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Who seeks financial advice?

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Abstract

The determinants of seeking five types of financial advice are examined and are found to be consistent across the different types of advice. In addition, no significant differences are found among subsamples defined by gender, age, and financial literacy. Income and risk tolerance are related positively to the demand for financial advice and more greatly affect the probability of seeking advice than do other variables. A low perception of financial knowledge, which can be a proxy for self-confidence, and financial fragility decrease the probability of seeking financial advice.

JEL classification: D14; G20

Keywords: Financial advice; Risk tolerance; Financial knowledge; Financial literacy; Financial fragility

1. Introduction

The demand for professional financial advice by the U.S. population is estimated to be within the range of 25–33% (Collins, 2012) despite the fact that many American households are experiencing financial difficulty (Brooks, Wiedrich, Sims, and Rice, 2015). According to a liquid asset poverty measure by Assets and Opportunities Scorecard,[1] for example, 44% of U.S. households have less than three months of savings. Moreover, 55% of consumers have credit scores that make reasonably priced loans unattainable (Brooks et al., 2015), and only 22% of workers are very confident about having enough money to live comfortably during retirement (VanDerhei and Copeland, 2015). Understanding the correlates of financial-

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advice-seeking behavior helps to explain the coexistence of reported low financial satisfaction and measured low demand for financial advice among American households.

Investors who rely on their own understanding often make poor financial decisions because of a lack of knowledge, information costs, and behavioral biases (Fischer and Gerhardt, 2007). These challenges warrant the use of professional advisers, who serve different purposes, deal with various products, and can help their clients navigate the high degree of financial uncertainty.

Using the 2012 National Financial Capability Study (NFCS), a cross-sectional study that was funded by the Financial Industry Regulatory Authority's (FINRA) Investor Education Foundation, this article investigates the characteristics of financial-advice-seeking behavior for five types of financial advice: debt counseling, savings/investment, mortgages/loans, insurance, and tax planning. A probit regression model is estimated to examine the associations between income, risk tolerance, financial knowledge, financial literacy, financial fragility, and a set of demographic variables and the probability of seeking financial advice. Additionally, this article examines the determinants of financial-advice-seeking behavior for subsamples defined by gender, age, and financial literacy.

2. Literature review

The existing literature on the characteristics of financial-advice-seeking behavior examines this conduct generally and for specific types of advice such as debt counseling, retirement planning, and investment management (Collins, 2012; Finke, Huston, and Winchester, 2011; Grable and Joo, 1999; Hackethal, Haliassos, and Jappelli, 2012; Heo, Grable, and Chatterjee, 2013; Inderst and Ottaviani, 2012; Kramer, 2012; Robb, Babiarz, and Woodyard, 2012; Heo, Grable, & Chatterjee, 2013; Salter, Harness, and Chatterjee, 2010; Scott and Finke, 2013; Seay, Kim, and Heckman, 2016; Simms, 2014). These studies identify age, gender, wealth, income, home ownership, education, financial knowledge, confidence, risk tolerance, and negative life events as factors that influence the demand for financial advice.

Age is a significant determinant of seeking advice in all areas of personal finance, has been found to be related positively to debt counseling for those aged 25–54, and is related negatively to debt counseling for respondents who are aged 65 or older (Robb et al., 2012). Grable and Joo (1999) find that younger households and those who do not own homes are more likely to seek financial help compared with homeowners and older individuals who may experience self-concealment[2] to protect their perceived life achievement. In addition, individuals who demonstrate bad financial behaviors (e.g., overspending, overusing credit, and not saving for retirement) and who experience financial stressors (e.g., death of a family member, divorce, and loss of a job) are more likely to seek financial help. However, Hackethal et al. (2012) find that older clients (over 50) are more likely to use a financial adviser compared with younger clients aged 18–30.

Gender influences the decision to seek financial advice. Because of their overconfidence in managing finances, males resist financial counseling and are less likely to seek financial advice compared to females (Finke et al., 2011; Hackethal et al., 2012; Robb et al., 2012).

In contrast, Tang and Lachance (2012) find that gender and home ownership do not affect the demand for financial advice.

Income has been found to be related positively to the demand for financial advice (Robb et al., 2012). However, other studies indicate that wealth has more of an impact on the decision to seek financial advice compared to income (Finke et al., 2011; Hackethal et al., 2012; Hanna, 2011). Advisers are inclined to provide their services to clients who are self-employed, female, have high wealth, and have more work experience (Hackethal et al., 2012). On the other hand, Calcagno and Monticone (2014) do not find support for the predicted associations between high wealth or high income and the probability of seeking financial advice.

Although education increases the likelihood of seeking financial advice (Finke et al., 2011; Hanna, 2011; Inderst and Ottaviani, 2012), perceived knowledge about managing finances reduces the likelihood of asking for help (Finke et al., 2011). However, other studies find that knowledge and confidence are correlated positively with the use of financial advice (Calcagno and Monticone, 2014; Collins, 2012; Inderst and Ottaviani, 2012; Robb et al., 2012).

The literature also investigates the determinants of advice-seeking behavior from other angles. Studies about the sources of advice examine an individual's tendency to seek financial advice from nonprofessional versus professional sources (Grable and Joo, 2001), bank-affiliated versus independent advisers (Hackethal et al., 2012), social networks versus paid advisers (Chang, 2005; Loibla and Hira, 2006), and the use of financial planners (Hanna, 2011; Letkiewicz, Robinson, and Domian, 2016). Studies that examine advice seeking by certain groups focus on less-sophisticated or low-income clients (Kramer, 2012; Tang and Lachance, 2012), older adults (Cummings and James, 2014), affluent retirees (Salter et al., 2010), and the middle class (Winchester and Huston, 2015). They also examine the effects of financial literacy on the use of financial advice (Calcagno and Monticone, 2014; Collins, 2012; Robb et al., 2012; Seay et al., 2016) and the determinants of seeking comprehensive versus partial financial advice (Elmerick, Montalto, and Fox, 2002; Finke et al., 2011; Tang and Lachance, 2012).

Financial risk tolerance and financial satisfaction have been found to play a role in determining whether people seek financial help from professionals or nonprofessionals such as family members, friends, or work colleagues (Grable and Joo, 2001; Lin and Lee, 2004). Chang (2005) finds that low socioeconomic status affects people's decisions to seek information about investment and savings from their social network rather than from paid financial advisers.

Elmerick et al. (2002) find that the determinants of seeking comprehensive financial advice and seeking advice regarding savings and investment are different from the determinants of seeking advice regarding debt and borrowing. Education, income, net worth, and financial assets are related positively to the probability of seeking comprehensive financial advice, while age is related negatively to the use of comprehensive financial planners. Hanna (2011) studies the demand for personal financial planners and finds that age increases the likelihood of using a planner until the age of 42 then decreases it. The determinants that increase the likelihood of using a financial planner include education, risk tolerance, being a single-female-headed household, and being black (Hanna, 2011).

Cummings and James (2014) examine the factors that influence the decision to begin or discontinue the use of financial advisers among older adults and find that becoming wid-

owed, receiving family help, and experiencing an increase in income or net worth are significant factors in influencing the demand for financial advisers. Studying the sentiment of financial-advice-seeking behavior among the middle class, Winchester and Huston (2015) find that the expected benefit relative to income is a more significant determinant of seeking financial advice than individuals' attitudes regarding cost.

Financial literacy increases the probability of seeking financial advice (Calcagno and Monticone, 2014), and such advice is a complement to rather than a substitute for financial capability (Collins, 2012). As income, education, and financial knowledge increase, the likelihood of seeking financial advice increases; however, self-assessment of financial literacy is related negatively to seeking financial advice, while measured financial literacy has no effect on the demand for such advice (Kramer, 2016).

This article contributes to the literature that examines the determinants of seeking professional financial guidance by focusing on five specific types of financial advice and investigating three subsamples that are defined by gender, age, and financial literacy. Because each type of financial advice has a specific purpose, studying the determinants of seeking advice about debt, savings/investment, mortgages/loans, insurance, and tax planning provides valuable insights into advice-seeking behavior. In addition to financial knowledge and risk attitudes that Robb et al. (2012) examine in their study, this article constructs two variables, financial fragility and financial literacy, to comprehend the effect of financial difficulty and the grasp of basic financial concepts on seeking financial advice.

The focus on females, the young, and the financially illiterate is related to specific characteristics, examined in the empirical literature, that distinguish and influence the financial behavior of these subsamples. Females and young respondents are most likely to experience financial stress and difficulties (ORC, 2015; Simms, 2014), and the financially illiterate are susceptible to suboptimal financial decisions (Lusardi, 2008; Lusardi and Mitchell, 2009; Lusardi and Tufano, 2009; van Rooij, Lusardi, and Alessie, 2011).

The empirical literature about gender differences in financial knowledge finds that females score lower than males in financial literacy tests, are more likely to be dissatisfied with their personal financial situation, and are less confident in their financial skills and their ability to manage financial emergencies (Goldsmith and Goldsmith, 2006; Hira and Mugenda, 2000; Hung, Yoong, and Brown, 2012). Gender differences in investment knowledge, financial skills, and risk tolerance between females and males might explain and exacerbate the economic status disadvantage of females that manifests in lower lifetime earnings, lower wealth, and lower retirement-plan participation (Bajtelsmit and Bernasek, 1996; Hung et al., 2012). While females are more patient than males in the measurement of rate of time preference, they exhibit more risk aversion and less interest in financial subjects (Donkers and van Soest, 1999). The gender role differences and division of labor within households provide another explanation for the disparity in the consumption of financial services (Burton, 1995; Morris and Meyer, 1993).

