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# Financial advisor use, life events, and the relationship with beneficial intentions

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**Abstract**

This study investigated whether working with a financial advisor and incurring a recent life event were associated with having beneficial financial planning intentions. In a final sample of 953 online survey respondents, no relationship was found between working with a financial advisor and beneficial intentions over the next 12 months. Life events that incurred within the prior year, however, were positively related to beneficial intentions and when interacted with working with an advisor, had a positive moderating effect. These results suggest that planning for difficult life transitions is an important benefit of working with a financial advisor. 

*JEL classification:* D83

*Keywords*: Financial planning; Financial security; Beneficial intentions; Life events; Advisor use

## 1. Introduction

According to a recent poll of more than 1,500 Americans, only 30% have a paid financial advisor (Godbout, 2021). Among those who do not have a financial advisor, perceived costs and lack of need were significant deterrents. Yet, 95% of respondents who work with a financial advisor believe the services are well worth the price. The lack of advisor use is surprising given that a large portion of the U.S. population is uneducated regarding fundamental money management matters. According to a survey conducted by the National

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Financial Educators Council (2020), individuals lost, on average, $1,634 in the prior year due to their lack of knowledge about personal finances.

One possible way to increase advisor use is for industry stakeholders to clearly communicate the advantages of engaging with a highly trained and skilled professional. The literature provides examples of how working with a financial advisor can yield important benefits, although these benefits have largely focused on incremental returns (Kitces, 2016). While important, return generation is only one aspect of the many advantages financial advisors offer. Recently, research has explored various qualitative benefits. These qualitative benefits, include advisors acting in the role of a "money doctor" who encourages clients to follow through on agreed upon action steps (Gennaioli, Shleifer, & Vishny, 2015), or as an "emotional manager" to help clients remain calm during periods of stock market volatility (Prati & Prati, 2009).

One domain that may warrant further research is the role of having beneficial intentions. The study of intentions is important because intentions precede behavior (Ajzen, 1991). In the context of financial planning, intentions are found to be related to various behaviors including online stock trading (Gopi & Ramayah, 2007) and credit card decisions (Xiao et al., 2011). An empirical link between financial advisor use and having beneficial intentions may further refine industry messaging and help convince individual investors to engage with a financial professional.

Asebedo's (2019) Financial Planning Client Interaction Theory (FPCIT) was used to help guide this study. This framework suggests that each client has a unique set of inputs that determine their ability to obtain certain objectives such as financial stability, goal achievement, and financial satisfaction. These inputs include time, human capital, the financial social environment, and other personal characteristics that comprise the client's scope of functioning. Similarly, a financial planner also possesses unique inputs, such as experience and knowledge, that comprise their scope of functioning. According to the theory, a client will only engage with a financial planner if it is believed that the relationship will increase the client's scope of functioning and result in progress toward a particular objective. Working with a financial advisor was, therefore, hypothesized to be positively related to beneficial intentions.

Prochaska and DiClemente's (1982) Transtheoretical Model of Change was also used to help guide this study. Prior research suggests that incurring major life events results in "conscientiousness raising" (O'Neill & Xiao, 2012; Rowley, Lown, & Piercy, 2012). This process helps individuals transition from the pre-complementation to the complementation stage of change. This study anticipated that life events incurring within the prior year would have a positive relationship with beneficial financial planning intentions. Further, having a financial advisor was expected to have a positive moderating effect on the relationship between life events and intentions.

An online survey was administered to 1,001 U.S. households in the spring of 2019, resulting in a final sample of 953 respondents. The purpose of this survey was, in part, to determine respondent financial planning intentions over the next 12 months. Surprisingly, no relationship was found between working with a financial advisor and beneficial intentions. Incurring life events within the last year did, however, have a positive relationship with beneficial financial planning intentions. Additionally, having a financial advisors had a positive moderating effect on the relationship between life events and intentions. These results suggest that helping individuals adjust for life transitions is an important advantage of working with a financial advisor. Industry stakeholders are encouraged to use this study's findings to educate the investing public about the challenges of life events and the assistance financial advisors can provide during these difficult periods.

## 2. Literature review

Many financial advisors have long provided clients certain services such as a more efficiently allocated portfolio, income tax reduction strategies, and a comprehensive estate plan (Finke, Huston, & Winchester, 2011). While these services remain critically important, the profession appears to be changing in ways that are expanding the depth and breadth of how advisors provide value to their clients. This enhanced value proposition not only provides expertise, but also encourages the necessary behaviors to help clients reach their goals. Incurring major life events has also been linked to new behaviors. These life events may include changing jobs, retirement, marriage, divorce, birth of a child, and death of a spouse. The following literature review discusses the evolving role of financial advisors and how life events have been linked to behavioral changes.

