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Household use of financial planners: Measurement considerations for researchers

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Abstract

Using the Certified Financial Planner (CFP) Board's definition of financial planning, this article evaluates the validity of the measures of financial planner use in publicly available datasets. A review of *Financial Services Review*, *Journal of Personal Finance, Journal of Financial Planning, Journal of Family and Economic Issues*, *Journal of Consumer Affairs*, and *Journal of Financial Counseling and Planning* identified seven datasets that were commonly used to investigate financial planner use. Of these, the two most promising measures were found in the Survey of Consumer Finances and the National Longitudinal Study of Youth (1979). However, an evaluation of these measures raises significant concerns related to their validity. This article critically evaluates these measures and provides insights into the development of better measures of financial planner use for the future.

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1. Introduction

As an academic discipline, personal financial planning is still relatively new. The first doctoral program in personal financial planning was established at Texas Tech University in 2000 (Brandon and Welch, 2009)—a mere 16 years ago. Although researchers have been investigating issues related to personal financial planning for some time, the development of a dedicated doctoral program is indicative of the developmental stage of the field. Since the first program at Texas Tech, three additional universities (Kansas State University, University of Georgia, and University of Missouri) have established Certified Financial Planner (CFP) Board registered doctoral programs that have led to a growth in the number of financial planning researchers and a corresponding increase in the scientific knowledge base. However, as in any field of knowledge, scientific advancement is dependent upon proper measurement of the relevant objects or concepts.

In personal financial planning, an important research objective is to determine the effect of financial planner use on household well-being.[1] To properly investigate this relationship, it is necessary to determine whether or not a household receives financial planning advice. At first glance, this may seem simple. However, a careful assessment of publically available datasets indicates that this measurement is not straightforward. The objective of this study is to promote increased rigor in the field of personal financial planning research by examining the important issue of measurement as it relates to household use of financial planners. Specifically, we analyze the validity of available measures of household financial planner use in publicly available datasets and provide recommendations for the development of new measures of financial planner use.

2. Measurement

Although measurement has been defined in a variety of ways, two definitions are especially important to the current study. Stevens (1951) defines measurement as "the assignment of numbers to objects or events according to rules" (p. 22). While this definition is quite good for the natural sciences, it may be limited in social science applications in which abstract concepts are more often the subject of investigation (rather than objects) (Carmines and Zeller, 1979). Zeller and Carmines (1980) define measurement as "a process of linking abstract concepts to empirical indicants" (p. 2). Carmines and Zeller (1979) emphasize the importance of measurement as it allows scientists to test theoretical propositions—if the empirical indicant (i.e., a variable that can be observed) is weakly related to the underlying phenomenon of interest (i.e., the unobserved concept), any analysis of the data may lead to incorrect inferences. Therefore, we consider measurement to be a process in which objects, events, or concepts are systemically classified and represented to advance knowledge.

With this understanding of measurement, we can return to the objective of the current analysis. To properly classify households according to whether or not they use a financial planner, several challenges become apparent. Even among professionals who refer to themselves as financial planners, there is great diversity in the scope of services provided, ranging from primarily investment advice or another specialized area to comprehensive financial

planning. Consequently, self-reported data from households will be noisy as there is likely substantial variation between households in the types of financial service professionals (e.g., banker, stock broker, insurance agent, etc.) that come to mind when they hear the term, "financial planner." Therefore, an important starting point for research regarding financial planner use is to clearly define the intended event to be measured. Although a number of studies examine the effect of financial planner use, little attention is given to clearly defining what is meant by use of a financial planner.

In measuring whether an individual received financial planning services, a clear definitional framework is needed. The CFP Board (2013) defines financial planning as "the process of determining whether and how an individual can meet life goals through the proper management of financial resources" (p. 9). The subject areas of the financial planning process include, but are not limited to: "financial statement preparation and analysis (including cash flow analysis/planning and budgeting), insurance planning and risk management, employee benefits planning, investment planning, tax planning, retirement planning, and estate planning" (CFP Board, 2013, p. 9). Considerations in evaluating whether financial planning occurred include "the client's understanding and intent in engaging in financial planning, the degree to which multiple financial planning subject areas are involved, the comprehensiveness of data gathering, and the depth and breadth of planning recommendations" (CFP Board, 2013, p. 9).

2.1. Measurement evaluation: reliability and validity

Once the event (or other phenomenon) is clearly defined and a possible measure (or set of measures) is identified, the next step is to determine how well the measure performs. For evaluation purposes, Carmines and Zeller (1979) identify two basic properties of a measure: reliability and validity. Reliability refers to a measure's ability to yield consistent results over repeated trials. Although there will always be random variation in any measurement, the goal is to have a measure that yields consistent results. Validity refers to the extent to which a measure ". . . does what is intended to do" (Carmines and Zeller, 1979, p. 12). There are three commonly accepted components of validity: (1) content validity, (2) criterion-related validity, and (3) construct validity.

