



December 2020

A New Framework for Positive Financial Futures

Money, Mindsets & Social Networks

commonwealth

Acknowledgments

Thank you to Commonwealth staff for their contributions to this report: Babatunde Ajao, Melissa Gopnik, Becca Smith and Elle Tibbitts. We would also like to thank Antonia Agbeh, Amaris Kinne, and our colleagues Gretchen Barton and James Forr from Olson Zaltman Associates. This research would not have been possible without the generous support of MetLife Foundation.



Commonwealth strengthens the financial opportunity and security of financially vulnerable people by discovering ideas, piloting solutions, and driving innovations to scale. For nearly two decades, Commonwealth has designed effective innovations, products, and policies enabling 750,000 people to accumulate more than \$3 billion in savings. Commonwealth understands that broad changes require market players to act. That's why we collaborate with consumers, the financial services industry, employers, policymakers, and mission-driven organizations. The solutions we build are grounded in real life, based on our deep understanding of people who are financially vulnerable and how businesses can best serve them. To learn more, visit us at www.buildcommonwealth.org.



MetLife Foundation is committed to expanding opportunities for the world's most vulnerable people. They partner with nonprofit organizations and social enterprises to create financial health solutions and build stronger communities, while engaging MetLife employee volunteers to help drive impact. MetLife Foundation was established in 1976 to continue MetLife's long tradition of corporate contributions and community involvement. From its founding through the end of 2019, MetLife Foundation provided more than \$860 million in grants and \$85 million in program-related investments to make a positive impact in the communities where MetLife operates. To date, their financial health work has reached 13.4 million low-income individuals in 42 countries. To learn more about MetLife Foundation, visit metlife.org.

About MetLife Foundation's Financial Opportunity Project

Decades of research points to the material, psychological, and social value of wealth. Yet, building financial security is a persistent challenge for lower-income Americans who continue to become less wealthy, not more. In fact, nearly 40% of people in the United States cannot cover an unexpected \$400 emergency expense, according to the Federal Reserve.

MetLife Foundation's Financial Opportunity Project aims to reverse this trend. **The four-year initiative, implemented by Commonwealth with generous support of MetLife Foundation,** will uncover and highlight new consumer insights and pilot practices to enable wealth creation for millions of low-income individuals and families over time.

Table of Contents

Executive Summary.....	1
COVID-19 Context.....	3
Introduction	4
Methodology	6
Findings.....	8
Implications.....	19
Conclusion	21
Appendix A.....	22

Executive Summary

Financial systems must be designed to enable both the financial context and non-financial factors required to build a prosperous and equitable economy.

Changing the landscape of financial security and opportunity for financially vulnerable people requires a deep understanding of the elements of the financial system—the products, services, experiences, distribution channels, and policies—that support individuals’ ability to achieve financial security. Becoming financially secure requires both believing that financial security is attainable for yourself and your community, and having a positive balance sheet.

With the support of MetLife Foundation, Commonwealth conducted a national survey and interviewed low- and moderate-income (LMI) individuals to identify non-financial factors affecting individuals’ perceptions about being able to attain financial security. This research found four non-financial factors relevant to reaching financial security: a journey mindset, aspiration- and value-centered motivations, social networks, and inclusive messaging. Our research found that race, gender, and household income were not significant factors in predicting which individuals had this mindset. These non-financial factors result, in large part, from the financial and social systems in which people live.

Therefore, changes in the design of the financial system can have a significant impact on supporting people in attaining financial security.

Non-financial factors contributing to financial security include:

- **Viewing the path to financial security as a journey:** People with a financial security mindset see the path to financial security as a journey, not a transformation. Those on this path often exhibit a sense of agency, greater optimism, and more openness to change. They have often experienced a pivotal moment in their life leading them to believe that financial security can be a reality.
- **Values and aspirations:** People who perceive that financial security is attainable have aspirations and values that motivate them to sustain their financial security journey. For example, many interviewees in this study were driven to provide a financially secure life for the people for whom they felt financially responsible (such as children, parents, spouse, etc.).
- **Financially secure social networks:** People who felt financially secure were most likely to know many people who they considered to be financially secure, while those who had never felt financially secure were most likely to respond that they did not know anyone they thought of as financially secure.
- **Inclusive messaging:** When inclusive messages are used, the financial security journey is open to those who have been systematically discriminated against by the financial system.

These findings have important implications for actors looking to design products, services, experiences, distribution channels, or policies that will support people on their path to financial security. The report includes preliminary design ideas of particular relevance to:

- Employers who want to enhance the financial security of their workforce by providing access to engaging benefits;
- Financial institutions looking to better serve current customers or attract new customers;
- Fintechs developing innovative new products for underserved markets;
- Nonprofit organizations wanting to serve their clients better; and
- Policymakers aiming to address the financial needs and aspirations of LMI households.

Financial insecurity is a deeply rooted systemic problem in the United States that predates the current economic fallout caused by the COVID-19 pandemic. Its detrimental impact goes beyond individual households. A 2017 survey from Mercer estimated that employee financial stress costs employers \$250 billion per year; further, a 2020 study from McKinsey found that financial institutions could earn an additional \$2 billion in annual revenue if Black customers had access to financial products at the same rates as white customers. Communities, businesses, and ultimately our society as a whole, will benefit from improved financial security. This research provides insights into the non-financial factors that affect how LMI individuals in the United States perceive their ability to become financially secure. Actors from across all sectors can design products, services, experiences, distribution channels, and policies based on these insights to enable enduring systemic change and build financial security and opportunity for all.

COVID-19 Context



Any work done in 2020 must acknowledge the global pandemic and its impact on household finances. While the Zaltman Metaphor Elicitation Technique (ZMET®) interviews that are part of this research were completed in 2019, Commonwealth conducted additional interviews and completed a survey of 1,158 people living in the United States in April and May 2020, respectively. The 2020 research activities included questions related to the effects of COVID-19.

Even with some participants' changed financial circumstances during the pandemic, the findings from both research streams largely aligned. Nearly two-thirds (65%) of survey respondents indicated no change in how they would describe their financial situation at the time of the survey compared with pre-pandemic, and 52% of respondents said they had not seen their employment affected by the COVID-19 pandemic as of May 2020.

On the other hand, when surveyed in May, 29% of respondents saw their financial situation as having worsened. One out of four people said they had felt financially secure prior to the pandemic, but no longer did at the time of the survey.

We acknowledge that isolating the effects of the economic consequences of the COVID-19 pandemic on these initial findings is impossible. We plan to continue this research, while applying and testing findings in the real world, and will continue to explore the relationship between macroeconomic conditions and the financial security mindsets of households.