### *2.1. The evolving role of financial advisors*

The relationship between financial advisors and clients has traditionally been based upon the transfer of information (Vlaev, Nieboer, Martin, & Dolan, 2015). More recently, however, it has been recognized that advisors not only need to inform clients, but also help clients translate their intentions into actions. The ability to influence clients to take action, provided legal and ethical requirements are satisfied, is an indispensable part of the financial planning process. For example, Plewa, Sweeney, and Michayluk (2014) suggest that in addition to technical expertise, advisors provide the motivation some clients may need to adopt favorable behaviors. Dubofsky and Sussman (2009) suggest that advisors act as a client's mentor and confidant to overcome financial hurdles in life. Prati and Prati (2009) discuss the role of financial advisors as an "emotion manager." In this role, advisors are charged with helping clients stay invested, despite the ups and downs of the financial markets. Bae and Sandager (1997) conclude that knowledge and information alone are not what individuals want from a financial planner, but also, the ability to help clients meet their goals. Gennaioli et al. (2015) refer to financial advisors as "money doctors." Similar to how a trusted doctor would prescribe medical treatment to an unknowledgeable patient, financial advisors help clients implement sound financial strategies. Montmarquette (2015) finds that having a financial advisor for at least four years has a positive and significant impact on financial assets after controlling for close to 50 various factors. Most importantly, the study finds that increases in wealth are not explained by returns alone, but also by increased savings over time.

Industry whitepapers have emerged that attempt to quantify the impact behavioral interventions have on client outcomes. Using a concept called "gamma," Blanchett and Kaplan (2013) estimate that advisors provide an additional return of 1.82% by assisting with portfolio construction. One component of gamma is to encourage clients to adopt a dynamic, rather than static, withdrawal strategy. This strategy can aid the long-term sustainability of a portfolio, but clients must be reminded and coached to reduce spending during periods of depressed market valuations. A second effort that quantifies the value of behavioral interventions is called Advisor's Alpha (Kinniry et al., 2019). This research estimates the economic benefits of a financial advisor's advice to be as much as 3% per year. Areas of value include asset location and tax savvy withdrawals, however, half of the incremental return is attributable to "behavioral coaching." This benefit is calculated by comparing returns of self-directed investors to target-date investors. The buy-and-hold tendency of the latter led to better returns over time. Kitces (2016) offers a continuum of the potential economic benefits advisors provide to their clients. Although the hardest benefit to measure, the ability for advisors to encourage clients to execute specific recommendations is described as "priceless." The researcher states, "In some cases, a task that is delegated [to an advisor] is simply more likely to be done than the client could do for themselves but realistically will just procrastinate about instead."

### *2.2. Life events and behavioral changes*

While the life cycle hypothesis offers a helpful framework to understand saving behavior over time, not all individuals will follow its prediction of saving during a working career and dissaving during retirement (O'Neill & Brennan, 1997). Life events such as marriage, birth of a child, divorce, retirement, and death of a spouse may cause a deviation from life cycle hypothesis' anticipated behaviors. The literature finds that these life events often serve as a catalyst for people to adopt positive behavioral changes. In a qualitative study involving female focus groups, Rowley et al. (2012) finds that 13 out of 17 participants who experienced a life event planned to make positive financial changes. The life events included divorce, having a child, entering or leaving the school, moving, and entering or leaving the workforce. The researchers note that a life event was not essential to making a positive financial change but was a significant factor in the majority of cases. In a study about experiencing a negative financial shock during the Great Recession, O'Neill and Xiao (2012) find that individuals were more likely to incorporate better saving and budgeting behaviors after the recession compared with before the recession. Palmer, Bhargava, and Hong (2006) conclude that a positive association exists between becoming a widow, being diagnosed with cancer, retiring, and having an increase in assets with executing a will or trust. In a study of college students, Fiksenbaum, Marjanovic, and Greenglass (2017) find a positive relationship between perceived financial threats and positive financial behavioral changes such as working more, spending less, and reducing debt.

In addition to behavioral changes, life events have also been linked to professional help-seeking behavior. Using the 2009 FINRA Financial Capabilities Study, Collins (2012) finds that individuals who experienced a drop in income were more likely to seek professional advice regarding debt, investing, insurance, and tax planning. Letkiewicz, Robinson, and Domian (2016) find that planning to retire within five years and fear of job loss are positively related to seeking help from a financial professional. According to Cummings and

James (2014), becoming a widow(er) and increases in net worth are positively associated with hiring an advisor while getting married is negatively associated with firing an advisor.

## 3. Conceptual framework and research hypotheses

The first conceptual framework used to guide this study was the Financial Planning Client Interaction Theory (Asebedo, 2019). This theory was formulated to help stakeholders better understand how clients and financial planners derive utility from their relationships. Measuring the impact these relationships have on utility is important to quantify the value financial planners and the industry provide. At its core, the FPCIT is about the unique relationship that exists between a client and financial planner. Absent this relationship, the financial planning process would consist solely of disseminating technical information and executing transactions. A graphical representation of the FPCIT can be found in Fig. 1.

The FPCIT assumes that clients wish to achieve financial stability, financial satisfaction, and personal goals (Asebedo, 2019). Obtaining these objectives leads to higher levels of well-being and overall life satisfaction. The client relies on existing inputs such as time, knowledge, both tangible and intangible human capital, psychological traits, and social environment. These factors, in combination, form the client's scope of functioning and determine the maximum utility that can be achieved. To realize additional gains, the client can either make the necessary investment to increase their scope of functioning or hire a financial planner who possesses a larger scope of functioning. If a financial planner is engaged, the expectation is that the client or planner interaction will increase the client's scope of functioning. Clients will maintain the relationship with their financial planner only if the actual gains are greater than what the client believes would be gained if the financial planner is fired or replaced.