Content validity refers to the extent to which an empirical measurement reflects a specific domain of context (Carmines and Zeller, 1979). For example, a measure of investment knowledge among U.S. adults that assessed understanding of asset return but not asset risk would lack content validity. DeVellis (2012) points out that content validity is closely related to the definition of the phenomenon of interest. To be valid, a measure must capture the aspects of the occurrence identified in its conceptual definition. Criterion-related validity refers to the extent to which a measure is related to an empirical behavior that is external to the measure (Carmines and Zeller, 1979; DeVellis, 2012). For example, a measure of risk tolerance may have evidence of criterion-related validity if it is strongly related to amount of risk held in a portfolio. Lastly, construct validity refers to the degree to which a certain measure relates to other measures in line with theory-based hypotheses concerning the constructs being measured (Carmines and Zeller, 1979). For example, if a theoretical framework suggests that increased financial stress should predict increased likelihood of

financial planner use, a measure of financial stress would have evidence of construct validity if there was a strong, positive correlation between the measure and financial planner use. For the purpose of this article, we focus on evaluating the content validity of publically available measures of financial planner use.

2.2. Measures in publicly available datasets

To identify publicly available, nationally representative datasets in the United States that contain information regarding household use of financial planners, articles published between 2013 and 2015 in *Financial Services Review*, *Journal of Personal Finance*, *Journal of Financial Planning*, *Journal of Family and Economic Issues*, *Journal of Consumer Affairs*, and *Journal of Financial Counseling and Planning* were reviewed. From this list, seven datasets were identified that contain information about seeking financial help from professionals: Asset and Health Dynamics among the Oldest Old (AHEAD), American Life Panel (ALP), Health and Retirement Study (HRS), National Financial Capability Survey (NFCS), National Longitudinal Survey of Youth 1979 (NLSY79), National Longitudinal Survey of Youth 1997 (NLSY97), and Survey of Consumer Finances (SCF). The following discussion highlights the available survey questions and the ways in which the literature has used the questions to measure financial planner use. Table 1 summarizes each dataset's available measures.

The AHEAD survey, which was integrated with the HRS in 1998, contains a question in 1993 and 1995 that ask respondents "Do you have a financial advisor who helps make decisions?" Only one study published in the journals reviewed used this question; Cummings and James (2014) analyze factors associated with getting and dropping a financial advisor.

The ALP has administered at least four surveys (Surveys 5, 13, 21, and 33[2]) that collect information regarding the use of financial professionals. Surveys 5 and 21 asked whether the respondent consulted "a financial planner or advisor or an accountant" for retirement planning. Survey 13 of the ALP is especially note-worthy as it includes detailed financial service use questions, including whether the respondent uses a financial professional, how the professional(s) is compensated, how long they have been doing business, and how satisfied they are with the services. Survey 33 asks whether respondents relied on a broker of financial advisor for retirement planning. Our analysis indicates that only one study in the journals reviewed has used a financial professional use measure from the ALP[3]: Knoll and Houts (2012) use a concatenated sample of the ALP, HRS, and NFCS to investigate financial literacy. They assess the validity of their financial literacy measure by correlating it with "financial planner use," which was measured using the questions from the 2004 HRS and ALP Surveys 5 and 21.[4] Note that the 2004 HRS questions and ALP questions from Surveys 5 and 21 are the same question asked with the same lead-in questions about retirement planning.

The HRS has several different measures of financial planner use. A topical module in 2000 asks preretirees if they consulted a financial planner for retirement savings and asks retirees to (retrospectively) indicate if they consulted a financial planner in their preretirement years. A different 2004 topical module asks respondents if, in the context of retirement planning, they had ". . . consulted a financial planner or advisor or an accountant." The 2014 HRS asks

Table 1 Review of public, nationally representative datasets

Dataset	Question text of available measures[a]	Variable numbers	Notes
AHEAD	Do you have a financial advisor that helps make decisions?	V1921 (1993) D5318 (1995)	Merged with the HRS dataset in 1998; question has not used since.
ALP	Survey 5 and 21 (Lead questions: Have you ever tried to figure out how much your household would need to save for retirement? Tell me about the ways you tried to figure out how much your household would need.)		Same questions as HRS retirement planning questions. Questions in Survey 13 are asked for up to 5 different individual professionals and firms.
	Did you consult a financial planner or advisor or an accountant?	R003_5	
	Survey 13		
	Do you currently use any professional financial service providers—include individual professionals and/or firms—for: Conducting stock market and/or mutual fund transactions: (e.g.,, purchases and sales of stocks, shares in mutual funds, options contracts, short selling, and so forth). Please exclude transactions that involve an employer sponsored retirement account. Advising, management, and/or planning: (e.g., financial advising, investment advising, financial planning, money management, retirement planning, estate planning, and so forth). Check all that apply.	FS1	
	First we would like to ask you about [Conducting stock market and/or mutual fund transactions/ Advising, management, and/or planning]. Is there an individual professional with whom you personally interact regarding [Conducting stock market and/or mutual fund transactions/ Advising, management, and/or planning] services?	FS2	
	How do you pay this [individual professional/ firm] for [Conducting stock market and/or mutual fund transactions/Advising, management, and/or planning] services? Please check all that apply [Commission (e.g., per transaction), Hourly, monthly, or annual rate, Flat fee, Percentage fee (e.g., % of my account balance), Other]	FS5	
	What is the rate that you pay for [Conducting stock market and/or mutual fund transactions/ Advising, management, and/or planning] services?	Fs5b	
	About how long have you been doing business with this [individual professional/firm]?	FS7	
	Survey 33		
	For your retirement planning, do you rely on financial software, a website with a financial calculator, or a broker or financial advisor? You may check several answers.	FSFTEXP	
HRS[a]	(Lead question: Have you ever made a plan and calculated what you would need at retirement?)		G6802 is asked of preretirees.
	Did you consult a financial planner? (Lead question: Before you retired did you make a plan and calculate what you would need at retirement?)	G6802 (2000)	G6789 is asked of retirees to retrospectively report whether they consulted a planner.