The table below compares answers to the questions "Prior to COVID-19, how would you describe your financial situation?" and "How would you describe your financial situation today?" (5-option scale from "very comfortable" to "really struggling")

Change In Financial Situation During COVID-19

	Improved	No Change	Worsened
Percent	6%	65%	29%

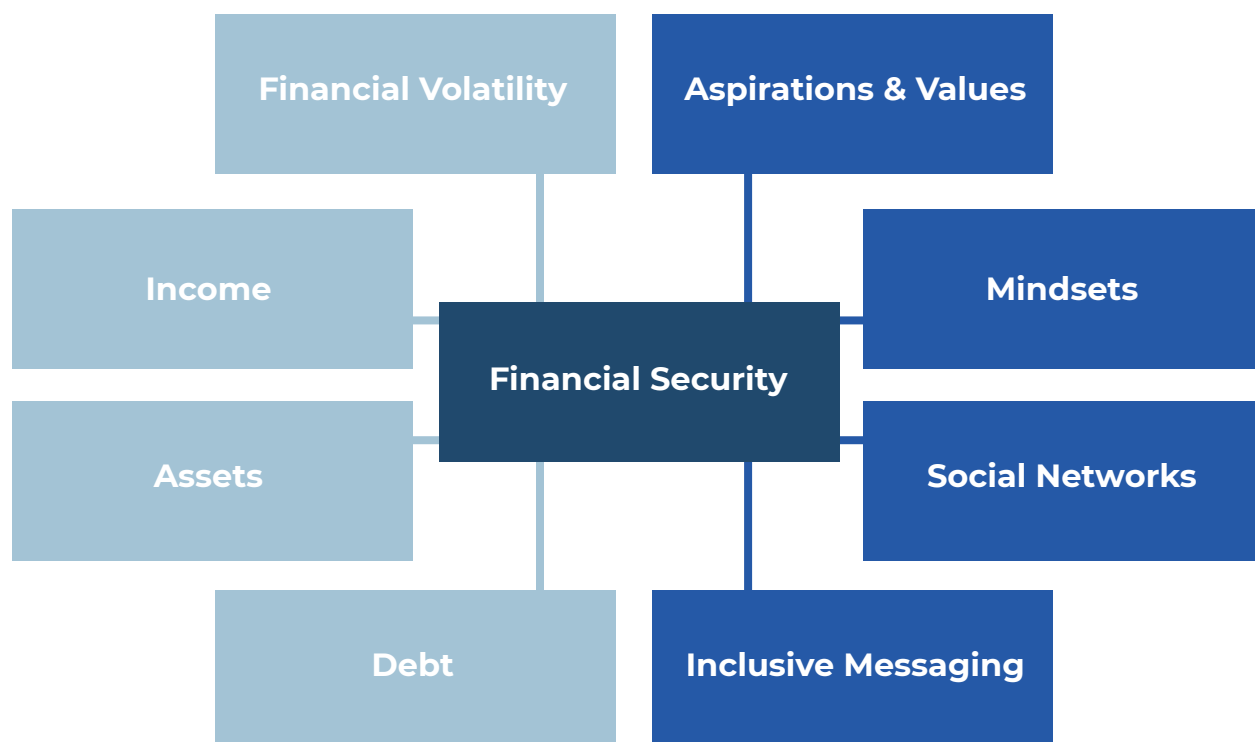
Introduction

Commonwealth undertook this work to understand the nonfinancial factors that affect financially vulnerable people's perceptions of their ability to attain financial security. The research findings offer new opportunities to effectively change financial systems and make financial security and opportunity possible for all.

Examining the challenges facing financially vulnerable people and identifying viable pathways to financial security and opportunity requires a deep and nuanced understanding of the lived experience of financial security. Financial security has traditionally been measured in numbers: income, expenses, debt, assets—yet the lived experience of lower-income households shows us that the numbers do not always tell the whole story. The cold logic of these traditional or standard measures is incapable of capturing the full dynamics of people's financial lives. Equally unsatisfying are mechanistic judgments that “some people try harder” or “others slack off.”

Financial factors:

Nonfinancial factors:



Researchers have long observed the significant role of psychological and emotional factors on well-being. A review of the literature yields insights into the complicated role of hopes and desires, and the negative consequences of financial anxiety, on the ability to believe in a positive future. Research also shows that the systems—the landscape of products, services, and experience—that people interact with and exist within can influence their behaviors, and that behaviors can change mindsets.

Behaviors and mindsets are influenced by both internal and external factors. External factors, such as the design of a financial product or service, can affect whether a transaction prompts positive or negative feelings for the user and whether the user is encouraged to continue a financially beneficial behavior. Research has shown that no one intrinsically has a mastery of their finances. Instead, an individual's emotional and tactical approach to dealing with money is built over time—in part by advice, in part by experience, and in part based on the financial services they can access.

This report presents the findings from qualitative interviews (using ZMET and traditional semi-structured approaches) and a national survey about LMI individuals' perception of their ability to attain financial security. It offers preliminary design suggestions that key stakeholders—financial institutions, fintechs, employers, and policy makers—can adopt based on the findings, and points to areas for additional research.

“External factors, such as the design of a financial product or service, can affect whether a transaction prompts positive or negative feelings for the user and whether the user is encouraged to continue a financially beneficial behavior.”

Methodology

This research had two phases: in the first phase, which ran during the summer of 2019, we conducted an in-depth qualitative study using the Zaltman Metaphor Elicitation Technique (ZMET®) to gain a deeper understanding of the unconscious thoughts and feelings that people have about becoming financially secure. During the second phase, which ran in April and May of 2020, we fielded a national survey and conducted additional interviews to validate the ZMET® findings and gain a more complete understanding of the nonfinancial factors contributing to financial security.

Phase 1: Zaltman Metaphor Elicitation Technique (ZMET®) Interviews

Commonwealth worked with Olson Zaltman, a market research firm, to explore the role of aspiration, pathways and agency in people's financial lives using the Zaltman Metaphor Elicitation Technique (ZMET®). In this first qualitative phase of our research, 20 individuals with household incomes between \$30,000 and \$80,000 were interviewed; 10 self-identified as "financially comfortable" and 10 as "financially struggling." Beforehand, participants were instructed to collect five to seven images representing their thoughts and feelings about becoming financially secure. During the interviews, these images served as tools to facilitate the vocalization of deeply held personal feelings and unconscious thoughts about financial security.