The literature on financial competency among young adults shows weak financial literacy and a lack of understanding of basic financial knowledge, which affect the quality of their financial decisions and lead them to commit costly financial mistakes (Lusardi, 2008; Lusardi and Mitchell, 2014; Lusardi, Mitchell, and Curto, 2010). A high level of debt at an early age, for example, impedes the accumulation of wealth and forestalls their contributions to employer-

provided retirement plans (Lusardi et al., 2010). Additionally, weak financial numeracy has negative impacts on critical decisions related to financing an education and making major purchases such as buying a car (Lusardi, 2012). Laibson, Gabaix, Driscoll, and Agarwal (2007) find that financial sophistication has a hump-shaped pattern, which could explain the high borrowing costs in terms of interest rates and fees by younger and older adults.

Research indicates that financial literacy influences financial-decision making and that the understanding of basic financial concepts is associated with retirement planning, stock market participation, and individuals' borrowing behavior (Hastings and Mitchell, 2011; Lusardi, 2008; Lusardi and Mitchell, 2009; van Rooij et al., 2011). Individuals who are not financially sophisticated are less likely to own stocks because they do not comprehend the working of financial markets and asset pricing and are more likely to seek financial advice from friends and family members than from financial professionals (van Rooij et al., 2011).

3. Data

The dependent variables in the analysis in this article are indicators for whether or not five different types of financial advice were sought, debt counseling, savings/investment, taking out a mortgage/loan, insurance of any type, and tax planning. Each variable takes a value of 1 if the specific type of advice was sought from a financial professional and 0 if it was not.

The independent variables are gender, age, race, education, marital status, number of children, income, risk tolerance, perceived financial knowledge, financial literacy, and financial fragility. Because the three subsamples are defined by age, gender, and financial literacy, those variables are excluded from their regressions.

Female is a dichotomous variable that takes a value of 1 if the respondent is female and 0 if the respondent is male. Age is categorized into six ranges: 18–24, 25–34, 35–44, 45–54, 55–64, and 65 or more. A categorized dichotomous variable for each age range is defined (the omitted category is 65+). Race is a dichotomous variable that takes a value of 1 if the respondent is white and 0 if the respondent is nonwhite.[3] Education is categorized into three levels: high school or less, some college, and college or more (the omitted category is college or more). Marital status is categorized as married, living with a partner, and single (the omitted category is married).

The number of financially dependent children is categorized into five choices: not having any children, having one child, having two children, having three children, and having four children or more. The omitted category is not having any children. Income is categorized into eight ranges, and for each range a dichotomous variable is defined. The comparison group is less than $15,000. The risk tolerance variable is a subjective answer by respondents to the following question: "When thinking of your financial investment, how willing are you to take risk?" The answers fall on a 10-point scale that ranges from 1 (not at all willing) to 10 (very willing). In this analysis, they are aggregated into three risk tolerance levels[4] and the omitted category is low risk tolerance. The financial knowledge variable is a subjective assessment by respondents to the following question: "How would you assess your overall financial knowledge?" The answers fall on a seven-point scale that ranges from 1 (very low) to 7 (very

high). In this analysis, they are aggregated into three perceived financial knowledge levels[5] and the omitted category is high financial knowledge.

Financial fragility is constructed from seven questions that examine respondents' tendency to experience overspending, difficulty in covering expenses, the lack of an emergency fund, inability to come up with $2000 in the next month, the absence of a retirement plan, and incurring too much debt. This variable is a sum of these signs of financial fragility. Overspending is a dichotomous variable that takes a value of 1 if the respondent's spending is more than income and 0 otherwise. The difficulty of covering expenses and paying all bills is a dichotomous variable that takes a value of 1 if the respondent indicated it was very difficult or somewhat difficult to cover expenses and 0 otherwise. Having no emergency fund that would cover three months of expenses is a dichotomous variable that takes a value of 1 if the respondent answered "no" and 0 otherwise. The confidence to come-up with $2000 is a dichotomous variable that takes a value of 1 if the respondent could probably not or is certain she/he could not come-up with that amount and 0 otherwise. Having no retirement plan is a dichotomous variable that takes a value of 1 if the respondent has neither a private plan nor a plan through a current or a previous employer and 0 otherwise. Having too much debt is a dichotomous variable that has a value of 1 if the respondent agrees or strongly agrees with that statement and 0 otherwise.

Financial literacy consists of five questions that measure respondents' understanding of compound interest, inflation, bond prices, mortgage interest, and risk. This variable is a sum of the correct answers to these questions and has a range of 0–5. Table 1 provides the distribution of correct financial literacy answers and shows that respondents who answered 4–5 questions correctly are between 16 and 26%. Fig. 1 shows that respondents have difficulty understanding the effect of interest rates on bond prices and the risk-return trade-off in buying a single company's stock versus purchasing a share of a mutual fund.

4. Model

The model estimated in this article is a probit model:

$$Y_{ij}^{*} = B_0 + X_i^{'}B + \mu_{ij} \tag{1}$$

$$Y_{ij} = \begin{cases} 1 \; if \; Y_{ij}^{*} > 0 \\ 0 \; if \; Y_{ij}^{*} \leq 0 \end{cases}$$

where Y_{ij}^{*} is a latent variable representing the net benefit an individual i perceives he or she will receive from seeking financial advice related to task j where j is one of the following: debt counseling, savings/investment, a mortgage/a loan, insurance, and tax planning,[6] Y_{ij} is equal to 1 if the respondent reported seeking that type of financial advice and 0 otherwise; X_i is a matrix of explanatory variables representing income,[7] risk tolerance, perceived financial knowledge, financial literacy, financial fragility, female, white, age, education, marital status, and number of children; and u_{ij} is an error term that follows the standard normal distribution.

Table 1 Summary statistics

	Mean	Standard error
Dependent variables		
Debt counseling	0.0906	0.0022
Savings or investment advice	0.2871	0.0033
Mortgage or loan advice	0.2020	0.0030
Insurance advice	0.3028	0.0034
Tax planning	0.1812	0.0029
Independent variables		
Gender		
Male	0.4858	0.0037
Female	0.5142	0.0037
Age (years)		
18–24	0.1231	0.0027
25–34	0.1830	0.0030
35–44	0.1635	0.0027
45–54	0.1962	0.0029
55–64	0.1791	0.0028
65+	0.1551	0.0026
Race		
White	0.6647	0.0037
Non-White	0.3353	0.0037
Education level		
High school or less	0.3812	0.0037
Some college	0.3591	0.0036
College or more	0.2597	0.0030
Marital status		
Married	0.5403	0.0037
Living with a partner	0.0816	0.0021
Single	0.3782	0.0037
Number of children		
No children	0.3181	0.0035
One child	0.1699	0.0028
Two children	0.1312	0.0025
Three children	0.0567	0.0018
Four children or more	0.0337	0.0014
No financial dependent children	0.2905	0.0033
Annual income		
Less than $15,000	0.1426	0.0027
$15,000 to less than $25,000	0.1225	0.0025
$25,000 to less than $35,000	0.1155	0.0024
$35,000 to less than $50,000	0.1470	0.0026
$50,000 to less than $75,000	0.1882	0.0029
$75,000 to less than $100,000	0.1153	0.0023
$100,000 to less than $150,000	0.1076	0.0023
$150,000 or more	0.0613	0.0017
Risk-tolerance level		
Low	0.3517	0.0035
Medium	0.4388	0.0037
High	0.1746	0.0029

(continued on next page)

Table 1 (Continued)

	Mean	Standard error
Perceived financial knowledge		
Low	0.0915	0.0022
Medium	0.1487	0.0027
High	0.7288	0.0034
Financial literacy	2.8781	0.0110
Financial fragility	2.3821	0.0133
Number of observations	25,509	

5. Hypotheses

H1: Income is expected to be related positively to seeking financial advice about savings/investment, mortgages/loans, insurance, and tax planning, and to relate negatively with debt counseling for the entire sample and subsamples. Previous literature finds a positive relation between income and the demand for financial advice.

H2: Risk tolerance is expected to be related positively to seeking financial advice for the entire sample and subsamples. Research indicates that this factor has been found to increase the likelihood to seek financial help from professionals.

H3: Perceived financial knowledge is expected to be related negatively to seeking financial advice for the entire sample and subsamples. Although some studies find that perceived knowledge reduces the likelihood of asking for advice, others report a positive relation between knowledge and the use of financial advice.

H4: Financial literacy is expected to be related positively to seeking all types of financial advice except debt counseling for the entire sample and subsamples. The literature finds that financial literacy increases the probability of seeking advice. However, some studies differentiate between the effect of subjective and objective assessment of financial literacy on the demand for financial advice.

H5: Financial fragility is expected to be related positively to seeking financial advice for the entire sample and subsamples. Although respondents who experience financial stressors are more likely to seek advice, those who are financially fragile might not afford the purchase of financial advice.

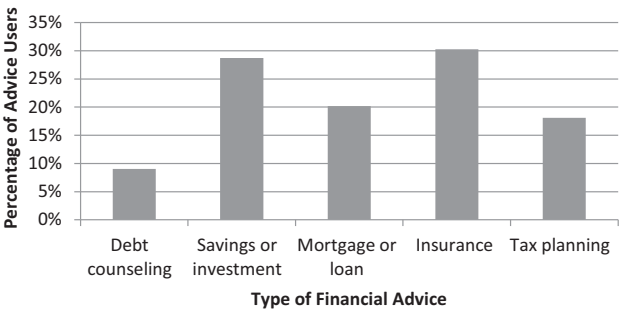

Fig. 1. Demand for financial advice. *Source:* Author's tabulation of data from the 2012 FINRA National Financial Capability Study.