Table 1 (Continued)

Dataset	Question text of available measures[a]	Variable numbers	Notes
	Did you consult a financial planner? (Lead questions: Have you ever tried to figure out how much your household would need to save for retirement? Tell me about the ways you tried to figure out how much your household would need.)	G6789 (2000)	
	Did you consult a financial planner or advisor or an accountant? (Lead question: Do you have someone such as a friend or relative, or bank officer, lawyer or financial consultant who regularly helps you with handling your money or property or other financial matters such as signing checks, paying bills, dealing with banks and making investments?)	JV356 (2004)	
	Who helps you [and your [partner/husband/wife]] with your finances? Choose all that apply. [One response option is "financial consultant, accountant, or other professional investment counselor"] (Lead question: Have you given permission to a bank, lawyer, broker or other financial advisor to be able to share your information with family members, friends, or others?)	OV502M1 (2014)	
	With whom can your financial information be shared? [One response option is "financial consultant, accountant, or other professional investment counselor"]	OV531 (2014)	
	Who is designated (as Power of Attorney)? [One response option is financial consultant, accountant or other professional investment counselor]	OV509 (2014)	
NFCS	In the last 5 years, have you asked for any advice from a financial professional about any of the following? [Debt counseling, Savings or investments, Taking out a mortgage or a loan, Insurance of any type, Tax planning]	K_1–K_5	Available in 2009 and 2012 surveys.
NLSY79	People begin learning about and preparing for retirement at different ages and in different ways. Have you consulted a financial planner about how to plan your finances after retirement?	T09628.01 (2006) T21836.01 (2008) T30959.01 (2010) T40951.01 (2012)	Available 2006–2012.
NLSY97	In the past 12 months, who have you talked with about money issues most often? [One response option is "someone with professional expertise in the field']	S84959.00 (2006) T08892.00 (2007) T30024.00 (2008) T44054.00 (2009) T60549.00 (2010) T75450.00 (2011) T89760.00 (2013)	Available in the 2006–2013, asked of respondents who talked to someone about finances in past 12 months.
SCF	What sources of information do you use to make decisions about borrowing or credit? (Do you call around, read newspapers, magazines, material you get in the mail, use information from television, radio, the internet or advertisements? Do you get advice from a friend, relative, lawyer, accountant, banker, broker, or financial planner? Or do you do something else?)	Borrowing/Credit X7101-X7110, X68479, X6861-X6864	Available in all survey waves; however, the financial planner response option was not added until 1998. Reponses are recorded for up to 15 responses.

Table 1 (Continued)

Dataset	Question text of available measures[a]	Variable numbers	Notes
	What sources of information do you use to make decisions about saving and investments? (Do you call around, read newspapers, magazines, material you get in the mail, use information from television, radio, the internet or advertisements? Do you get advice from a friend, relative, lawyer, accountant, banker, broker, or financial planner? Or do you do something else?)	Saving/Investment X7112-X7121, X6865-X6869	

Notes: Question text allowing the interviewer to ask the question appropriately for couples or other grammatical adjustments have been omitted for simplicity. AHEAD = Asset and Health Dynamics among the Oldest Old; ALP = American Life Panel & HRS = Health and Retirement Study; ALP13 = American Life Panel Survey 13; NFCS = National Financial Capability Survey; NLSY79 = National Longitudinal Survey of Youth 1979; NLSY97 = National Longitudinal Survey of Youth 1997; SCF = Survey of Consumer Finances.

[a]Questions were identified using the HRS Concordance, http://hrsonline.isr.umich.edu/index.php?p=concord, and searching the following phrases: "financial planner," "financial advisor," "financial professional," and "financial consultant." The HRS may contain other questions that include some information about financial professional use. For example, there are questions about who serves as trustee (e.g., OV517M1) that contain a response code identifying an "investment counselor" or "consultant." Those questions are not included here because of the narrow role the advisor plays, but these questions may be useful in other applications.

"who helps you with your finances?" and one response category is "financial consultant, accountant, or other professional investment counselor." As shown in Table 1, the 2014 HRS also contains a few other questions that include a response option that identifies a financial consultant. Only one study (Knoll and Houts, 2012) published in the journals reviewed used the (2004) HRS measure of financial professional use.

The NFCS asks respondents if, in the last five years, they sought advice from a financial professional about the following categories (allowing for unique responses for each category): debt counseling, savings or investments, taking out a mortgage or loan, insurance of any type, or tax planning. A number of researchers have used the NFCS to explore financial advice in different capacities (Balasubramnian, Brisker, and Gradisher, 2014; Collins, 2012; Lachance and Tang, 2012; Robb, Babiarz, and Woodyard, 2012; Sass, Belbase, Cooperrider, and Ramos-Mercado, 2015; Simms, 2014; Tang and Lu, 2014). Balasubramnian et al. (2014) analyze households who reported using a financial adviser for any subject area and examine which households conduct regulatory searches when choosing an adviser. Collins (2012) and Robb et al. (2012) both examine financial advice use measured as each of the five categories independently plus a category for any advice. Lachance and Tang (2012) investigate the relationship between trust and financial advice and measure financial advice using each of the five categories independently. Sass et al. (2015) examine financial well-being and include financial advice use as a covariate, measured as consulting a financial professional on any subject area. Tang and Lu (2014) analyze loan decisions to see whether consulting a financial professional, measured using only the debt counseling and taking out a mortgage or loan responses, influenced the use of 401(k) loans. Simms (2014) analyzes women's use of investment advice by using only the saving or investment response on the financial professional question.

