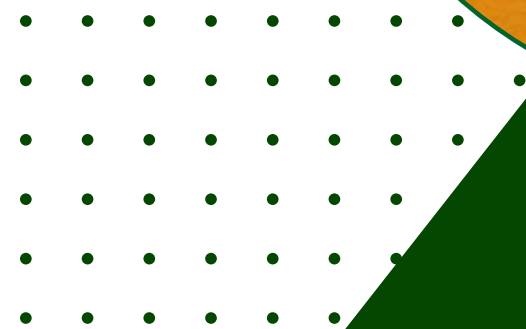


PRACTICING FINANCIAL WELLNESS THROUGH A CULTURAL LENS

Money + Debt Management



RAISETEXAS
BUILDING FINANCIAL SUCCESS





Thank You

SPEAKERS



Melinda Perez, AFC
CNM Certified Financial Coach



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Certified Financial Therapist

Objectives

1

Understand the role of culture and behavioral economics in money & debt management.

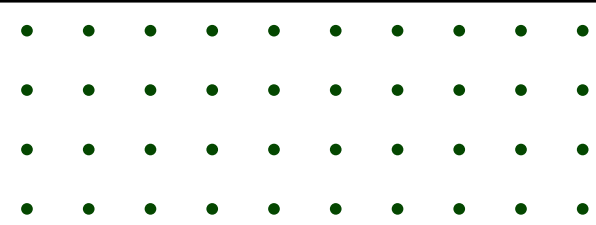
2

Understand the role of financial trauma in money & debt management.

3

Learn about debt management tools.





What has been the biggest influence on your money management style?