The primary reason working with a professional may increase the likelihood of achieving higher utility is because many financial planners possess "advanced inputs" (Asebedo, 2019). For example, while almost all financial professionals receive basic training, financial planners

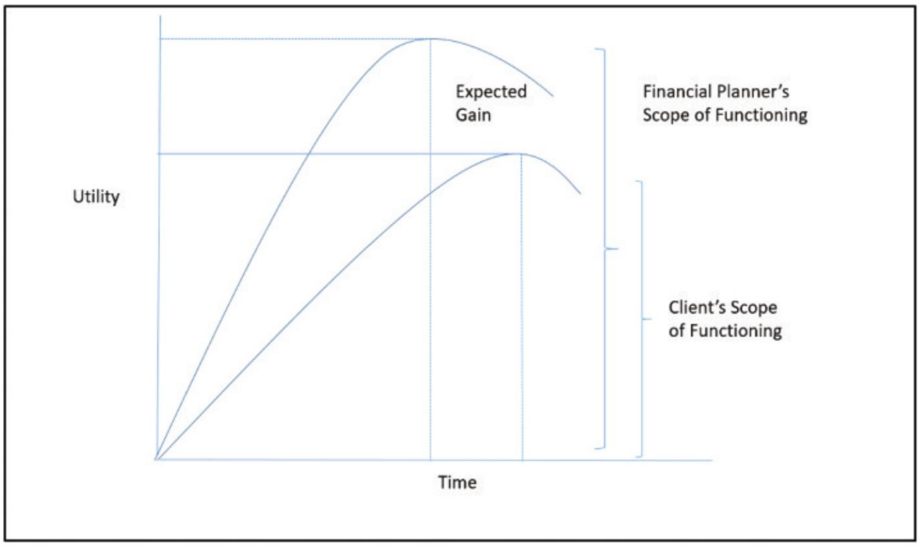


Fig. 1. Financial Planning Client Interaction Theory (Asebedo, 2019).

with a large scope of functioning have many years of experience, obtained specialized certifications, and possess superior relationship building skills. Also, while communicating with clients is a common job function within the industry, financial planners who possess a large scope of functioning may be able to convey highly technical information in ways that resonate with clients and compel desired behavioral changes. Finally, financial planners are more likely than clients to have an extensive network of professionals including CPAs, attorneys, and insurance agents with whom they may consult regarding unique situations.

Based upon the FPCIT, it is expected that respondents who work with an advisor possess a larger scope of functioning. As a result, these respondents are likely more aware of and motivated to address their financial deficiencies compared with respondents who do not work with an advisor. In the context of this study, advised respondents are hypothesized to have beneficial financial planning intentions as they strive toward achieving financial stability, financial satisfaction, and/or specific financial goals. Formally stated, therefore, the first research hypothesis is:

*Hypothesis 1:* There is a positive relationship between working with a financial advisor and having beneficial financial planning intentions.

One of the challenges facing individuals regarding the adoption of better financial behaviors is their inability or unwillingness to change. Prochaska and Prochaska (1999) suggest "people don't change because they can't, don't want to, don't know how to, or don't know what to change." The second theory used in this study, therefore, was The Transtheoretical Model of Change (Prochaska & DiClemente, 1982). According to the model, people progress through five distinct stages: pre-contemplation (not intending to make changes in the next six months), contemplation (intending to make a change within the next six months), preparation (intending to make a change within the next 30 days), action (made a change less than six months ago), and maintenance (made a change more than six months ago). The model also identifies 10 major processes of change that help people move from one stage to the next.

Between the pre-complementation and contemplation stages is the conscientiousness raising process of change (Prochaska & DiClemente, 1982). Conscientiousness raising means learning about new ideas and concepts that may provide better outcomes. This process provides the necessary insights that help individuals move from not having thought about making a change to being aware of the problem and intending to make a change in the future. Prior research has hypothesized that the financial implications of life events leads to a raised conscientiousness, helping individuals progress to the complementation stage of change (O'Neill & Xiao, 2012; Rowley et al., 2012). The second hypothesis, therefore, is:

*Hypothesis 2:* There is a positive relationship between life events and beneficial financial planning intentions.

Separately, both working with a financial advisor and incurring a life event are expected to have a positive relationship with beneficial intentions. The relationship should be even more pronounced when these factors are combined. It is anticipated, therefore, that having a financial advisor will have a positive moderating effect on the relationship between incurring a recent life event and beneficial intentions. A moderator is defined as a variable that effects the direction and/or strength of the relationship between two variables (Baron & Kenny, 1986). If working with a financial advisor has a positive moderating effect on the relationship between life events and beneficial intentions, the relationship will be stronger for advised respondents compared with unadvised respondents. Formally stated, therefore, the third hypothesis is:

*Hypothesis 3:* The relationship between incurring recent life events and beneficial financial planning intentions is moderated by working with a financial advisor.

## 4. Method

### 4.1. Data

An online survey instrument was completed by 1,001 U.S. households ages 18 and older during the period of March 25 through March 29, 2019. The survey was administrated by ENGINE Insights, a global market research and business intelligence firm. Janus Henderson Investors, a global asset manager, was the financial sponsor of the survey. While the primary purpose of the survey was to understand respondent expectations and planned actions regarding their most recent federal income tax filing, the survey did contain additional items including whether the respondent works with a financial advisor, incurred a recent life event, and intends to change various financial planning behaviors over the following 12-month period.