Table 2 Distribution of financial fragility measure

Fragility degree level	Percentage of respondents
0	23.56%
1	15.88%
2	14.59%
3	14.98%
4	16.63%
5	11.14%
6	3.21%

The financial fragility measure consists of seven questions in the 2012 NFCS, which examine a respondent's tendency to experience overspending, difficulty in covering expenses, lack of an emergency fund, inability to raise $2,000 in the next month, lack of any retirement plan, and having a high level of debt. The Table shows the percentage of respondents who experience different degrees of financial fragility.

6. Descriptive statistics

The summary statistics of the dependent and independent variables are provided in Table 1. The first important observation to be made is the low demand for financial advice, which is utilized by 9–30% of the population, depending on the type of advice. Sixty-six percent of respondents are White and 34% are non-White respondents. Seventy-four percent of respondents have some college education or less. Married individuals are the majority at 54%, followed by singles at 38%, and individuals who are living with partners at 8%. Thirty-two percent of respondents have no children and 29% have children who are financially independent.

Proportions are distributed evenly among the income categories, except for the $50,000 to $75,000, which represents 19% of the population, and those making $150,000 or more, which represents 6% of the population. Only 17% of respondents have a high-risk-tolerance level, while the majority of respondents (44%) have a medium-risk-tolerance level.[8]

Each type of financial advice serves a specific purpose, which explains the advice use distribution in Fig. 1 and shows that the two most sought after types of financial advice are insurance and savings/investment. Even though 86% of respondents to a CFP stress awareness survey point to debt and daily expenses as the two primary sources of stress (ORC, 2015), debt counseling is the least demanded type of advice at 9%.

Although 73% of respondents rated themselves high when asked to give a subjective assessment of their overall financial knowledge,[9] average financial literacy on a scale of 0–5 is only 2.9. Financial fragility is measured on a scale of 0–6, and each number represents the cumulative signs of financial difficulty across the seven financial fragility questions. Table 2 reveals that only a quarter of respondents do not experience any of the six signs of financial fragility. Fig. 2 shows that 56% of respondents report difficulty in covering expenses and paying bills and that 55% have no emergency fund that could cover expenses for 3 months.

The comparison between females and males is provided in Table 3. The *t* test results indicate that the significant difference between females and males is related to seeking financial advice about savings/investment, mortgages/loans, and tax planning. As for debt counseling, and insurance, there is no evidence of a statistically significant difference.

The comparison between the young (18–44) and the old (45+) is provided in Table 4. The *t* test results indicate that the significant difference between the young (18–44) and the old

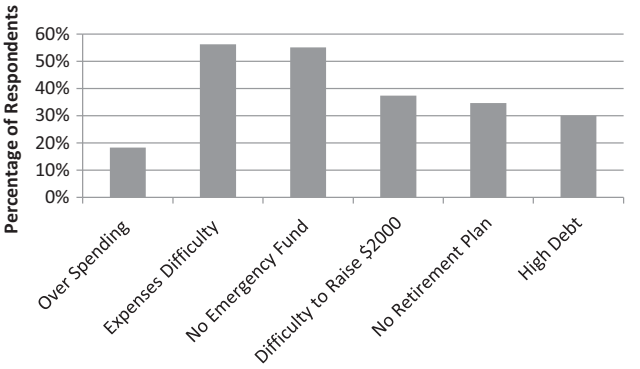

Fig. 2. Distribution of financial fragility issues. *Source:* Author's tabulation of data from the 2012 FINRA National Financial Capability Study.

(45+) is related to seeking financial advice about debt counseling, savings/investment, and mortgages/loans. As for insurance and tax planning, there is no evidence of a statistically significant difference.

The comparison between the financially illiterate and financially literate respondents is provided in Table 5. Financial illiteracy is defined as answering two questions or less

Table 3 Summary statistics (females vs. males)

	Female		Male		
	Mean	Standard error	Mean	Standard error	
Dependent variables					
Debt counseling	0.0878	0.0028	0.0935	0.0034	
Savings or investment advice	0.2718	0.0043	0.3033	0.0051	***
Mortgage or loan advice	0.1872	0.0037	0.2177	0.0046	***
Insurance advice	0.3019	0.0045	0.3037	0.0051	
Tax planning	0.1660	0.0036	0.1973	0.0045	***
Independent variables					
Annual income					
Less than $15,000	0.1517	0.0036	0.1329	0.0040	***
$15,000 to less than $25,000	0.1385	0.0035	0.1055	0.0035	***
$25,000 to less than $35,000	0.1267	0.0033	0.1037	0.0035	***
$35,000 to less than $50,000	0.1490	0.0036	0.1449	0.0039	
$50,000 to less than $75,000	0.1774	0.0037	0.1997	0.0045	***
$75,000 to less than $100,000	0.1031	0.0029	0.1281	0.0037	***
$100,000 to less than $150,000	0.0950	0.0029	0.1209	0.0035	***
$150,000 or more	0.0586	0.0023	0.0642	0.0026	
Risk-tolerance level					
Low	0.4286	0.0049	0.2703	0.0049	***
Medium	0.4169	0.0049	0.4620	0.0056	***
High	0.1130	0.0032	0.2397	0.0049	***
Perceived financial knowledge					
Low	0.1055	0.0031	0.0768	0.0031	***
Medium	0.1647	0.0037	0.1317	0.0039	***
High	0.6930	0.0046	0.7668	0.0049	***
Financial literacy	2.6110	0.0141	3.1609	0.0166	***
Financial fragility	2.5171	0.0180	2.2391	0.0195	***

*Significance at 10% level; **significance at 5% level; ***significance at 1% level.

Table 4 Summary statistics (young vs. old)

	Young (18–44)		Old (45+)		
	Mean	Standard error	Mean	Standard error	
Dependent variables					
Debt counseling	0.1160	0.0037	0.0681	0.0025	***
Savings or investment advice	0.2610	0.0050	0.3103	0.0045	***
Mortgage or loan advice	0.2272	0.0047	0.1796	0.0037	***
Insurance advice	0.3060	0.0052	0.2999	0.0044	
Tax planning	0.1790	0.0044	0.1831	0.0037	
Independent variables					
Annual income					
Less than $15,000	0.1876	0.0045	0.1027	0.0031	***
$15,000 to less than $25,000	0.1302	0.0039	0.1157	0.0032	***
$25,000 to less than $35,000	0.1201	0.0037	0.1115	0.0031	*
$35,000 to less than $50,000	0.1444	0.0040	0.1493	0.0035	
$50,000 to less than $75,000	0.1812	0.0044	0.1944	0.0039	**
$75,000 to less than $100,000	0.1100	0.0035	0.1199	0.0031	**
$100,000 to less than $150,000	0.0820	0.0031	0.1303	0.0033	***
$150,000 or more	0.0444	0.0023	0.0763	0.0025	***
Risk-tolerance level					
Low	0.2784	0.0050	0.4166	0.0049	***
Medium	0.4508	0.0057	0.4283	0.0048	***
High	0.2288	0.0049	0.1266	0.0033	***
Perceived financial knowledge					
Low	0.1091	0.0036	0.0760	0.0027	***
Medium	0.1727	0.0043	0.1274	0.0033	***
High	0.6832	0.0053	0.7693	0.0042	***
Financial literacy	2.5062	0.0164	3.2074	0.0140	***
Financial fragility	2.7394	0.0190	2.0657	0.0180	***

*Significance at 10% level; **significance at 5% level; ***significance at 1% level.

correctly out of the five financial literacy questions in the survey. The *t* test results indicate that the significant difference between the two groups is related to seeking all types of financial advice.

7. Results

Table 6 reports the estimation results for five probit regression models on the entire sample. The dependent variables are indicators for whether or not five different types of financial advice were sought, debt counseling, savings/investment, taking out a mortgage/loan, insurance of any type, and tax planning. To examine how advice seeking varies by gender, age, and financial illiteracy, three dummy variables representing those subsamples are included in the model.

The results of the probit regression models on the entire sample show consistently that income and risk tolerance are related positively to seeking all types of financial advice. These results confirm that the existing findings in the literature extend to these specific applications. The two constructed variables, financial literacy and financial fragility, have an opposite

Table 5 Summary statistics (financially illiterate vs. financially literate)

	Financially illiterate		Financially literate		
	Mean	Standard error	Mean	Standard error	
Dependent variables					
Debt counseling	0.1078	0.0041	0.0799	0.0026	***
Savings or investment advice	0.2036	0.0051	0.3387	0.0043	***
Mortgage or loan advice	0.1523	0.0046	0.2327	0.0039	***
Insurance advice	0.2459	0.0054	0.3379	0.0043	***
Tax planning	0.1351	0.0044	0.2097	0.0037	***
Independent variables					
Annual income					
Less than $15,000	0.2300	0.0052	0.0886	0.0027	***
$15,000 to less than $25,000	0.1748	0.0048	0.0901	0.0027	***
$25,000 to less than $35,000	0.1436	0.0044	0.0982	0.0028	***
$35,000 to less than $50,000	0.1450	0.0044	0.1482	0.0033	
$50,000 to less than $75,000	0.1500	0.0045	0.2118	0.0038	***
$75,000 to less than $100,000	0.0723	0.0032	0.1418	0.0032	***
$100,000 to less than $150,000	0.0545	0.0029	0.1405	0.0032	***
$150,000 or more	0.0298	0.0022	0.0808	0.0024	***
Risk-tolerance level					
Low	0.3931	0.0061	0.3261	0.0043	***
Medium	0.3700	0.0060	0.4814	0.0046	***
High	0.1741	0.0049	0.1749	0.0036	
Perceived financial knowledge					
Low	0.1419	0.0044	0.0604	0.0023	***
Medium	0.1827	0.0048	0.1276	0.0031	***
High	0.6118	0.0061	0.8012	0.0037	***
Financial fragility	2.8809	0.0209	2.0738	0.0166	***

