (Eisendrath, 1967). In those days, credit was more a middle income event; with those in higher income and lower income brackets using credit less often (Morgan, 1967). Lack of knowledge about how credit works was considered a key issue leading to credit problems (Morse, 1967). It was in the late 1960s that the credit counselling industry gained strength in the United States, providing guidance to consumers on how to handle their finances, especially credit, and as an alternative to bankruptcy (Staten, 2006).

In the United States, the rapid extension of credit and delinquencies contributed to an increased demand for financial counselling services, with almost a tenfold increase in the number of counselling services from 1992 to 2003 (Staten, 2006). In Canada, the demand for counselling has also increased substantially in the last few years. Annual reports from a national credit counselling agency show that from 2000 to 2006 the numbers of clients served has tripled. During the same period the number of payments disbursed to creditors by the same agency increased six times (Credit Counselling Society n.d.a, n.d.b). There is an expectation that counselling will reduce the rate of default among delinquent borrowers, "reduce recidivism and increase rehabilitation of bankrupts" (Berry & McGregor, 1999; McGregor & Berry, 1997).

Research indicates that credit counselling clients lower their debt load (Bagwell, 2000; Staten & Barron, 2006). However, there is no evidence that counselled debtors will not allow debt to get out of control again. The question of whether relapse will occur exists, especially when consumers do not implement the recommendations received during counselling regarding positive financial behaviours. Some evidence exists that counselled clients who have a better financial situation and some positive financial behaviour before seeking help in counselling are more likely to improve their situation after counselling (Kim, Garman, & Sorhaindo, 2003). This evidence raises questions about what it is that helps counselled clients to improve or implement better financial behaviour, if not counselling itself. More research is needed to determine to what extent behaviour change occurs during and after counselling and what helps counselled clients to implement positive behaviours.

This study will explore factors affecting the adoption of positive financial behaviours by credit counselling clients. Some demographic factors, such as age, income, and education have been found to affect financial behaviour change (Bhargava & Lown, 2006; Hogarth, Beverly, & Hilgert, 2003; Staten & Barron, 2006; Xiao, Sorhaindo, & Garman, 2005). This study will add to the literature by exploring factors drawn from the transtheoretical model of change (TTM) in addition to demographic factors.

Credit Counselling

Pulvino, Lee, and Pulvino (2002) describe three forms of financial or credit counselling: remedial, productive, and preventive. Remedial refers to the counselling that is applicable to a situation where clients are already in a high level of difficulty, financially and emotionally. The counsellor's intervention aims to help clients solve their financial problems. In productive financial counselling, the counsellor's intervention is to help clients who are in a stable financial situation to make the best out of their resources. Preventive counselling is applicable when clients perceive a need to use resources better to prevent future financial problems. Since credit counselling is mostly sought by people already in financial distress, it is remedial in its essence.

Credit counselling goals are to provide immediate relief for clients' debt load and to improve clients' awareness of behaviours that contribute to their overextension of credit, lack of planning, and excessive spending (Elliehausen, Lundquist, & Staten, 2007; Staten, Elliehausen, & Lundquist, 2002). Staten (2006) suggests that financial education in the credit counselling services may be a natural result of appraising the consumer financial situation. In general, during a first counselling session, counsellors gather information about clients' income and expenditures, seeking the underlying causes of financial problems. Counsellors then raise clients' awareness of the reasons that contributed to their financial crises and provide appropriate advice and intervention (Klingander, 2000; McGregor & Berry, 1997; Schwartz, 2005; Staten & Barron, 2006; Staten et al., 2002).

Staten (2006) provides a historic background of the credit counselling industry in the United States, covering its controversial beginning, dramatic growth, and recent decline in reputation. Credit counselling started in the 1960s as non-profit services sponsored by creditors to advise borrowers who were unable to repay their debts on alternatives to bankruptcy (p. 275). Currently, credit counselling, also called financial, debt, or budget counselling, is a major industry providing services in a variety of delivery channels to an increasing number of clients. The number of clients of credit counselling agencies is not known; however, it is estimated that more than 5 million people sought advice from this service in the United States in 2002 (Staten, 2006). The number of debtors seeking help through this type of service in Canada is not known and an accurate number was not viable to estimate.

Credit Counselling in Canada

In Canada, financial counselling is mandatory for individuals seeking bankruptcy protection (Berry & McGregor, 1999). The Canadian Bankruptcy and Insolvency Act mandates that bankruptcy trustees provide counselling for those seeking bankruptcy and potentially for those financially associated with the bankrupt. Refusal to receive counselling would make debtors ineligible for automatic discharge in bankruptcy proceedings (Bankruptcy and Insolvency Act, 1985). Some Canadian studies have looked into the counselling provided by trustees or financial counsellors to the bankrupt (Berry & McGregor, 1999; McGregor & Berry, 1997; Schwartz, 2005; Schwartz & Anderson, 1998). Schwartz (2005) observed a non-specified number of counselling sessions and a non-specified number of interviews with "several experienced counsellors" in Canada; he concluded that the debt counselling provided by trustees only facilitates and informs the bankruptcy process. Contrary to that finding, in a national study, counselled bankrupts reported that the information received in counselling enabled them to improve positive financial behaviours, such as tracking down expenses and handling money better (McGregor & Berry, 1997).

Schwartz & Anderson (1998) conducted a socio-demographic survey with 180 credit counselling clients from agencies across Canada and compared them with trustee in bankruptcy clients that responded to a similar survey. The authors stated that "a number" of credit counselling agencies were contacted and that "the majority" agreed to collaborate. The sample of credit counselling clients was not random and no tests of significance were conducted. In addition, it is not clear in the study how the agencies selected the respondents for the survey. To date, this is the only Canadian study found that actually conducted surveys among credit counselling clients outside the trustees' circle, and the surveys were conducted by credit counselling agencies on behalf of the researchers.

A more recent Canadian study on credit counselling aimed to identify possible abuses committed by the credit counselling agencies (Union des Consommateurs, 2006). The study targeted 41 organizations, including non-profit, private practices and trustees in bankruptcy; two non-profit, two private practices, and one financial adjuster responded to the survey. Other than the survey, data for the study were taken from institutional internet sites, resulting in controversial and biased data. For example, the study questions the integrity of the credit counselling industry, mainly due to frauds in this industry reported in the United States, but overlooked a number of American studies discussing the professional standards and practices of serious agencies in that country. As a result, for the most part the study is a warning to consumers against the use of credit counselling agencies. Despite the limitations of the study, the survey responses indicate that the five agencies counselled clients on budgeting and renegotiating with creditors, which are aligned with the industry's purpose.

Debt Management Plans

A repayment plan, commonly known as a Debt Management Plan (DMP), is the main strategy suggested by counselling agencies to reduce clients' financial problems. Staten and Barron (2006) looked at files of 59,972 credit counselling clients from 10 different agencies across the United States and found that a DMP was recommended to 62.1% of them. When debtors qualify for a DMP, the agency negotiates with the creditors to reduce or waive the interest owed and to settle the debtors' obligations. When a DMP is approved and agreed upon among the parties, the counselling agency collects a monthly instalment from the client to repay the creditors. A percentage of the debt collected stays in the agency as a contribution from the creditors and is used to support the agency's operation (Staten, 2006, p. 280).

Credit Counselling Clients

Consumers seeking financial counselling are facing serious financial challenges because of debt overload or overextension of credit. Staten and Barron (2006) found that individuals seeking help in credit counselling were already in such a bad condition financially that they were very likely to become delinquent and file for bankruptcy in the two years following their contact with the counselling agency. These consumers were also much more likely to have a negative record added to their credit report in the two years after counselling.

The main reasons for overextension found among counselled clients are money mismanagement and income instability (Bagwell, 2000; Klingander, 2000; Staten &

Barron, 2006). Klingander (2000) provides a literature review of studies looking at credit counselling services in the United States and some European countries in the 1960s, 1970s, and 1980s. The majority of studies show income loss or instability due to unemployment or dramatic events as the main cause for over indebtedness, with mismanagement also contributing to the financial challenge. A more recent study by Staten and Barron (2006) of almost 60,000 borrowers found poor money management, in about 37% of cases, and income loss or instability, in about 34% of cases, as the major causes for overextension among counselled clients.

It may be that lack of money management skills is playing a stronger role in the financial situation of troubled debtors. Schwartz and Anderson (1998) compared a group of Canadians seeking counselling with another group seeking bankruptcy. They found that those seeking bankruptcy were more likely to report dramatic events such as job loss, divorce or illness than those seeking credit counselling. Struggles with overextension of credit and pressure from debt collectors were common triggers for seeking help through counselling (p. 74). The literature reports unawareness of personal financial status, lack of a spending plan, little or no savings, and lack of long term planning as examples of poor money management factors that lead to overextension of credit (Klingander, 2000; Staten & Barron, 2006).

The profile of credit counselling clients is consistent in the literature (Bagwell, 2000; Kim et al., 2003; Kim, Garman, & Sorhaindo, 2005; O'Neill, Xiao, Sorhaindo, & Garman, 2005; Xiao et al., 2005). According to American studies, a typical client is white, female, and married, having at least one person depending on her financially. Clients are also likely to be employed, have some college or high school education, and live in a rented house. Their debt load is expected to be over 20%, meaning that more than 20 cents out of each dollar taken home goes to pay debts other than mortgages and loans (Garman & Forgue, 1988). A Canadian study of a small non representative sample of credit counselling clients found that 56% were women; 37% were married, 27% were formerly married, and 36% were single; 70% had no dependents; 61% had more than high school, 31% had a post secondary degree, and 39% had high school or less education; the median monthly income was $1,362 and the median monthly expenses $1,083, for a median of $279 surplus to service debt (Schwartz & Anderson, 1998).

Effectiveness of Credit Counselling

Evidence of the effectiveness of credit counselling is limited. A number of studies have looked at financial counselling effects on debtors' financial behaviours (Bagwell, 2000; Elliehausen et al., 2007; Kim et al., 2003, 2005; Klingander, 2000; O'Neill et al., 2005; Sorhaindo, Kim, & Garman, 2003; Staten & Barron, 2006; Staten et al., 2002; Xiao et al., 2005). The results of these studies are consistent in several aspects. After counselling, consumers reduce debt, reduce expenses, and use spending plans. However, evidence as to the factors that contribute to these results is not conclusive. Some of these studies will be briefly described below.

Staten and Barron (2006) collected data from credit reporting and credit counselling files of 11,000 DMP clients and compared them with a control group of non-clients. They found that credit counselling clients, for whom a DMP was recommended and completed, improved their credit profiles and had a lower incidence of delinquency and bankruptcy in the two years following counselling than those for whom a DMP was not recommended, or was recommended but not taken. The authors acknowledge two factors that may have played a role in this result. First, clients who qualify for a DMP are already in a better financial position than those who do not qualify (see also Kim et al., 2005); and, second, involvement in a DMP may require debtors to budget to pay the monthly instalments and to keep in contact with the agency. In a similar study with non-DMP clients, Elliehausen et al. (2007) compared three years of credit reports of a group of 5,973 counselled borrowers with a control group of 5,514 borrowers who were not counselled. They found that credit counselling had a positive impact on clients' financial behaviour, even though they did not engage in a DMP. Clients ended up with significantly fewer credit accounts, lower debts, less use of debit cards, better credit report scores, and fewer delinquencies relative to other borrowers (see also Staten et al., 2002).

Bagwell (2000) investigated the extent to which credit counselling clients implemented positive financial behaviours by comparing responses of 165 consumers surveyed at the beginning of counselling and one year after the initial session. The group included DMP and non-DMP clients and the majority reduced some personal debt after counselling, which is in agreement with both previously cited studies. In addition, one year after initiating counselling, 80% of respondents reduced living expenses, 50% followed a spending plan, and 40% increased or started savings. These results suggest that clients followed counsellors' recommendations to implement positive financial behaviours. The extent to which the improvement in these financial behaviours occurred is not clear; for example, the amount of debt and expenses reduced, and whether clients used spending plans before counselling, are not known.

Improvement in financial behaviour by credit counselling clients was also sought by Kim et al. (2003), who compared the behaviour of clients who were active in a DMP program (71) with those who did not start the plan or dropped out (104). The data for the study is part of the database of a large non profit credit counselling agency that operates across the United States, and includes one data collection point at the beginning of counselling and another 18 months after. The data was collected by mailing a survey to a random sample of 1,800 clients out of a population of 4,000 new clients of the agency. The response rate was 19.7% for the first wave (n=355); the second wave had 49% of those who responded to the first wave (n=175). The study aimed to find the effect of credit counselling on the health and wellbeing of the client. Results of path analysis indicated that credit counselling has a negative direct effect on financial stressors and a positive indirect effect on financial wellbeing and health (see also O'Neill, Prawits, Sorhaindo, Kim, & Garman, 2006), but no significant effect on financial behaviours as suggested by Staten and Barron (2006) and Bagwell (2000). The study also found that clients who were older and had better financial behaviour practices at the beginning of counselling improved financial behaviour after counselling. In other words, the study suggests that improvement in financial behaviour was a direct effect of age and behaviours before counselling, not an effect of counselling itself. Using the same data set as Kim et al. (2003), Kim et al. (2005) "examined the effects of credit counselling and debt management on financial behaviours and financially stressful events" (p. 35) by comparing active and inactive clients of DMPs 18 months after counselling. The active group had better financial behaviours and less stressful events than the inactive group before and after counselling, which suggests that those in a DMP may be in a better financial situation than those who do not accept or do not complete a DMP, as suggested by Staten and Barron (2006). Analysis of covariance between the two groups indicated that the improvement was significantly higher for the active group. Reducing personal debt and living expenses were the most important actions taken 18 months after counselling started (see also Sorhaindo et al., 2003).