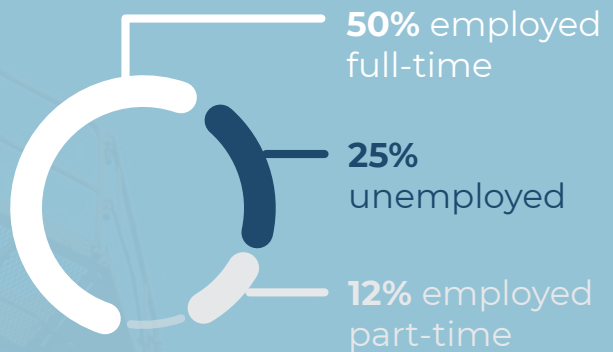
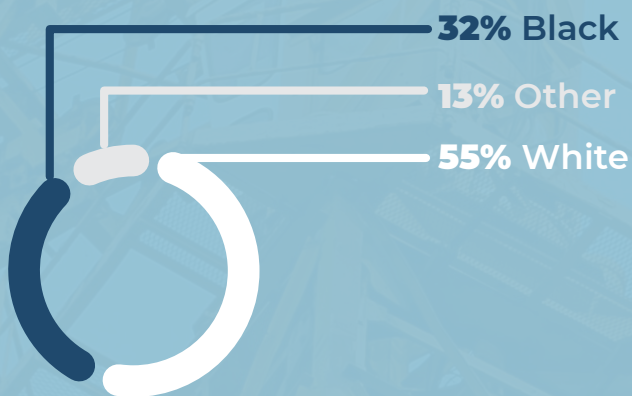
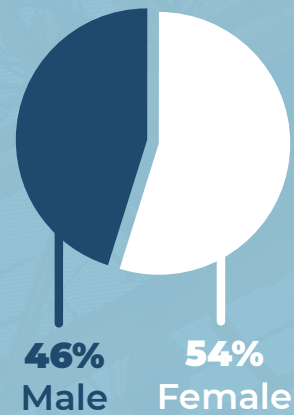
Phase 2: Survey and Additional Interviews

Commonwealth conducted a national survey of 1,158 people in late May 2020 that included questions about respondents' material financial status (savings, debt, income), financial security (in the past and present), mindsets, and networks. This was preceded by interviews Commonwealth conducted with 10 individuals in April 2020 to further explore the ZMET® study findings and inform the survey questions.

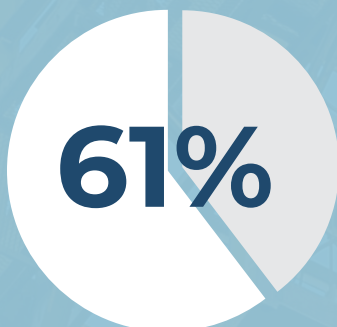
In the survey, we asked respondents about their material financial status and feelings of financial security at two points in time: prior to the pandemic's economic disruption and at the time of the survey. Financial security was defined as "being able to pay all monthly bills without worry, and having the means to handle a financial shock." This was based on definitions Commonwealth heard in interviews and used in our previous work. The survey also included questions from three validated scales: Consumer Financial Protection Bureau (CFPB) Financial Well-Being Scale, Snyder Adult Dispositional Hope Scale (with measures for agency and pathways), and Life Orientation Test-Revised (LOT-R); as well as a preliminary Fixed/Growth Mindset Scale developed by Commonwealth.

The 1,158 survey respondents were aged 18 to 62; 55% were white, and 32% were Black; more identified as female (54%) than male (46%). Household incomes ranged from \$0 to \$99,999. The majority, 61%, of household incomes were below \$60,000, which is the U.S. median household income. Half (50%) were employed full-time at the time of the survey, 12% were employed part-time, and 25% were unemployed. Because the survey oversampled for Black respondents, in order to be able to analyze the results by race, the survey was not nationally representative.

1,158
respondents aged 18-62



Household incomes ranged
from **\$0 to \$100k**



of household incomes were below
\$60,000, the U.S. median household
income.

Findings

Commonwealth's combination of qualitative and quantitative research identified nonfinancial factors that affect financially vulnerable people's perceptions of their ability to attain financial security and the extent to which demographics influence these factors.

Our interviews and survey results point to four factors that support believing that financial security is attainable:

1. A journey mindset;
2. Aspirations and values that motivate and sustain the journey;
3. Social networks to empower steps and success along the journey; and
4. Inclusive messaging that portrays the journey as available to more people.

A Journey Mindset


The journey aspect of a financial security mindset combines five elements: a starting point, an affirmation of personal agency, a vision of taking steps along a path, a focus on growth, and a perspective of optimism.

Starting Point

Journeys have a beginning. Interviewees were able to recall the first time they felt responsible for their finances: this tended to be when they established financial habits that would endure for years. For some people, this beginning was a pivotal moment—often involving hitting a rock bottom or particularly low point—that disrupted habitual behavior and forced individuals to recognize that things must change, while at the same time acknowledging that they could change.

Agency

Agency means having an internal locus of control, attributing one's financial situation to one's own actions, and being the hero of one's own stories. Experiencing triumphs in response to challenging financial situations can lead to a belief that financial security can—and will—be a reality.



“Because I’m conscious that I want to be better with my finances, I am actually doing things to work toward better financial security. Doing the baby step thing.”

- Aliyah, Black woman

"When I was 17, I got my first job at a brokerage firm, believe it or not. And it was through a co-op program in my high school. So, I was working one week and going to school the next week, and I was able to make my own money. And that's when I started to feel like, Oh my goodness, people have so much money!" Because I used to update the brokerage accounts ... But anyway, yeah, that's what motivated me to really, really start saving. So my goal was to have \$50,000. And by the time I was 22, I had \$50,000 saved up."

- Anita, Black woman

Survey respondents who reported a more secure financial situation—more stable employment, higher household incomes, and higher pre-COVID household savings—showed higher scores on the Snyder Adult Dispositional Hope Scale, which measures a “sense of successful (a) agency (goal-directed energy), and (b) pathways (planning to meet goals).”

Hope Scale Scores and Financial Security Over Time



Hope Scale Scores and Financial Situation Today



A statistically significant correlation (0.467) among survey respondents between agency scores on the Hope Scale and the CFPB Financial Well-Being Scale further emphasizes the positive relationship between an affirmation of agency and financial security.

Steps Along a Path

Those with a financial security mindset spoke of being conscious of wanting to make a change, and of taking small, gradual steps toward improving their financial situations. They identified strategies or processes to follow and noted applying willpower to stick to these approaches.

Interview participants described their financial lives and patterns in a way that was consistent with the imagery of a path, even when they did not use that language explicitly. Those who self-identified as “just getting by” financially had often had an earlier life experience that motivated them to make small and steady changes to progress toward financial security, and they saw a more secure future as possible for themselves.

Collages developed by financially stable participants as part of the ZMET® interviews depicted a journey with a clear story, organized chronologically to show the connection between the steps involved in reaching financial stability.