*Significance at 10% level; **significance at 5% level; ***significance at 1% level.

effect on seeking financial advice. While financial literacy is related positively to the demand for all types of financial advice, except for debt counseling, financial fragility decreases the demand for advice about savings/investment, insurance, and tax planning, but increases the demand for debt counseling. Financial literacy alerts people to the value of financial advice in improving their well-being because they realize the complexity of financial topics and issues. However, financial literacy might be endogenous to the demand for advice. To test this potential endogeneity and revers causality, the article instruments for financial literacy using scores for the quality of public schools for 50 states and the District of Columbia in 2012. The results of a Wald test of exogeneity indicate endogeneity of financial literacy. Therefore, it cannot be concluded that changes in financial literacy influence the demand for financial advice. On the other hand, financial difficulties such as overspending, lack of an emergency fund, and having a high level of debt discourage people from purchasing financial advice. In addition, a low perception of financial knowledge, which could proxy self-confidence, has been found to decrease the probability of seeking financial advice. The correlation between a high perception of financial knowledge and financial literacy is found to be 0.26, which reflects a weak positive linear relation between these key variables. This finding reveals a lack of consistency between objective and subjective assessment of financial knowledge.

Table 6 Financial advice probit

	Debt counseling			Savings/investment			Mortgage/loan			Insurance			Tax planning		
	Marg. effects	(SE)		Marg. effects	(SE)		Marg. effects	(SE)		Marg. effects	(SE)		Marg. effects	(SE)	
Independent variables															
Gender (male)															
Female	−0.0034	0.0044		0.0302	0.0063	***	0.0040	0.0059		0.0365	0.0069	***	0.0060	0.0057	
Race (non-White)															
White	−0.0205	0.0048	***	−0.0017	0.0073		0.0204	0.0067	***	−0.0100	0.0078		−0.0088	0.0064	
Age (65+)															
18–24	0.0240	0.0104	**	0.0155	0.0140		0.1343	0.0141	***	0.0476	0.0158	***	0.0395	0.0128	***
25–34	0.0398	0.0094	***	−0.0410	0.0122	***	0.1500	0.0117	***	0.0398	0.0136	***	0.0111	0.0109	
35–44	0.0118	0.0088		−0.1115	0.0119	***	0.0792	0.0115	***	0.0086	0.0134		−0.0476	0.0106	***
45–54	0.0085	0.0083		−0.0997	0.0105	***	0.0394	0.0104	**	0.0064	0.0120		−0.0469	0.0095	***
55–64	0.0180	0.0078	**	−0.0391	0.0097	***	0.0306	0.0098	***	0.0144	0.0112		−0.0202	0.0086	**
Education level (college or more)															
High school or less	−0.0328	0.0059	***	−0.0935	0.0084	***	−0.0622	0.0079	***	−0.0705	0.0091	***	−0.0605	0.0076	***
Some college	−0.0158	0.0052	***	−0.0429	0.0075	***	−0.0133	0.0069	*	−0.0146	0.0082	*	−0.0322	0.0065	***
Marital status (married)															
Living with a partner	−0.0043	0.0084		0.0086	0.0124		−0.0101	0.0110		−0.0110	0.0130		−0.0196	0.0111	*
Single	0.0024	0.0055		0.0090	0.0079		−0.0410	0.0075	***	−0.0160	0.0085	*	−0.0151	0.0070	**
Number of children (no children)															
One child	0.0387	0.0067	***	0.0359	0.0099	***	0.0491	0.0090	***	0.0662	0.0105	***	0.0450	0.0087	***
Two children	0.0457	0.0073	***	0.0354	0.0110	***	0.0542	0.0098	***	0.0797	0.0117	***	0.0433	0.0096	***
Three children	0.0403	0.0094	***	0.0157	0.0151		0.0585	0.0132	***	0.0447	0.0155	***	0.0234	0.0134	*
Four children or more	0.0546	0.0113	***	0.0656	0.0190	***	0.0697	0.0164	***	0.0880	0.0196	***	0.0451	0.0164	***
No financially dependent children	0.0053	0.0071		0.0173	0.0091	*	0.0209	0.0089	**	0.0309	0.0101	***	0.0139	0.0085	
Annual income (less than $15,000)															
$15,000 to less than $25,000	0.0454	0.0089	***	0.0608	0.0142	***	0.0566	0.0141	***	0.1021	0.0144	***	0.0516	0.0137	***
$25,000 to less than $35,000	0.0504	0.0090	***	0.0745	0.0142	***	0.0825	0.0135	***	0.1031	0.0146	***	0.0685	0.0135	***
$35,000 to less than $50,000	0.0581	0.0086	***	0.0863	0.0135	***	0.0850	0.0130	***	0.1158	0.0140	***	0.0836	0.0127	***
$50,000 to less than $75,000	0.0616	0.0089	***	0.1163	0.0134	***	0.1151	0.0128	***	0.1311	0.0139	***	0.1068	0.0125	***
$75,000 to less than $100,000	0.0696	0.0100	***	0.1320	0.0147	***	0.1300	0.0139	***	0.1167	0.0155	***	0.1253	0.0136	***
$100,000 to less than $150,000	0.0629	0.0112	***	0.1516	0.0152	***	0.1433	0.0146	***	0.1391	0.0163	***	0.1402	0.0140	***
$150,000 or more	0.0519	0.0127	***	0.1751	0.0173	***	0.1682	0.0161	***	0.1575	0.0185	***	0.1866	0.0153	***

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Table 6 (Continued)

	Debt counseling			Savings/investment			Mortgage/loan			Insurance			Tax planning		
	Marg. effects	(SE)		Marg. effects	(SE)		Marg. effects	(SE)		Marg. effects	(SE)		Marg. effects	(SE)	
Risk-tolerance level (low)															
Medium	0.0092	0.0050	*	0.1111	0.0070	***	0.0395	0.0066	***	0.0738	0.0076	***	0.0555	0.0064	***
High	0.0499	0.0062	***	0.1685	0.0093	***	0.0655	0.0087	***	0.1187	0.0102	***	0.1046	0.0082	***
Perceived financial knowledge (high)															
Low	−0.0089	0.0073		−0.0342	0.0133	***	−0.0516	0.0118	***	−0.0515	0.0131	***	−0.0367	0.0122	***
Medium	−0.0160	0.0062	***	−0.0190	0.0095	**	−0.0139	0.0086		−0.0336	0.0099	***	−0.0163	0.0085	*
Financial literacy	−0.0034	0.0016	**	0.0223	0.0024	***	0.0168	0.0022	***	0.0212	0.0026	***	0.0117	0.0021	***
Financial fragility	0.0209	0.0016	***	−0.0386	0.0023	***	0.0079	0.0019	***	−0.0066	0.0025	***	−0.0146	0.0021	***
Bankruptcy	0.1803	0.0080	***												
Homeownership							0.1234	0.0072	***						
The financially illiterate	0.0207	0.0083	**	0.0328	0.0123	***	0.0237	0.0115	**	0.0132	0.0133		0.0228	0.0110	**
The young	0.0157	0.0049	***	0.0099	0.0073		0.0665	0.0068	***	0.0211	0.0079	***	0.0255	0.0065	***
Interaction variables															
Female*Income															
$15,000 to less than $25,000	0.0856	0.1200		−0.2089	0.1018	**	0.0392	0.1118		−0.1647	0.0907	*	−0.0762	0.1179	
$25,000 to less than $35,000	0.0624	0.1228		−0.0753	0.1015		0.1787	0.1085	*	−0.0929	0.0916		0.1511	0.1161	
$35,000 to less than $50,000	0.0531	0.1134		−0.0568	0.0948		0.1994	0.1009	**	−0.1277	0.0856		0.1403	0.1060	
$50,000 to less than $75,000	−0.0272	0.1135		−0.0143	0.0908		0.0880	0.0965		−0.0134	0.0823		0.1391	0.1007	
$75,000 to less than $100,000	−0.1301	0.1265		−0.1914	0.0978	**	0.1862	0.1035	*	−0.1085	0.0901		0.1367	0.1076	
$100,000 to less than $150,000	−0.1195	0.1396		−0.1125	0.1001		0.1606	0.1068		−0.1705	0.0933	*	0.2560	0.1095	**
$150,000 or more	−0.0174	0.1644		−0.0167	0.1127		0.2336	0.1180	**	−0.0585	0.1051		0.2787	0.1196	**
Female*Risk-Tolerance															
Medium	−0.0226	0.0698		−0.0208	0.0512		0.0697	0.0531		−0.0172	0.0481		0.0399	0.0567	
High	0.0595	0.0858		−0.1009	0.0654		−0.0747	0.0680		−0.0559	0.0623		−0.0539	0.0704	
Female*Perceived financial knowledge															
Low	−0.2068	0.1063	*	−0.0929	0.0959		0.0471	0.0943		−0.0788	0.0843		−0.0900	0.1071	
Medium	−0.1314	0.0843		−0.0176	0.0681		−0.0171	0.0701		−0.0499	0.0628		0.0742	0.0761	
Female*Financial fragility level															
1	0.1167	0.1203		0.0963	0.0643		0.0553	0.0700		0.0760	0.0646		0.0893	0.0687	
2	0.1146	0.1207		−0.0278	0.0678		0.0864	0.0732		0.0143	0.0673		0.0299	0.0735	
3	0.2559	0.1175	**	−0.0828	0.0730		0.1349	0.0775	*	−0.0102	0.0703		0.0111	0.0793	
4	0.3861	0.1197	***	−0.0458	0.0786		0.1959	0.0817	**	0.0722	0.0734		0.1632	0.0881	*