O'Neill et al. (2005) also looked for a relationship among credit counselling, health, and wellbeing. They surveyed 3,121 DMP clients of a large credit counselling agency that operates across the United States; this sample was considered representative of American adults with high financial distress. Respondents who reported an improvement in health after counselling also reported reducing debts, following a spending plan or budget, starting or increasing savings, and reducing living expenses. Respondents mentioned starting a budget as something that helped them to improve their personal finances. Using a budget was not found helpful among respondents of a study done by Klingander (2000). The Klingander study has a different context, and deserves examination. The study examined the credit counselling experience of 173 households in a mid-sized town in Sweden, and how these clients handled their finances four to six years after counselling. Financial counselling in Sweden is provided by the Municipality, not by a private organization, as in the previous studies discussed. It does not provide repayment plans for the clients; instead, counsellors provide financial management education and advise clients to negotiate with creditors. More than half of respondents reported following the counsellors' recommendations, such as planning their finances and paying debts. However, from the 70% of respondents who reported receiving a budget from the counsellor, only half considered it useful. The most important benefit from the experience of counselling was the opportunity to talk about one's financial problems. Debt reconstruction and budgeting advice seems not to have helped because the debt problems of these clients were due to low income.

Xiao et al. (2005) examined the financial behaviours of 2,044 consumers who received advice from a credit counselling agency between two to four months prior to the survey. The survey questionnaires and clients' files at the counselling agency were used for data collection. Among nine positive financial behaviours, the ones reported more often were reducing debt (89%), reducing expenses (80%) and following a budget or spending plan (74%). Starting savings and saving for retirement were reported less frequently, at 52% and 38%, respectively. The sample was divided into two groups according to the number of positive financial behaviours each practiced. Those in the group that practiced more positive financial behaviours were more likely to be "males, married, older, have full-time jobs and higher family income, perceive more secure retirement, better health, and better family relationship" (p.114). The study also found reducing debt and starting a spending plan to be associated with lower levels of stress.

Reducing debt and improving financial behaviours are the main objectives of credit counselling, and they seem to be met as indicated by the literature. Some positive financial behaviours are more likely to be improved than others. For example, reducing debt, using a spending plan, and reducing expenses seem to be related; they are the most cited improvement by counselled clients. Following a spending plan and reducing expenses may be the effects of other small steps such as avoiding places where money is spent unwisely, making a distinction between "needs" and "wants," prioritizing needs, and substituting inexpensive activities for costly ones.

Saving is another important positive financial behaviour because it may prevent future debt problems and cushion situations leading to overextension. However, saving may not be a priority for those highly indebted since money is allocated to reduce the debts. This prioritization of certain financial behaviours, such as paying debt over saving money, depending on individual's circumstances, is consistent among debtors and has been discussed in the literature (Hilgert, Hogart, & Beverly, 2003; Xiao et al., 2005). That those who seek help in counselling manage to reduce debt and expenses and follow spending plans reemphasizes the importance of financial education for the general population; it points out that with awareness and guidance, people can achieve better financial behaviours.

Positive Financial Behaviours

Positive financial behaviours are consistently recommended by the academic literature on personal finance and by financial experts. Setting financial goals, keeping financial records, tracking down expenses, creating and following spending plans or budgets, identifying needs and wants, reducing or controlling spending behaviour, and saving for the short and long term are among recommended financial behaviours (Currie, Chambers, & Brown, 2004; Garman & Forgue, 1988; Kapoor, Dlabay, Hughes, & Ahmad, 2003; Keown, Gardner, Torabzadeh, & Dixon, 2003). Many households are unable to follow the experts' recommendations due to lack of financial resources or lack of experience (Hogarth et al., 2003; Lyons, Chang, & Scherpf, 2006).

Financial educators typically encourage individuals to follow a written spending plan or budget, and regularly compare it with actual income and expenditure (Garman & Forgue, 1988). Budgeting is the most recommended piece of advice given by financial experts and least followed by consumers (Hogarth et al., 2003). Budgeting and credit management are educational priorities for credit counselling clients (Bailey, Sorhaindo, & Garman, 2003), but consumers in general find it difficult to follow budgets (Klingander, 2000); they prefer systems that take little mental effort (Muske & Winter, 1999). Irregularity in income and expenses are frequent reasons for not using a budget (Davis & Weber, 1990; Klingander, 2000). Mental and short-term budgets are more common than long-term and written budgets (Davis & Carr, 1992). Written budgets are more common among young, married, and well-educated households with higher demands for available resources (Beutler & Mason, 1987).

In addition to controlling how income is spent, consumers need to consistently keep some of the money they make. A consistent savings habit consists in setting aside a portion of income even before paying bills (Garman & Forgue, 1988). Most families do not save for emergencies (Bhargava & Lown, 2006). In many cases, it is resource constraints that keep people from saving or achieving other financial goals. Reducing expenses is a common strategy to free up money to set aside (Bhargava & Lown, 2006; Moore et al., 2001). Unfortunately families at all income levels have trouble resisting spending temptations (Kennickel, Starr-McCluer, & Sunden, 1997; Moore et al., 2001).

In sum, there is evidence that financial counselling helps consumers to reduce debt and improve financial behaviour. Some evidence indicates that debtors under counselling may be focussing only on the immediate cause of their financial crisis, which is their debt load. More research is needed to identify what drives consumers to change the behaviour underlying their debt problems despite the barriers they may encounter. The present research will look into factors previously identified as affecting financial behaviour, such as age, education, and income. Other factors drawn from the transtheoretical model of change will also be explored.

The Transtheoretical Model of Change (TTM)

The transtheoretical model of change, which explains how behavioural change occurs, guides this research. This model has been used extensively to study the change of behaviours such as smoking, drinking, sedentary life, and unhealthy eating habits. The core constructs of the TTM model are decisional balance, self-efficacy, stages of change, and processes of change (Prochaska, Redding, & Evers, 2002). A brief description of these constructs follows.

Decisional balance refers to people's capability to realize the benefits and costs of changing. Those who identify more benefits than costs as they move across the stages of change are more likely to achieve the desired new behaviours. Self-efficacy refers to the confidence individuals have that they will retain the new behaviour despite the circumstances. As self-confidence increases, individuals are less likely to relapse into the risky behaviours they are trying to overcome (Prochaska et al., 2002).

The stages of change are *pre-contemplation*, *contemplation*, *preparation*, *action*, *maintenance*, and *termination*. These stages follow an upward spiral of progress. During *pre-contemplation*, individuals do not realize a change is needed or do not intend to change in the near future. In *contemplation*, individuals are aware of their behaviour problem, and think about changing, although are not yet committed to change. *Preparation* is the stage where individuals are already taking steps to implement the change. In the *action* stage, individuals have already implemented changes; they are committed and put forward the necessary effort to adopt new behaviour. During *maintenance*, individuals are active in the new behaviour and the focus is avoiding relapse. Finally, in the *termination* stage, individuals will not fall into temptation to get back to their former behaviour (Prochaska & Norcross, 2001; Prochaska et al., 2002).

In each stage there are processes that might occur to move people to the next stage (Prochaska et al., 2002). Figure 1 shows processes of change across stages. In the earlier stages, or before action has taken place, the processes are more experiential or cognitive, including *consciousness raising*, *dramatic relief*, *environmental reevaluation*, and *self-reevaluation*. In the later stages, the processes are more behavioural, including *self-liberation*, *counter conditioning*, *helping relationships*, *reinforcement management*, and *stimulus control*. These processes have been supported empirically by a number of studies and can guide intervention programs (Prochaska et al., 2002). Researchers using the TTM have found that stages of change are more significant predictors of real behaviour change than other variables, including demographic measures (Prochaska, DiClemente, & Norcross, 1992).

Five of the 10 processes of change will be the focus of this study: *consciousness raising*, referring to increasing awareness of a behaviour, such as learning how to do it; *self-reevaluation*, referring to how one feels and thinks about oneself in respect to a behaviour, or in other words, how one self identifies with the new behaviour; *self-liberation*, referring to making commitments and taking steps to apply the new behaviour; *reinforcement management*, referring to rewarding oneself for the new behaviour, or reinforcing the behaviour by giving or withholding rewards; and *stimulus control*, referring to reminders of the positive behaviours. For more details on how the processes

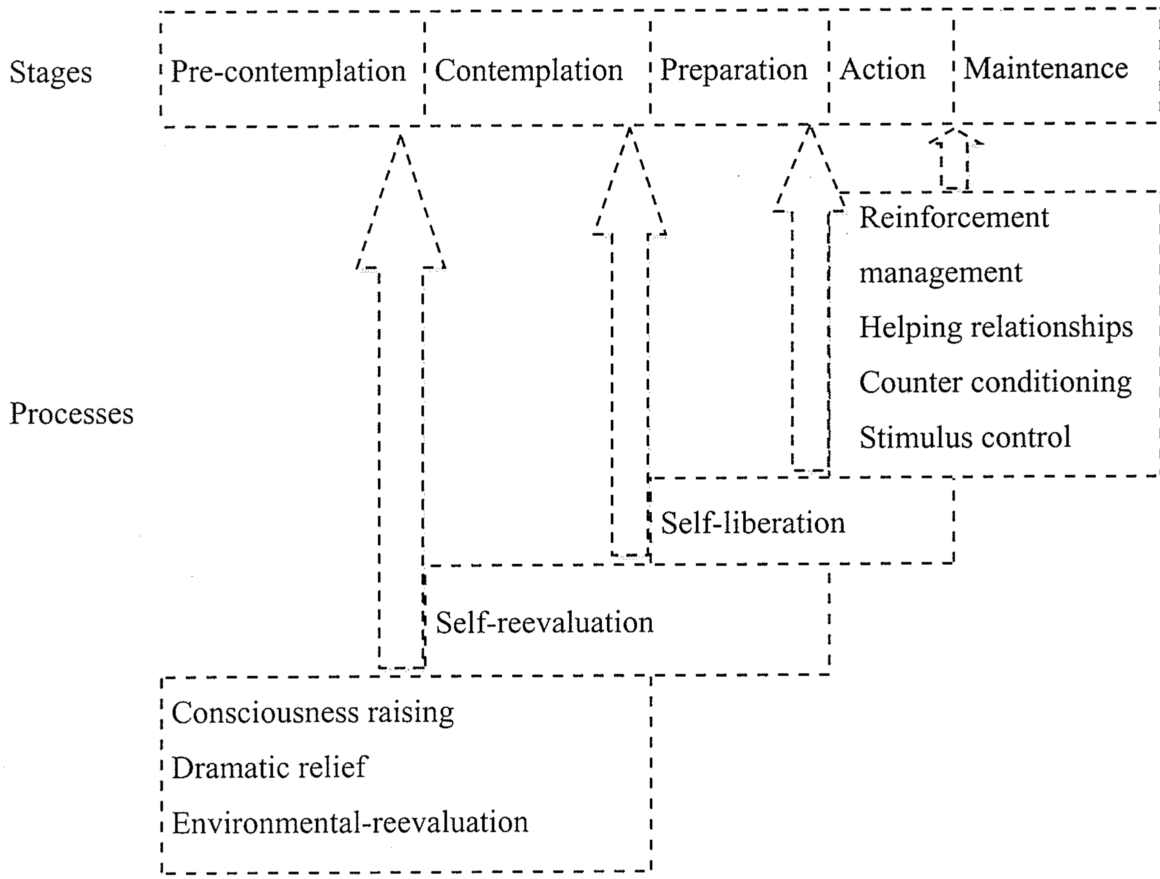

Figure 1. Processes of Change That Mediate Progression Between the Stages of Change in the Transtheoretical Model of Change

Note. From *Health Behaviour and Health Education* (p. 107), by J. O. Prochaska, C. A. Redding, and K. E. Evers, 2002, New Jersey: Jossey-Bass. Copyright 2002 by John Wiley & Sons, Inc. Adapted with permission (Appendix A).

can be conceptualized see Prochaska, 1999, Prochaska et al., 1992, and Prochaska et al., 2002.

The TTM in the Field of Personal Finance

In recent years, researchers have applied the TTM to the field of finances, associating stages and processes of change with change in financial behaviours (Shockey & Seiling, 2004; Xiao, Newman, Prochaska, Leon, & Bassett, 2004a; Xiao, Newman, Prochaska, Leon, Bassett, & Johnson, 2004b; Xiao, O'Neill, Prochaska, Kerbel, Brennan, & Bristow, 2004; Xiao & Wu, 2006). Xiao, Newman, et al. (2004b) validated the model for the field of finances. Their study applied the model to consumers trying to eliminate credit card debt. Based on the input of experts and consumers, three behaviours were used to define the action "get rid of credit card debts." They were: "paying more than minimum payment, stopping unnecessary purchases, and stopping credit card usage" (p. 92). If consumers were practicing these three behaviours they were considered to be in the *action* or *maintenance* stages. The study found strong reliability and content validity for the model, except for the processes of stimulus control and self-reevaluation which were later removed from the model.