Both the NLSY79 and NLSY97 cohort surveys contain questions about financial advice. The NLSY79 contains one question that states the following:

> "People begin learning about and preparing for retirement at different ages and in different ways. Have you [or] [Spouse/partner's name] consulted a financial planner about how to plan your finances after retirement?"

Several studies have analyzed financial planner use in the 2008 wave of the NLSY79 by using this question (Martin, Finke, and Gibson, 2014; Martin and Finke, 2014). Martin and Finke (2014) create a category they refer to as "comprehensive financial planner" that was measured by two components. The first component was based on the financial planner question and the second was based on a question that asked, "Have you [or] [Spouse/partner's name] ever calculated how much retirement income you would need at retirement?" As shown in Table 1, these NLSY79 questions are available in survey waves from 2006 to 2012. The NSLY97 asks, "In the past twelve months, who have you talked with about money issues most often?" Of the possible responses, one category is "someone with professional expertise in the field." This question has not been used to assess the use of a financial planner in the publications reviewed.

The SCF contains two questions about the source(s) of information used by the respondent and spouse/partner (if applicable) for (1) saving and investment decisions and (2) borrowing and credit decisions. Respondents who were interviewed in person were shown a list of information sources and interviewers read the same list to respondents for telephone interviews. The list includes the following: call around, read newspapers or magazines, information received in the mail, information from television, radio, internet, advertisements, or advice from a friend, relative, lawyer, accountant, banker, broker, financial planner, or other. Responses to these questions are coded in the order that they are listed by the respondent for up to 15 responses.

The SCF has been used to investigate financial planner use as an outcome (Elmerick, Montalto, and Fox, 2002; Hanna, 2011) and as a predictor of perception of retirement preparedness (Kim and Hanna, 2015), life insurance adequacy (Scott and Gilliam, 2014), disability insurance ownership (Scott and Finke, 2013), and consistency of risk attitudes and risky behavior (Park and Yao, 2015). Hanna (2011) identifies a household as using a financial planner if "financial planner" was selected on either the saving/investment or borrowing/credit question. Other SCF researchers have used only responses on the saving question to indicate financial planner use, for example, Kim and Hanna (2015). Park and Yao (2015) measure financial planner use by utilizing only the first response to the saving/investment question and including the following categories: lawyer, accountant, and financial planner.[5] Scott and Finke (2013) include accountant, banker, and broker in their measure of financial planner while Scott and Gilliam (2014) measure financial planner and nonfinancial planner use, although it is not clear if the saving or borrowing question was used in either study.

Researchers have also used the SCF to examine "comprehensive" financial planner use, defined as households reporting the use of a financial planner on both the saving/investment and borrowing/credit questions (Elmerick et al., 2002). Lastly, researchers have classified financial planner use as a more general financial professional measure to examine low-income household saving behavior (Heckman and Hanna, 2015) and low-income household

financial behaviors (Hudson and Palmer, 2014). Heckman and Hanna (2015) use responses on either the saving or borrowing question, and Hudson and Palmer (2014) use only the saving/investment question.

2.3. Measures in other datasets

The review of literature also revealed a number of proprietary and primary datasets that contained information about financial planner use. Although these datasets may not be accessible to other researchers, understanding the measures in these studies is helpful in terms of developing recommendations for future measures, discussed later in this article. Winchester and Huston (2014) analyze a proprietary dataset, cosponsored by a large independent financial services company and a financial planning professional association, in which financial planner use was based on responses to two questions. The first question asked if the respondent had a written financial plan and the second asked how that plan was developed. Respondents were identified as using a financial planner if they had a written plan and indicated that the plan had been tailored to their financial goals after a meeting with a financial planner.

A report from the Society of Actuaries (SOA) and a joint report from the CFP Board and Consumer Federation of American (CFA) also examine financial planner use among U.S. households. One question in the SOA survey asked respondents the following:

> "About how often do you (and your spouse/partner) consult with a financial planner or adviser who helps you make decisions about your retirement/financial planning and is paid through fees or commissions?" (Society of Actuaries, 2013, p. 88).

The CFP Board and CFA survey includes several items related to financial plans, including type (e.g., written) and recency,[6] and financial planner use in preparing those plans (see Princeton Survey Research Associates International, 2013). Among respondents who reported having a financial plan, two follow-up questions were asked:

> "Did a financial professional help you to prepare this plan? For example, a financial planner, banker, stock broker, accountant, insurance agent, or investment advisor" (Princeton Survey Research Associates International, 2013, p. 53).
>
> "Some financial professionals who help people with their plans, such as Certified Financial Planners and Registered Investment Advisors, have a FIDUCIARY DUTY. This means they are required to act in the best interest of their clients, when providing financial planning or investment advice. As far as you know, is the financial professional who helped you with your most recent plan a Certified Financial Planner, a Registered Investment Advisor, or other professional with a fiduciary duty to act in your best interest?" (Princeton Survey Research Associates International, 2013, p. 53).