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Table 6 (Continued)

	Debt counseling			Savings/investment			Mortgage/loan			Insurance			Tax planning		
	Marg. effects	(SE)		Marg. effects	(SE)		Marg. effects	(SE)		Marg. effects	(SE)		Marg. effects	(SE)	
5	0.3706	0.1273	***	−0.0275	0.0959		0.1864	0.0952	**	0.1104	0.0848		0.1254	0.1021	
6	0.1015	0.1943		0.0644	0.1853		0.4324	0.1622	***	−0.1030	0.1399		0.1310	0.1815	
Young*Income															
$15,000 to less than $25,000	−0.1842	0.1169		−0.2533	0.1002	**	0.0615	0.1086		0.1770	0.0875	**	0.1444	0.1186	
$25,000 to less than $35,000	−0.2326	0.1165	**	−0.3187	0.1007	***	−0.0319	0.1060		0.1115	0.0884		−0.0712	0.1168	
$35,000 to less than $50,000	−0.1088	0.1104		−0.3020	0.0948	***	−0.1547	0.0995		0.1233	0.0832		−0.0858	0.1084	
$50,000 to less than $75,000	−0.0026	0.1123		−0.3025	0.0914	***	−0.0834	0.0966		0.1768	0.0808	**	−0.2167	0.1045	**
$75,000 to less than $100,000	−0.0936	0.1257		−0.4964	0.0983	***	−0.1058	0.1040		0.0476	0.0891		−0.2727	0.1111	**
$100,000 to less than $150,000	−0.1354	0.1376		−0.4752	0.1025	***	−0.1058	0.1083		0.0660	0.0937		−0.3164	0.1154	***
$150,000 or more	−0.3143	0.1605	**	−0.6188	0.1186	***	−0.2346	0.1226	*	−0.0258	0.1091		−0.4551	0.1277	***
Young*Risk-Tolerance															
Medium	0.1443	0.0678	**	−0.0123	0.0518		0.0471	0.0527		0.0356	0.0479		0.0876	0.0567	
High	0.1475	0.0860	*	0.1807	0.0664	***	0.0966	0.0692		0.1416	0.0630	**	0.2627	0.0710	***
Young*Perceived financial knowledge															
Low	−0.1370	0.1008		−0.0882	0.0905		−0.0597	0.0899		−0.1849	0.0787	**	−0.0182	0.1002	
Medium	−0.0831	0.0818		−0.1566	0.0663	**	−0.1036	0.0682		−0.1496	0.0611	**	−0.0394	0.0739	
Young*Financial fragility level															
1	−0.0671	0.1173		0.1653	0.0691	**	−0.0793	0.0735		0.1116	0.0691		0.1541	0.0739	**
2	−0.2043	0.1162	*	0.3197	0.0721	***	−0.2743	0.0760	***	0.0465	0.0714		0.2109	0.0785	***
3	−0.3815	0.1152	***	0.3656	0.0764	***	−0.2288	0.0804	***	0.0368	0.0736		0.1820	0.0834	**
4	−0.4057	0.1174	***	0.4513	0.0825	***	−0.3256	0.0828	***	−0.0793	0.0756		0.2811	0.0895	***
5	−0.5529	0.1250	***	0.3721	0.0964	***	−0.3378	0.0952	***	−0.0511	0.0852		0.2028	0.1029	**
6	−0.4597	0.1721	***	0.3657	0.1649	**	−0.2403	0.1488		−0.0666	0.1322		0.0882	0.1775	
Illiterate*Income															
$15,000 to less than $25,000	0.2735	0.1190	**	0.0951	0.1011		−0.0490	0.1102		0.1576	0.0893	*	−0.0473	0.1193	
$25,000 to less than $35,000	0.1527	0.1203		0.0018	0.1021		−0.1351	0.1077		0.0414	0.0907		−0.0324	0.1184	
$35,000 to less than $50,000	0.0681	0.1138		−0.0267	0.0975		−0.1542	0.1030		0.1303	0.0869		−0.0576	0.1101	
$50,000 to less than $75,000	0.1131	0.1161		0.0086	0.0945		−0.1386	0.1005		0.1008	0.0852		0.0059	0.1065	
$75,000 to less than $100,000	0.1277	0.1320		0.1247	0.1071		−0.2774	0.1123	**	0.0630	0.0983		−0.0541	0.1185	
$100,000 to less than $150,000	0.3937	0.1459	***	0.0697	0.1136		−0.2538	0.1225	**	0.0847	0.1081		−0.2023	0.1267	
$150,000 or more	0.4575	0.1681	***	0.2866	0.1372	**	−0.2536	0.1399	*	0.2996	0.1261	**	−0.1163	0.1422	

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Table 6 (Continued)

	Debt counseling			Savings/investment			Mortgage/loan			Insurance			Tax planning		
	Marg. effects	(SE)		Marg. effects	(SE)		Marg. effects	(SE)		Marg. effects	(SE)		Marg. effects	(SE)	
Illiterate*Risk-tolerance															
Medium	−0.0201	0.0698		0.0878	0.0549		0.0457	0.0571		0.0113	0.0503		0.0502	0.0613	
High	0.2239	0.0838	***	0.2348	0.0686	***	0.3093	0.0722	***	0.1900	0.0654	***	0.2523	0.0735	***
Illiterate*Perceived financial knowledge															
Low	−0.0187	0.1037		0.0857	0.0940		0.1639	0.0912	*	0.1499	0.0813	*	0.0097	0.1044	
Medium	−0.0828	0.0856		0.1943	0.0708	***	0.0304	0.0729		0.0404	0.0645		0.0370	0.0798	
Illiterate*Financial fragility level															
1	−0.1071	0.1274		−0.0588	0.0789		−0.0575	0.0896		−0.0238	0.0798		0.0254	0.0860	
2	−0.1230	0.1229		0.0292	0.0790		0.0166	0.0877		0.0528	0.0786		0.1316	0.0875	
3	−0.3804	0.1230	***	−0.0044	0.0835		−0.1814	0.0917	**	0.0649	0.0806		−0.0412	0.0920	
4	−0.4484	0.1244	***	−0.0820	0.0886		−0.1169	0.0940		0.0361	0.0821		−0.0639	0.0993	
5	−0.3945	0.1312	***	0.0222	0.1019		−0.1758	0.1042	*	0.0109	0.0907		−0.1711	0.1109	
6	−0.0788	0.1815		0.0266	0.1764		−0.0926	0.1570		−0.1504	0.1380		−0.0380	0.1811	
Number of observations	25,509			25,509			25,509			25,509			25,509		

The young variable is included in a separate regression without the age ranges to avoid collinearity.
*Significance at 10% level; **significance at 5% level; ***significance at 1% level.

Table 7 *T*-test of means for financial advice (liquidity constraint)

Type of advice	Have difficulty		No difficulty		
	Mean	Standard error	Mean	Standard error	
Debt counseling	0.1186	0.0033	0.0523	0.0027	***
Savings/investment	0.2201	0.0041	0.3785	0.0054	***
Mortgages/loans	0.1934	0.0039	0.2137	0.0046	***
Tax planning	0.1512	0.0036	0.2220	0.0046	***

*Significance at 10% level; **significance at 5% level; ***significance at 1% level.

To examine additional reasons that can explain the demand for different types of advice, the article uses as a proxy for liquidity constraints the difficulty to cover expenses and pay one's bills. The *t* test results in Table 7 indicate that respondents who do not experience liquidity constraints show a higher demand for advice about saving/investment, mortgages/loans, and insurance compared with those with a liquidity problem. Furthermore, homeownership has been used as a proxy for socioeconomic status and financial stability. The *t* test results in Table 8 show significant differences between homeowners and non-homeowners. The percentage of homeowners who seek financial advice is higher than that for non-homeowners across all types of advice except debt counseling. In addition, Table 9 shows that seeking debt counseling by respondents who declared bankruptcy is significantly different from those who did not experience bankruptcy.

To test the presence of significant differences in financial advice seeking behavior by females, the young, and the financially illiterate, the regression model in Table 6 uses interaction terms between those groups and the factors of interest over the whole sample. The results for females indicate that financial fragility only is related positively to seeking debt counseling and advice about mortgages/loans for respondents who experience at least three signs of financial difficulty. For the young group, the results show a negative relation between income and seeking advice about savings/investment, and tax planning. High risk tolerance is related positively to seeking advice about savings/investment, insurance, and tax planning. However, financial fragility is related negatively to debt counseling and advice about mortgages, and positively to advice about savings/investment, and tax planning. For the financially illiterate group, high risk tolerance is related positively to seeking all types of financial advice, while financial fragility has a negative association to seeking debt counseling.

Table 8 *T*-test of means for financial advice (home ownership)

Type of advice	Yes		No		
	Mean	Standard error	Mean	Standard error	
Savings/investment	0.3668	0.0046	0.1782	0.0046	***
Mortgages/loans	0.2671	0.0042	0.1130	0.0037	***
Insurance	0.3533	0.0045	0.2338	0.0050	***
Tax planning	0.2386	0.0041	0.1028	0.0036	***

*Significance at 10% level; **significance at 5% level; ***significance at 1% level.