Xiao, O'Neill, et al. (2004) investigated which processes of change were relevant to stages of change and financial goal achievement behaviour among participants in an educational program focusing on savings. The study adapted the model by separating the participants into two groups: pre-actors, for those not yet achieving their goals; and actors, for those "already at their goals" within six months after they joined the program. Results indicated that almost all the participants used consciousness raising (97%), self-re-evaluation (98%), self-liberation (98%), and reinforcement management (98%), suggesting the importance of these processes to foster change. The authors acknowledged a divergence between their results and the model since respondents in *action* and *maintenance* stages exceeded non-actors in all the processes studied. The divergence was attributed to the small sample size (N=520) and warrants more research associating processes and stages of change with actual behaviour change in the field of personal finance.

Shockey and Seiling (2004) used the TTM to assess change for six money management behaviours that facilitate saving money among participants of an educational program. The study assumed that, prior to achieving the goal of saving money, individuals must start "setting financial goals, using a spending plan, tracking spending, reducing debt, setting aside money, and saving money" (p. 4). Study findings indicated that before starting the program most of the participants were already in the *action* stage for reducing debt and in the *preparation* stage for all the other behaviours. In addition, "setting and using a financial goal, using a spending plan, and setting aside money for unplanned expenses were all significant factors in participants' readiness to act in reducing debt" (p. 10).

In sum, the transtheoretical model of change is a promising tool for measuring change in the field of personal finance, as it has been used effectively to measure behavioural change in other fields (Prochaska et al., 1992). Three main reasons motivate the choice of this model for this research. First, a number of researchers have discussed the use of the TTM in financial counselling (Kerkmann, 1998; Xiao, Newman, et al., 2004a, 2004b; Xiao & Wu, 2006); yet, the use of the TTM to measure financial behaviour is recent, which warrants more research to establish previous findings in the field (Xiao, Newman, et al.,2004b; Xiao, O'Neill, et al., 2004).

Second, the model has being successfully used in studies measuring financial behaviours. Applying the TTM to debt reduction behaviour, Xiao, Newman, et al. (2004b) found a pattern of relationships among TTM variables similar to the pattern found in other behaviour areas; for instance, confidence and some behavioural processes of chance increased across stages of change, while experiential processes of change increased only in earlier stages, as predicted by the model. Xiao, O'Neill, et al. (2004) found that some processes of change were more relevant than others for individuals implementing the behaviour of saving money. Shockey and Seiling's (2004) findings indicate that consumers seeking help in a financial program are already in advanced stages, such as *preparation* and *action*, which is consistent with the model. These consumers are already taking steps toward change when seeking help.

And finally, this model of change provides guidance for individuals engaged in self change as well as for supportive systems involved in helping those with problem behaviours (Prochaska et al., 1992). This study will explore some of the processes described in the TTM as factors affecting the adoption of positive financial behaviours by credit counselling clients. Results of this study will be used to address the use of the TTM model in the financial counselling of over indebted consumers.

Purpose of the Study

This study will explore factors associated with the adoption of positive financial behaviours by financial counselling clients. Six processes of change from the TTM will be tested as factors affecting behaviour. The positive financial behaviours investigated in this study are: tracking expenses, cutting down expenses, setting aside money, following a spending plan or budget (written or not written), avoiding buying items not needed, and setting financial goals. Previous studies have found that credit counselling clients implement behaviours such as reducing living expenses, following spending plans, and paying off debts. In a broader perspective, this study will investigate to what extent credit counselling helps clients to implement or improve their financial behaviours. The results will be used to discuss implications for addressing the financial behaviours of over-indebted consumers by financial counselling professionals and other social support agents, such as family and friends.

Research Questions

The following two questions guided this research study, derived from the preceding literature and the theoretical model.

(1) What is the relationship between the adoption of positive financial behaviours by financial counselling clients and the transtheoretical model's processes of change?

(2) How important are (a) the clients' perception of the helpfulness of the financial counselling agency, (b) their perception of their own negative behaviour, (c) their experience with the processes of change, as well as (d) selected demographic variables in determining the adoption of positive financial behaviours?

Hypotheses

Hypothesis One: Respondents who perceive the counselling services to be more helpful will be more likely to adopt positive financial behaviours. According to the TTM, individuals use helping relationships as support when implementing behaviour change. The process *helping relationships* is described in the model as "rapport building, a therapeutic alliance, counsellor call, and buddy systems" (Prochaska et al., 2002, p. 103). In this study the helping relationship process will be tested by respondent perception of the helpfulness of the agency.

Hypothesis Two: Respondents who acknowledge negative financial behaviours among the causes of their financial problems will be more likely to adopt positive financial behaviours. Anecdotal reports by counsellors suggest that debtors who recognize their financial behaviours as a reason for their financial problems make stronger efforts to change behaviours. On the contrary, individuals who believe that their financial problems are due to others, such as the government, their spouse, or their employment, are less likely to take steps to improve their financial behaviours (S. Massey-Wiebe, personal communication, August 15, 2007). The TTM model suggests that people seeking help might be already in a stage of change. Individuals who are in the first stage of change, called *pre-contemplation*, may not recognize or be aware of their problem behaviour and its consequences, while individual taking steps to act upon their problems, including "consulting a counsellor" may be already in the *preparation* stage (Prochaska & Norcross, 2001; Prochaska et al., 2002, p. 100). This study assumes that counselling clients who recognize their behaviours as a contributing factor to their financial problems are already in the *preparation* stage for changing the behaviours (Shockey & Seiling, 2004). Prochaska (1999) found that individuals "who entered treatment when already prepared to take action were most successful at every assessment" (p. 237). Grable & Joo (2001) suggest that negative financial behaviours may lead consumers to seek help, and seeking help may be an indication of a decision to change.

Hypothesis Three: Respondents who experience more processes of change as defined by the TTM will be more likely to adopt positive financial behaviours. According to the TTM, processes of changes help individuals to progress across stages (Prochaska & Norcross, 2001). The processes of change described in the TTM have received strong support in theory and research as predictors of change (Prochaska et al., 1992, p. 1107).

Hypothesis Four: Respondents who experience self-liberation and stimulus control more frequently will also more frequently apply positive financial behaviours. Prochaska et al. (1992) found self-liberation and stimulus control were consistently used among those who succeed in changing behaviour (p. 1109). These processes indicate commitment to the behaviour change and avoidance of problem behaviour respectively (p. 1108). Previous studies that tested processes of change in financial behaviour had inconsistent results (Xiao, Newman, et al., 2004b; Xiao, O'Neill, et al., 2004).

Hypothesis Five: Older respondents will be more likely to adopt positive financial behaviours. Previous studies have found a positive relationship between age and positive financial behaviours (Kim et al., 2003; O'Neill & Xiao, 2003; Xiao et al., 2005).

Hypothesis Six: Respondents with higher educational achievements will be more likely to adopt positive financial behaviours. Previous studies have found a positive relationship between education and financial behaviours (Bhargava & Lown, 2006; Hogarth et al., 2003)

Hypothesis Seven: Respondents with higher income will be more likely to adopt positive financial behaviours. Previous studies have established a positive relationship between size of income and positive financial behaviours (Staten & Barron, 2006; Xiao et al., 2005).

CHAPTER 2

Method

Sample

Clients of Community Financial Counselling Services (CFCS), a non-profit agency in Winnipeg, were contacted for this study. For the purpose of this study, clients were defined as individuals who contacted the agency and had at least one counselling appointment between April and June of 2007. CFCS provided names of 205 clients who met these criteria. Twenty of them were identified as people who may have contacted the agency for a group session only and did not have a file opened. Twenty two files were being used by the counsellors or by other member of CFCS team, such as the DMP manager, or welfare specialist, and were not available during the time of data collection. Data were collected from 163 files. Fifteen files were excluded from the study because either the files did not have current contact information or they had been closed and client had been referred to another agency to deal with issues beyond the scope of CFCS. It could not be determined how many of the clients were still in contact with the agency during the time of the survey.

Invitation letters (Appendix B) were sent to the remaining 148 clients from October 2007 to February 2008. The clients were contacted over the phone a few days after the letters were sent (scripts in Appendix C). This procedure and the content of the communications with the clients were approved by the University of Manitoba Ethics committee (Certificate of Approval in Appendix D). The survey was done via telephone and took 20 minutes on average. Respondents were given the opportunity to put their name forward to enter a draw for one gift certificate of $200 from a local grocery store and 30 books on financial management.

Several attempts were made to reach the clients at different hours of week days and weekends. Of 148 letters sent, 22 (15%) had a wrong telephone number for contact; 17 (11.5%) were approached via voice messages but the client did not respond; 16 (10.8%) asked to be contacted at a later time but never completed the survey. Among the latter were clients who requested to be contacted at a specific day and time, but the scheduled contact attempts were also not successful. Three started to respond but withdrew; two of them could not understand English very well. Only 30 clients (20%) declined participation; one half of them had no specific reason for not responding; the other reasons given were "I am too busy" (5), "I never had financial counselling" (4), "it was not a good experience" (3), and "I don't discuss financial issues over the phone" (3). Sixty clients completed the telephone survey, for a response rate of 32.4% (60/185).

Instruments and Measures

The survey questionnaire (Appendix E) presented to clients was adapted from Bagwell (2000), Kim et al. (2003), O'Neill, Xiao, Bristow, Brennan, & Kerbel (2000), and Xiao, Newman, et al. (2004a). Respondents were asked how often they practiced positive financial behaviours before and after contacting the agency, their perception of the agency's helpful aspects, possible reasons for their financial problems, the frequency with which they experienced processes of change, and demographic information.

It is realized that the before and after measurement is likely to be less accurate since the experience of counselling has likely altered client's perceptions of their previous behaviour. Respondents were asked first the frequency of their positive financial behaviours in the present, looking at a time frame not longer than six months. After these responses were collected, respondents were asked the frequency with which they practiced the same positive financial behaviours before they contacted the agency.

File data was used to ascertain the amount of debt, use of cash advances, type and number of creditors, cost of living, assets, age, education, income, and marital status when clients first contacted the agency. In addition, file data was used to confirm that the respondent had an appointment with a counsellor and any indication of a respondent's financial behaviours before contacting the agency.

Independent Variables

To test the hypotheses, the variables of helpfulness of the agency, acknowledgement of one's own negative behaviour, processes of change and the demographics, age, education, and income, were used as independent variables in the analysis. The variables helpfulness of the agency and processes of change were transformed into composite scores. The items that composed the helpfulness of the agency and processes of change variables were also analyzed individually. Due to a lack of responses within categories choices and to maintain the robustness of the data analysis, the individual items were transformed into two categories in the nominal level.

Helpfulness of agency. For the independent variable "helpfulness of agency" respondents were asked how helpful they perceived 16 aspects of the agency. Some aspects in the list are related to the agency itself, such as confidentiality, ease of getting in touch with the counsellor, location, and good relationship with the counsellor; the others refer to specific help toward the positive financial behaviours, such as help to develop a spending plan or to set financial goals. Some of the aspects included in this study were cited by O'Neill et al. (2000). These researchers asked open-ended questions to identify the most and the least helpful aspects of a financial program in the United States. Some of the most cited helpful aspects found in their study, such as raised awareness, helped with budget and with financial goals, provided new ideas, motivation, and information, were included in the questionnaire.

Data were collected using a 5-point Likert-type scale, with responses meaning 1- not helpful, 2 - slightly helpful, 3 - helpful, 4 - very helpful and 5 - extremely helpful. Respondents were also allowed to say if the questions were not applicable to them, and to explain why; not applicable responses were coded 0, and considered as missing values for the analysis. A composite score was obtained by adding up the responses from the 5-point scale for the 16 questions. The scores could range from 16 as least helpful to 80 as most helpful. To analyse individual items, responses 1 to 3 in the 5-point scale were coded 0 and labelled "less helpful," and responses 4 and 5 in the 5-point scale were coded 1 and labelled "more helpful."

Acknowledging one's own negative behaviours. The question for this variable was taken from Bagwell (2000, p.188). Respondents were asked "What happened in your household to cause your financial problems?" with fixed response options for 12 items (out of the 20 items asked by Bagwell) and one open option, allowing respondents to comment on the reasons for their financial situation. Respondents could choose all that applied. Responses were dummy coded 1 for "yes" and 0 for "no." Positive response to "lack of spending plan or budget," "overuse of credit," and "spending too much" were considered acknowledging one's own negative financial behaviour (see questionnaire in Appendix D).

Processes of change. For the independent variable "processes of change," respondents were asked to rate the frequency with which they experienced five processes of change, with three questions for each process. Data were collected using a 5-point scale, with responses meaning 1- never, 2 - seldom, 3 - occasionally, 4 - often, and 5 - repeatedly. Respondents were also allowed to say if the questions were not applicable to them, and to explain why. Not applicable responses were coded 0, and considered missing values for the analyses. Responses were transformed into three variables, all representing processes of change.