“I am going in the right direction.”

- Alex, white man whose financial journey collage is depicted below

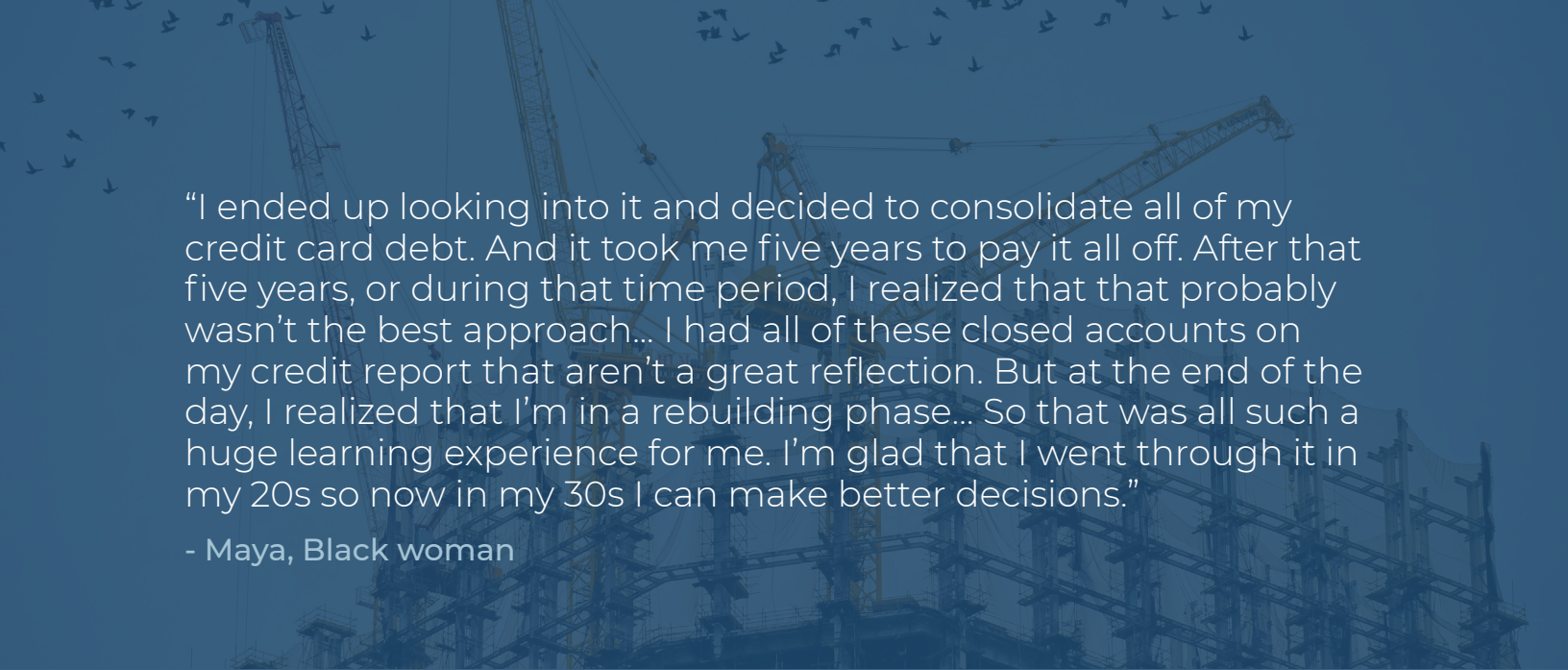


This collage was developed by Alex at the end of his ZMET® interview. Working with a graphic designer, he selected and combined images that represent his thoughts and feelings about becoming financially secure; the collage also portrays how these elements relate to one another. Alex made all of the creative decisions for this image.

Focus on Growth

A growth mindset is defined by researcher Carol Dweck as when “people believe that their most basic abilities can be developed through dedication and hard work.” Proponents of the growth mindset theory propose that individuals with a growth mindset are more likely to persist in the face of challenges and failures: they will treat these times as opportunities to grow rather than signs that their abilities are inadequate.

In our study, interviewees reported that their approaches to tackling financial challenges changed over time and were influenced by their experiences. Disruptive moments offered opportunities to be receptive to making changes to get on the path and take steps toward overcoming these challenges. Difficult experiences with debt were examples of disruptions. Those with paths involving addressing and overcoming debt spoke strongly about using debt responsibly moving forward.



"I ended up looking into it and decided to consolidate all of my credit card debt. And it took me five years to pay it all off. After that five years, or during that time period, I realized that that probably wasn't the best approach... I had all of these closed accounts on my credit report that aren't a great reflection. But at the end of the day, I realized that I'm in a rebuilding phase... So that was all such a huge learning experience for me. I'm glad that I went through it in my 20s so now in my 30s I can make better decisions."

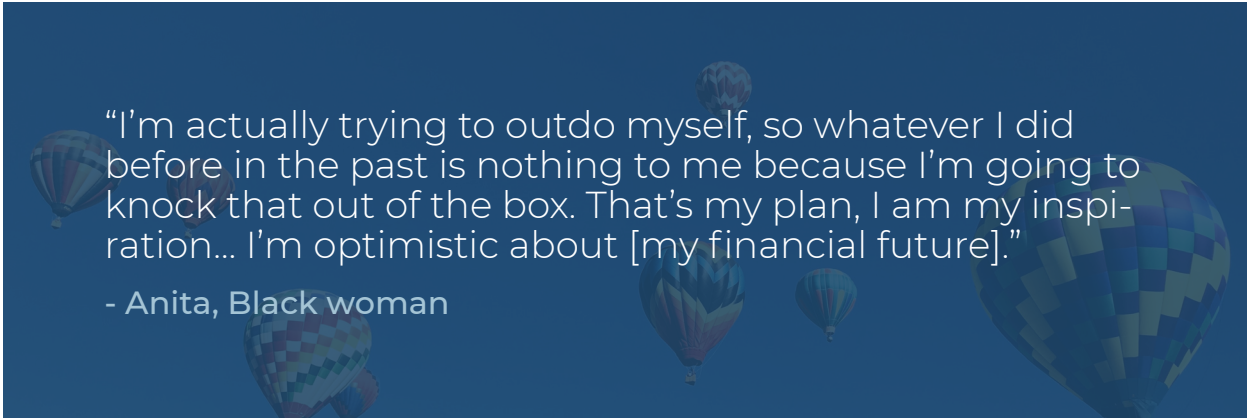
- Maya, Black woman

There was a statistically significant correlation (0.397) between "growth" scores on Commonwealth's Fixed/Growth Mindset Scale (which is based on the tenets of Carol Dweck's growth mindset and associated scales) and the CFPB Financial Well-Being Scale.