Several studies have used primary data and included measures of professional financial advice in general (i.e., not specific to financial planners). Survey questions include whether respondents relied on someone else's advice when making investment decisions (Kuzniak, Rabbani, Heo, Ruiz-Menjivar, and Grable, 2015), whether respondents met with a financial advisor in the last 12 months (Zick, Mayer, and Kara, 2012), whether respondents took advantage of meeting with a financial coach[7] (Moulton, Loibl, Samak, and Collins, 2013),

and whether respondents consulted a financial professional or advisor (Eccles, Ward, Goldsmith, and Arsal, 2013; Gibson, Michayluk, and Van de Venter, 2013). Gibson et al. (2013) also included whether the respondent used an advisor two years ago and whether or not the current and previous advisor (i.e., from two years ago) were the same person.

Warschauer and Sciglimpaglia (2012) obtained the most detailed information about household financial planner use to date. They examine consumer perceptions about the value of financial planning services and their survey included questions about previous experience with financial planners and the perceived qualifications of the respondents' financial planners. Experience questions included whether the respondent had (1) an up-to-date comprehensive written plan, (2) a written plan focused on one or two issues, (3) received professional advice orally but did not have a written plan, and (4) had a plan but it is out-of-date (Warschauer and Sciglimpaglia, 2012, p. 199). Among respondents who reported experience with a financial planner, the survey asked for the planner's qualifications with the following response categories: (1) "CFP licenses," (2) "CPA, enrolled agents, or licensed tax preparers," (3) "Licensed Attorney," (4) "Stock broker or insurance agent," (5) "Private or personal banker," (6) "Fee-only planner," and (7) "Don't Know" (Warschauer and Sciglimpaglia, 2012, p. 200).

2.4. Summary and gap

To summarize, researchers have measured financial planner use among U.S. households in a variety of ways. Although publicly available datasets provide survey items regarding U.S. household use of financial planners the literature to date has not carefully evaluated the validity of such data. To the authors' knowledge, there are no studies that focus on the measurement of financial planner use. Therefore, this study contributes to the literature by providing an evaluation of current publicly available measures of financial planner use and by concluding with measurement recommendations for researchers.

3. Method

3.1. Sample and analysis

We evaluate the validity of the financial planner use measures in seven national datasets[8] by providing a careful examination of the content validity of the individual survey questions in two ways. First, we evaluate the content validity of each measure using the CFP Board's definition of financial planning. The CFP Board's definitional framework provides nine distinct content domains that are critical to determining whether financial planning has occurred. Consequently, each measure is evaluated based on the extent it addresses each of these domains.

Second, longitudinal datasets are used to evaluate the extent that each measure validly tracks a household's use of a financial planner over time. Specifically, we evaluate what these measures imply about respondents' changes in financial planner use between two time periods. Although the ALP, HRS, NLSY97 are all longitudinal, none are suitable for this

type of analysis. Only five individuals participate in both Survey 5 and Survey 21 of the ALP; the HRS does not use consistent questions in different survey years; and the NLSY97 question is too vague for inference. The remaining datasets (AHEAD, NLSY79, and SCF) are all good candidates for this analysis. We utilize the financial planner use rates reported by Cummings and James (2014) in their analysis of the AHEAD data and analyze financial planner use in the 2007–2009 SCF Panel and the 2010–2012 waves of the NLSY79 to test whether observed usage rates are consistent with what we might expect based on industry reports.

4. Results

4.1. Content validity

Recall that we adopt the CFP Board's definition of financial planning that includes essentially three components: (1) receipt of financial planning services with an emphasis on life goals, (2) subject areas addressed, and (3) the depth and breadth of the relationship and recommendations. Therefore, a valid measure of financial planning should identify that a process has occurred and include questions that ask life goals and financial management decisions, allow for the identification of one more content areas covered by financial planning services, and include questions that address the various aspects of planning engagement.

As shown in Table 2, the NLSY79 specifically identifies "financial planner" as the professional being consulted and the SCF and ALP Survey 13 allow clear identification for a variety of professionals, including financial planner; the question phrasing in the ALP/HRS, NFCS, and NLSY97 questions do not allow for a clear identification of the type of professional used. None of the questions refer to a process or life goals. The ALP/HRS, NLSY79, and SCF each have clear references to using advice for management decisions.

Except for the NLSY97, all measures contain information regarding the subject area covered, however, the ALP/HRS and NLSY79 only ask about retirement. The SCF includes two different areas (i.e., saving and borrowing) and the NFCS and ALP Survey 13 are the most comprehensive with five or more areas covered. The identification of multiple subject areas may explain why the NFCS and SCF have been so widely used in the literature. None of the measures used contain information regarding client intent, comprehensiveness of data gathering, or depth and breadth of recommendations.

Overall, the questions from the analyzed nationally representative datasets were found to perform poorly on tests of content validity. This suggests that the measures fail to address the components of financial planning, providing sufficient doubt as to whether they effectively measure financial planner use. Further, they fail to allow a researcher to distinguish between the type of services received and the extent of the planning engagement. While the questions have utility in narrow applications, they do not withstand any rigorous evaluation of their validity in measuring financial planner use as outlined by the CFP Board (2013).