For the first variable, all the responses were added up to create a score for the processes of change as a whole. The score could range from 15 to 75. For the second variable, the responses were separated into five processes of change. Each process had three questions. The responses were added up to create a score for each process. These scores could range from 3 to 15. The processes were *consciousness raising*, *self-liberation*, *reinforcement management*, *self-reevaluation*, and *stimulus control*. The questions were adapted from Xiao, Newman, et al., (2004a), but in some cases in this study they classified under a different process than the one described by those researchers. For example, Xiao, Newman, et al. classified setting "time aside to work on" a positive financial behaviour and staying "away from people, places and things that make it difficult" to apply a positive behaviour under the process *stimulus control* (p. 65); in the present study, however, these two experiences were considered measures of commitment to the positive financial behaviours studied and were classified under the process *self-liberation*. A list of questions per process used in this study as compared to Xiao, Newman, et al. is given in Appendix F.

Finally, each question was recoded into two categories at the ordinal level. Responses from 1 to 3 in the 5-point scale were coded 0 representing less frequent experience with the item asked, and responses 4 and 5 were coded 1, representing more frequent experience.

Age. For the independent variable age, respondents were asked their age on their last birthday. The respondents' age was confirmed from the agency's files.

Education. For the independent variable education, respondents were asked to choose from five categories: Less than high school, high school, college degree, university degree, and post graduate degree. Clients' educational levels were not recorded in all files, therefore, this information could not be confirmed from the agency's files. For hypothesis testing, this variable was transformed into two categories at the ordinal level; responses high school or less were coded 0 and more than high school were coded 1.

Income. Respondents were asked for the household gross income and given 10 response options, ranging from "$0 to $1,000" to "$100,001 or more." Income data were also collected from agency's files. Information files had clients' net income. The income figure from client's files was used for hypothesis testing.

Dependent Variable

Change in financial behaviours. Respondents were asked the frequency with which, before and after counselling, they practiced seven positive financial behaviours. Behaviours included tracking expenses, cutting down expenses, setting aside money, following a spending plan or budget (written or not written), avoiding buying items not needed, and setting financial goals. These behaviours are consistently emphasized by counsellors at the CFCS (S. Massey-Wiebe, personal communication, August 15, 2007).

The behaviours “cut down expenses,” “start or increase savings,” and developing a spending plan or budget” have been asked in previous studies (Bagwell, 2000; Kim et al., 2003).

Data were collected using a 5-point Likert-type scale, with responses of 1- never, 2 - seldom, 3 - occasionally, 4 - often, and 5 - repeatedly. Respondents were also allowed to say if the questions were not applicable to them, and to explain why. Not applicable responses were coded 0. Scores for current behaviours (or behaviours after counselling) and behaviours before counselling were created. The difference between the two scores formed the financial behaviours change score. For example, if response for the question “how often do you track expenses” was “occasionally” (3), and the response for the question “before contacting the agency, how often did you track your expenses” was “never,” (1) the score for change in financial behaviours for “tracking expenses” would be 2 (3 – 1 = 2).

The change in financial behaviours score could range from -28 to 28. To facilitate analysis with the independent variables at the ordinal level, this score was divided into two categories at the ordinal level. The lower level category included those with scores below the median, and was labelled “less impact,” representing those whose behaviours had a lower positive impact after counselling. The higher level category included those with scores equal or above the median, and was labelled “high impact,” representing those who had a larger increase in the frequency of positive financial behaviours between the time before and after counselling.

Missing Values

Response to the survey questionnaire was voluntary. Respondents were allowed to skip a question or to indicate if they felt the question was not applicable to them. It is acknowledged that in many cases a response of "not applicable" does not reflect reality. Each "not applicable" case was reviewed based on respondents' files and comments. Responses of "not applicable" that were not compatible with clients' files or comments were changed to the lower response in the 5-point scale. The lower response was "never" for the questions referring to a frequency of behaviours or experiences, and "not helpful" for the questions referring to helpfulness of the agency. It was assumed, for example, that a client in whose file there was evidence that a budget had been discussed, but who responded that helping with budget was "not applicable" should have his or her response changed to "not helpful" instead.

Data Analysis

Data was analyzed using the Statistical Package for the Social Sciences (version 15.0). Bivariate correlation analysis was used to compare the continuous variables with Pearson r as the measure of association. Chi-square (χ^2) tests were conducted to establish association between the discrete ordinal variables, with Kendall tau-b (τ) to measure the strength of the association. Kendall tau-b was chosen for its adequacy when dealing with data with a great number of tied responses. In this study, a great number of responses fell into 3, 4 or 5 in the 5-point scale, creating a great number of tied pairs. In this research, the magnitude of Kendall tau-b followed Knoke, Bohrnstedt, & Mee (2002), who suggested values from .00 and .24 as "virtually no relationship," from .25 to .4 as "weak relationship," from .50 to .74 as moderate relationship, and from .75 to 1.00 as "strong relationship" (p. 150).

Using a 5-point scale with a small sample size resulted in a high number of cells with expected counts less than 5, which invalidated the Chi-square tests. To solve this problem all variables were transformed into two categories at the nominal level, despite the loss of information and weakened measurement power. For the financial behaviours change score, the lower category refers to cases that fell below the median and the higher category refers to cases that were equal to or above the median. For all the other scores, the lower level category included responses from 1 to 3 in the 5-point scale, and the higher level category included responses from 4 to 5 in the 5-point scale.

CHAPTER 3

Results

This section describes the results of the study. The study explored factors affecting the adoption of positive financial behaviours by counselled clients in a non-profit financial counselling agency in Winnipeg, Community Financial Counselling Services. The sample is subject to self-selection bias, and the findings should be interpreted with caution.

Descriptive Statistics of Demographic Characteristics

Descriptive statistics of the sample and statistics representative of the population of the City of Winnipeg based on Census data are provided in Table 1. All Census data are based on the 2006 Census neighbourhood profile (Statistics Canada, n.d.). Because categories of the variables used in the Census and in this study are different, comparisons made between them are limited. Comparisons will also be made between respondents and non respondents based on the agency's files when data is available.

Race and gender. The great majority, or 78.3% of respondents, defined themselves as white as compared to 75% in the Winnipeg population; however, it is possible that some respondents defined themselves as white when they were from mixed backgrounds. Just over half of the respondents, or 53.3%, were female, which is just a small overrepresentation of the Winnipeg population at 51.4%. The percentage of females is greater among the CFCS files collected for the study (59.9%, n = 146) and among the non-respondents (64%, n = 86), neither of which is shown in Table 1.

Age. The ages in the sample population ranged from 20 to 84 years. The median age of respondents in the study was 46, as compared to a median of 38.8 in the Winnipeg

Table 1

Demographic Characteristics of Respondents Compared to Residents of Winnipeg, Census 2006 (Percentages)

Demographic Characteristics	Sample	Winnipeg
Race or Ethnic Group		
White	78.3	75.0
Aboriginal	6.7	9.9
Black	6.7	2.1
Hispanic or Latino	3.3	0.8
Asian	0.0	11.1
Other	3.3	1.0
No answer	1.7	-
Total	100.0	100.0
Gender		
Female	53.3	51.4
Male	46.7	48.6
Total	100.0	100.0
Age range		
20 – 29	18.3	18.4
30 – 39	21.7	17.4
40 – 49	23.3	21.4
50 – 59	26.7	18.4

Demographic Characteristics	Sample	Winnipeg
Age range		
60 – 69	6.7	10.8
70 – 74	3.3	4.1
75 and above	-	9.5
Total	100.0	100.0
Marital status		
Never married	35.0	27.6
Married or Common Law	31.7	55.0[a]
Divorced	18.3	7.7
Separated	13.3	3.0
Widowed	1.7	6.6
Total	100.0	100.00
Education Level		
Less than high school	15.0	23.2[b]
High School	35.0	28.3
College Degree	23.3	25.3[c]
University Degree	18.3	23.3[d]
Post Graduate Degree	8.3	-
Total	100.0	100.0

[a] Common law was taken from the never legally married category in the census data, and corresponds to 7% of the population. [b] No certificate, diploma or degree; [c] College or other non-certificate degree or diploma; [d] University diploma or degree below and above bachelor level.

population, and 42 among the non-respondents. The great majority of respondents were between 30 and 59 years of age (71.7%); respondents aged between 50 to 59 years comprised 26.7% of the sample and 18.4% in the Winnipeg population. The proportion of study respondents between the ages of 20 to 29 years was similar to the Winnipeg population, but those above 60 years of age were underrepresented.

Marital status. Never married (35%), married or living common law (31.7%), and divorced or separated (31.6%) marital statuses, each consisted of about one third of the sample. Lone parents comprised 16.7% of the sample; 80% of them were divorced or separated. Among those married or living common law, 58% had children under 18 years of age living at home (not shown). As compared to the Winnipeg population, those who were married or living common law were underrepresented by about 20 percentage points, while the divorced and separated were overrepresented by about 20 percentage points. The underrepresentation was expected because married and common law individuals are more likely to be better off financially than those who are divorced or separated. However, this finding diverges from Garman & Forgue (1988), who found that married or common law comprised a high percentage of those seeking help in financial counselling. In the present study respondents were asked to comment on the reasons for their financial situation. About 10% of the respondents, half of whom were single, referred to their marital status in their response. Examples of those responses included: "marital relationship difficulties," "two people are better than one when it comes to one's finances," "being a single parent contributed to financial trouble," and, "financial situation worsened when became divorced or widowed."

Education. Just over one third of respondents in the study had completed high school education (35%), almost one in four had completed a college degree (23.3%), and almost one in five had completed a university degree (18.3%). Although 15% had less than a high school education, 8.3% had post-graduate degrees. In the Winnipeg population, the categories of under graduate and post-graduate degree were aggregated and comprised 23.3% of that sample. The "less than high school" category is underrepresented in the sample, and the other categories were either on par with the Winnipeg population or exceeded them.

Income. Comparisons cannot be made between respondents in this study and the Winnipeg population on income because the categories of this variable used in the Census, in the survey, and in the respondents' files are different. According to respondents' files, the monthly after tax income ranged from $384 to $4,177 (n = 55) and the median was $1,785; whereas for the Winnipeg population the monthly after tax median income was $1,931 (City of Winnipeg & Statistics Canada, n.d.). The difference in income between respondents and non-respondents was negligible.

The 2001 Census data show that about 6.5% of Winnipeggers reported personal annual income below $12,000 and only 3.9% reported annual family income below $10,000 (City of Winnipeg & Statistics Canada, n.d.). About 13% of the sample reported annual income before taxes below $12,000. Even considering the differences in categories, the comparison of low income in the population of Winnipeg with that in the sample suggests that incomes below $12,000 are over represented in the sample. This over representation of low income individuals may have affected the analysis by reducing the number of respondents engaged in the positive financial behaviours studied. For instance, respondents from this survey who made less than $1,200 per month, made comments such as, "it is pointless to read about financial behaviour if you have no money," "financial behaviour is not my issue," referring to lack of money, "have no money to set financial goals," "need to change financial situation, not financial behaviour," "expend more than make because need more than make to survive, eat only from food bank."

Debts: Debt load refers to a percentage of net income going toward debt payment. A debt load of 20% is expected for highly indebted populations. A debt load was estimated for the sample based on file data. Assuming 3% minimum payment for total debt, 3% of total debt was divided by the monthly net income to obtain the debt load. Debt load should exclude mortgage and loans, but the files for this sample did not exclude these data. Information regarding debts was collected from the agency's files only. Based on these files, it is known that 20% of the respondents owned a home with a mortgage; however, the size of the mortgage was not clearly identified, and in many cases, the mortgage was obtained using different lines of credit. Based on these estimates, 64.3% of respondents had a debt load over 20% ($n = 56$). Total debt of respondents ranged widely from $994 to $99,867; the mean was $23,566 and the median $16,097 ($n = 58$). Minimal differences in the level of debt were found between respondents and non-respondents.

The variety of accounts in arrears suggests that respondents built their stressful financial situation over time. The number of creditors varied from 1 to 10, with 35% reporting one to four creditors; 46.6% reporting five to eight creditors; and 13% reporting 10 creditors. The majority (80%) reported owing on credit cards and to financial institutions, such as banks and credit unions. One half (50%) reported having unpaid instalment loans, cable, and telephone bills. One third (33%) reported debts to retail stores and utilities. One in five (20%) reported owing the Canada Revenue Agency and for payday loans. In addition, 15% reported owing family and friends, and 10% reported having unpaid medical bills.

Another indication of the financial situation of the people in this study is their cost of living (COL). During a client's intake process, a COL questionnaire is completed to identify clients' expenses and the amount of disposable income available to pay down debt after all expenses have being paid. The amount of this surplus is important to evaluate whether or not the client can afford a debt management plan (DMP). Although the COL for 61.7% of the sample indicated a surplus, only 20% of them had a DMP in place. For most of the cases, the surplus was a minimal amount, and was not recorded on the data for this study. A shortfall was found for 14% of respondents, indicating that they needed more for living expenses than they made. The remaining 15% of clients had no cost of living questionnaire on file. It may be that for those clients, completing a COL was not necessary or not feasible in their first appointment, due to their immediate circumstances, and a follow up appointment never occurred; for instance, the clients could be in a transition period when a COL would be inaccurate, or have a more pressing agenda, such as reassuring their rights before creditors, discussing a foreclosure, or reviewing a contract.