Perspective of Optimism

Optimism is a feeling of hopefulness and confidence about the future. A key aspect of the financial security mindset is a future-focused orientation. While steps along the journey are expected to include obstacles, there is a belief such obstacles can be overcome, leading eventually to a positive outcome. A number of interviewees spoke of a sense of optimism about their financial future, regardless of their financial situation at the time.

Interview participants were asked to come up with a title of a book about their financial journey; one participant, Bea, predicted their future book title would be *Lessons Learned Through Your Financial Struggle*. "It would be about what I went through and how I got out of it," they said, indicating optimism that their difficult financial situation during COVID-19 would improve.



"I'm actually trying to outdo myself, so whatever I did before in the past is nothing to me because I'm going to knock that out of the box. That's my plan, I am my inspiration... I'm optimistic about [my financial future]."

- Anita, Black woman

The research revealed a statistically significant correlation (0.475) between scores on the Life Orientation Test-Revised (LOT-R) scale, measuring one's level of optimism, and the CFPB Financial Well-Being Scale.

Aspirations and Values Sustain the Journey

People are motivated to sustain their financial security journey by their aspirations and values. These motivations are rooted in a fulfillment of emotional needs rather than material desires. The needs can be family-centered: many interviewees were driven by wanting to provide a financially secure life for the people for whom they felt financially responsible, such as children, parents, or a spouse.

ZMET® interviews found that idealistic perceptions of the outcomes of financial security—as Curtis, a Black man, described it, “the universe will be available to me”—can unconsciously make this feel like an unreachable dream, or one which requires an external force or factor, such as winning the lottery, to realize. Aspirations that are realistic and values-based—not idealist and consumerist—are factors that motivate and sustain the financial security journey. Many participants who were struggling financially spoke of a desire to spend more quality time with family members or children, or to make sure their children were happy. Such value-centered outcomes of security can deeply resonate with and motivate people to take steps toward their own financial security.

“I don’t wanna be in the same position that my parents were in, and I also want to show my son that there’s a different way to live life, and that we don’t always have to be in such a hurry to get and consume, and live in the now. So taking more of a minimalist approach to life and realizing that you only need so much, and after you have what you actually need, everything else is pretty much questionable... I think it’s just been a shift in mindset of needs and wants ...”

- Maya, Black woman

“[I stay motivated by] our kids and our goals. We want a house, we have business ideas that we have to accomplish. It’s a must.”

- Bea, Black woman

Social Networks Empower Success

The survey found that the degree of one’s own financial security was significantly correlated with the number of financially secure people that they believed they knew. Of people who have never felt financially secure, a third (33%) of survey respondents said they did not know anyone who they perceived to be financially secure. In contrast, of people who said they were financially secure, only 8% said they did not know anyone who they perceived to be financially secure.

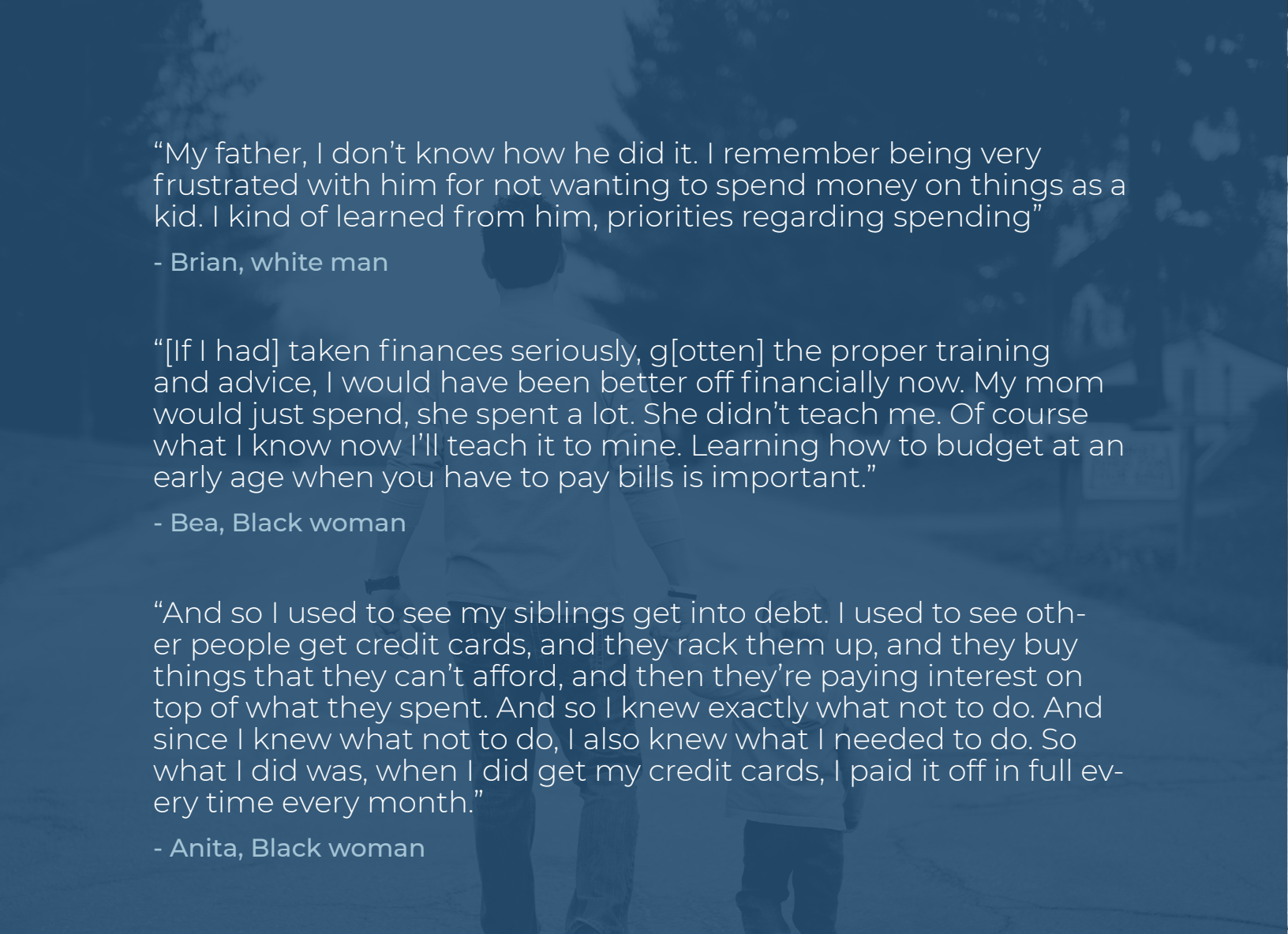
In the interviews, we found that knowing others who are financially secure was often linked to an increased awareness of available financial resources and tools. When interviewees reflected on pivotal moments of their journeys, a moment for some included having had access to a financially secure mentor and/or a connection to resources such as savings vehicles or debt management systems. This access led them to taking steps toward overcoming a financial challenge and building positive habits that put them on a path to financial security.