Table 2 Existing measures and components of content validity for financial planner use

Component	Asset and Health Dynamics among the Oldest Old (AHEAD)	National datasets					
		American Life Panel (ALP) & Health and Retirement Study (HRS)	American Life Panel Survey 13 (ALP13)	National Financial Capability Survey (NFCS)	National Longitudinal Survey of Youth 1979 (NLSY79)	National Longitudinal Survey of Youth 1997 (NLSY97)	Survey of Consumer Finances (SCF)
Clear Identification of Professional	No	No	Yes–Multiple	No	Yes–Financial Planner	No	Yes–Multiple
Process	No	No	No	No	No	No	No
Life Goals	No	No	No	No	No	No	No
Management of Resources	Yes: Helps make decisions	Yes: Helped determine need for retirement savings	Not directly, but may be implied	No	Yes: Planning finances after retirement	No	Yes: Information used to make decisions
Multiple Areas Covered	No	No	Yes	Yes	No	Yes	Yes
Specific Areas Identified	No	Retirement	Financial advising Investments Financial planning Money management Retirement planning, Estate planning and so forth (other)	Debt counseling Savings/ Investments Mortgages Insurance Tax planning	Retirement	No	Saving/Investment Borrowing/ Credit
Client's Intent to Engage a Financial Planner	No, but may be implied	No	No, but may be implied	No	No, but may be implied	No	No, but may be implied
Comprehensiveness of Data-Collection	No	No	No	No	No	No	No
Depth and Breadth of Recommendation	No	No	No	No	No	No	No

Note: Because the ALP and HRS (ALP = American Life Panel & HRS = Health and Retirement Study) contain a variety of questions, we focus this content validity analysis on the measures that have been used by previous literature, which include questions from ALP Survey 5 and 21 and the HRS 2004. We combine the ALP and HRS analysis because the questions are the same in those survey years. Although ALP Survey 13 has not been used previously to our knowledge, we also include it because of the unique measures.

4.2. Evidence of validity from financial planner use over time

Both the NLSY79 and the SCF panel have longitudinal data enabling us to assess whether the measures yield results consistent with expected behavior patterns over time. Use of a financial planner in the SCF is classified in four ways: (1) whether a respondent consulted a financial planner in *both* domains (comprehensive planner), (2) whether a respondent consulted a financial planner in making saving/investment decisions, (3) whether a respondent consulted a financial planner in making credit/borrowing decision, and (4) whether a respondent consulted a financial planner in *either* domain (any planner). Further, patterns in financial planner use were measured with four dummy variables indicating use of a financial planner in both periods, dropped a planner in 2009, adopted a planner in 2009, and no financial planning service in both survey waves. Descriptive statistics related to the use of financial planners in the 2007–2009 SCF and 2010–2012 NLSY79 can be found in Table 3 and are depicted in Fig. 1. Both descriptive analyses are weighted to be representative of the U.S. population. The 2007–2009 SCF includes 3,857 households and the 2010–2012 waves of the NSLY79 include 5,584 respondents.

Results from the 2007–2009 SCF indicated that 9.2% of all households used a comprehensive planner in 2007, 22.3% consulted a financial planner for savings decisions, 12.5% used a financial planner for borrowing decisions, and 25.5% reported consulting a financial planner when making either saving or credit decisions. Minor decreases in planner use is noted across the board by 2009, with the percentage of the population consulting a planner declining between 1.1 percentage points and 2.3 percentage points depending on the measure. Despite these modest changes, great volatility in planner use was noted. Almost two-thirds (63.6%, $n = 321$) of respondents who engaged in comprehensive planning in 2007 reported that they did not engage again in 2009. On the aggregate, this was largely offset by the 6.4% ($n = 246$) of the sample that adopted a comprehensive planner in 2009. Similarly, exit rates of 46.7%, 64.6%, and 45.3% were found for respondents using investment planners, credit planners, and any planner, respectively.

A similar pattern was noted in financial planner use in the 2010–2012 NLSY79. Consulting a financial planner for retirement was measured as follows: use of a financial planner in both survey waves, dropped a planner in 2012, adopted a planner in 2012, and no financial planning service in either period. Overall, the proportion of households who consulted a financial planner for retirement decreased between 2010 and 2012 (from 24.7% to 23.1%). As in the SCF, similar volatility in planner use was noted; 43.1% of respondents who consulted a planner in 2010 dropped their service by 2012. Our results are consistent with the AHEAD data results reported by Cummings and James (2014)—they found that 52.7% of respondents who reported using a financial advisor in 1993 no longer reported using a financial advisor in 1995.

Information on client retention rates for financial planners is limited. The best estimate is provided by PriceMetrix (2013), which used aggregated data from 7 million retail investors to investigate advisor retention rates between 2009 and 2013. The report found that the median advisor retained roughly 94% percent of clients each year between 2009 and 2013. Poor performing advisors, those in the 10th percentile, were still found to annually retain between 81% and 87% of clients over this same time period. While client retention rates were