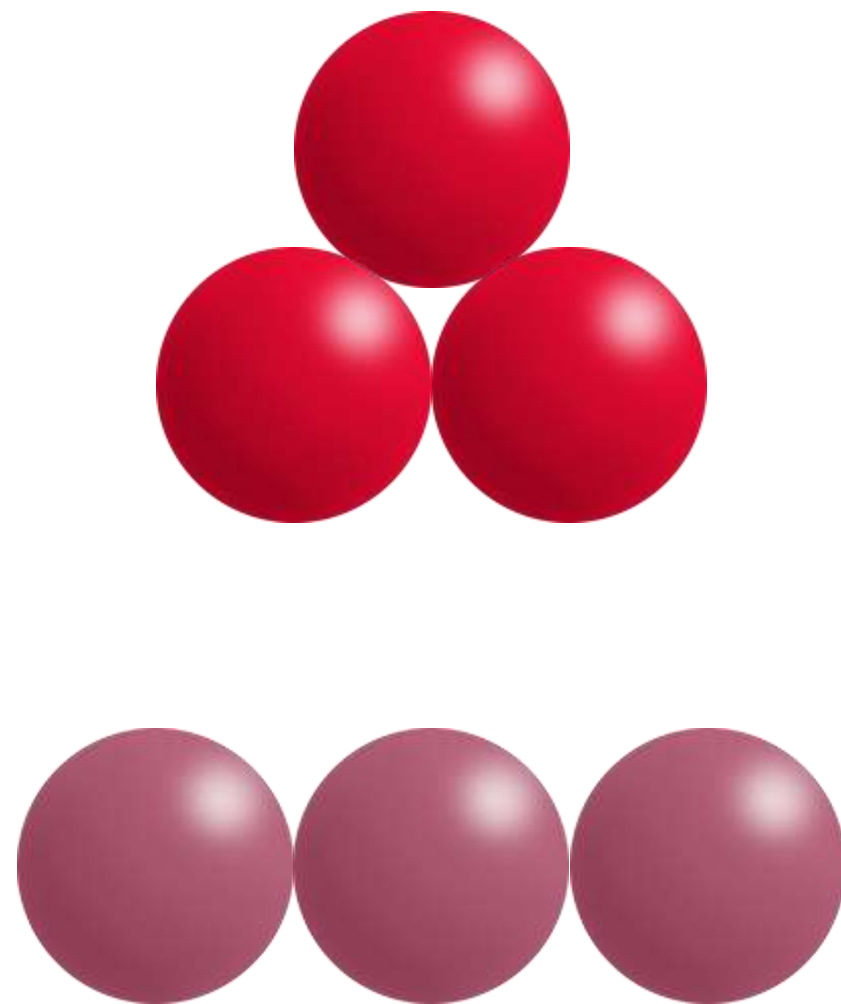


Hofstede's Cultural Dimensions: Culture & Psychology



Hofstede's Cultural Dimensions: Culture & Psychology

Power Distance

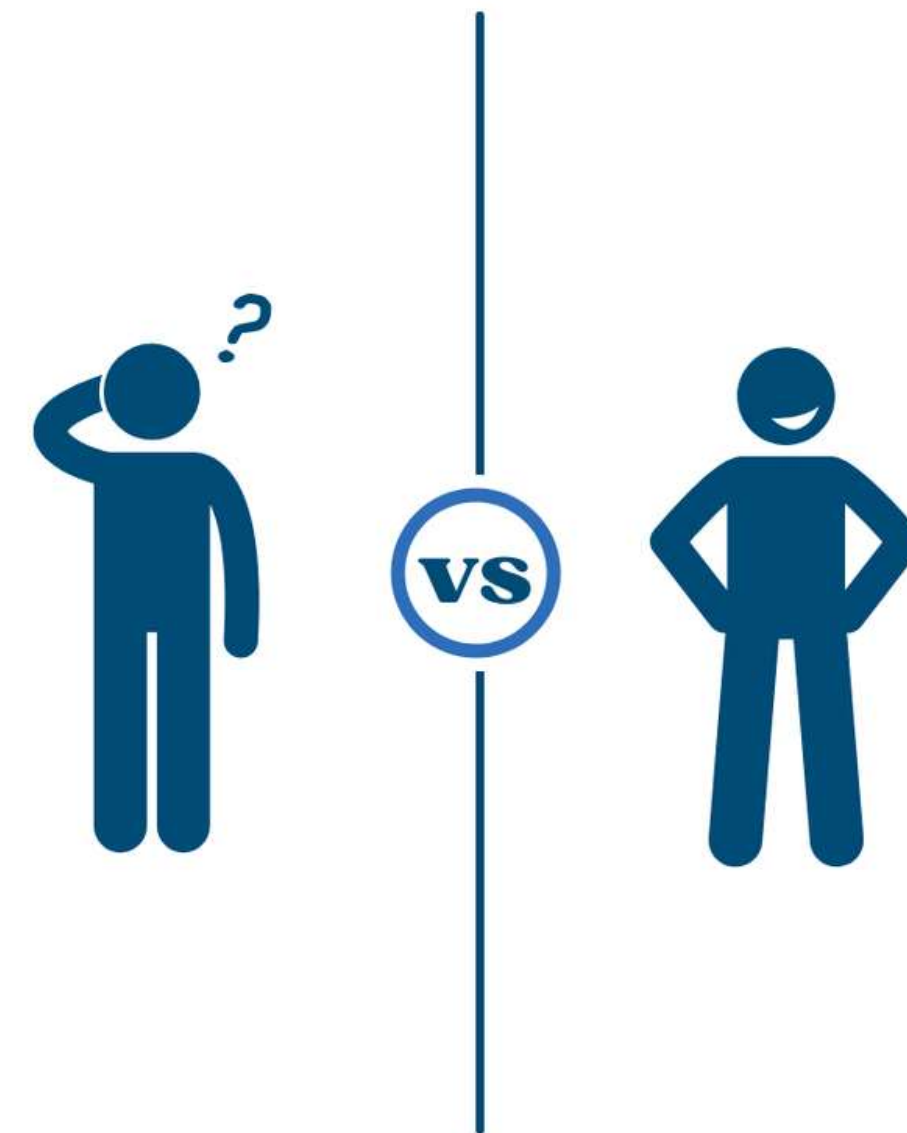


High

VS

Low

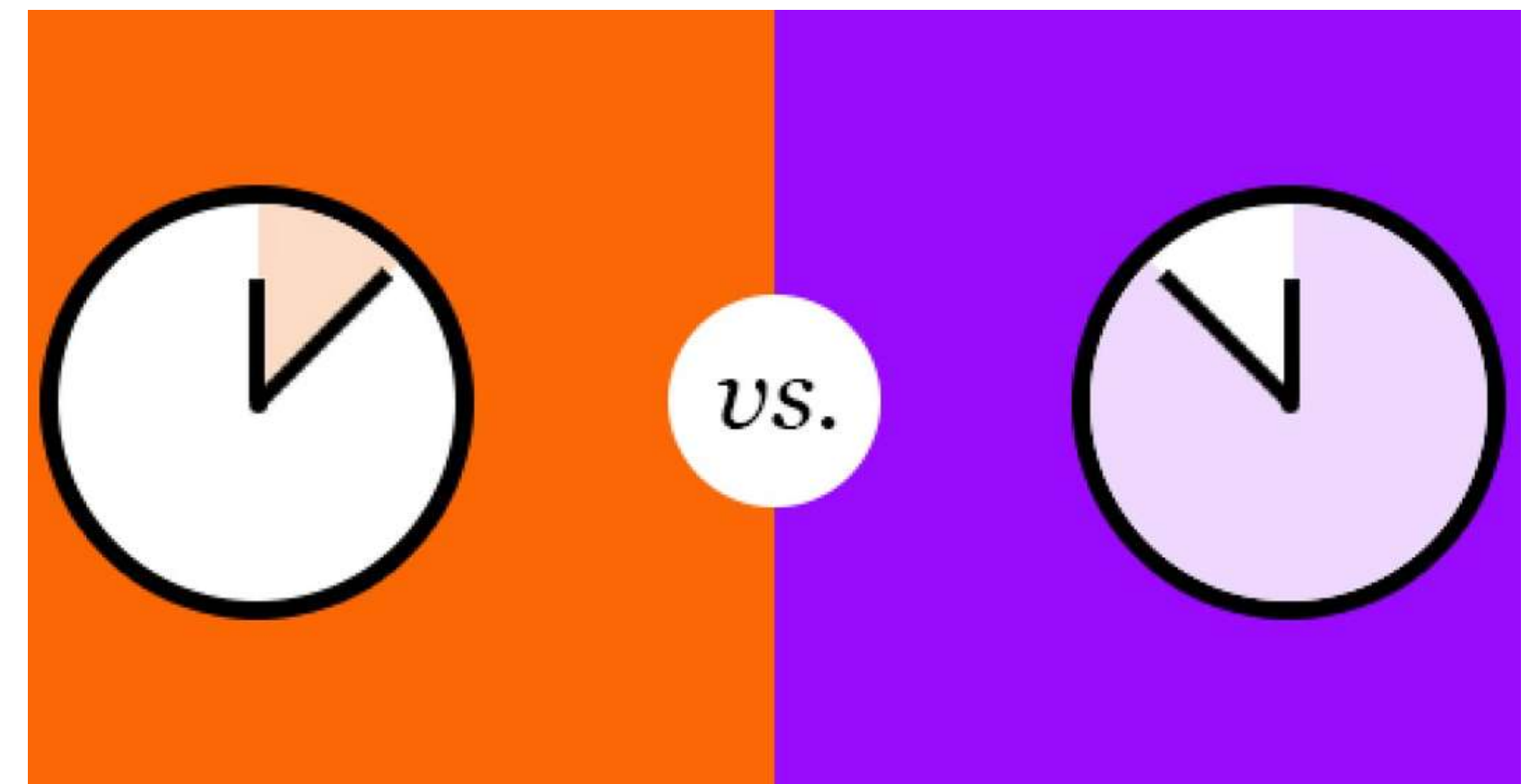
Tolerance of Uncertainty



Hofstede's Cultural Dimensions: Culture & Psychology

Individualism vs. Collectivism

Long vs. Short Orientation



Hofstede's Cultural Dimensions: Culture & Psychology

Motivation for Achievement Indulgence vs. Restraint



vs.