The Impact of Knowing People That Are Financially Secure

		Do you know anyone who is currently financially secure?			
		No	Yes, 1 or 2	Yes, some people	Yes, many people
Do you feel or have you felt financially secure?	No, never	33%	22%	26%	19%
	Yes, in the past but not now	19%	17%	42%	22%
	Yes, currently	4%	8%	33%	55%

“The Budgetnista ... the owner of the financial group ... does talk about having a great credit score, and how she was able to buy a house at a young age, things like that. So she’s kind of like a role model, but I don’t have any one that I feel like is exactly who I... See, obviously she’s an example, but I don’t obsess over it, I don’t follow her. Honestly, I’m motivated by myself, I feel like I am my own motivation.”

- Anita, Black woman



“My father, I don’t know how he did it. I remember being very frustrated with him for not wanting to spend money on things as a kid. I kind of learned from him, priorities regarding spending”

- Brian, white man

“[If I had] taken finances seriously, g[otten] the proper training and advice, I would have been better off financially now. My mom would just spend, she spent a lot. She didn’t teach me. Of course what I know now I’ll teach it to mine. Learning how to budget at an early age when you have to pay bills is important.”

- Bea, Black woman

“And so I used to see my siblings get into debt. I used to see other people get credit cards, and they rack them up, and they buy things that they can’t afford, and then they’re paying interest on top of what they spent. And so I knew exactly what not to do. And since I knew what not to do, I also knew what I needed to do. So what I did was, when I did get my credit cards, I paid it off in full every time every month.”

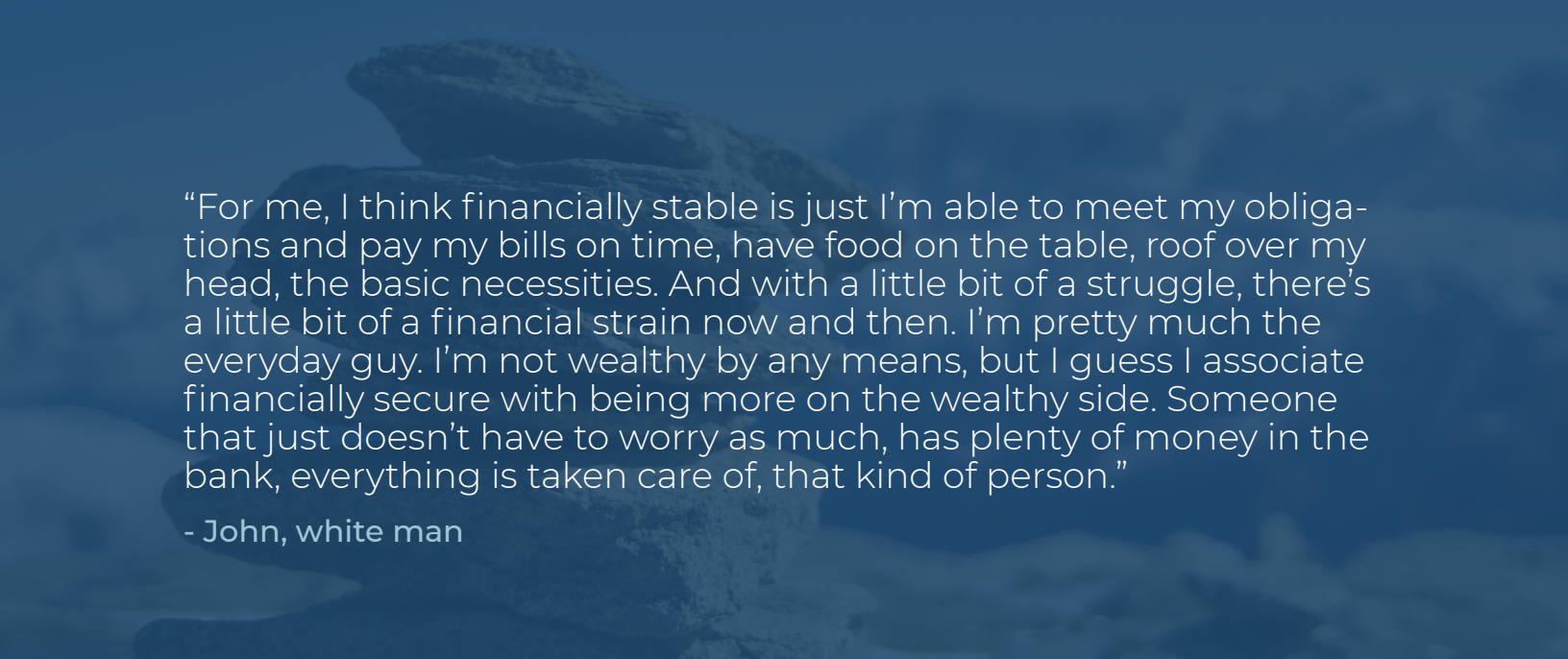
- Anita, Black woman

The presence or lack of role models while growing up figured largely in our interviews. Financial behaviors learned or observed when young stuck with people: for some, what was modeled was positive behavior that they then tried to emulate, and for others these observations made clear what they wanted to avoid in their own behavior.

Some participants came from financially insecure homes and had themselves struggled financially; growing up, they often did not know anyone they considered financially stable. Others, however, noted growing up financially comfortable and as a result not having to learn about managing their finances until they had already gotten into a difficult situation.