Table 9 *T*-test of means for financial advice (bankruptcy)

Type of advice	Bankrupt		No bankruptcy		
	Mean	Standard error	Mean	Standard error	
Debt counseling	0.4873	0.0208	0.0760	0.0021	***

*Significance at 10% level; **significance at 5% level; ***significance at 1% level.

7.1. Subsample results: Females versus males

The female variable is found to be significant for seeking financial advice about savings/investment, and insurance only. The probit regression results for the female subsample are provided in Table 10. Income and risk tolerance are related positively, while a low perception of financial knowledge and financial fragility are related negatively to seeking both types of financial advice. These findings for the female subsample are identical to the findings for the male subsample in Table 11, except for the effect of financial knowledge. A low perception of financial knowledge has a greater effect on the demand for financial advice for females compared with males. Therefore, the characteristics that influence the demand for financial advice for females and males appear to be similar and gender differences do not distinguish the consumption of financial advice between these two groups.

7.2. Subsample results: Young versus old

The young (aged 18–44)[10] variable is found to be significant for seeking all types of financial advice, except savings/investment. Table 12 reports the estimates of four probit regression models for the young subsample. Income and risk tolerance are related positively to seeking all types of financial advice. A low perception of financial knowledge decreases the probability of seeking financial advice about mortgages/loans, insurance, and tax planning, while financial fragility is related positively to seeking debt counseling and negatively to seeking advice about insurance and tax planning. These findings are similar to those for the old group in Table 13, except for the low perception of financial knowledge, which does not appear as significant for the old compared with the young subsample. Age classification does not explain the consumption of financial advice.

7.3. Subsample results: Financially illiterate versus financially literate

The financially illiterate variable is found to be significant for seeking all types of financial advice except insurance. Table 14 provides the estimates of four probit regression models for the financially illiterate subsample. Income and risk tolerance are related positively to seeking the four types of financial advice. A low perception of financial knowledge is related negatively to seeking advice about mortgages/loans and tax planning and appears to have no significance on seeking advice about debt and savings/investment. While financial fragility increases the probability of seeking debt counseling, it decreases the probability of seeking advice about savings/investment and tax

Table 10 Financial advice probit (female)

Independent variables	Savings/investment			Insurance		
	Marg. effects	(SE)		Marg. effects	(SE)	
Race (non-White)						
White	−0.0024	0.0096		−0.0101	0.0103	
Age (65+)						
18–24	−0.0375	0.0184	**	0.0049	0.0210	
25–34	−0.1167	0.0170	***	−0.0246	0.0191	
35–44	−0.1710	0.0167	***	−0.0269	0.0186	
45–54	−0.1207	0.0145	***	−0.0160	0.0166	
55–64	−0.0570	0.0134	***	0.0052	0.0156	
Education level (college or more)						
High school or less	−0.1095	0.0113	***	−0.0786	0.0125	***
Some college	−0.0429	0.0105	***	−0.0023	0.0116	
Marital status (married)						
Living with a partner	0.0224	0.0164		−0.0122	0.0171	
Single	0.0218	0.0106	**	−0.0002	0.0114	
Number of children (no children)						
One child	0.0175	0.0133		0.0570	0.0141	***
Two children	0.0232	0.0151		0.0674	0.0157	***
Three children	−0.0093	0.0204		0.0493	0.0206	**
Four children or more	0.0711	0.0240	***	0.0804	0.0248	***
No financially dependent children	−0.0035	0.0126		0.0176	0.0141	
Annual income (less than $15,000)						
$15,000 to less than $25,000	0.0302	0.0181	*	0.0819	0.0183	***
$25,000 to less than $35,000	0.0610	0.0186	***	0.0909	0.0187	***
$35,000 to less than $50,000	0.0758	0.0177	***	0.0996	0.0185	***
$50,000 to less than $75,000	0.1137	0.0175	***	0.1318	0.0184	***
$75,000 to less than $100,000	0.1058	0.0196	***	0.1035	0.0209	***
$100,000 to less than $150,000	0.1300	0.0205	***	0.1087	0.0223	***
$150,000 or more	0.1728	0.0233	***	0.1509	0.0251	***
Risk-tolerance level (low)						
Medium	0.1154	0.0092	***	0.0774	0.0099	***
High	0.1762	0.0138	***	0.1341	0.0151	***
Perceived financial knowledge (high)						
Low	−0.0418	0.0168	***	−0.0563	0.0167	***
Medium	−0.0188	0.0124		−0.0403	0.0128	***
Financial literacy	0.0311	0.0033	***	0.0312	0.0035	***
Financial fragility	−0.0407	0.0031	***	−0.0060	0.0034	*
Number of observations	14,127			14,127		

*Significance at 10% level; **significance at 5% level; ***significance at 1% level.

planning. These findings are similar to the results for the financially literate subsample in Table 15. Therefore, the factors affecting the demand for financial advice show no significant differences based on the financial literacy level only.

8. Conclusion

This article uses the 2012 NFCS to investigate the correlates of seeking five types of financial advice: debt counseling, savings/investment, mortgages/loans, insurance, and tax

Table 11 Financial advice probit (male)

Independent variables	Savings/investment			Insurance		
	Marg. effects	(SE)		Marg. effects	(SE)	
Race (non-White)						
White	−0.0004	0.0108		−0.0073	0.0117	
Age (65+)						
18–24	0.0756	0.0212	***	0.1025	0.0238	***
25–34	0.0312	0.0175	*	0.1054	0.0196	***
35–44	−0.0501	0.0172	***	0.0502	0.0193	***
45–54	−0.0691	0.0153	***	0.0392	0.0173	**
55–64	−0.0174	0.0141		0.0281	0.0160	*
Education level (college or more)						
High school or less	−0.0808	0.0124	***	−0.0615	0.0134	***
Some college	−0.0439	0.0106	***	−0.0251	0.0116	**
Marital status (married)						
Living with a partner	−0.0021	0.0184		−0.0074	0.0198	
Single	−0.0159	0.0120		−0.0452	0.0130	***
Number of children (no children)						
One child	0.0519	0.0147	***	0.0703	0.0159	***
Two children	0.0476	0.0160	***	0.0900	0.0174	***
Three children	0.0429	0.0221	*	0.0365	0.0236	
Four children or more	0.0671	0.0311	**	0.1042	0.0320	***
No financially dependent children	0.0350	0.0133	***	0.0401	0.0147	***
Annual income (less than $15,000)						
$15,000 to less than $25,000	0.0920	0.0222	***	0.1259	0.0228	***
$25,000 to less than $35,000	0.0832	0.0220	***	0.1146	0.0231	***
$35,000 to less than $50,000	0.0916	0.0207	***	0.1327	0.0215	***
$50,000 to less than $75,000	0.1096	0.0204	***	0.1275	0.0213	***
$75,000 to less than $100,000	0.1446	0.0218	***	0.1260	0.0233	***
$100,000 to less than $150,000	0.1582	0.0227	***	0.1582	0.0241	***
$150,000 or more	0.1624	0.0257	***	0.1565	0.0272	***
Risk-tolerance level (low)						
Medium	0.1066	0.0109	***	0.0697	0.0119	***
High	0.1590	0.0128	***	0.1046	0.0142	***
Perceived financial knowledge (high)						
Low	−0.0234	0.0214		−0.0453	0.0214	**
Medium	−0.0192	0.0148		−0.0240	0.0157	
Financial literacy	0.0151	0.0036	***	0.0124	0.0039	***
Financial fragility	−0.0373	0.0035	***	−0.0080	0.0037	**
Number of observations	11,382			11,382		

*Significance at 10% level; **significance at 5% level; ***significance at 1% level.

planning. Although only 24% of respondents are satisfied with their personal financial condition, the use of financial advice is within the range of 9–30% of the U.S. population, depending on the type of advice. While 73% of respondents assessed themselves as financially knowledgeable, only 16% were able to answer five basic financial literacy questions correctly. This discrepancy raises the complex question of why individuals are reluctant to seek professional financial advice.

The analysis of the multivariate results reveals a consistent effect of key factors on the demand for the five types of financial advice and no significant differences have been found among the subsamples, which are defined by gender, age, and financial literacy. Income and

Table 12 Financial advice probit (the young 18–44)