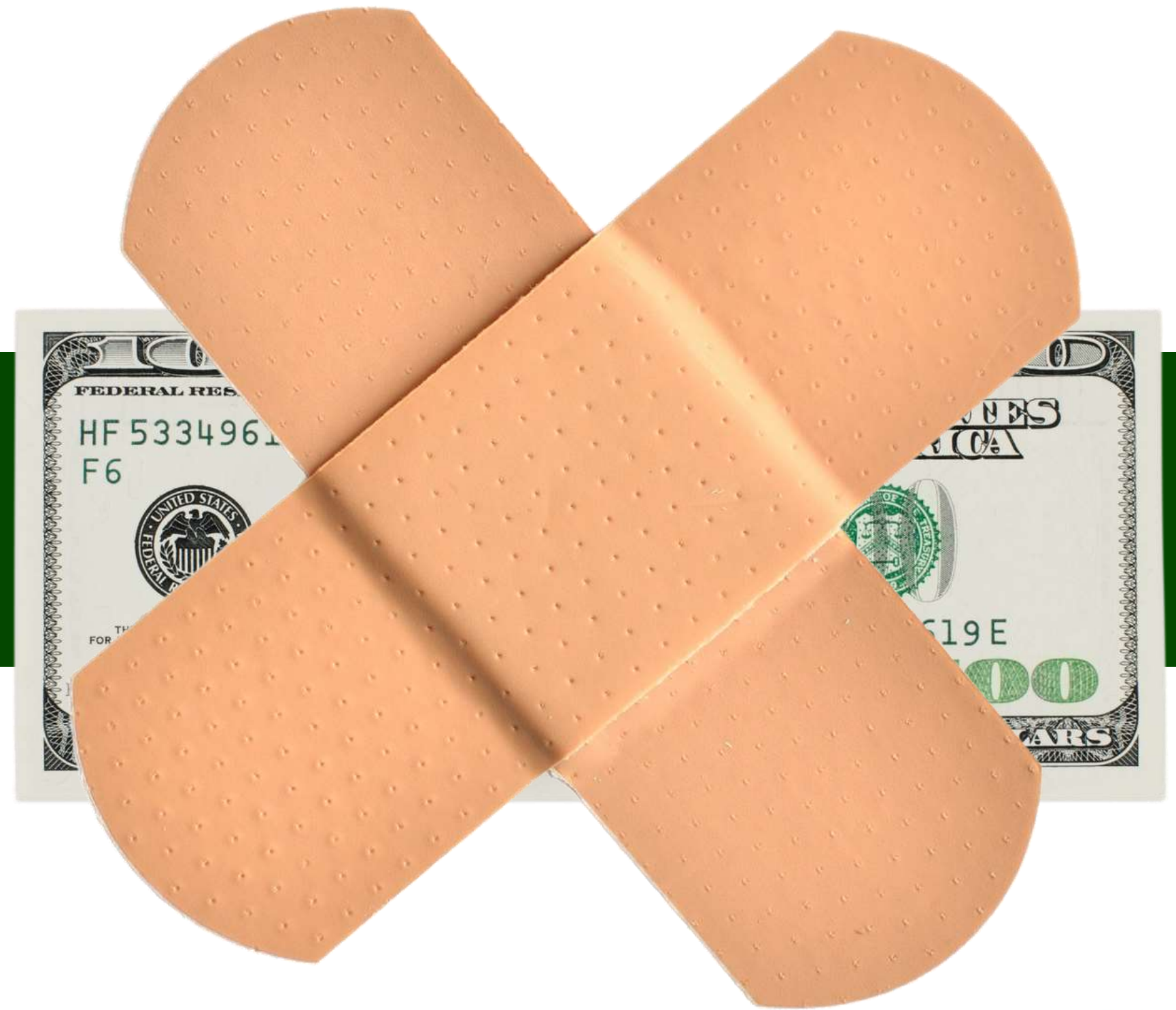
How can we use Hofstede's 6 Cultural Dimensions as financial wellness practitioners?

Personal Values Checklist		
<ul style="list-style-type: none"> ▪ Achievement ▪ Advancement and promotion ▪ Adventure ▪ Arts ▪ Autonomy ▪ Challenge ▪ Change and variety ▪ Community ▪ Compassion ▪ Competence ▪ Competition ▪ Cooperation ▪ Creativity ▪ Decisiveness ▪ Democracy ▪ Economic security ▪ Environmental stewardship ▪ Effectiveness ▪ Efficiency ▪ Ethical living ▪ Excellence ▪ Expertise ▪ Fame ▪ Fast living 	<ul style="list-style-type: none"> ▪ Fast-paced work ▪ Financial gain ▪ Freedom ▪ Friendships ▪ Having a family ▪ Health ▪ Helping other people ▪ Honesty ▪ Independence ▪ Influencing others ▪ Inner harmony ▪ Integrity ▪ Intellectual status ▪ Leadership ▪ Location ▪ Love ▪ Loyalty ▪ Meaningful work ▪ Money ▪ Nature ▪ Openness and honesty ▪ Order (tranquility/stability) ▪ Peace ▪ Personal development/learning 	<ul style="list-style-type: none"> ▪ Pleasure ▪ Power and authority ▪ Privacy ▪ Public service ▪ Recognition ▪ Relationships ▪ Religion ▪ Reputation ▪ Security ▪ Self-respect ▪ Serenity ▪ Sophistication ▪ Spirituality ▪ Stability ▪ Status ▪ Time away from work ▪ Trust ▪ Truth ▪ Volunteering ▪ Wealth ▪ Wisdom ▪ Work quality ▪ Work under pressure ▪ Other: _____