Summary of Demographic Characteristics

Respondents to the survey were mostly white, and between 30 and 59 years of age. Compared with the Winnipeg population, the most overrepresented categories were those aged 50 to 59, and divorced or separated individuals. Highly educated people were also overrepresented. The most underrepresented individuals were those who were married or living common law. Although the sample was self-selected, minimal differences were found between respondents and non-respondents. Respondents had lower mean and median income than non-respondents; as well, they were older.

Reliability Test

Cronbach's Alpha was conducted as a test of reliability for variables with multiple items. Reliability is considered good when Cronbach's Alpha is .7 or above. The reliability test indicates inconsistent items to be eliminated to increase scale reliability. For the variable "change in financial behaviours" the items "follow unwritten budget" and "set aside money" were eliminated. For the variable "helpfulness" all the original 16 items were consistent. Four out of 15 items were eliminated from the processes of change variable; they were "pay attention to stories," "stay away from people and places," "feel sad for not changing," and "feel a strong desire to change." These items were also eliminated when analysing the five processes separately. The process "self-reevaluation" was completely eliminated as a separate composite score, since only one item remained. The Cronbach's Alpha, after inconsistent items were eliminated, is given on Table 2 with the descriptive statistics for all continuous variables.

Change in Financial Behaviours

Seven positive financial behaviours were included in this study, but only five remained for the analysis. As previously explained, "set aside money" and "following unwritten budget" were eliminated from the analysis. These two behaviours were negatively related with other behaviours in the scale and had a smaller change in the

Table 2

Descriptive Statistics for the Continuous Variables with Cronbach's Alpha

Variables	Mean	Median	*SD*	Min	Max	Alpha
Behaviour change	6.39	6	5.88	-8	20	.842
Helpfulness	63.45	67	13.33	31	80	.943
Processes	38.23	39	7.21	20	49	.802
Consciousness Raising	6.17	6	2.10	2	10	.639
Self Liberation	6.83	7	1.90	2	10	.534
Reinforcement Management	10.59	13	2.61	3	14	.717
Stimulus Control	10.81	11	2.09	6	15	.552
Age	44.08	46	12.25	22	74	-
Income	$1,887	$1,785	967.11	$384	$4,177	-

number of reports before and after counselling as compared to the five behaviours that remained in the analysis. Seven respondents reported saving money more frequently before counselling and 13 after counselling, which represents an 86% increase in the number of reports. "Following unwritten budget" increased only 61% with 18 reports before counselling and 29 after. The number of respondents who reported more frequently the five remaining positive behaviours more than doubled from before to after counselling. These results are presented on Table 4. The five financial behaviours that remained in the analysis were also significantly and positively correlated (Table 5).

Testing Hypotheses

Hypothesis One: Respondents who perceive more helpful aspects of the counselling services will be more likely to adopt positive financial behaviours. A significant positive and moderate correlation was found between perceiving the agency as helpful and experiencing a greater increase in the frequency of positive financial behaviours ($r = .411, p < .01$). In other words, respondents who had perceived the agency as very helpful or extremely helpful were more likely to have experienced a greater positive change in their financial behaviours after counselling than their counterparts who perceived the agency as less helpful; and these results were unlikely to have occurred by chance.

An additional Chi-square analysis was conducted to identify if any specific aspects of the agency contributed more to a change in the frequency of positive financial behaviours. A significant positive association was found for the helpful aspects "awareness of behaviours" [$\chi^2(1, n = 58) = 10.359, p < .01; \tau = .423, p < .01$], "gave ideas, motivation, and guidance" [$\chi^2(1, n = 58) = 5.087, p < .05; \tau = .296, p < .05$],

Table 3

Positive Financial Behaviours Reported Very Often or Repeatedly Before and After Counselling by Count and Percent (n = 59)

Positive Financial Behaviours	Before		After		Increase	
	Count	Percent	Count	Percent	Count	Percent
Track expenses	15	25.4	31	52.5	16	106.7
Cut down expenses	14	23.7	45	76.3	31	221.4
Save money	7	11.9	13	22.0	6	85.7
Follow written budget	9	15.3	31	52.5	22	244.4
Follow budget not written	18	30.5	29	49.2	11	61.1
Avoid buying unneeded items	19	32.2	45	76.3	26	136.8
Set financial goals	6	10.2	28	47.5	22	366.7

Table 4

Correlation Matrix of Positive Financial Behaviours (n = 59)

Positive Financial Behaviours	1	2	3	4	5
1. Track expenses	1				
2. Cut down expenses	.419***	1			
3. Follow written budget	.716***	.400**	1		
4. Avoid buying unneeded items	.447***	.578***	.435***	1	
5. Set financial goals	.472***	.483***	.648***	.593***	1

**$p < .01$. ***$p < .001$.

"helped record keeping" [$\chi^2(1, n = 56) = 7.012, p < .01, \tau = .354, p < .01$], and "helped to see benefits in positive financial behaviours" [$\chi^2(1, n = 56) = 4.487, p < .05; \tau = .283, p < .05$]. The aspects "confidentiality of services," "ease to contact counsellor," "good relationship with counsellor," and "answered questions" were found very helpful for the majority of respondents; however, these aspects were not found to be associated with an increase in positive financial behaviours. A comparison of total sample with those having improved financial behaviours on their perception of agency helpfulness is presented in Table 5.

Hypothesis Two: Respondents who acknowledge negative financial behaviours among the causes of their financial problems will be more likely to adopt positive financial behaviours after counselling. A significant positive correlation was found between acknowledgement of negative behaviours, such as "lacking a budget" ($r = .294$, $p < .05$), "overusing credit" ($r = .269, p < .05$), and "spending too much" ($r = .417, p < .01$) and change in financial behaviours. These three negative behaviours were also positively related to each other (Table 6). In addition, these three negative behaviours were the most reported reasons for financial problems, reported by 79.7%, 76.3%, and 83.1% of respondents respectively; followed by "not enough money," which was reported by 72.9% of respondents. A complete list of reported reasons for financial problems is given in Table 7.

Hypothesis Three: Respondents who experience more processes of change will be more likely to adopt positive financial behaviours. A significant positive and moderate correlation was found between experiencing processes of change and adopting positive

Table 5

Comparison of Total Sample with Those Having Improved Financial Behaviours on Their Perception of Agency Helpfulness by Frequency and Percent

Helpfulness of the agency	Greater Perception of Agency Helpfulness			
	Total sample		Improved behaviour	
	Count	Percent	Count	Percent
Confidentiality [a]	55	93.2	29	52.7
Ease to contact counsellor [a]	51	86.4	28	54.9
Location [a]	44	74.6	24	54.5
Good relationship with counsellor [a]	54	91.5	29	53.7
New information received [a]	45	76.3	26	57.8
Awareness of behaviours [b]	44	75.9	28	63.6**
Gave ideas, motivation, guidance [b]	43	74.1	26	60.5*
Answered questions [a]	51	86.4	26	51.0
Helped set financial goals [c]	35	61.4	22	62.9
Helped set budget [e]	36	65.5	23	63.9
Helped lower expenses [e]	34	61.8	22	64.7
Helped record keeping [d]	30	53.6	21	70.0**
Gave ideas to avoid spending [d]	31	55.4	19	61.3
Helped to see you can do it [d]	41	73.2	24	58.5
Helped to see the benefits [d]	40	71.4	25	62.5*

[a] $n = 59$, [b] $n = 58$, [c] $n = 57$, [d] $n = 56$, [e] $n = 55$.

*$p < .05$. **$p < .01$.

Table 6

Correlation Matrix of Change in Financial Behaviours and Acknowledging Negative Behaviours (n = 59)

	1	2	3	4
1. Change in financial Behaviours	1			
2. Lack of budget	.294*	1		
3. Overuse of credit	.269*	.411**	1	
4. Spending too much	.417**	.557**	.279*	1

*$p < .05$. **$p < .01$.

Table 7

Reported Causes for Financial Problems by Frequency and Percent (n = 59)

Causes for Financial Problems	Frequency	Percent
Not enough income	43	72.9
Unemployment	23	39.0
Cutback in working hours	21	35.6
Illness	28	47.5
Caring for dependents	24	40.7
Lack of budget	47	79.7
Overuse of credit	45	76.3
Spending too much	49	83.1
Legal problems	12	20.3
Got divorced or separated	20	33.9
Lottery or gambling	8	13.6
Alcohol or drug use	12	20.3

financial behaviours ($r = .403, p < .01$). In other words, respondents who had experienced more processes of change were very likely to have experienced an increase in the frequency of positive financial behaviours after counselling, and these results were unlikely to have occurred by chance.

Hypothesis Four: Respondents who experience self-liberation and stimulus control more frequently will also more frequently apply positive financial behaviours. A significant positive relationship was observed between three out of the four "processes of change" and change in financial behaviours. As predicted, *self-liberation* had the strongest correlation ($r = .451, p < .001$); however, contrary to the prediction, *consciousness raising* ($r = .385, p < .01$) was more important than *stimulus control* ($r = .286, p < .05$). This result partially supports the hypothesis.

An additional Chi-square analysis was conducted to identify which specific experience classified as a process of change would have a stronger relationship with improving positive financial behaviours. Six out of the 15 experiences included in this study were found to be significantly positively associated with improving financial behaviours. Three experiences were reported by the majority of respondents but no relationship was found between them and positive financial behaviours. Details for these findings are in Table 8.

Hypothesis Five: Older respondents will be more likely to adopt positive financial behaviours. There was no relationship between age and change in positive financial behaviours identified in the sample studied.

Hypothesis Six: Respondents with higher educational achievements will be more likely to adopt positive financial behaviours. Similar to age, no relationship was found

Table 8

Processes of Change Experiences Among Total Sample and Among Those With Greater Behaviour Change by Count and Percent

Processes of Change Experiences	More experience with processes			
	Total sample		Improved behaviour	
	Count	Percent	Count	Percent
Consciousness raising				
Pay attention to stories [a]	28	47.5	17	60.7
Look for information [a]	27	45.8	18	66.7*
Read articles about it [a]	23	39.0	16	69.6*
Self-liberation				
Set aside time for finances [a]	29	49.2	20	69.0**
Stay away from people and places [b]	41	70.7	21	51.2
Tell yourself could commit [b]	33	56.9	21	63.6*
Reinforcement management				
Tell yourself YOU CAN [a]	40	67.8	22	55.0
Find results rewarding [b]	47	81.0	27	57.4
Celebrate improvement [b]	13	22.4	7	53.8
Self-reevaluation				
Feel sad for not doing [c]	25	43.9	12	48.0
Feel desire to do it [c]	48	84.2	26	54.2
Believe can do it [c]	35	61.4	23	65.7**

Processes of Change Experiences	More experience with processes			
	Total sample		Improved behaviour	
	Count	Percent	Count	Percent
Stimulus control				
Time with people who remind benefits [c]	20	35.1	12	60.0
Tell don't need to buy items [b]	43	74.1	21	48.8
Remind of benefits when discouraged [c]	33	57.9	21	63.6*

[a] $n = 59$, [b] $n = 58$, [c] $n = 57$.

*$p < .05$. **$p < .01$.

between higher educational achievement and change in positive financial behaviours in the sample studied.

Hypothesis Seven: Respondents with higher income will be more likely to adopt positive financial behaviours. No relationship was found between income and change in positive financial behaviours in this study.

Summary of Hypotheses Testing

Respondents who found the agency helpful, acknowledged their own negative financial behaviours, and experienced the studied processes of change, especially self-liberation, were also more likely to have improved positive financial behaviours. These findings support hypotheses one, two, and three, and partially support hypothesis four. All correlation results are presented in Figure 2, except the correlation among processes of change, which are presented in Figure 3.