The survey used a nonprobability quota system to ensure a nationally representative sample. Among the 1,001 respondents who completed the survey, 48 declined to provide their investable assets. Because this group represented less than 5% of the sample, these respondents were dropped from the analysis. The final sample was 953. A review of this study's demographics found similarities with the 2019 Survey of Consumer Finances (Board of Governors of the Federal Reserve System, 2020) regarding the distribution of age, education attainment, race, homeownership, income, and financial assets. The survey instrument is provided in the Appendix.

### 4.2. Dependent variable

The dependent variable used to test the research hypothesis was created based upon responses to the following question, "What changes do you plan for 2019 regarding tax and financial planning? [Select as many as apply]." Responses included change my withholding, change my quarterly payments, contribute more to a retirement account, donate more to charity, invest more tax efficiently, pay down debt, establish an emergency fund, reevaluate my insurance policies, and none of these. The total number of responses for each respondent were summed and a continuous variable was created.

### 4.3. Variables of interest

The first variable of interest was a binary variable created from the question, "Do you work with a financial planner or financial advisor?" The binary variable was coded as '1' works with an advisor, '0' otherwise. The second variable of interest was created from the question, "Did any of the following life events occur in 2018 that may have had an impact on your taxes?" The choices were got married, got a divorce, had a child, bought a house, earned a promotion, lost a job, moved, child started college, other, and none of these. The total number of responses for each respondent were summed and a continuous variable was created.

### 4.4. Control variables

A number of demographic questions were included in the survey such as gender, age, marital status, education attainment, employment status, income, investable assets, ethnicity, home ownership, and whether children under age 18 live at home. All demographic variables were coded as categorical variables.

### 4.5. Empirical model

To test the research hypothesis, an ordinary least squares (OLS) regression was performed. This analysis is appropriate when the dependent variable is a continuous variable (Ott & Longnecker, 2004). For the first model, let $y$ = the number of beneficial financial planning intentions:

$$y = \beta_0 + \beta_1 x_1 + \beta_2 w_i + \beta_3 z_i + \in$$

where $x$ is whether the respondent works with an advisor, $w$ is the number of life events incurred in the last year and $z$ is a vector of control variables. For the second model, let $y$ = the number of beneficial financial planning intentions:

$$y = \beta_0 + \beta_1 x_1 + \beta_2 w_i + \beta_3 x_1 w_i + \beta_4 z_i + \in$$

where $x$ is whether the respondent works with an advisor, $w$ is the number of life events incurred in the last year, $xw$ is the interaction term of whether the respondent works with an advisor and the number of life events incurred in the past year, and $z$ is a vector of control variables.

## 5. Results

### 5.1. Descriptive results

An analysis of the data collected by the survey instrument is found in Tables 1, 2, and 3. Table 1 displays the number of intentions per respondent. Approximately 35% of respondents had no financial intentions planned over the next 12 months, 36% had one financial planning intention, and 16% had two financial planning intentions. Approximately 12% of respondents indicated that they had three or more financial planning intentions. The mean

Table 1 Number of intentions per respondent

| Number of Intentions | Total Sample (%) $n = 953$ | Advisor-Yes (%) $n = 181$ | Advisor-No (%) $n = 772$ |
|---|---|---|---|
| 0 | 35.47 | 26.52 | 37.56 |
| 1 | 36.31 | 37.57 | 36.01 |
| 2 | 15.74 | 18.23 | 15.16 |
| 3 | 8.08 | 13.81 | 6.74 |
| 4 | 3.46 | 2.76 | 3.63 |
| 5 | 0.42 | 0.55 | 0.39 |
| 6 | 0.31 | 0.00 | 0.39 |
| 7 | 0.10 | 0.55 | 0.00 |
| 8 | 0.10 | 0.00 | 0.13 |
| Mean | 1.11 | 1.33 | 1.06 |

number of intentions was 1.11. An interesting observation from Table 1 is a lower percentage of respondents who work with an advisor had no intentions (27%) compared with respondents who do not work with an advisor (38%). Similarly, respondents who work with an advisor had a higher mean number of intentions (1.33) compared with respondents who do not work with an advisor (1.06).

Table 2 displays the types of intentions selected by respondents. Among the sample, the three most cited intentions were to reduce debt (34%), save for retirement (18%), and establish an emergency fund (17%). A higher percentage of respondents who work with an advisor intended to save for retirement (23% vs. 17%), change tax withholding (20% vs. 11%), invest tax efficiently (15% vs. 8%), donate to charity (9% vs. 8%), reevaluate insurance (13% vs. 5%), and change quarterly tax payments (9% vs. 4%) compared with respondents who do not work with an advisor. On the other hand, a higher percentage of respondents who do not work with an advisor intended to reduce debt (36% vs. 27%). The same percentage of respondents (17%) intend to establish an emergency fund.