25% of Americans (36% of millennials) reported symptoms of PTSD caused by financial distress.
– New York Times



Financial Trauma



Trauma informs every aspect of the financial advising engagement.

A person's trauma will affect their autonomic nervous system (think fight/flight). This is often triggered by difficult topics that bring up old emotions (sex, in-laws, money). This makes meeting with an advisor inherently threatening.

Trauma informs every aspect of the financial advising engagement.

Advisor's trauma will affect how they engage with certain clients
(remember self-of-the-planner).

Your views on money, couples, family dynamics, politics,
all affect how you engage with your clients.

Trauma informs every aspect of the financial advising engagement.

Social factors outside the individual (racism, gender discrimination, sexual orientation, political divides, pandemics, etc.) all affect how a client experiences their world.

They bring that world into your office.



Some Brain Science!

Our brain's job is to keep us safe and functioning, in that order.

- **Prefrontal cortex**

- In charge of logic and rational decision making and problem-solving
- You want this part in charge when dealing with money!

- **Amygdala**

- In charge of safety and emotional processing.

When overstimulated, it detaches from the prefrontal cortex, making effective problem-solving an impossibility!

- Physical threat = Emotional threat
- Calming the amygdala and engaging the prefrontal cortex is the highest priority for financial advising!



Trauma affects...everything.

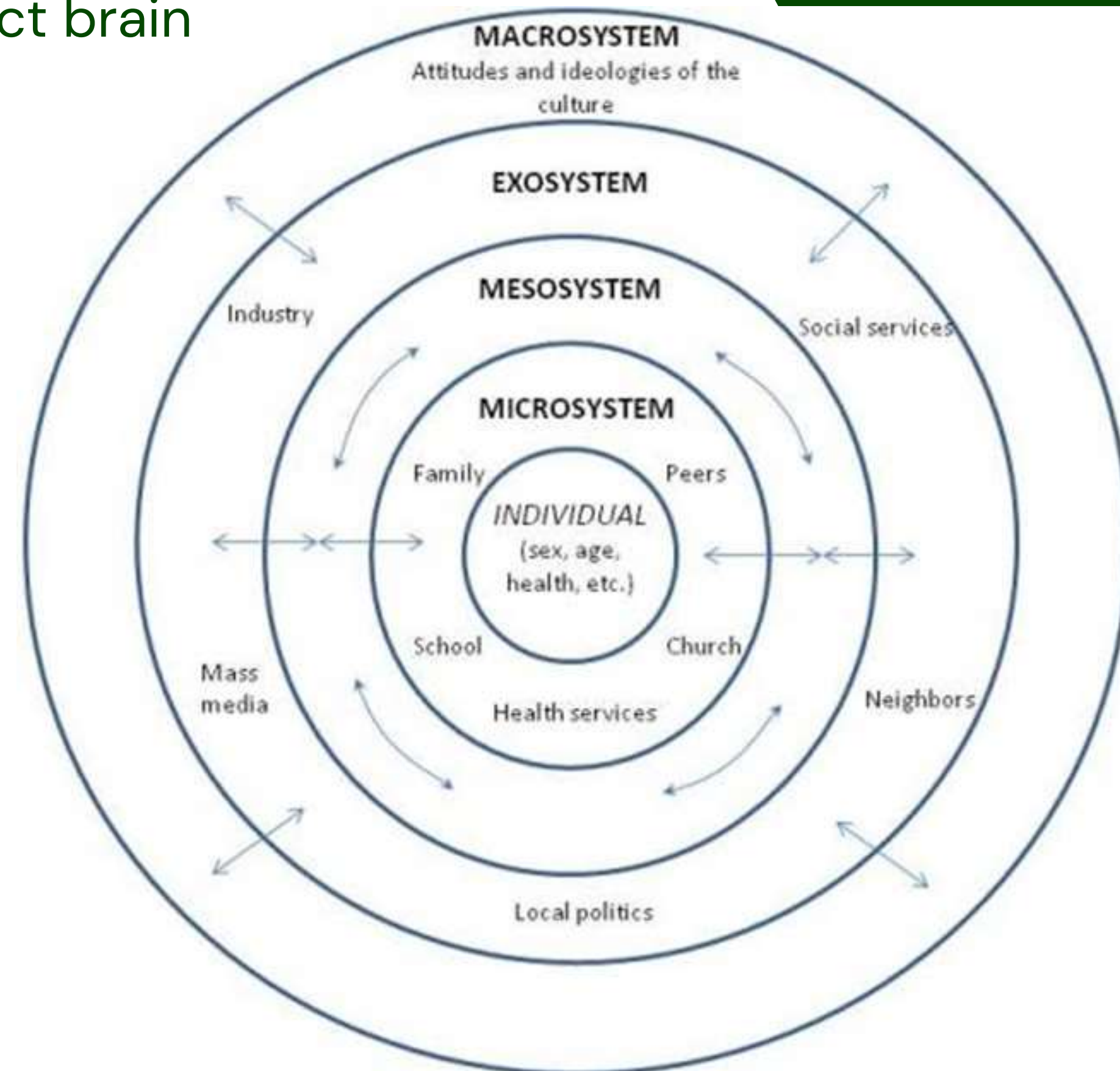
Trauma has been shown to significantly affect brain functioning and override the amygdala.