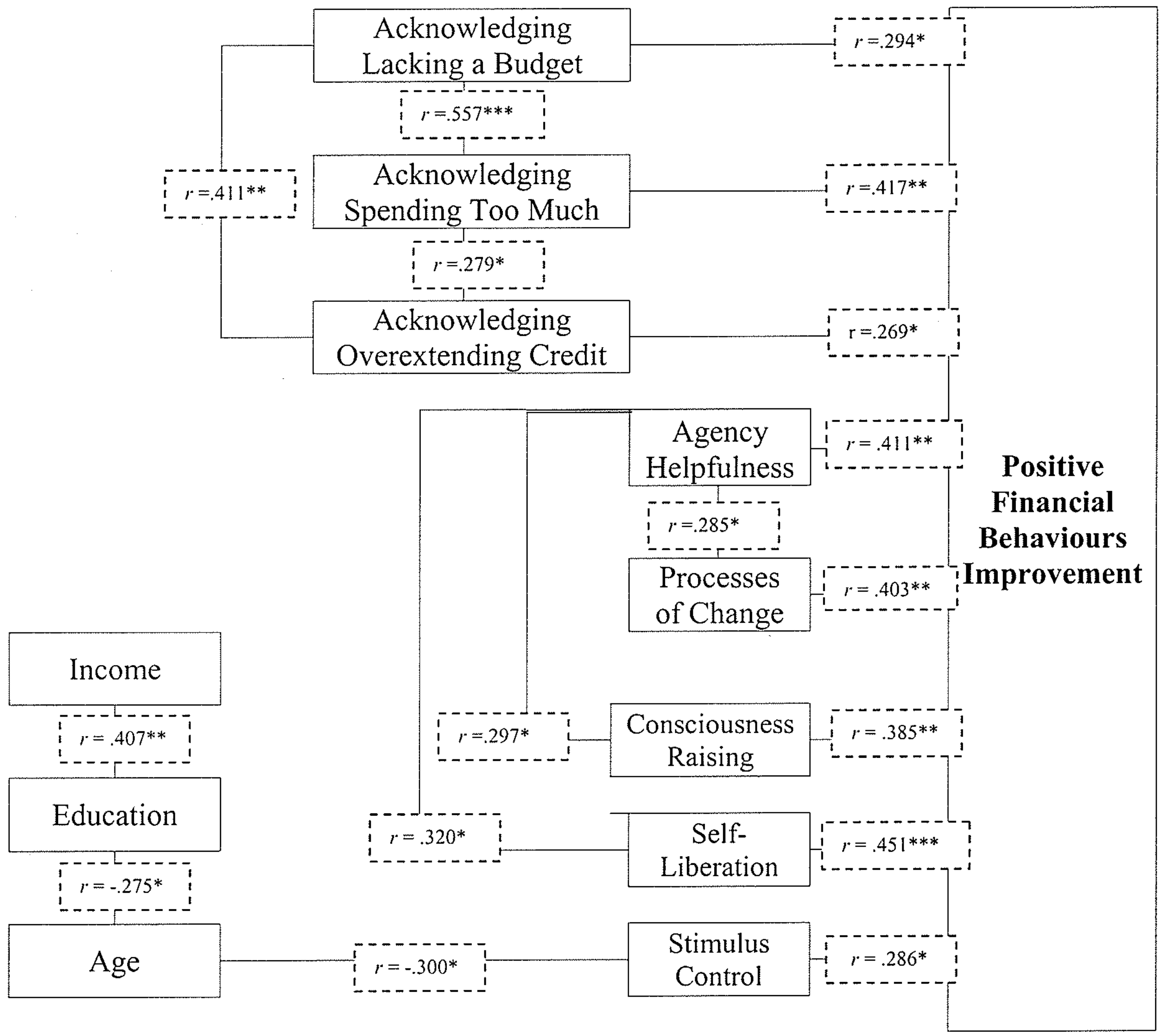

Figure 2. Variable correlations, excluding processes of change.

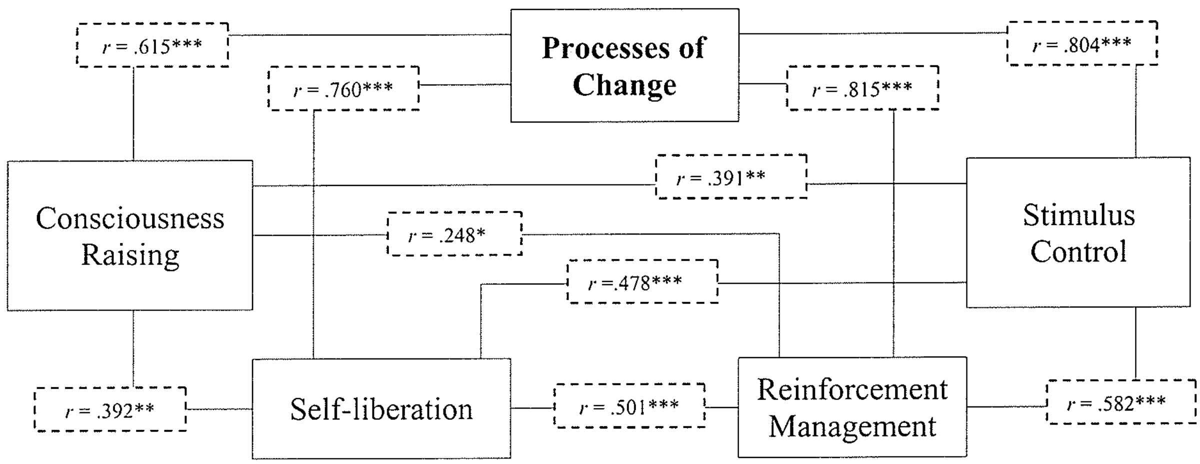

Figure 3. Variable correlations among processes of change.

Discussion

This study aimed to explore factors affecting the adoption of positive financial behaviours by credit counselling clients. Study findings support the hypothesis that clients' improvement of financial behaviours is associated with perceiving the agency as helpful, acknowledging one's own negative behaviours as a reason for financial problems, and experiencing some of the processes of change drawn from the TTM model. The behaviours "saving money" and "following a non-written budget" were eliminated from the analysis, as well as the process of change *self-reevaluation*; they were inconsistent with other constructs in the model. The processes of change *self-liberation* and *consciousness raising* were the most important processes for improving financial behaviours. No relationships were found between age, education and income and improving financial behaviours. Implications of these findings will be discussed below.

Positive Financial Behaviours

The findings of this study suggest that respondents improved their financial behaviours after counselling. This finding is aligned with previous studies with credit counselling clients (Bagwell, 2000; Kim et al., 2005; O'Neil et al., 2005; Sohaindo et al., 2003). The five financial behaviours that remained in the analysis were significantly and positively correlated with each other, suggesting that improving in one may have contributed to improving in another (see Table 4). For instance, following written budgets had a strong relationship to tracking expenses and setting financial goals, which is not surprising. In fact, these behaviours may depend on each other; individuals should track expenses to assure an accurate budget, and budget to achieve their financial goals. The finding regarding the helpful aspects of the agency included in this study also suggests the importance of tracking expenses. Receiving help to track expenses was found to be very important for financial behaviours change, but help to budget and to set financial goals was not. An explanation for this finding is that respondents in the lowest income range may have benefited from learning to track expenses but found budgeting and setting financial goals to be irrelevant for them. Many respondents commented that there was no point to the latter behaviours due to their lack of money.

Saving money and following a budget that was not written were inconsistent with the other financial behaviours in the model and were eliminated from the analysis. The majority of respondents in this study did not practice saving money before or after counselling, which is also aligned with previous studies (Bagwell, 2000; Xiao et al., 2005). It is possible that they did not have enough disposable income to save, or that they did not understand the importance of this positive financial behaviour. In addition, for some respondents saving money was not an option; about 20% of them were insolvent and others were living on welfare. Saving money seems to be a goal after getting out of debt, as discussed in previous literature (Hilgert et al., 2003; Xiao et al., 2005). Some respondents commented that they were getting to a point where they would be able to start saving. The respondents who had saved money previous to the challenges that prompted them to seek counselling admitted that their savings helped them through their financial challenges and prevented an even worse situation.

Following a budget that was not written was reported by one third of the sample before counselling and had the least improvement after counselling. In addition, this behaviour was negatively correlated with other behaviours in the model. It is possible that those who reported following an unwritten, or mental budget, believed they knew enough about their income and expenses and saw no need to write them down in a comparative manner. Another possibility is that they did not have enough money to consider planning how to spend; in other words, all the income was already spent before payday. Although an unwritten budget may be a widespread practice (Davis & Carr, 1992), having only a mental budget may hinder other positive financial behaviours, and should be considered a negative behaviour instead of a positive one.

Agency Helpfulness

Agency helpfulness was found to be related to improving positive financial behaviours. Results of the analysis suggest that some helpful aspects of the agency may have a greater positive impact on clients' financial behaviours than others. Increased awareness was the perceived helpful aspect most strongly related with improving financial behaviours, followed by "help record keeping." This finding reinforces the importance of financial education discussed in other studies (Hogarth et al., 2003). People who seek help in financial counselling may know they lack financial management skills, but may not have a clear picture of how they got themselves into financial trouble. Counselling may help them to trace back the pathway to their current financial problems and give clues on how to get out of them. Setting a process to keep track of expenses may be the first step to implement other positive financial behaviours. The study also indicates that "ideas, motivation and guidance" that counsellors give to clients were related to improving behaviours, as well as "help to set budget" and "help to see the benefits of positive financial behaviours." These findings suggest that the financial counselling provided by the agency in the study is aligned with the goals of such a service as explained in the literature (Berry & McGregor, 1999; Elliehausen et al., 2007; Klingander, 2000; McGregor & Berry, 1997; Schwartz, 2005; Staten & Barron, 2006).

Other aspects of the agency were perceived as very helpful by respondents, but seem to have had no effect on their financial behaviours. Aspects such as "confidentiality of the services," "easiness to get in touch with counsellors," and "good relationship with counsellors," were reported by the majority of respondents; however, only just above half of this majority improved their financial behaviours. These aspects are important because they build rapport between client and counsellor, and may facilitate an effective intervention, such as counsellors raising awareness of clients' financial behaviours and helping clients with specific positive behaviours (see Table 4). Although this finding supports the often stated principle that change relies on clients' actions, and that counsellors and the agency are only facilitators in the process of change, counsellors' ability to foster the necessary action is imperative for a successful intervention.

The helpfulness of the agency in this study was not analyzed as one of the processes of change based on the TTM. However, it fits the description of the *helping relationships* process of change. *Helping relationships* refers to relationships of support for the new behaviours the subjects are seeking to achieve, especially when they are already taking steps toward change. The relationships with the counsellor and with the agency were important supports for the subjects' behavioural changes. "Helpfulness of the agency" had a positive effect on respondents' financial behaviours, and could have been included in the study as an additional "process of change" according to the TTM.

Acknowledging Negative Behaviours

The majority of respondents acknowledged "overuse of credit," "excessive spending," "lack of a budget" and "insufficient income" among the reasons for their financial trouble. Previous studies indicate that a combination of income instability and mismanagement lead to over indebtedness (Bagwell, 2000; Klingander, 2000; Staten & Barron, 2006). Indeed, the high debt load and the variety and number of creditors reported by the respondents were clear indicators that they mismanaged their finances. The majority of respondents reported that they carried a balance on their credit cards when they first contacted the agency. Almost half of the respondents reported from five to eight creditors; one half also reported owing instalment loans, cable and telephone bills. Interestingly, when the respondents completed a cost of living sheet on intake, more than half of them would have had enough for living expenses if they did not have any debts to pay. In other words, they had enough income for basic needs, but not enough to reduce their debts. This discrepancy may be an indication that they are attempting to support a life style which is no longer affordable.

Since respondents were approached for this study some time after counselling, it is possible that counselling may have helped them to recognize their negative financial behaviours. For example, before counselling, clients may not have reflected on the consequences of lacking a budget. However, being informed is not enough to enable individuals to necessarily adopt positive behaviours. In fact, some clients commented about their previous knowledge of positive financial behaviours, and acknowledged that they were still unable to practice those behaviours to manage their own finances. These reflections reinforce the need for interventions capable of moving individuals from knowing to acting upon knowledge, which is proposed by the TTM, and is an aim of professional credit counsellors.

Processes of Change

As hypothesized, a positive relationship was found between improving financial behaviours and experiencing processes of change. However, two of the five proposed processes of change did not fit the model. The process *self-reevaluation* was eliminated from the analysis for lack of reliability. A similar result was found by Xiao, Newman, et al. (2004b) in a study with individuals trying to eliminate debts, but Xiao, O'Neill, et al. (2004) found this process reported by the majority of participants in a financial education program. In the present study, questions asked to capture this process referred to the respondent's "desire to apply positive financial behaviours," "sadness when not applying the behaviours," and "belief that one could apply the behaviours." Desire to apply the behaviours was the most reported experience among the 15 experiences included in the study; however, in this study, it had no relationship to improving positive financial behaviours and the responses were inconsistent with responses to other questions in the model. It may be that desire to apply a behaviour is not a good measure of self identification with the behaviour. *Self-reevaluation*, or self-identification with the new behaviour, is important because the more central to individual's core values the negative behaviour is, "the more will their reevaluation involve changes in their sense of self" (Prochaska & Norcross, 1994, p. 468). When looked at individually, only the question referring to one's "belief" was significantly related to improving financial behaviour. On the basis of this analysis, it may be that the questions need to be reformulated to better represent subjects' self-identification with the positive financial behaviours investigated.

The process *reinforcement management* was not significantly related to improving behaviour when analysed either as a composite score or as individual questions. The questions for this process referred to "finding the results of positive financial behaviours rewarding," "celebrating when improving financial behaviours," and reinforcing oneself with positive statements, like "telling yourself that you can do it." "Finding results rewarding" was one of the most widely reported experiences, but it had no significant effect on respondents' financial behaviours. It is possible that the questions asked to capture this process were not good representations of the type of reinforcement necessary to strengthen a positive financial behaviour; the *reinforcement management* process was reported by a high percentage of respondents in a study where certificates of achievement were used as a reward for improvement positive financial behaviours (Xiao, O'Neil, et al., 2004). Another explanation is that the questions asked in the present study were not directed to a specific behaviour, but to any or all of the seven positive financial behaviours included in the study.