Independent variables	Debt counseling			Mortgage/loan			Insurance			Tax planning		
	Marg. effects	(SE)		Marg. effects	(SE)		Marg. effects	(SE)		Marg. effects	(SE)	
Gender (male)												
Female	−0.0157	0.0069	**	−0.0148	0.0098		0.0020	0.0107		−0.0281	0.0088	***
Race (non-White)												
White	−0.0149	0.0068	**	0.0098	0.0100		−0.0220	0.0107	**	−0.0332	0.0089	***
Education level (college or more)												
High school or less	−0.0376	0.0091	***	−0.0787	0.0129	***	−0.0646	0.0139	***	−0.0459	0.0117	***
Some college	−0.0180	0.0080	**	−0.0278	0.0115	**	−0.0268	0.0127	**	−0.0314	0.0104	***
Marital status (married)												
Living with a partner	−0.0075	0.0113		−0.0246	0.0154		−0.0124	0.0168		−0.0136	0.0141	
Single	−0.0003	0.0090		−0.0874	0.0126	***	−0.0362	0.0137	***	−0.0301	0.0112	***
Number of children (no children)												
One child	0.0544	0.0096	***	0.0326	0.0133	**	0.0714	0.0146	***	0.0418	0.0120	***
Two children	0.0610	0.0102	***	0.0364	0.0139	***	0.0819	0.0154	***	0.0328	0.0126	***
Three children	0.0474	0.0124	***	0.0353	0.0180	**	0.0393	0.0195	**	0.0238	0.0166	
Four children or more	0.0608	0.0148	***	0.0452	0.0216	**	0.0647	0.0237	***	0.0261	0.0195	
No financially dependent children	0.0093	0.0162		−0.0040	0.0236		0.0104	0.0238		0.0027	0.0215	
Annual income (less than $15,000)												
$15,000 to less than $25,000	0.0430	0.0130	***	0.0701	0.0203	***	0.1207	0.0199	***	0.0619	0.0179	***
$25,000 to less than $35,000	0.0454	0.0133	***	0.0920	0.0197	***	0.1074	0.0202	***	0.0551	0.0178	***
$35,000 to less than $50,000	0.0628	0.0126	***	0.0806	0.0188	***	0.1258	0.0195	***	0.0728	0.0169	***
$50,000 to less than $75,000	0.0720	0.0127	***	0.1305	0.0185	***	0.1451	0.0192	***	0.0769	0.0167	***
$75,000 to less than $100,000	0.0722	0.0142	***	0.1429	0.0207	***	0.1031	0.0217	***	0.0872	0.0186	***
$100,000 to less than $150,000	0.0623	0.0167	***	0.1588	0.0226	***	0.1299	0.0241	***	0.0900	0.0203	***
$150,000 or more	0.0521	0.0187	***	0.1689	0.0258	***	0.1403	0.0282	***	0.1175	0.0227	***
Risk-tolerance level (low)												
Medium	0.0223	0.0079	***	0.0543	0.0112	***	0.0796	0.0120	***	0.0645	0.0106	***
High	0.0579	0.0089	***	0.0950	0.0135	***	0.1333	0.0146	***	0.1292	0.0120	***
Perceived financial knowledge (high)												
Low	−0.0166	0.0116		−0.0661	0.0179	***	−0.0686	0.0187	***	−0.0379	0.0168	**
Medium	−0.0198	0.0092	**	−0.0312	0.0132	**	−0.0502	0.0142	***	−0.0184	0.0121	
Financial literacy	−0.0073	0.0024	***	0.0163	0.0035	***	0.0187	0.0038	***	0.0023	0.0031	
Financial fragility	0.0163	0.0024	***	−0.0055	0.0035		−0.0081	0.0037	**	−0.0125	0.0032	***
Number of observations	11,135			11,135			11,135			11,135		

*Significance at 10% level; **significance at 5% level; ***significance at 1% level.

Table 13 Financial advice probit (the old 45+)

Independent variables	Debt counseling			Mortgage/loan			Insurance			Tax planning		
	Marg. effects	(SE)		Marg. effects	(SE)		Marg. effects	(SE)		Marge	(SE)	
Gender (male)												
Female	0.0039	0.0059		0.0161	0.0071	**	0.0667	0.0089	***	0.0330	0.0066	***
Race (non-White)												
White	−0.0299	0.0069	***	0.0302	0.0090	***	0.0024	0.0112		0.0209	0.0085	**
Education level (college or more)												
High school or less	−0.0236	0.0075	***	−0.0464	0.0095	***	−0.0700	0.0119	***	−0.0667	0.0089	***
Some college	−0.0106	0.0070		−0.0018	0.0082		0.0001	0.0105		−0.0261	0.0075	***
Marital status (married)												
Living with a partner	0.0105	0.0129		0.0101	0.0162		−0.0062	0.0207		−0.0276	0.0165	*
Single	0.0037	0.0070		−0.0031	0.0089		0.0014	0.0109		0.0086	0.0082	
Number of children (no children)												
One child	0.0133	0.0095		0.0539	0.0119	***	0.0471	0.0149	***	0.0203	0.0113	*
Two children	0.0158	0.0109		0.0540	0.0139	***	0.0542	0.0177	***	0.0138	0.0133	
Three children	0.0352	0.0152	**	0.0690	0.0205	***	0.0307	0.0260		−0.0440	0.0200	**
Four children or more	0.0538	0.0191	***	0.0828	0.0264	***	0.1225	0.0358	***	0.0153	0.0281	
No financially dependent children	−0.0056	0.0076		0.0243	0.0095	**	0.0236	0.0116	**	0.0060	0.0089	
Annual income (less than $15,000)												
$15,000 to less than $25,000	0.0592	0.0122	***	0.0561	0.0191	***	0.0616	0.0205	***	0.0326	0.0195	*
$25,000 to less than $35,000	0.0744	0.0122	***	0.1067	0.0187	***	0.0777	0.0209	***	0.0764	0.0190	***
$35,000 to less than $50,000	0.0770	0.0119	***	0.1320	0.0180	***	0.0874	0.0201	***	0.0931	0.0179	***
$50,000 to less than $75,000	0.0714	0.0126	***	0.1638	0.0179	***	0.0974	0.0202	***	0.1278	0.0176	***
$75,000 to less than $100,000	0.0841	0.0143	***	0.1909	0.0191	***	0.1050	0.0223	***	0.1495	0.0188	***
$100,000 to less than $150,000	0.0809	0.0151	***	0.2079	0.0195	***	0.1243	0.0227	***	0.1661	0.0190	***
$150,000 or more	0.0865	0.0173	***	0.2501	0.0211	***	0.1506	0.0253	***	0.2159	0.0203	***
Risk-tolerance level (low)												
Medium	0.0020	0.0066		0.0319	0.0078	***	0.0735	0.0097	***	0.0391	0.0074	***
High	0.0353	0.0094	***	0.0497	0.0114	***	0.0924	0.0143	***	0.0650	0.0104	***
Perceived financial knowledge (high)												
Low	−0.0051	0.0104		−0.0516	0.0149	***	−0.0211	0.0182		−0.0271	0.0152	*
Medium	−0.0098	0.0082		−0.0081	0.0111		−0.0111	0.0137		−0.0106	0.0110	
Financial literacy	−0.0025	0.0023		0.0188	0.0029	***	0.0252	0.0035	***	0.0192	0.0027	***
Financial fragility	0.0246	0.0021	***	0.0092	0.0026	***	−0.0064	0.0033	*	−0.0149	0.0026	***
Number of observations	14,356			14,356			14,356			14,356		

*Significance at 10% level; **significance at 5% level; ***significance at 1% level.

Table 14 Financial advice probit (the financially illiterate)

Independent variables	Debt counseling			Savings/investment			Mortgage/loan			Tax planning		
	Marg. effects	(SE)		Marg. effects	(SE)		Marg. effects	(SE)		Marg. effects	(SE)	
Gender (male)												
Female	−0.0186	0.0085	**	−0.0148	0.0114		−0.0194	0.0104	*	−0.0227	0.0099	**
Race (non-White)												
White	−0.0301	0.0086	***	−0.0184	0.0115		0.0049	0.0106		−0.0210	0.0100	**
Age (65+)												
18–24	0.0138	0.0194		0.0317	0.0226		0.1017	0.0234	***	0.0691	0.0214	***
25–34	0.0237	0.0184		−0.0091	0.0222		0.1095	0.0220	***	0.0454	0.0206	**
35–44	−0.0084	0.0192		−0.0944	0.0229	***	0.0453	0.0229	**	−0.0149	0.0212	
45–54	0.0012	0.0183		−0.0755	0.0211	***	0.0290	0.0218		−0.0211	0.0200	
55–64	0.0023	0.0183		−0.0153	0.0211		0.0298	0.0221		−0.0124	0.0202	
Education level (college or more)												
High school or less	−0.0563	0.0107	***	−0.1103	0.0145	***	−0.0804	0.0135	***	−0.0709	0.0130	***
Some college	−0.0453	0.0106	***	−0.0489	0.0145	***	−0.0336	0.0131	**	−0.0467	0.0126	***
Marital status (married)												
Living with a partner	−0.0115	0.0141		0.0309	0.0189		−0.0148	0.0166		0.0013	0.0161	
Single	−0.0072	0.0103		0.0151	0.0137		−0.0322	0.0122	***	−0.0216	0.0117	*
Number of children (no children)												
One child	0.0462	0.0119	***	0.0531	0.0161	***	0.0506	0.0141	***	0.0468	0.0138	***
Two children	0.0413	0.0136	***	0.0427	0.0185	**	0.0631	0.0159	***	0.0319	0.0158	**
Three children	0.0527	0.0167	***	−0.0213	0.0249		0.0464	0.0205	**	0.0323	0.0203	
Four children or more	0.0423	0.0203	**	0.0331	0.0284		0.0494	0.0241	**	0.0306	0.0241	
No financially dependent children	0.0039	0.0139		0.0192	0.0171		0.0268	0.0168		0.0159	0.0169	
Annual income (less than $15,000)												
$15,000 to less than $25,000	0.0775	0.0140	***	0.0660	0.0189	***	0.0622	0.0182	***	0.0461	0.0178	***
$25,000 to less than $35,000	0.0726	0.0145	***	0.0671	0.0202	***	0.0842	0.0180	***	0.0627	0.0183	***
$35,000 to less than $50,000	0.0765	0.0145	***	0.0728	0.0198	***	0.0847	0.0181	***	0.0732	0.0174	***
$50,000 to less than $75,000	0.0784	0.0153	***	0.1116	0.0199	***	0.1243	0.0182	***	0.0992	0.0174	***
$75,000 to less than $100,000	0.0912	0.0183	***	0.1362	0.0237	***	0.1268	0.0215	***	0.1050	0.0207	***
$100,000 to less than $150,000	0.1080	0.0210	***	0.1554	0.0256	***	0.1431	0.0246	***	0.0979	0.0232	***
$150,000 or more	0.1109	0.0230	***	0.2152	0.0314	***	0.1636	0.0278	***	0.1439	0.0260	***
Risk-tolerance level (low)												
Medium	0.0135	0.0095		0.1092	0.0122	***	0.0438	0.0113	***	0.0517	0.0113	***
High	0.0704	0.0114	***	0.1807	0.0153	***	0.1000	0.0142	***	0.1124	0.0134	***
Perceived financial knowledge (high)												
Low	−0.0157	0.0127		−0.0292	0.0186		−0.0385	0.0158	**	−0.0338	0.0170	**
Medium	−0.0274	0.0113	**	0.0013	0.0150		−0.0171	0.0136		−0.0100	0.0136	
Financial fragility	0.0176	0.0030	***	−0.0396	0.0039	***	−0.0034	0.0036		−0.0181	0.0035	***
Number of observations	8,921			8,921			8,921			8,921		

*Significance at 10% level; **significance at 5% level; ***significance at 1% level.