- Everything is a tiger!

It also affects:

- Relationship satisfaction
- Life satisfaction
- Increased substance use
- Physical health challenges
- Mental health challenges
- Fetal development
- Increased domestic violence
- Increase in crime
- Decreased financial well-being

And more



CLUES YOUR CLIENT IS EXPERIENCING A TRAUMA RESPONSE

- **Replaying memories**

"I can't stop thinking about taking out that debt in college."

- **Anger**

"I can't believe I can't figure this out!! It's not that hard!"

- **Anxiety**

This meeting has definitely caused me some stress this week."

- **Sadness/excessive guilt and shame**

"Why am I so stupid with this stuff? I really screwed up here."

- **Feeling numb/emotionless**

This can look like eyes glazed over, talking about difficult topics in the "super logical", stuttered or slurred speech, etc.

CLUES YOUR CLIENT IS EXPERIENCING A TRAUMA RESPONSE

- **Avoidance**

Refuses to talk about certain topics or changes the subject when you ask questions.

- **Difficulty Trusting People**

Resistance to your suggestions, back-talk, pushback, etc.

- **Feelings of helplessness/hopelessness**

"I just don't know how I'm going to get out of this mess."

- **Panic attacks**

Increased heart rate, hyperventilation, loss of sensory functioning, lightheadedness, etc.

- #1 thing that calms an aroused amygdala is witnessing a calm one from someone you trust.
 - This is why we focused so much on empathy, compassion, and trust building.
- When they go high, you go low.

What Can I Do?



Learn and teach some mental health CPR:

- Deep breathing exercises (draw the box)
- Mindfulness activities (describe what you can see, smell, hear, and touch in the room)
- Have them imagine going back to a calm place in their mind (real or imagined)

What Can I Do?



"Money (insert topic here) can be really scary and hard to deal with for a lot of people. I am here to help things be a little easier as we get a plan together, but lots of my clients have found working with a therapist as a helpful way to take the steps necessary as helpful. Sometimes you need just a little extra boost when things are extra hard."

What Can I Do?



National Alliance on Mental Illness (NAMI)

Call: 1-800-950-NAMI (6264)

Text: "HelpLine" to 62640

Email: helpline@nami.org

Hours: M-F 10 am to 10 pm ET

Substance Abuse & Mental Health
Administration (SAMHSA) 1-800-662-4354

Psychology Today

Dial 9-8-8

Community Mental Health Agencies

What Can I Do?