It was predicted that *self-liberation* and *stimulus control* would be more important for improving financial behaviours than other processes of change. Indeed, *self-liberation* had the strongest association with improving behaviour. The process *stimulus control* was also important in the analysis; however, the process *consciousness raising* was even more important, which was not expected. According to the TTM the process *consciousness raising* is more important when individuals are considering a change, but not yet acting upon a change. This statement is supported by studies on a variety of health behaviours, but not financial behaviours. A previous study with financial behaviours also found that *consciousness raising* was reported by the majority of respondents across all stages of change (Xiao, O'Neill, et al., 2004). It is possible that individuals trying to change financial behaviours need a constant search for information to act upon and maintain positive financial behaviours. This may be due to the dynamic nature of financial behaviours. For example, comparing smoking with getting into debt, it is fair to say that smokers know that smoking is never good for them, but getting into debt could be good or bad, depending on the circumstances.

Education, Income, and Age

Education and income are areas of concern drawn from the demographic statistics. Although education and income were positively related to each other in the sample, respondents had more education and lower median income as compared with the population of Winnipeg. This combination of more education and less income seems incompatible; it may be a reflection of the small self-selected sample; or it may be a reflection of a group with a high incidence of unexpected events and other psychosocial issues that may have contributed to lower their income; for instance, almost 50% of the sample reported illness, and 1 in 5 reported alcohol or drug use as a cause of their financial troubles.

The older age of respondents was a concern in this study. While American studies found most debt troubled consumers in their late 30s and early 40s years of age (Bailey et al., 2003; Kim et al., 2003; Sorhaindo et al., 2003; Xiao et al., 2005); in this study there was an overrepresentation of respondents aged between 50 and 59 years old, with a median age of 46 years. This is an important observation, because this age group should be preparing for retirement. Their over-indebtedness and negative financial behaviours may increase their financial distress and insecurity regarding the future far more than for those in other age groups. In addition, the respondents' age was negatively related to education, while education was positively related to income, suggesting the negative effect of lower education on future financial security.

Gender and Marital Status

The percentage of females and of married respondents was slightly smaller in this study than in a previous Canadian study (Schwartz & Anderson, 1998) and much smaller when compared with American studies (Kim et al., 2005; Xiao et al., 2005) involving credit counselling clients as respondents. This difference may be an indication of regional differences in the state of family finances, in financial behaviours, and/or in the decision to seek counselling, a possibility that may warrant further investigation.

Implications for Practice

Findings of the present study have important implications for financial counselling. This study found that counselling contributed to clients improving their financial behaviours. The more helpful aspects of counselling identified by respondents included raising clients' awareness of their financial behaviours, helping them with specific behaviours, and providing them with ideas, motivation and guidance through the counsellors. This study also found that some of the clients' experiences, here defined as processes of change from the transtheoretical model, were important to their positive behaviours. The more important experiences mentioned by clients included searching for more information about positive financial behaviours, reminding themselves of the benefits of these behaviours, and believing that they could apply them and make commitments to do so.

The combination of these findings suggests strategies to aid the counselling process and enhance clients' behavioural change. Since additional information seems to benefit clients' positive financial behaviours, counselling agencies could provide written communication to previous and current clients. This material could be in the form of periodic newsletters. The content could address the benefits of positive financial behaviours and include supportive messages from the counsellors, as well as clients' success stories. The newsletters would remind readers of the positive financial behaviours promoted by the agency, and bolster their own commitment to better financial management. Set aside time to positive financial behaviours was a measure of commitment important for behavioural change. Counsellors could suggest that clients incorporate time to work on their financial management skills into their schedules. Counsellors could also develop with their clients other indicators to measure their commitments to change.

Implications for Future Research

This study was an exploratory search for factors that would potentially influence financial behaviours. Findings suggest that processes of change from the TTM have a positive effect on financial behaviours. Processes of change experiences were identified among financial counselling clients who improved financial behaviours. These findings could be used in future studies to develop a model to predict changes in financial behaviours. However, it is important to note that these experiences may have been natural or instinctive and are similar to practices common among individuals who change negative behaviours on their own (Prochaska et al., 1992). A study with a group of people trying to change financial behaviours on their own would be another means to further solidify the value of the TTM for financial behaviours. In this case, a study of Debtors Anonymous could be illuminating. This group dedicates time weekly to meet together and read about success stories of people who change their financial behaviours, as well as share specific experiences that helped them to reduce debt and improve financial behaviours. In addition, it would be valuable to investigate if the processes of change experiences identified in this study have a stronger effect if emphasized by financial counsellors. In other words, future study should compare counselling practices that have incorporated the findings of this study with practices that have not.

This study was a successful partnership with a counselling agency in Winnipeg, the Community Financial Counselling Services. The results identified the agency as an important factor effecting change in clients' financial behaviours. CFCS counsellors' willingness to help enabled the researcher to recruit highly indebted individuals to investigate the practices that helped them to improve their financial behaviours. Researchers should seek partnerships with agencies operating across Canada to collect nationally representative data. Such partnerships would benefit multiple agents. For example, the agencies and potential clients would benefit by an independent assessment of the agency's effectiveness. Such assessment would potentially identify best practices in the industry. Reputable agencies could use the assessment to evaluate their practices and correct potential flaws. In addition, such research could lead to the development of a rubric for assessing the effectiveness of different counselling models and agencies. Since the financial counselling industry is not regulated by federal law, findings from the above suggested research would provide directions for future industry regulation.

Nationally representative data would allow regional comparisons and possibly identify cultural differences in financial behaviours. For example, would Canadians of immigrant and Aboriginal backgrounds have a different approach to debt accumulation and financial help seeking? Also, how do societal characteristics (e.g., easy credit, pervasive use of credit cards, and living on borrowed money as a societal norm) contribute to a collective behaviour regarding personal finances?

These questions could lead to international comparisons of interest, as many formerly underdeveloped economies have emerging consumer sectors and low levels of financial literacy. When individuals are able not only to meet their needs, but also are exposed to products and services that satisfy their wants, how will household debt be affected and what debt instruments will be used? Emerging economies such as those in Brazil, India, and China will have large numbers of "new" consumers who may require counselling services and financial education to avoid debt accumulation. The early adoption of positive financial behaviours could be encouraged in these populations.

Limitations

A number of limitations may have affected the results of this study. It is acknowledged that (1) when using a Likert-type scale the responses are subject to central tendency and social desirability bias; (2) before and after questions are also subject to response bias; (3) those who are in a better situation may be more motivated to respond, subjecting the study to self-selection bias; (4) the small size of the sample limits the strength of the analysis and level of significance; and therefore, (5) results of this study will reflect the sample studied and should be used with caution.

A seasonal bias is also possible in this study. Data were collected from October to March. During these months people tend to be more financially distressed. During the months around the holiday season it may be more difficult for people to present positive financial behaviours, such as cutting down expenses, or avoiding buying what is not needed. Just after the holiday season, people may experience guilt, and a higher level of distress, because of an increased number of bills to pay. Individuals' seasonal level of distress may have affected how they responded to the questions.

Conclusion

This study used the transtheoretical model of change to explore factors affecting adoption of positive financial behaviours by credit counselling clients. The findings of this study suggest that the help provided by the counselling agency, the individual's acknowledgment of their own negative financial behaviours, and the processes of change *consciousness raising*, *self-liberation*, and *stimulus control* all affected adoption of positive financial behaviours, but the demographic characteristics of respondents did not. The present study has important implications for financially distressed individuals, for financial counselling agencies and other helping agents, and for researchers interested in this field of study. The results reinforce previous findings that financially distressed consumers who seek help in financial counselling improved financial behaviours after counselling.

This study adds to the current body of knowledge by discussing specific experiences drawn from the TTM, which contributed to behavioural change and could be incorporated into the financial counselling intervention. Counselled clients are more likely to improve financial behaviours when they look for information about the new behaviours, show commitment to the new behaviours, are reminded of the positive behaviours and their benefits, and avoid situations that prompt them to negative behaviours. Counsellors could provide information that helps clients to realize how their negative financial behaviours are at odds with important personal goals, for example, the goal of becoming debt free and financially independent. To raise awareness of the negative behaviour of overusing credit cards, counsellors could have the practice of reviewing clients' credit card statements and discussing the future value of current charges when compounding interest is applied. They could help clients to see how small charges on their credit card, such as a fancy cup of coffee, can add greatly to their debt over time; on the other hand, the same small expense, if saved, could increase their net worth over time, if invested in an interest-bearing account. To raise awareness of the importance of small efforts to save, counsellors could show how the cost of two cups of coffee per day can become a down payment for a house five years from now. Samples of this information could be displayed in the counsellors' offices, similar to the displays that are commonly found in physicians' offices to raise awareness of common diseases. Counsellors could also help clients to identify potential obstacles to the implementation of positive behaviours, and to plan their way around those obstacles. Counselling agencies could develop ways for clients to let others know of their commitment to a new lifestyle and to their personal financial goals. Another way to incorporate these concepts into counselling would be to introduce rubber wristbands inscribed with financial messages. Rubber wristbands are commonly used to promote awareness and support of a cause because they are inexpensive, and they are excellent reminders for the users. The wristband could be given as a reward for completing a cost of living worksheet or starting a debt management plan. The inscriptions could say “on track to financial independence” or “I have a debt freedom date.” The wristband would work as a reminder, be a positive reinforcement for the new behaviour, show the individual’s commitment to others, and raise awareness of the clients’ new behaviour. Some of the suggestions above may already be part of counselling strategies, but importantly, the results of this study emphasize that these strategies could potentially improve counselling effectiveness.

Finally, this is the first study in Canada investigating the effectiveness of financial counselling. Its results validated the practices of one financial counselling agency in a fast growing and very competitive industry. It points out some demographic differences between Canadian and American credit counselling clients, and suggests directions for future comparative studies. The development of models to aid the financial counselling process, to assess its effectiveness, and to guide future regulation would be a desirable extension of this work.

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APPENDICES

APPENDIX A

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May 20, 2008

Margarida M. Demarchi
Dept. of Family Social Sciences
University of Manitoba

Dear Ms. Demarchi:

RE: Your May 15, 2008 request for permission to republish Table 5.2, pg. 107 from Glanz/Health Behavior and Health Education/787957151. This material will appear in your forthcoming thesis in print and/or on the following websites <http://mspace.lib.umanitoba.ca/dspace/index.jsp and http://collectionscanada.ca/thesescanada> to be published by University of Manitoba.

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Sincerely,

Brad Johnson
Permissions Assistant

APPENDIX B

Invitation Letters

COMMUNITY FINANCIAL COUNSELLING SERVICES, INC.

UNIVERSITY OF MANITOBA

Faculty of Human Ecology
Family Social Sciences

Winnipeg, Manitoba
Canada R3T 2N2
Phone: (204) 474-9225
Fax: (204) 474-7592

Date

Dear Mr./Mrs. client,

Community Financial Counselling Services is looking for your help to improve its services. You can help by participating in a study to be conducted by researchers from the University of Manitoba.

You can participate in the study by responding to a survey over the phone. The complete survey will take from 20 to 30 minutes to answer.

We will call you in about a week to see if you would like to participate. Your response to this survey is voluntary. It is okay if you don't want to participate.

We assure you that all your responses will be kept confidential and anonymous.

As a token of gratitude for you help, you will be offered the option to put your name for a drawing of one gift certificate of $200 for groceries, and one of thirty copies of the book "The A B C of Making Money for Teens."

If you have any questions, please contact the principal investigator, Mrs. Margarida Demarchi at or the research supervisor, Dr. Ruth Berry at . Both are in the Department of Family Social Sciences. The study was approved by the University of Manitoba Joint Faculty Research Ethics Board. If you have any questions or comments regarding a procedure in the study you may contact the Human Ethics Secretariat at (204) 474-7122 or email margaret_bowman@umanitoba.ca.

We would like to thank for your time and consideration. Your participation will be the most important component of this study.

Sincerely,

____

Principal Investigator

family social sciences

APPENDIX C

Contact Scripts

Script for Follow up Call

Greetings

This is Margarida Demarchi, from the University of Manitoba. May I speak to Mr./Mrs. Client?

Wait For Answer (WFA).

If not, then: When would be a good time for me to reach Mr./Mrs. client?

If yes, then:

Mr./Mrs. client, my name is Margarida Demarchi, I am calling to follow up on the letter that I sent to you on behalf of the CFCS and the Department of Family Social Sciences of the University of Manitoba. Would you have a few moments for me to explain what that letter is all about? WFA

If not, then: When would it be a good time for you to talk for a few minutes?

If yes, then:

Mr./ Mrs. client, I am a graduate student at the University of Manitoba, from the Department of Family Social Sciences, and Faculty of Human Ecology. As a requirement for the completion of my degree, I am conducting a study to understand what helps people to change financial behaviours.

Mr./Mrs. Client, your response to this survey is voluntary. It is okay if you don't want to participate. You are free to withdraw from the survey at any time, without prejudice or consequence.

I assure you that all your responses will be kept strictly confidential and anonymous. No result will be released in a way that could identify you personally. Your individual response will not be seen by your counsellor neither by anyone in the CFCS. Only the researchers will have access to your responses.

As a token of gratitude for you help, after responding the survey you can put your name for a drawing of one gift certificate of $200 for groceries, and one of thirty copies of the book "The ABC of Making Money for Teens."

Mr./Mrs. Client, do you have any questions? WFA.