Table 3 Financial planner use in the 2007–2009 SCF Panel and 2010–2012 NLSY79

	2007–2009 SCF panel								2010–2012 NLSY79		
	Comprehensive planner		Saving/investment planner only		Credit/borrowing planner only		Any planner				
	Sample (*n*)	Proportion (%)	Sample (*n*)	Proportion (%)	Sample (*n*)	Proportion (%)	Sample (*n*)	Proportion (%)		Sample (*n*)	Proportion (%)
Planner in 2007	505	9.2	1,140	22.3	630	12.5	1,266	25.5	Planner in 2010	1,421	24.7
Planner in 2009	430	8.1	1,059	20.7	532	10.6	1,160	23.2	Planner in 2012	1,272	23.1
Planner in 2007 and 2009	184	2.9	608	10.4	223	3.7	692	12.1	Planner in 2010 and 2012	808	15.3
Dropped a planner in 2009	321	6.3	532	11.9	407	8.8	573	13.4	Dropped a planner in 2012	613	9.4
Adopted a planner in 2009	246	5.2	451	10.3	309	6.9	468	11.1	Adopted a planner in 2012	464	7.8
Neither 2007 nor 2009	3,106	85.6	2,266	67.4	2,918	80.6	2,124	63.4	Neither 2010 nor 2012	4,832	67.5
Total	3,857	100	3,857	100	3,857	100	3,857	100	Total	6,717	100

Notes: Sample size reflects the actual (that is, unweighted) number of observations and proportions are weighted to be nationally representative.

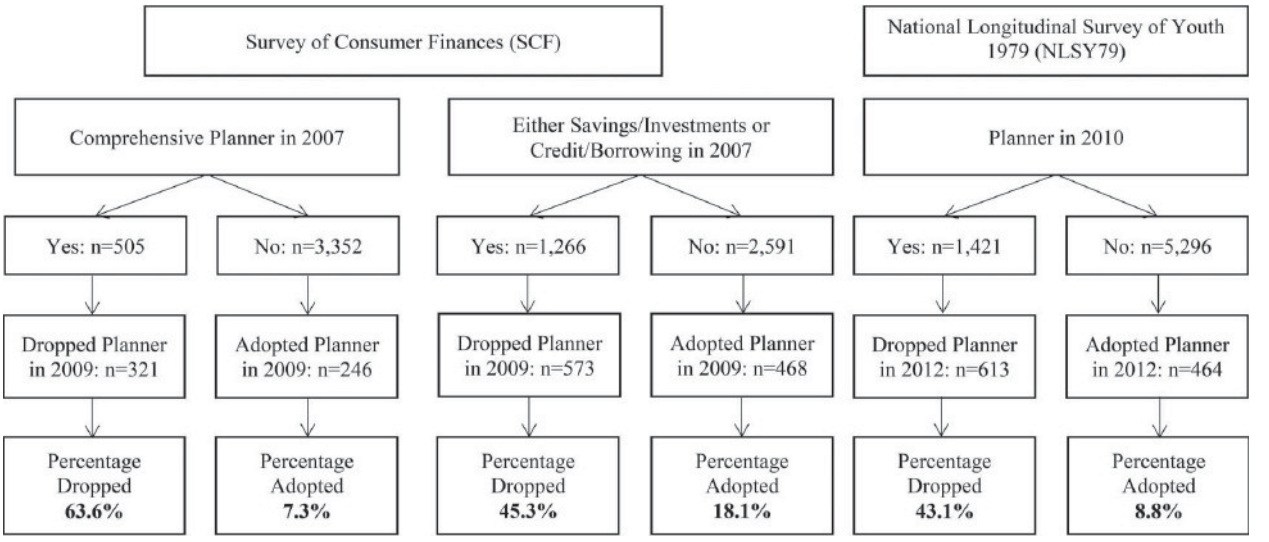

Fig. 1. Percentage of respondents who report adopting or dropping financial planning services between periods.

found to vary by advisor, this report would indicate the tremendous volatility in households reporting the use of a financial planner, and more specifically the large exit from the financial advisory market, observed in the AHEAD, NLSY79, and SCF datasets exceeds reasonable expectations. It is important to note that none of the measures would detect individuals that changed planners, transitions that would serve to decrease retention rates reported by PriceMetrix (2013), but rather those that no longer consulted any planner. Consequently, it would appear these measures may not be validly representing planner use over time. This measurement error may be because of inconsistent definitions of financial planning among the general populace and/or the vagueness of the questions in addressing the extent of a financial planning engagement (e.g., regular or sporadic one-on-one consulting, attending a seminar, etc.). Another challenging aspect of the NLSY79 question is that it asks about historical use of a financial planner and not whether the respondent is currently engaged with a planner. Notably, the inconsistency in the SCF's measure of planner use was only detectable because of the limited availability of panel data in the SCF; usage rates from period-to-period look consistent when examining the cross sectional SCF data but the follow up survey on the same respondents reveals poor representation of planner use.

5. Discussion and implications

This article evaluates the content validity of measures of financial planner use in publically available datasets employed by the literature. A three-year review of *Financial Services Review*, *Journal of Personal Finance*, the *Journal of Financial Planning*, *Journal of Family and Economic Issues*, *Journal of Consumer Affairs*, and *Journal of Financial Counseling and Planning* identified seven datasets that warranted further investigation. Of these datasets, the SCF and NLSY79 were found to have the most promising measures. When evaluated within the CFP Board's definition of financial planning, significant validity concerns are noted in

both measures. Specifically, each fails to assess the comprehensiveness of data collection, the breadth and depth of planning recommendations, the focus on the achievement of life goals, and the comprehensiveness of financial planning subject areas addressed. Further, an investigation of household responses over time raises additional concerns. Significant variation in household's responses that exceed behavioral expectations suggests that sizable measurement error is present. The results indicate that existing financial planner use measures are insufficient and do not allow researchers to capture the diversity and complexity of financial planning engagements.