The descriptive statistics are found in Table 3. Among all respondents, 19% work with an advisor and 81% do not work with an advisor. The mean number of life events

Table 2 Type of intentions selected by respondents

| Type of Intention | Total sample (%) $n = 953$ | Advisor-Yes (%) $n = 181$ | Advisor-No (%) $n = 772$ |
|---|---|---|---|
| None | 35.47 | 26.52 | 37.56 |
| Reduce debt | 34.10 | 27.07 | 35.75 |
| Save for retirement | 18.15 | 22.65 | 17.10 |
| Emergency fund | 16.89 | 16.57 | 16.97 |
| Change tax withholding | 12.91 | 19.89 | 11.27 |
| Invest tax efficiently | 9.44 | 14.92 | 8.16 |
| Donate to charity | 8.60 | 9.39 | 8.42 |
| Reevaluate insurance | 6.51 | 13.26 | 4.92 |
| Change quarterly tax payments | 4.83 | 9.39 | 3.76 |

Table 3 Descriptive statistics ($N = 953$)

| Variables | Total sample (%) $n = 953$ | Advisor-Yes (%) $n = 181$ | Advisor-No (%) $n = 772$ |
|---|---|---|---|
| Works with an advisor | | | |
| Yes | 18.99 | — | — |
| No | 81.01 | — | — |
| Number of life events (mean) | 0.46 | 0.53 | 0.44 |
| Gender | | | |
| Male | 50.89 | 54.14 | 50.13 |
| Female | 49.11 | 45.86 | 49.87 |
| Age | | | |
| Younger than 30 | 20.04 | 22.10 | 19.56 |
| Between 30 and 39 | 20.67 | 16.02 | 21.76 |
| Between 40 and 49 | 15.84 | 12.71 | 16.58 |
| Between 50 and 59 | 18.89 | 15.47 | 19.69 |
| Older than 59 | 24.55 | 33.70 | 22.41 |
| Marital status | | | |
| Married | 60.02 | 64.64 | 58.94 |
| Never married | 25.81 | 22.65 | 26.55 |
| Divorced | 10.70 | 8.84 | 11.14 |
| Widow | 3.46 | 3.87 | 3.37 |
| Education attainment | | | |
| High school | 31.79 | 15.47 | 35.62 |
| Some college | 26.44 | 24.31 | 26.94 |
| Undergraduate degree | 23.92 | 29.28 | 22.67 |
| Graduate degree | 17.84 | 30.94 | 14.77 |
| Employment status | | | |
| Full-time | 40.61 | 52.49 | 37.82 |
| Part-time | 10.60 | 11.60 | 10.36 |
| Self-employed | 6.51 | 5.52 | 6.74 |
| Not working | 23.71 | 9.39 | 27.07 |
| Retired | 18.57 | 20.99 | 18.02 |
| Income | | | |
| Less than \$25,000 | 17.84 | 9.39 | 19.82 |
| \$25,000-\$50,000 | 28.12 | 16.57 | 30.83 |
| \$50,001-\$100,000 | 29.28 | 33.70 | 28.24 |
| Over \$100,000 | 24.76 | 40.33 | 21.11 |
| Investable assets | | | |
| None | 12.49 | 1.66 | 15.03 |
| Less than \$50,000 | 40.92 | 12.71 | 47.54 |
| \$50,000-\$250,000 | 27.18 | 34.25 | 25.52 |
| Over \$250,000 | 19.41 | 51.38 | 11.92 |
| Ethnicity | | | |
| White | 69.98 | 76.24 | 68.39 |
| Black | 10.49 | 7.73 | 11.14 |
| Hispanic | 7.35 | 6.63 | 7.51 |
| Other | 12.28 | 9.39 | 12.95 |
| Home ownership | | | |
| Yes | 61.07 | 79.56 | 56.74 |
| No | 38.93 | 20.44 | 43.26 |
| Children under 18 living at home | | | |
| Yes | 31.58 | 32.04 | 31.48 |
| No | 68.42 | 67.96 | 68.52 |

incurred by the sample within the last 12 months was 0.46. Examining the control variables, the sample was evenly split by gender. Approximately 41% of the sample were younger than age 39, 34% were between ages 40 and 59, and 25% were older than age 59. About 60% were married and 69% attained an education level beyond high school. The majority of the sample were employed (57%), while 24% were out of the workforce, and 19% were retired. Slightly more than half the sample had income above \$50,000 (54%) and slightly less had investable assets of \$50,000 or more (47%). The majority of the sample were White (70%) and homeowners (61%), while a minority (32%) had children under age 18 living at home.

A higher percentage of respondents who work with a financial advisor, compared with respondents who do not work with a financial advisor, were male (54% vs. 50%), married (65% vs. 59%), had an education attainment level beyond high school (85% vs. 64%), and either were employed or retired (91% vs. 73%). A higher percentage of advised respondents had income greater than \$50,000 (74% vs. 49%) and investable assets of \$50,000 or more (85% vs. 37%). Lastly, a higher percentage of these respondents were White (76% vs. 68%) and owned a home (80% vs. 57%).