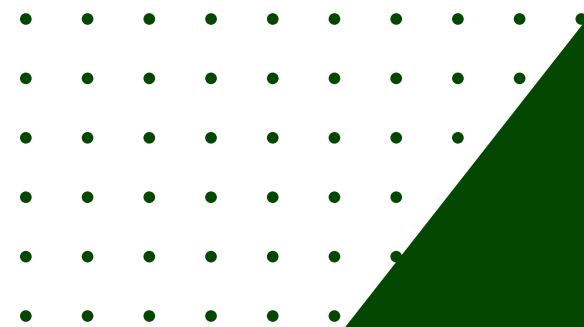


Debt &

Debt Management

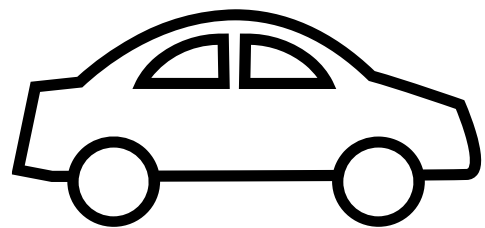


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Average Debt in Low-Moderate Income Households in Texas (Q2, 2022)

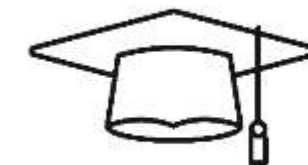
Auto Loans
\$19,114



Credit Cards
\$4,418



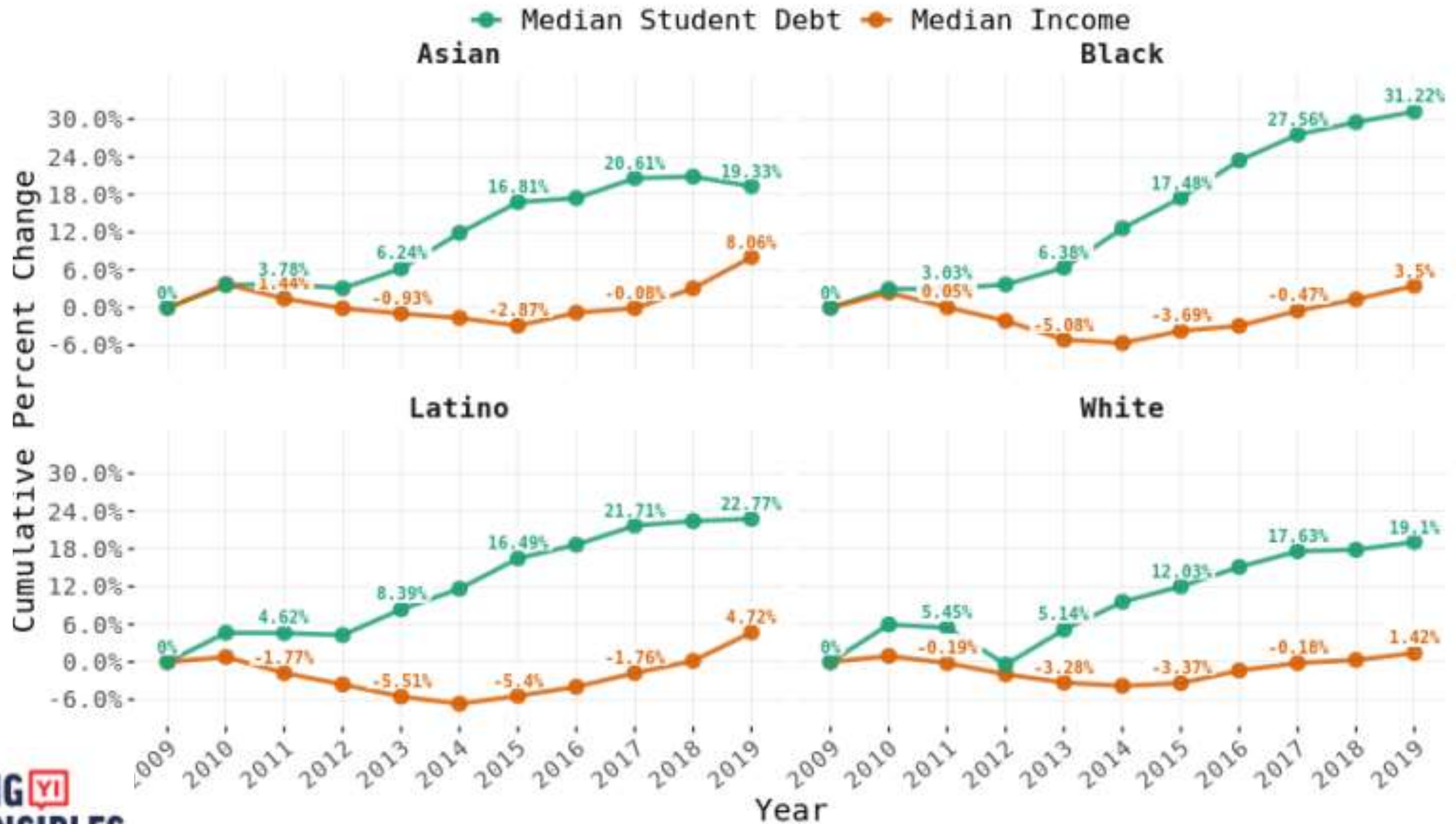
Student
Loans
\$29,319



Student Debt Varies by Student Demographics



Changes in Student Debt and Median Income by Race



Student Debt Crisis: A Racial Justice Issue

Because of the racial wealth divide, students of color:

- Rely more on student debt
- Rely more on riskier forms of student debt
- Experience more difficulty in loan repayment

Coaching Tools & Practices



Goal Setting for Money and Debt Management

S=Specific

M=Measurable

A= Action Oriented

R=Realistic

T=Time-Bound

E= Evaluate

R= Redefine



GOAL-SETTING WORKSHEET

Step 1: Choose your big goal

Do you want to start flossing? Drink 8 glasses of water a day? Have more energy? Feel stronger?

Write down your big goal:

Make it SMART

Specific – make your goal as specific as possible.

Measurable – how will you know when you've reached your goal?

Achievable – it's good to set challenging goals, but make sure you can succeed. Is your goal possible?

Relevant – how is your goal related to what's important to you in life?

Time-bound – when will you reach your goal?

Step 2: List your goal steps

What do you need to do to reach your goal? If you need to get 8 hours of sleep a night, how will you achieve that?

Write down your goal steps:

Step 3: Identify your obstacles

What things could get in the way of your goal steps?

Write down your obstacles:

Step 4: Make an if-then plan

What will you do if these obstacles happen? Set an if-then implementation intention using our handy dandy form.

Write down your if-then plan:

If [obstacle from Step 3 _____] occurs,

then I will [plan to overcome the obstacle _____]

Non-Negotiables in Money & Debt Management