Given these results, better measures of financial planner use are needed. A single question is likely insufficient to adequately measure financial planner use given the variety of forms that financial planning may undertake. The CFP Board's definition of financial planning provides significant insight into the type of questions that would be needed. Specifically, we suggest that survey questions be designed to address each aspect of the definitional framework. Recall that the CFP Board defines financial planning as "the process of determining whether and how an individual can meet life goals through the proper management of financial resources" (p. 9). Additionally, there are other factors that should be considered in determining whether professional financial planning has occurred, such as client perceptions of the financial planning engagement and the breadth and depth of financial planning subject areas, data collection, and recommendations (CFP Board, 2013). Although primary data were not directly analyzed in the current study, Warschauer and Sciglimpaglia (2012) collected the most detailed information about financial planner use to date – their study is a useful source of items that may be adopted in the future. Additionally, Table 4 provides example survey items that may be used to create a more informative measure of financial planner use. The questions are intended as a guide and have not been tested for rigor or validity. Future research is needed to develop these measures further.

When measuring financial planner use, an important consideration for researchers is that perceptions regarding the financial planning process (i.e., what is financial planning?) and financial planners (i.e., who is a financial planner?) may vary widely among both professionals and households. For example, some professionals may use the title "financial planner" loosely and households may see "financial planner" as a synonym for investment adviser, stock broker, or banker. The CFP Board clearly indicates that not all client engagements should be considered financial planning, even if a client works with a professional who often operates as a financial planner. While there is some merit to this, we believe it is important to gather information about all financial planning activities to properly measure and understand the types of help consumers demand. While someone may not receive comprehensive financial planning help, there is some utility in understanding the different types of services people are getting. Future research might also consider surveying professionals to understand these service offerings. This knowledge will help financial services professionals better serve consumers and help policy makers understand the areas of consumer finance that may be too complex for the ordinary American.

Nonetheless, researchers must be careful to distinguish between consulting a professional who holds the title of financial planner and engaging in financial planning as these are not

Table 4 Example survey items for measuring professional financial planning engagements

Aspect of financial planning definition	Example survey question
Process, Goals, management of resources, intent to engage	Do you consult a financial professional when managing your finances to achieve your financial goals?
More than one subject area	Which personal finance subject areas do you discuss with a financial professional? Select all that apply. Financial Statement Preparation and Analysis Insurance Planning and Risk Management Education Planning Employee Benefits Planning Investment Planning Income Tax Planning Retirement Planning Estate Planning
Comprehensiveness of data collection	How much of your financial information does your financial professional collect before making recommendations? 1 (minimal) . . . 10 (everything)
Breadth of recommendations	How thoroughly does your financial professional address the following areas? (same list as above) 1 (not addressed) . . . 10 (thoroughly addressed)
Other sources of heterogeneity	
Diversity of professional training and professional expertise	What kind of financial professional do you consult? Select all that apply. Accountant Investment Advisor Attorney Insurance agent Investment Broker Financial Planner Financial Counselor
Frequency and duration of professional engagement	How long have you been working a financial professional? How often do you meet with a financial professional to discuss topics related to your financial goals?
Payment type of financial professional service	How do you pay this financial planning service for? Please check all that apply [Commission (e.g., per transaction), Hourly, monthly, or annual rate, Flat fee, Percentage fee (e.g., % of my account balance)]

necessarily one in the same. We suggest either clearly defining what is meant by a financial planner in the survey or perhaps avoid using the term to limit measurement error. Using a set of questions to determine whether a financial planning engagement has occurred may be more informative than simply asking about financial planner use as it will capture some of the heterogeneity in financial planning engagements (e.g., subjects covered, depth of data collection, breadth of recommendations, etc.).

This analysis demonstrates that existing measures of households' financial planner use, especially in public, nationally representative datasets, lack content validity. As the field continues to grow, definitions of financial planning, measures of financial planner use, and the effects of engaging in professional financial planning on consumer well-being is of utmost importance. Financial planning researchers, however, will be significantly limited until better measures of financial planner use are available. Future research should focus on developing and testing questions and measures to address this gap in the field. Additionally, researchers should be careful to consider other aspects of measurement, including reliability, criterion-related validity, and construct validity.

Notes

1 The purpose of this study not to answer this question, but rather to clearly articulate the measurement issues involved in pursuing research questions related to the influence of financial planner use.
2 The ALP contains over 400 surveys that have been administered so this list of surveys may not be exhaustive.
3 As an example of work published elsewhere that has used the financial professional use question in the ALP, Parker, Bruine de Bruin, Yoong, and Willis (2012) investigated the relationship between confidence and financial planning. The researchers used three questions (1) "Have you or your partner ever tried to figure out how your household would need to save for retirement?"; (2) "Have you consulted a financial planner or advisor or an accountant?"; and (3) "Have you or your partner developed a plan for retirement saving?" to create a single mean score reflecting what they refer to as a "retirement planning index."
4 This was confirmed via personal correspondence with the authors.
5 Park and Yao created five categories of information sources: self and social network, financial planner, financial institutions, media, and other. The rationale for including lawyer and accountant with financial planner is that these professionals "often work as a team to assist financial planners in helping clients make saving and investment decisions" (p. 6).
6 Fifty-four percent reported that the plan was prepared or updated in the last 12 months.
7 Use of a financial coach was part of a field-experiment involving first-time homebuyers.
8 In the case of the ALP and HRS, the evaluation focuses on measures that have been used by previous literature. Additionally, we analyze ALP Survey 13 because of its unique measures.

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