### *5.2. OLS regression results*

The results of the OLS regression models can be found in Table 4. The first model reported an $R^2$ of 0.182. No relationship was found between works with an advisor and beneficial financial planning intentions ($\beta$ = 0.129, $p$ = .202). A positive relationship was found, however, between life events and beneficial financial planning intentions ($\beta$ = 0.232, $p$ < .001). Specifically, for each one unit increase in the number of life events, there was a 0.232 increase in the number of financial planning intentions. Among the control variables, respondents younger than age 30 were positively related to beneficial financial planning intentions compared with the reference group of respondents between ages 50 and 59 ($\beta$ = 0.214, $p$ = .010). On the other hand, respondents older than age 59 were negatively related to intentions ($\beta$ = −0.261, $p$ = 0.041). Respondents who obtained an undergraduate degree were positively related to intentions compared with the reference group of respondents who only completed high school ($\beta$ = 0.314, $p$ = .002). Respondents not in the workforce and retired were negatively related to intentions compared with the reference group of full-time employment status ($\beta$ = −0.403, $p$ < .001 and $\beta$ = −0.443, $p$ < .001, respectively). Lastly, respondents with income less than \$25,000 and investable assets over \$250,000 were negatively related to intentions ($\beta$ = −0.433, $p$ = .002 and $\beta$ = −0.220, $p$ = .050, respectively)

The second model reported an $R^2$ of 0.187. This model tested the interaction between number of life events and works with an advisor and found a positive moderating effect on the relationship with beneficial financial planning intentions ($\beta$ = 0.263, $p$ = .016). The relationship between works with an advisor and beneficial intentions remained insignificant in model two ($\beta$ = −0.021, $p$ = .857) while the relationship between life events and beneficial intentions remained positive ($\beta$ = 0.174, $p$ = .001).

Table 4 Ordinary least squares regression models predicting the relationship between advisor use and life events with the number of beneficial planning intentions ($N = 953$)

| Variables | Model 1 | | | Model 2 | | |
|---|---|---|---|---|---|---|
| | $\beta$ | Standard error | $p$-value | $\beta$ | Standard error | $p$-value |
| Works with an advisor (ref: no) | 0.129 | 0.101 | 0.202 | −0.021 | 0.118 | 0.857 |
| Number of life events | 0.232 | 0.049 | <0.001 | 0.174 | 0.054 | 0.001 |
| Number of life events * Works with an advisor | — | — | — | 0.263 | 0.109 | 0.016 |
| Male (ref: female) | −0.123 | 0.074 | 0.099 | −0.131 | 0.074 | 0.079 |
| Age (ref: btw 50–59) | | | | | | |
| Younger than 30 | 0.214 | 0.129 | 0.010 | 0.217 | 0.129 | 0.093 |
| Between 30 and 39 | 0.134 | 0.119 | 0.263 | 0.145 | 0.119 | 0.226 |
| Between 40 and 49 | 0.101 | 0.124 | 0.417 | 0.116 | 0.124 | 0.349 |
| Older than 59 | −0.261 | 0.127 | 0.041 | −0.243 | 0.127 | 0.057 |
| Marital status (ref: married) | | | | | | |
| Never married | −0.159 | 0.098 | 0.105 | −0.163 | 0.098 | 0.097 |
| Divorced | 0.148 | 0.122 | 0.225 | 0.144 | 0.122 | 0.238 |
| Widowed | −0.079 | 0.303 | 0.696 | −0.081 | 0.202 | 0.690 |
| Education attainment (ref: high school) | | | | | | |
| Some college | 0.129 | 0.094 | 0.174 | 0.129 | 0.095 | 0.174 |
| Undergraduate degree | 0.314 | 0.102 | 0.002 | 0.308 | 0.102 | 0.003 |
| Graduate degree | 0.214 | 0.118 | 0.070 | 0.212 | 0.118 | 0.071 |
| Employment status (ref: full-time) | | | | | | |
| Part-time | −0.107 | 0.127 | 0.401 | −0.101 | 0.127 | 0.426 |
| Self-employed | −0.167 | 0.152 | 0.274 | −0.163 | 0.152 | 0.284 |
| Not working | −0.403 | 0.101 | <0.001 | −0.394 | 0.101 | <0.001 |
| Retired | −0.443 | 0.133 | <0.001 | −0.441 | 0.133 | <0.001 |
| Income (ref: over $100,000) | | | | | | |
| Less than $25,000 | −0.433 | 0.141 | 0.002 | −0.453 | 0.141 | 0.001 |
| $25,000-$50,000 | −0.190 | 0.115 | 0.100 | −0.211 | 0.115 | 0.068 |
| $50,001-$100,000 | −0.053 | 0.103 | 0.609 | −0.067 | 0.103 | 0.515 |
| Investable assets (ref: $50,000-$250,000) | | | | | | |
| $0 | −0.182 | 0.131 | 0.165 | −0.189 | 0.131 | 0.149 |
| Less than $50,000 | −0.037 | 0.010 | 0.700 | −0.039 | 0.095 | 0.680 |
| Over $250,000 | −0.220 | 0.112 | 0.050 | −0.212 | 0.112 | 0.059 |

