



Overcoming Hurdles To Financial Literacy

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There is a lot of talk about financial literacy in America these days and for good reason. Most of the talk focuses on improving our financial intelligence, filling our minds with the knowledge of how to do the right thing.

Probably the most cited research on basic financial knowledge comes from the FINRA Investor Education Foundation (take the quiz [here](#)). There are five literacy questions in the quiz along with a broad effort to collect information about personal financial decision-making. Some findings from the 2012 effort are:

1. 19% spend more than they make (a slight improvement over 2009)
2. 26% have overdue medical bills
3. 61% got three (or more) of five quiz questions wrong (slightly worse than 2009)

There is no question that we need to improve the financial intelligence of Americans. We aren't doing a good job of this, but it's not because the information isn't out there. Most states, many federal agencies, federal regulators, most banks and credit unions and even some universities offer free financial education along with probably hundreds of free web-based financial learning opportunities.

The challenge we have is more complex than one of teaching folks. Classes and information are widely available, often for free. Also, surveys have shown that we do recognize what we don't know. [The 2014 Consumer Financial Literacy Survey](#) found that 73% of adults say they would benefit from advice and answers to everyday financial questions from a professional.

Financial literacy is certainly the first hurdle. We understand that we need to know more. Yet, we don't seek out the opportunities that exist for learning. According to [one article on Vox](#), the literacy statistics are not improving with education alone. Why not?

I can't help but think we are missing something simple. I think there is a "knowing-doing" gap in financial literacy. In other words, knowing what to do — and doing what we know we should do — are two entirely

different things. We know we should learn more, but we don't. We know we should save more, but we don't. We know we need an emergency fund, but we don't have one. And it goes on and on.

Perhaps the more important hurdle to overcome is this "knowing-doing" gap. Once we know the simple actions we need to take, the question is will we take them. How can we motivate others to learn about personal finance and then take the actions that they discover would benefit them?

This seems, to me, very much like eating a healthy diet and getting enough exercise. I know I should eat a salad with grilled chicken and drink water, but I LOVE a hamburger and fries. When I sit in front of the menu and see that I can order either, one part of my brain says salad, chicken, water. The other (often much louder) part says, "burger, fries, Coke." At 42, I am getting better and better in this category, but I still succumb to the louder voice more often than I should. In fact, I am not convinced that I have improved at all, but I have two accountabilities. First, my wife is an incredibly (often infuriatingly) healthy eater. There have been so many times when I went ahead with the burger and fries, and she sat quietly and ate her chicken Caesar salad, that a feeling of shame slowly began to change my decision-making.

Second, I have two kids, and feel the sincere need to be a good example. I absolutely know what the right choices are, and sometimes I WANT — no, "I deserve" — a burger and fries. But my children are little mimics and if I order a burger and fries, I know they will order a burger and fries. So if I want them to make good choices, I have to make better choices. As it turns out, introspection is a tough road.

For awhile, I still went for the burger and fries (or pizza, pastrami, a Reuben sandwich, corned beef hash, etc.) every time I wasn't with my wife or kids. But slowly I have come to enjoy a chicken Caesar salad and have even explored other salad options (even when I'm out with friends – SHOCKER!).

Exercise is the same way. I know I should get good exercise every day, but I didn't do it until I had to do it to keep up. Now I do it almost every day and, amazingly, I FEEL BETTER (both literally and about myself). Of course, I knew I would feel better. I knew I would BE better. I still needed accountability for my actions. I needed coaching.

It may very well be that our second personal finance hurdle may be best overcome with a "coaching" mentality rather than a "teaching" mentality. When we teach, we show someone how to do a thing until we can see that they know how to do it themselves. Then we move on to another lesson or another person.

In coaching, we start with teaching what needs to be done and then we do the action right alongside the other for a number of years or until the individual turns the coached behavior into a habit. In coaching, we hold the individual accountable for their actions. We help them bridge the knowing and the doing. We help them solidify their knowledge into action and habit. What could be more important than that?

The Consumer Financial Protection Bureau would like to see financial education standards and requirements in all 50 states and I agree this is an important start. But once we are educated, we must take action.

Taking action over many years, over a lifetime, requires ongoing conversations. We need good examples, inspiration and motivation.

We need "coaching."



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