Mr./Mrs. Client would you agree to participate in this study?

If no, then: Is there any reason why you do not want to participate? WFA
Mr./Mrs. Client, Thank you very much for your time.

If yes, then:
Would you have about 20 minutes to respond to our questionnaire now? WFA

If no, then: When would it be a good time for us to call you back for the interview?

If client take time to answer, then ask:

Would you prefer to be called in week days or in the weekend? Is it better during the day or in the evening? Then offer two options of days.

If yes, then proceed with questionnaire

Introduction to the Survey

If survey is done during the first call, then:

Mr./Mrs. Client,

This survey is divided in two parts. The first part consists of five set of questions about financial behaviours. The second part consists of six questions about you. It will take a few minutes to answer all the questions.

If survey is scheduled to another day, then:

Mr./Mrs. Client,

This survey is divided in two parts. The first part consists of five set of questions about financial behaviours. The second part consists of six questions about you. It will take a few minutes to answer all the questions.

Before starting the survey I will repeat to you a few mandatory statements:

- The study has two main objectives. First, to learn what helps individuals to adopt positive financial behaviours; and second, to learn how financial counselling services help those individuals.

- As a result of this study I will make recommendations that may help to improve the services of the CFCS. The survey is divided in two parts. The first part has five sets of questions about financial behaviours. The second part has six questions about you.

- All the responses from this survey will be kept strictly confidential and anonymous. No result will be released in a way that could identify you personally. Your individual response will not be seen by your counsellor neither by anyone in the CFCS. Only the researchers will have access to your responses.

- Your participation in this study is voluntary. It is okay if you don't want to participate. You are free to withdraw from the study at any time, without prejudice or consequence.

- The complete survey will take from 20 to 30 minutes to answer.

APPENDIX D

Ethics Approval

APPROVAL CERTIFICATE

25 September 2007

TO: **Margarida M. Demarchi** (Advisor R. Berry)
Principal Investigator

FROM: **Wayne Taylor, Chair**
Joint-Faculty Research Ethics Board (JFREB)

Re: **Protocol #J2007:104**
"Using the Transtheoretical Model of Change to Explore Factors Affecting Adoption of Positive Financial Behaviours by Credit Counselling Clients"

Please be advised that your above-referenced protocol has received human ethics approval by the **Joint-Faculty Research Ethics Board**, which is organized and operates according to the Tri-Council Policy Statement. This approval is valid for one year only.

Any significant changes of the protocol and/or informed consent form should be reported to the Human Ethics Secretariat in advance of implementation of such changes.

Please note:

- if you have funds pending human ethics approval, the auditor requires that you submit a copy of this Approval Certificate to Kathryn Bartmanovich, Research Grants & Contract Services (fax 261-0325), including the Sponsor name, before your account can be opened.

- if you have received multi-year funding for this research, responsibility lies with you to apply for and obtain Renewal Approval at the expiry of the initial one-year approval; otherwise the account will be locked.

The Research Ethics Board requests a final report for your study (available at: http://umanitoba.ca/research/ors/ethics/ors_ethics_human_REB_forms_guidelines.html) **in order to be in compliance with Tri-Council Guidelines.**

APPENDIX E

Survey Questionnaire

Survey Questionnaire

Exploring Factors Affecting Adoption of Positive Financial Behaviour

Part 1 – Exploring Factors Associated with Positive Financial Behaviours

1. The questions that follow ask about your financial behaviour. Select the number that best describes what you do currently, considering the past six months. In a scale from 1 to 5, meaning 1 – never, 2 – seldom, 3 – occasionally, 4 – often, and 5 – repeatedly how often...

	1 Never	2 Seldom	3 Occasionally	4 Often	5 Repeatedly
Do you write down or track your spending? (E.g. keeping receipts, writing in the chequebook, etc.)					
Do you cut down on your expenses? (E.g. grocery, utilities, entertainment, etc.)					
Do you set aside money for future wants and needs, or for unexpected expenses? (E.g. car/home repairs, medicine, etc)?					
Do you follow a written spending plan or budget?					
Do you follow a spending plan or budget that is not written?					
Do you avoid buying what you don't need? (wants X needs)					
Do you set financial goals?					

2. Now think about your financial behaviour before contacting the CFCS. Please select the option that best describes your behaviour before contacting the CFCS. The response ranges from 1 to 5.

Before contacting the CFCS how often...

	1 Never	2 Seldom	3 Occasionally	4 Often	5 Repeatedly
Did you write down or track your spending? (e.g. keeping receipts, writing in the chequebook, etc.)					
Did you cut down on your expenses? (e.g. grocery, utilities, entertainment, etc.)					
Did you set aside money for future wants and needs, or for unexpected expenses? (e.g. car/home repairs, medicine, etc)?					
Did you follow a written spending plan or budget?					
Did you follow a spending plan or budget that is not written?					
Did you avoid buying items you don't need? (wants X needs)					
Did you set financial goals?					

3. Please think for a moment about the financial problems you have experienced in the past year. What happened in your household to cause your financial problems? Please check all that apply.

__ Not enough income

__ Unemployment

__ Cutback on hours of work

__ Illness

__ Caring for dependents or parents

__ Lack of a spending plan or budget

__ Overuse of credit

__ Spending too much

__ Legal problems

__ Got divorced or separated

__ Lottery or gambling

__ Alcohol or drug use

__ Other (please specify)

____

4. We would like to know what aspects of your experience with financial counselling were helpful. Your response may range in a scale from one to five, meaning 1-not helpful, 2-slightly helpful, 3-helpful, 4-very helpful, and 5-extremely helpful. If you think any aspects mentioned in this list are not applicable, you can say. Please rate the helpfulness of the following aspects:

	1 Not helpful	2 Slightly helpful	3 Helpful	4 Very Helpful	5 Extremely helpful
Confidentiality of your conversation					
Easiness for you to get in touch with the counsellor					
Location where you met					
Good relationship you had with the counsellor					
The new information you received					
Made you aware of your financial behaviour					
Provided ideas, motivation, and/or guidance on how to improve your financial behaviour					
Answered your questions					
Helped you to set and work toward financial goals					
Helped you to start a spending plan or budget					
Helped you to cut down your expenses					
Helped you with record keeping and tracking expenses					
Gave you ideas on how to avoid spending money					
Helped you to see you can improve your financial behaviours					
Helped you to see benefits in positive financial behaviour					
Helped you to commit to improve your financial behaviour					

Are there any aspects not mentioned that you would like to add to this list? Please specify.

Explain why not applicable:

5. Now you will be asked question about your thoughts, feelings, experiences, and attitudes about your financial behaviours. We define positive financial behaviours as including the following actions:

- Setting financial goals,
- Creating and following spending plans or budgets,
- Avoiding buying what you don't really need,
- Reducing expenses, and
- Saving money for emergencies and for the future.

The following experiences may affect you taking the steps to adopt these positive financial behaviours. Think of the following experiences you may have had in the past 6 months, than rate how often they happened.

Responses range from 1 to 5. In the past 6 months...

	1 Never	2 Seldom	3 Occasionally	4 Often	5 Repeatedly
Consciousness Raising					
How often did you **pay attention to stories** about people's financial problems caused by spending too much money, not having savings, and getting into debt?					
How often did you **look for information** about how to set financial goals, to plan your spending or budget, to save money, to avoid buying what you don't need, and to reduce your expenses?					
How often did you **read articles or hear about** how to set financial goals, to plan your spending or budget, to save money, avoid buying what you don't need, and to reduce your expenses?					
Self-Liberation					
How often did you **set time aside to work on** setting financial goals, planning your spending or budgeting, saving money, avoiding buying what you don't need, and to reducing your expenses?					
How often did you **stay away from people, places and things** that make it difficult for you to achieve your financial goals, to stay on your plan or budget, to save money, to avoid buying what you don't need, and to reduce your expenses?					

	1 Never	2 Seldom	3 Occasionally	4 Often	5 Repeatedly
How often did you **tell yourself that you could make a commitment** to achieve financial goals, to plan your spending or to budget, to save money, to avoid buying what you don't need, and to reduce your expenses?					
Reinforcement Management					
How often did you **tell yourself positive statements** like "I can do this" (referring to the positive financial behaviours)?					
How often did you **find that it is rewarding** to see the results of adopting positive financial behaviours?					
How often did you **celebrate when you saw your improvement** in the positive financial behaviours?					
Self-Reevaluation					
How often did you **feel sad for not** adopting positive financial behaviours?					
How often did you **feel a strong desire to** adopt positive financial behaviours?					
How often did you **believe you can** set financial goals, budget or plan your spending, save money, avoid buying what you don't need, and reduce your expenses?					
Stimulus Control					
How often did you **spend time with people who remind** you the benefits of having positive financial behaviours?					
When you wanted to buy items, how often did you **tell yourself you don't need** them?					
When feeling discouraged about your financial behaviours how often did you **remind yourself about the benefits** of adopting positive financial behaviours?					

Any comments made will be added in this field. ______________________

Part 2 - Questions about you

These question are being asked so we have a sense of the person who is helping us collect this information

6. **What was your age on your last birthday?**

____

7. **What is your race or ethnic group?**

1__ Aboriginal
2__ Asian
3__ Black
4__ Hispanic or Latino
5__ White
6__ Other

8. **What is the highest level of education that you completed?**

1__ Less than high school
2__ High School
3__ College degree
4__ University degree
5__ Post graduate degree

9. **What is your gross monthly income?**

__ 0 - $1,000
__ $1,001 - $2,000
__ $2,001 - $3,000
__ $3,001 - $4,000
__ $4,001 - $5,000
__ $5,001 - $6,000
__ $6,001 - $7,000
__ $7,001 - $8,000
__ $8,001 - $9,000
__ $9,001 - $10,000
__ $10,001 or more

10. **How many people live in your household?**

	0	1 - 2	3 or more
Younger than 5 years old			
From 5 to 12 years old			
From 13 to 18 years old			
From 19 to 65 years old			
Older than 65 years old			

11. What is your marital status?

__ Married or common law
__ Never married
__ Never married, living with parents
__ Divorced
__ Separated
__ Widowed

Thank you for completing our survey!

We are very interested in learning about what help consumers to adopt positive financial behaviours.

Thank you for your help.

APPENDIX F

Questions Adapted for Processes of Change

Questions per Processes as Adapted from Xiao, J. J., Newman, B. M., Prochaska, J. M., Leon, B., & Bassett, R. L. (2004). Voices of debt troubled consumers: A theory-based qualitative inquiry [Electronic version]. *Journal of Personal Finance, 3*(2), 56-74.

Processes of change items in the present study	**Items developed based on expert and consumer interviews (Xiao et al., 2004)**
Consciousness Raising	
How often did you pay attention to stories about people's financial problems caused by spending too much money, not having savings, and getting into debt?	
How often did you look for information about how to set financial goals, to plan your spending or budget, to save money, to avoid buying what you don't need, and to reduce your expenses?	How often did you look for information on getting rid of credit card debt?
How often did you read articles or hear about how to set financial goals, to plan your spending or budget, to save money, avoid buying what you don't need, and to reduce your expenses?	How often did you read literature or magazine articles on reducing debt? How often did you hear about how to get rid of credit card debt?
Self Liberation	
How often did you set time aside to work on setting financial goals, planning your spending or budgeting, saving money, avoiding buying what you don't need, and to reducing your expenses?	How often did you set time aside to work on getting out of credit card debt? **(as stimulus control)**
How often did you stay away from people, places and things that make it difficult for you to achieve your financial goals, to stay on your plan or budget, to save money, to avoid buying what you don't need, and to reduce your expenses?	How often did you stay away from people places and things that make it difficult for you to get rid of credit card debt? **(as Stimulus control)**
How often did you tell yourself that you could make a commitment to achieve financial goals, to plan your spending or to budget, to save money, to avoid buying what you don't need, and to reduce your expenses?	How often did you tell yourself that you can make a commitment to get out of credit card debt?

Processes of change items in the present study	Items developed based on expert and consumer interviews (Xiao et al., 2004)
Reinforcement Management	
How often did you tell yourself positive statements like "I can do this" (referring to the positive financial behaviours)?	How often did you reinforce yourself with positive statements like "I can do this?"
How often did you find that it is rewarding to see the results of adopting positive financial behaviours?	How often did you find the work of getting out of credit card debt rewarding?
How often did you celebrate when you see your improvement in the positive financial behaviours?	How often did you inexpensively celebrate the progress you are making?
Self Reevaluation	
How often did you feel sad for not adopting positive financial behaviours?	How often were you disappointed in yourself for not putting more effort into getting rid of credit card debt?
How often did you feel a strong desire to adopt positive financial behaviours?	
How often did you believe you can set financial goals, budget or plan your spending, save money, avoid buying what you don't need, and reduce your expenses?	How often did you see yourself as someone who can get out of credit card debt?
Stimulus Control	
How often did you spend time with people who remind you the benefits of having positive financial behaviours?	How often did you spend time with those who agree with your goal of getting out of credit card debt?
When you wanted to buy items, how often did you tell yourself you don't need them?	How often did you cut back on purchases in order to get rid of credit card debt?
When feeling discouraged about your financial behaviours how often did you remind yourself about the benefits of adopting positive financial behaviours?	