*(continued on next page)*

Table 4 (Continued)

| Variables | Model 1 | | | Model 2 | | |
|---|---|---|---|---|---|---|
| | $\beta$ | Standard error | $p$-value | $\beta$ | Standard error | $p$-value |
| Ethnicity (ref: White) | | | | | | |
| Black | 0.106 | 0.114 | 0.354 | 0.099 | 0.0114 | 0.387 |
| Hispanic | −0.001 | 0.116 | 0.998 | −0.007 | 0.116 | 0.950 |
| Other | 0.034 | 0.114 | 0.764 | 0.028 | 0.114 | 0.807 |
| Home ownership (ref: no) | 0.072 | 0.082 | 0.381 | 0.056 | 0.082 | 0.497 |
| Children under age 18 living at home (ref: no) | 0.009 | 0.088 | 0.923 | −0.001 | 0.088 | 0.996 |
| Constant | 1.266 | 0.163 | <0.001 | 1.315 | 0.164 | <0.001 |
| $R^2$ | 0.182 | | | 0.187 | | |

## 6. Discussion

The first main finding of this study was that no relationship was found between working with a financial advisor and beneficial intentions. Based upon the Financial Planning Client Interaction Theory (Asebedo, 2019), it was hypothesized that respondents who work with an advisor would rely on their advisor's experience and expertise to identify areas of improvement related to their financial situation. These respondents would be better equipped and more motivated, therefore, to have beneficial financial planning intentions over the upcoming 12-month period. Although the direction of the relationship was accurately predicted, the results were not significant. No support, therefore, was found for Hypothesis 1. One possible explanation for these results may be that some respondents who work with a planner or advisor may not be in the habit of forming intentions, but rather, take real time action upon receiving a recommendation from their trusted financial professional. Another possibility may be that respondents who work with planners or advisors may not have had any intentions because the strategies listed had already been addressed.

Based upon The Transtheoretical Model (Prochaska & DiClemente, 1982), it was anticipated that life events would result in a raised conscientiousness that would help respondents move from the pre-contemplation to contemplation stage. Similar to the findings of O'Neill and Xiao (2012), a positive relationship was found between incurring life events and beneficial intentions. Strong support, therefore, is found for Hypothesis 2. This study's primary contribution to the literature, however, is finding that working with a financial advisor moderated the relationship between working with recent life events and beneficial intentions as predicted by Hypothesis 3. These results suggest that one of the primary advantages of working with an advisor is to help individuals make the necessary adjustments to their financial affairs following major life transitions.

Among the control variables, the youngest respondents had more beneficial intentions while the oldest respondents had fewer beneficial intentions. These results suggest that young adults realize the need to plan for their financial futures, while mostly older individuals may have, in large part, already addressed their financial needs. Respondents with higher levels of education had more beneficial intentions, perhaps attributable to higher levels of financial literacy. Respondents out of the workforce and retired had fewer beneficial intentions, indicating less ability and/or need to strive towards positive behaviors. Lastly, respondents with the lowest levels of income had fewer beneficial intentions as did those with the greatest level of investable assets. Respondents with lower income levels may not be in an ideal position to address their long-term financial security while those with the greatest amount of assets may have already addressed the list of intentions provided in the survey instrument.

### *6.1. Limitations*

One of the primary limitations of this study may have been respondent misperceptions of the titles financial planner and financial advisor. The survey instrument only asked whether respondents worked with these professionals but did not provide additional guidance regarding the customary roles and responsibilities of financial planners and financial advisors as compared with stockbrokers or insurance agents. This lack of additional information is important because the literature has documented consumer confusion regarding industry titles (Tharp, 2019). For example, some financial advisors provide investment and asset allocation advice but fall short of providing comprehensive financial planning services. In these particular cases, a respondent who indicated that they work with a financial advisor may not have any more beneficial intentions than a respondent who does not work with a financial advisor. Tharp (2019) recommends industry stakeholders adopt clearer disclosures allowing consumers to make more informed decisions when selecting a financial professional.

A second limitation was that the survey instrument excluded two important life events: retirement and death of a spouse. These omissions were due to the survey's primary interest regarding changes in the respondents' year-over-year tax liability. The transition to retirement presents many challenges, and specific strategies recommended may include increased savings, potential downsizing of the family home, elimination of debt, and a review of health and long-term care insurance policies (O'Neill & Brennan, 1997). Similarly, upon the death of a spouse, recommended actions may include downsizing the family home (West & Worthington, 2018) or increased savings and paying down debt (Rehl et al., 2016). Including the transition to retirement and death of a spouse in the survey instrument may have yielded different results than those reported.

### *6.2. Implications and conclusion*

The primary implication of this study is that individuals who incur recent life events appear motivated to address their long-term financial security. Further, while having an advisor is not related to having beneficial intentions, the combination of having an advisor and incurring multiple life events is related to a greater number of beneficial intentions. Industry stakeholders are encouraged to use these findings to better articulate the advantages of engaging with a financial advisor. For example, the CFP Board of Standards (2021) public outreach initiative, "Let's Make a Plan," discusses at length how a financial planner helps clients achieve short- and long-term financial goals. While goal setting is a critical part of the financial planning process, the results of this study would suggest placing a greater emphasis on life events. The public should be made aware that challenges resulting from life events may be financial (Rowley et al., 2012) but can also result in heightened levels of financial stress (Letkiewicz et al., 2016) and anxiety (Sommer et al., 2020). Messaging that emphasizes an advisors' ability to assess and offer timely recommendations regarding difficult life transitions may offer a more compelling reason for individuals to engage with a financial professional.