Inclusive Messaging

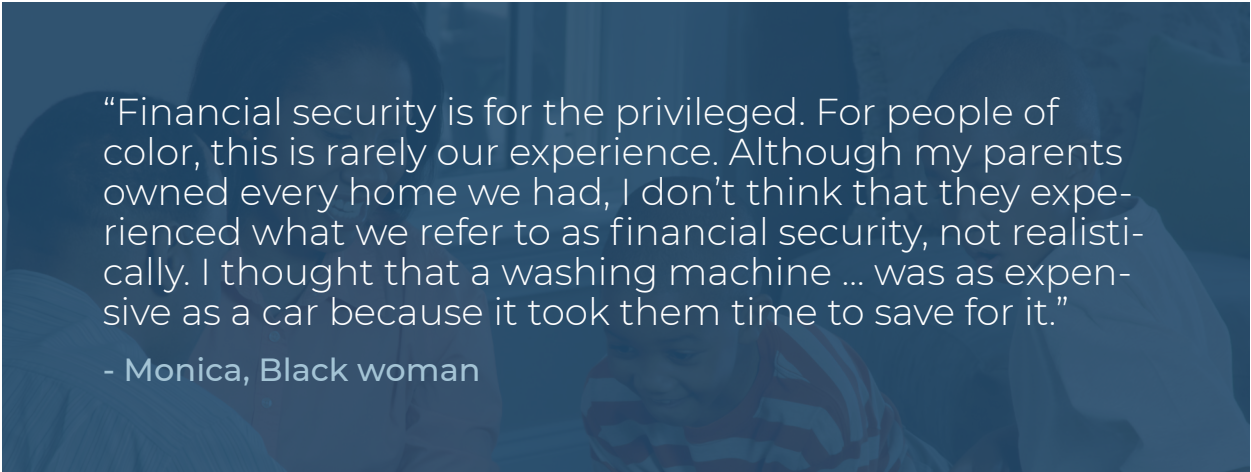
In talking with people about their financial lives, we found that the terms “financial stability” and “financial security” were in many cases neither uniformly defined nor interchangeable. In interviews, financial stability often appeared to be seen as the ability to pay one’s bills each month, and was sometimes closely linked to the idea of “just getting by.” On the other hand, a common definition of financial security was being able to take care of one’s needs month after month without worry. Financial security tended to be associated with some level of cushion, including having savings.



“For me, I think financially stable is just I’m able to meet my obligations and pay my bills on time, have food on the table, roof over my head, the basic necessities. And with a little bit of a struggle, there’s a little bit of a financial strain now and then. I’m pretty much the everyday guy. I’m not wealthy by any means, but I guess I associate financially secure with being more on the wealthy side. Someone that just doesn’t have to worry as much, has plenty of money in the bank, everything is taken care of, that kind of person.”

- John, white man

We also found that the concept of “managing” one’s financial life was seen by some as unattainable, or even irrelevant. The term “manage” implied, for some respondents, having a financial cushion. Their perspective was that struggling with money was a fact of life, and that being able to manage one’s financial life was an inaccessible privilege. This contributed to the unexpected observation that some people identified themselves as financially comfortable or stable while still struggling with aspects of their financial life. “The struggle” has been normalized in communities that have been systematically financially disadvantaged—specifically Black, Latinx, and women-led households.



“Financial security is for the privileged. For people of color, this is rarely our experience. Although my parents owned every home we had, I don’t think that they experienced what we refer to as financial security, not realistically. I thought that a washing machine ... was as expensive as a car because it took them time to save for it.”

- Monica, Black woman

When asked to define financial security Monica said, “Not only are you comfortable, you don’t have to push bills back and can pay them in full. Just being able to pay it on time, in full. Less stress.”

Another perspective observed was the belief that a majority of Americans are struggling financially. This perception of widespread financial insecurity can make change appear futile and hold people back from taking steps to reach financial security.

Commonwealth's July 2020 report, *Perceptions of Financial Insecurity in America: A National Survey of Working People in the United States*, with data from a nationally representative survey of 2,000 workers across all income levels in summer 2019, revealed that financial insecurity was widely seen as a significant problem. Findings included that 81% of American workers believed that financial insecurity is a problem. A majority—75 %—have had some experience with financial insecurity themselves, and 85% saw financial insecurity as a problem that can happen to anyone, no matter their income level.

"I think like 95% of the country [is] worried about money."

- Sarah, white woman

Demographic Influences

Race and Gender

There were no significant differences by race (comparing Black / white respondents) or by gender (comparing male/female) in scores on the CFPB Financial Well-Being Scale, the Snyder Adult Dispositional Hope Scale, or the Fixed/Growth Mindset Scale. We hypothesize that we did not see significant differences because respondents had similar experiences with the financial system, which might be the more significant driver of the scores on these scales; this is an area for further research.

Average scores by race

Race	CFPB ¹	Hope Score ²	LOTR ³	Growth ⁴
African-American or Black	50.7	42.8	14.0	13.4
White	51.7	43.7	12.8	13.0

Average scores by gender

Gender	CFPB ¹	Hope Score ²	LOTR ³	Growth ⁴
Female	50.9	42.8	13.2	13.1
Male	52.1	43.9	13.1	13.1

¹ The CFPB Financial Well-Being Scale measures "the extent to which someone's financial situation and the financial capability that they have developed provide them with security and freedom of choice." In the researcher administered survey, scores range from 16 to 91, higher scores indicating greater financial well-being.

² The Adult Hope Scale "measures Snyder's cognitive model of hope, which defines hope as a positive motivational state that is based on an interactively derived sense of successful (a) agency (goal-directed energy), and (b) pathways (planning to meet goals)." The hope score is a combination of four agency items and four pathway items, with the total score ranging from 8 to 64, higher scores indicating greater hope.

³ The Revised Life Orientation Test measures "individual differences in generalized optimism versus pessimism." Scores range from 0 to 24, higher scores indicating greater optimism.

⁴ The Commonwealth Growth Scale was developed from Dweck's Growth Mindset Scale "to measure how much people believe that they can get smarter if they work at it." Scores range from 0 to 28, higher scores indicating a more developed growth mindset.

Income

Among participants in the initial ZMET® interviews, there was no relationship between their material financial situation, particularly household income, and their sense of perceived financial comfort or struggle. Individuals who self-identified as “comfortable” did not make a significant amount more than individuals who identified as “struggling.” Key differences, rather, were in their attitudes toward their financial situation.

Responses to the pandemic-related survey questions underscore the independence of the financial security mindset from material circumstances. Among both the 65% of respondents whose financial situation had not changed due to COVID-19 at the time of the survey and the 29% whose situations had worsened, there were differences in average CFPB Financial Well-Being Scale scores, but not in the scores on the “mindset” (hope, optimism and growth) scales.

Change in Self-Described Financial Situation, Pre-COVID and Current

	CFPB	Hope Score	LOTR	Growth
No Change	53	44	13	13
Worsened	47	43	13	13

Limitations of Findings

The objective of incorporating the four validated scales into the survey was to examine the correlations among the characteristics measured by each. The scales are not independent, and some components of the scales overlap; therefore, some degree of positive relationships among them can be expected without this constituting a consequential finding. Just as this research is unable to determine the direction of the relationship between the different measures, these data permit neither a definitive declaration of causation (whether financial factors or non-financial factors come first) nor a conclusive explanation of the interplay between them. It is also not possible to examine fully the impact of the COVID-19 pandemic on the findings.