Questions for clients to ask themselves to identify spending priorities:

- What is my philosophy on paying for college for my children?
- How much financial support do I need to provide to other family members?
- How important are schools in considering where I want to live?
- Is tithing or a religious contribution a priority?

Debt Load Assessment Tool

What's your debt load?

Comparing your income to how much you owe on certain types of debt can clarify your path.
Enter your total debt in all categories that apply.

Credit card debt

Medical debt

Personal loans

Payday loans

Tax liens, unpaid judgments

Collections

Total

\$0

Gross annual income (required)

Debt Management Strategies

Snowball: Focus on paying off your smallest balance first. Put any extra money toward that account while continuing to pay the minimums on other balances.

Avalanche: Focus on the debt with the highest interest rate first (while paying minimums on the others), then the next highest rate, etc.

High Credit Utilization: Focus on paying down your credit cards with the highest credit utilization — the highest percentage of the credit limit being used. Credit utilization plays a big role in your credit score, so this strategy may significantly improve your credit score.



Debt Management Strategies

Debt Consolidation

Take your high-interest credit card balances, and roll them into one monthly payment, ideally at a lower interest rate.

Debt Consolidation

Advantages

- Simplify your debt repayment
- Get a fixed monthly payment
- Lower your interest rate
- Repay your debt more quickly
- Improve your credit (maybe)

Disadvantages

- Improve your credit (maybe)
- Not a magic fix
- Might not get a lower interest rate

Third-Party Debt Management Options

When to Use:

- If you can't pay off unsecured debt within 5 years
- If total unsecured debt equals 50% or more of your gross income

Debt management plan

Debt settlement

Bankruptcy

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