Common life events often include family and professional changes. Experiencing a negative financial shock, however, may also constitute a life event (O'Neill & Xiao, 2012). Presently, many clients may need to reevaluate their financial position given the coronavirus (COVID-19) pandemic. While the financial impact of COVID-19 is most pronounced among lower income households, upper- and middle-income households have not been entirely spared (Parker, Menasce-Horowitz, & Brown, 2020). According to their report, the number of upper-income households that are having difficulty paying their bills in the current month compared with a typical month has increased from 7% to 11% and for middle-income households, the number increased from 19% to 26%. Further, 32% of upper-income households reported a job loss or pay reduction due to COVID-19 (42% for middle-income households). The potentially negative impact COVID-19 has had on upper- and middle-income households may offer financial advisors an opportunity to help clients make the necessary mid-course corrections.

While the primary interest of this study was beneficial intentions, there is no guarantee that respondents will actually follow through on their reported plans. To help financial advisors transition their clients from intentions to action, several frameworks have emerged in the literature. Although The Transtheoretical Model of Change (Prochaska & DiClemente, 1982) was used in this study to conceptualize the relationship between life events and beneficial intentions, the theory has also been operationalized to guide advisors in the areas of financial counseling (Kerkmann, 1998) and consumer education programs (Xiao et al., 2004). Another framework that has emerged is 'MINDSPACE' (Vlaev et al., 2015). 'MINDSPACE' consists of nine constructs: messenger, incentives, norms, defaults, salience, priming, affect, commitments, and ego. Each construct provides advisors with practical applications for generating positive interactions and engagement with clients. For example, norms is defined as "we are strongly influenced by what others do." The suggested application is to elicit desired behaviors by explaining to clients the actions of their peer group. Additional research regarding reasons individuals succeed or fail to implement their stated financial planning intentions would offer valuable insights to the financial services profession.

This study contributes to the existing body of research by identifying another benefit of financial advisor engagement—having an advisor during periods of difficult life transitions is related to having a higher number of beneficial intentions. Using this conclusion to articulate the benefits of working with an advisor could offer individuals struggling with challenging life events an additional catalyst to engage with a financial professional.

## Appendix

Survey Instrument (demographic questions are excluded)

1. How familiar are you with the 2017 Tax Cuts and Jobs Act?
   Please respond on a scale of 1 through 5 with 1 equal to "not familiar at all" and 5 equal to "very familiar."

2. Suppose in 2019 your property taxes are $4,000 and your state income taxes are $8,000.What is the maximum deduction you are allowed for these two items?
   a. $12,000
   b. $10,000
   c. $0
   d. Not sure

3. As a result of the 2017 Tax Cuts and Jobs Act, did you adjust your tax withholding (or quarterly payments if self-employed)?
   a. Yes
   b. No

4. Did any of the following life events occur in 2018 that may have had an impact on your taxes? (select as many as apply)
   a. Marriage
   b. Divorce
   c. Had a child
   d. Bought a new home
   e. Child started college
   f. Earned a promotion
   g. Lost a job
   h. Moved
   i. Other
   j. None of these

5. What was your expectation regarding your 2018 federal tax liability (consider amounts withheld during 2018 in addition to any potential liability/refund)?
   a. I would pay much more than 2017
   b. I would pay a little more than 2017
   c. I would pay about the same as 2017
   d. I would pay a little less than 2017
   e. I would pay much less than 2017

6. What was your actual experience regarding your 2018 federal tax liability (consider amounts withheld during 2018 in addition to any actual liability/refund)?
   a. Total taxes paid were much more than expected
   b. Total taxes paid were a little more than expected
   c. Total taxes were what I expected to pay
   d. Total taxes paid were a little less than expected
   e. Total taxes paid were much less than expected

7. If you are receiving a refund, what plans to you have with the money? (select as many as apply)
   a. Spend it
   b. Save it
   c. Invest it
   d. Gift it
   e. Lend it
   f. Not sure
   g. I am not receiving a refund

8. If you owe taxes for 2018, where will the money be drawn from? (select as many as apply)
   a. Checking account
   b. Savings account
   c. Retirement account
   d. Borrow from a financial institution
   e. Borrow from a family member
   f. Not sure
   g. I don’t owe taxes for 2018

9. Do you work with a CPA or tax advisor?
   a. Yes
   b. No

10. Did your CPA or tax advisor help you plan accordingly for the changes brought about in 2018?
   a. Yes
   b. No

11. Do you work with a financial planner or financial advisor?
    a. Yes
    b. No

12. Did your financial planner or financial advisor help you plan accordingly for the changes brought about in 2018?
    a. Yes
    b. No

13. What changes do you plan for 2019 regarding tax and financial planning professionals?
    a. Hire a CPA
    b. Replace my CPA
    c. Hire a financial advisor.
    d. Replace my financial advisor.
    e. None of these

14. What changes do you plan for 2019 regarding tax and financial planning? (select as many as apply)
    a. Change my withholding
    b. Change my quarterly payments
    c. Contribute more to a retirement account
    d. Donate more to a charity
    e. Invest more tax efficiently
    f. Pay down debt
    g. Establish an emergency fund
    h. Reevaluate my insurance policies
    i. None of these

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