Implications

The findings about the key non-financial factors—a journey mindset, aspiration and values to motivate and sustain the journey, social networks to empower success, and inclusive messaging to welcome new people on the journey—have important implications for those looking to design products, services, experiences, distribution channels, or policies that will support people on their path to financial security.

These findings may be of particular relevance to employers, financial institutions, fintechs, nonprofit organizations, and policymakers who have missions relating to the financial needs and aspirations of LMI households and who will benefit directly or indirectly as these groups' financial security and opportunity grow.

Commonwealth has begun to test designs based on this research with products already in market. The goal is to demonstrate that innovative new designs can enable and support financial security. Some of the preliminary ideas that we are pursuing are described below.

Frame Financial Security as a Journey

Framing financial security as a journey involves reinforcing agency, affirming the concept of pathways, and encouraging a focus on growth. Designs should present the individual as a “hero,” highlighting personal capability to commence a journey to stability and fostering an internal sense of control. Other useful design elements include enhancing choice, creating benchmarks of actionable and attainable goals, and recognizing and rewarding small victories.

Also valuable is helping individuals discern when they are at a starting point for getting on the path to financial security. Opportune moments of significance to highlight could be social—the start of a new year or a new decade; personal—having children, getting married; or financial—getting a raise or a new job, paying off a significant debt. Forward-looking designers can consider how to help people anticipate a possible upcoming “rock bottom” moment, such as credit card default or falling behind on rent or mortgage payments; provide assistance to avoid this outcome; and translate the new realization into a moment to undertake a positive path.

Focus on Values and Aspirations

No matter the state of the present, people have priorities and goals that reflect deeply felt values and powerful aspirations. Designs should affirm these elements and harness them to help people envision a more positive, and achievable, future. The concepts of financial stability and security can be motivational elements of products, services, experiences, or policies. Fostering a sense of joint commitment to these values and aspirations can build long-standing positive relationships with customers, clients, or citizens and can also drive positive personal financial outcomes.

Leveraging Social Networks

The power of social norms on human behavior means that normalizing financial security can have a significant impact. This research found that there is a significant correlation between believing that you know people who are financially secure and adopting the mindset. Social networks can therefore play a pivotal role in individual financial empowerment.

This research also confirmed that financially secure role models can provide access to useful financial resources and tools. Product designs should leverage role models as a distribution mechanism. Approaches that use a multi-generational frame and build off of the unique role that parents and grandparents can play are also indicated by this research.

Inclusive Messaging

The insights from this research about differing perspectives in terminology and outlook point to the importance and effectiveness of messaging that is appropriate for an intended audience. Designs should avoid use of language and imagery that conflict with the mental models people carry. A focus on concepts such as “being comfortable” or “managing” might erect barriers that reinforce “this isn’t for me” skepticism and rejection. Normalizing financial stability also has a role here: seeing financial security as a viable possibility supports developing it as a mindset.

Future Work

Commonwealth will continue building on this research by designing and testing financial tools explicitly designed to foster these non-financial factors. Specifically, we will examine:

- The financial behaviors (saving, debt repayment), financial context (liquid savings, higher credit score, macroeconomic conditions), and product design features (peer benchmarking, future modeling) that generate the strongest outcomes.
- The role that a type of debt has on financial security. For example, whether ostensibly “good” debt—such as student loans—bolsters hope, optimism, and journey imagery.
- The most opportune moments for a journey starting point.
- The role of online social networks in supporting the perception that financial security is attainable and providing access to financial tools and resources. For example, how strong do online relationships need to be in order to influence people’s perceptions, what markers do people look for to identify someone as financially secure, and how is financial information shared online?
- How race and gender should be considered in the design of systems that will support people on their financial journey. For example, we will explore how systemic racism and sexism manifest in hindering the journey and which designs can support steps to dismantle these barriers.

Conclusion

Financial insecurity is pervasive; it impacts not only families and communities but employers, financial institutions, government and ultimately society as a whole. Solving it, therefore, requires actions by all of these actors.

To be effective, these actions must be based on research that deepens our understanding of the challenges to attaining financial security. Building a financial system that supports non-financial factors —through intentional design, messaging and social networks—is necessary to make deeper and more enduring inroads into creating financial security and opportunity for all.



To learn more about our Positive Financial Futures research and framework for financial systems and how you can work with us, contact Becca Smith, info@buildcommonwealth.org

APPENDIX A

Consumer Financial Protection Bureau Financial Well-Being Scale

Part 1: How well does this statement describe you or your situation?

1. I could handle a major unexpected expense
2. I am securing my financial future
3. Because of my money situation, I feel like I will never have the things I want in life
4. I can enjoy life because of the way I'm managing my money
5. I am just getting by financially
6. I am concerned that the money I have or will save won't last

Part 2: How often does this statement apply to you?

7. Giving a gift for a wedding, birthday or other occasion would put a strain on my finances for the month
8. I have money left over at the end of the month
9. I am behind with my finances
10. My finances control my life

Snyder Adult Dispositional Hope Scale

Developed by Snyder et al. (1991), a 12-item measure of two factors: pathway thinking (the ways we take to achieve our desired goals) and agency thinking (the motivation of an individual to pursue goals and the belief in one's ability to achieve the goals).

1. I can think of many ways to get out of a jam.
2. I energetically pursue my goals.
3. I feel tired most of the time.
4. There are lots of ways around any problem.
5. I am easily downed in an argument.
6. I can think of many ways to get the things in life that are important to me.
7. I worry about my health.
8. Even when others get discouraged, I know I can find a way to solve the problem.

9. My past experiences have prepared me well for my future.
10. I've been pretty successful in life.
11. I usually find myself worrying about something.
12. I meet the goals that I set for myself.

Revised Life Orientation Test (LOT-R)

Developed by psychologist Michael Scheier and colleagues (1994), a 10-item scale measuring how optimistic or pessimistic people feel about their future, as life orientation tends to affect physical health, educational attainment and other factors relevant to social mobility.

1. In uncertain times, I usually expect the best.
2. It's easy for me to relax.
3. If something can go wrong for me, it will.
4. I'm always optimistic about my future.
5. I enjoy my friends a lot.
6. It's important for me to keep busy.
7. I hardly ever expect things to go my way.
8. I don't get upset too easily.
9. I rarely count on good things happening to me.
10. Overall, I expect more good things to happen to me than bad.

Growth Scale

Developed by a consulting statistician working with Commonwealth.

- I get discouraged when I see other people who are better off financially than I am
- I can work to improve my financial situation
- I have made financial mistakes, but I have learned from them
- I don't have the skills required to change my financial situation
- When I have a question about my finances, I ask for advice
- No matter what I do, I cannot change my financial situation
- I try to learn how to improve my financial situation (for example, by reading books or articles, watching videos, attending seminars, etc.)



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