Table 15 Financial advice probit (the financially literate)

Independent variables	Debt counseling			Savings/investment			Mortgage/loan			Tax planning		
	Marg. effects	(SE)		Marg. effects	(SE)		Marg. effects	(SE)		Marg. effects	(SE)	
Gender (male)												
Female	0.0001	0.0053		0.0473	0.0076	***	0.0131	0.0070	*	0.0183	0.0066	***
Race (non-White)												
White	−0.0140	0.0061	**	0.0120	0.0095		0.0348	0.0085	***	0.0022	0.0082	
Age (65+)												
18–24	0.0328	0.0149	**	−0.0154	0.0199		0.0555	0.0197	***	0.0053	0.0184	
25–34	0.0392	0.0113	***	−0.0706	0.0153	***	0.1111	0.0143	***	−0.0119	0.0133	
35–44	0.0216	0.0107	**	−0.1234	0.0145	***	0.0567	0.0136	***	−0.0593	0.0127	***
45–54	0.0088	0.0102		−0.1099	0.0126	***	0.0189	0.0122		−0.0551	0.0111	***
55–64	0.0295	0.0093	***	−0.0467	0.0113	***	0.0212	0.0111	*	−0.0219	0.0098	**
Education level (college or more)												
High school or less	−0.0235	0.0072	***	−0.0976	0.0103	***	−0.0632	0.0096	***	−0.0616	0.0092	***
Some college	−0.0046	0.0062		−0.0504	0.0089	***	−0.0108	0.0082		−0.0300	0.0077	***
Marital status (married)												
Living with a partner	0.0059	0.0110		−0.0026	0.0163		−0.0009	0.0146		−0.0333	0.0149	**
Single	0.0080	0.0067		0.0045	0.0099		−0.0447	0.0094	***	−0.0092	0.0087	
Number of children (no children)												
One child	0.0349	0.0085	***	0.0221	0.0125	*	0.0439	0.0115	***	0.0406	0.0111	***
Two children	0.0506	0.0089	***	0.0296	0.0138	**	0.0455	0.0123	***	0.0458	0.0121	***
Three children	0.0323	0.0116	***	0.0378	0.0196	*	0.0609	0.0172	***	0.0066	0.0170	
Four children or more	0.0687	0.0143	***	0.0896	0.0264	***	0.0843	0.0225	***	0.0499	0.0222	**
No financially dependent children	0.0075	0.0084		0.0135	0.0112		0.0172	0.0107		0.0113	0.0099	
Annual income (less than $15,000)												
$15,000 to less than $25,000	0.0253	0.0124	**	0.0543	0.0208	***	0.0677	0.0205	***	0.0529	0.0205	***
$25,000 to less than $35,000	0.0440	0.0124	***	0.0809	0.0205	***	0.1126	0.0197	***	0.0701	0.0197	***
$35,000 to less than $50,000	0.0574	0.0116	***	0.0976	0.0191	***	0.1279	0.0186	***	0.0916	0.0187	***
$50,000 to less than $75,000	0.0596	0.0118	***	0.1236	0.0189	***	0.1690	0.0182	***	0.1153	0.0183	***
$75,000 to less than $100,000	0.0661	0.0128	***	0.1375	0.0199	***	0.2005	0.0193	***	0.1414	0.0192	***
$100,000 to less than $150,000	0.0496	0.0140	***	0.1592	0.0206	***	0.2176	0.0198	***	0.1640	0.0196	***
$150,000 or more	0.0451	0.0162	***	0.1744	0.0226	***	0.2532	0.0214	***	0.2124	0.0209	***
Risk-tolerance level (low)												
Medium	0.0087	0.0061		0.1162	0.0087	***	0.0389	0.0081	***	0.0567	0.0078	***
High	0.0356	0.0078	***	0.1661	0.0119	***	0.0573	0.0110	***	0.0969	0.0104	***
Perceived financial knowledge (high)												
Low	−0.0067	0.0104		−0.0447	0.0189	**	−0.0890	0.0165	***	−0.0362	0.0165	**
Medium	−0.0091	0.0075		−0.0392	0.0122	***	−0.0244	0.0111	**	−0.0219	0.0108	**
Financial fragility	0.0222	0.0019	***	−0.0407	0.0030	***	0.0030	0.0028		−0.0140	0.0026	***
Number of observations	16,588			16,588			16,588			16,588		

*Significance at 10% level; **significance at 5% level; ***significance at 1% level.

risk tolerance are related positively to the demand for all types of financial advice and more greatly affect the probability of seeking advice than do other variables. The finding for income is consistent with the article's expectation that those with relatively high incomes might have a sufficient level of financial sophistication to seek financial advice in the areas of savings/investment, mortgages/loans, insurance, and tax planning. The positive relation between income and debt counseling was not expected, however. This relation could be interpreted as the result of a tendency of those who see increases in income to accumulate debt to fund a lifestyle that exceeds their income level.

Risk tolerance plays a significant role and demonstrates a strong positive effect on the demand for all types of financial advice. However, the subjective assessment of risk tolerance in the survey raises a question about the accuracy and reliability of this measure in reflecting respondents' actual risk tolerance and their understanding of its significance for their financial investments.

A low perception of financial knowledge decreases the demand for all types of financial advice except debt counseling. This finding does not support the expected negative relation between perceived financial knowledge and the demand for financial advice and contradicts some findings in prior research. This subjective assessment of financial knowledge might become a psychological barrier that decreases the demand for financial advice because respondents are not confident in their ability to assess financial products and monitor agency relationships.

On the other hand, financial fragility, has been found to be related negatively to seeking financial advice about savings/investment, insurance, and tax planning, and related positively to seeking debt counseling. People who struggle with their expenses and are not able to save for retirement might not have the luxury to think about investment or tax planning. Financial stress would draw their attention away from long-term plans toward immediate short-term concerns.

The survey question about seeking the five types of financial advice refers to this behavior in the past five years and does not necessarily indicate that respondents never seek professional financial advice or use alternative sources such as their social network. Furthermore, because the survey focuses on individual responses, the household's behavior may not be observed accurately. If the spouse, for example, seeks financial advice, then the other spouse may not indicate seeking such advice.

Understanding the demand for professional financial advice requires an examination of the effect that salient and hidden fees have on people's decisions to contract financial advisers. In addition, future research has to examine the determinants of trust because respondents lack the ability to assess service quality and evaluate outcomes. Financial advice is a mosaic of services, and several factors influence the demand for different types of advice. The similarity of payment-reward trade-off (i.e., fee payment for investment return) makes financial advice a unique service arrangement because individuals' mode of payment is that exact commodity that they aim to preserve and grow to smooth their consumption power over their life cycle.

Notes

1 The Assets & Opportunities Scorecard is a comprehensive look at Americans' financial security based on 130 outcome and policy measures. The Scorecard enables states

to benchmark their outcomes and policies against other states in five areas: Financial Assets & Income, Businesses & Jobs, Housing & Homeownership, Health Care, and Education. http://assetsandopportunity.org/scorecard

2 Self-concealment refers to the psychological tendency to keep perceived negative or intimate personal information secret. Older homeowners might conceal their financial difficulty to protect their social status and perceived financial competency.

3 The survey's questionnaire asks for detailed race and ethnicity information but the dataset provides information regarding White and non-White only.

4 The subjective risk tolerance levels as per the 10-point scale are as follows:
- 1–3: low risk tolerance
- 4–7: medium risk tolerance
- 8–10: high risk tolerance

5 The financial knowledge levels as per the seven-point scale are as follows:
- 1–3: low financial knowledge
- 4: medium financial knowledge
- 5–7: high financial knowledge

6 The survey question for the dependent variables is: In the last five years, have you asked for any advice from a financial professional about any of the following? Debt counseling—savings or investment—taking out a mortgage or a loan—insurance of any type—tax planning.

7 Wealth is a preferable factor in the decision to purchase financial advice, but is not included in the 2012 NFCS. Therefore, income has been used to proxy wealth in the model as the level of earning power might indicate a level of financial sophistication and capability to seek professional financial advice.

8 Risk tolerance has been aggregated into three levels because the survey question measures it on a scale from 1-very low to 10-very high and the responses are almost evenly distributed across the scale.

9 Subjective assessment of financial knowledge has been aggregated into three levels because the survey question measures it on a scale from 1 to 7.

10 The classification of younger respondents as those aged 18–44 follows the methodology in CFP 2015 Stress Awareness Month Survey Report.

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