

## Refereed Poster: *Personal Finance Resiliency Assessment Quiz*

Barbara O'Neill, Rutgers Cooperative Research and Extension<sup>1</sup>  
Jing J. Xiao, University of Arizona<sup>2</sup>

The words “resilience” and “resiliency” have been used frequently to describe how people react after natural disasters, acts of terrorism, and life events such as death, divorce, and widowhood. Children, families, communities, and the nation as a whole have all been described as being resilient, or having the ability to function well, despite experiencing highly stressful situations (Gorman, 2005). In everyday language, resiliency is the ability to “roll with the punches” and carry on despite life’s challenges and setbacks. Financial resilience is the ability to withstand life events, both negative (e.g., loss of a job) and positive (e.g., birth of a child), that impact one’s income and/or assets. Some financially stressful events, such as increased family size, unemployment, divorce, widowhood, disability, and health problems, affect people individually. Others, such as layoffs, plant closings, corporate scandals (e.g., Enron), recessions, stock market downturns, and acts of terrorism, affect large groups of people or society as a whole.

Previous research studies (Varcoe, 1990; Voydanoff, 1984) explored how individuals and households cope with stressor events, such as unemployment, after they occur. Resiliency research, on the other hand, investigates the ability to cope before something actually occurs. This poster describes an online assessment tool, the *Personal Resiliency Assessment Quiz*, which was developed by Rutgers Cooperative Research and Extension (RCRE) in 2004 to help users assess their personal financial resiliency resources. It is based on commonly cited financial planning recommendations about emergency savings, debt-to-income ratios, and the need for estate planning and insurance (Garman & Fogue, 2006; Schiff, 2005) and research about personal characteristics that enhance one’s resilience (Danes, 1999). A good analogy for financial resilience is the phrase “Always shovel for the next storm.” In other words, clear a path for dealing with one “storm” while also planning ahead in anticipation of others (Meeks, 2004).

The quiz includes 20 questions that ask respondents to describe various coping resources that they have available such as savings for emergencies and future financial goals, insurance policies, community resources, social support, human capital, and personal characteristics (e.g., optimism and organizational skills). It is available online at [www.rce.rutgers.edu/money/resiliency](http://www.rce.rutgers.edu/money/resiliency) and provides respondents with a total score and suggestions for improving their personal resiliency. The data collected are also used for research about the strengths and weaknesses of respondents’ financial resiliency in order to inform financial education efforts.

Data were collected from a convenience sample of 123 online quiz respondents between August 30, 2004 (the date that the quiz was first posted online) and December 28, 2005. Because this sample is small and was self-selected, the results are limited in their generalizability. Nevertheless, the study provides insights into the resources that people have available should a financial crisis occur. Characteristics of the sample are as follows:

- ◆ Male (37.4%) and female (62.6%);
- ◆ Under 25 (4.9%), 25-34 (19.5%), 35-44 (39.8%), 45-54 (23.6%), 55-64 (11.4%), and 65+ (.8%);
- ◆ Some high school or less (.8%), high school graduate (10.6%), some college or trade or vocational training (18.7%), Associate degree (3.2%), Bachelors degree (38.2%), and graduate or professional degree (28.5%);
- ◆ Income less than \$25,000 (7.3%), \$25,000 to \$49,999 (36.6%), \$50,000 to \$74,999 (34.1%), \$75,000 to \$99,999 (10.6%), and \$100,000 or greater (11.4%);
- ◆ White (77.2%), Hispanic (4.9%), African-American (7.3%), Asian (4.1%), Native American (1.6%), and other (4.9%);
- ◆ Single, with no minor children (30.9%), single, with minor children (12.2%), married, no minor children (26.8%), and married, with minor children (30.1%).

The frequencies, percentages, and average scores for the 20 questions on the online *Personal Resiliency Assessment Quiz* are listed in Table 1, below. With the exception of one question about keeping job skills current that included a “not applicable” option for retirees, each of the questions had three possible responses and the data were coded as follows:

- 0 = No
- 1 = Sometimes yes and sometimes no
- 2 = Yes

Thus, the more “yes” answers provided for a question, the higher its average score, indicating that a large number and percentage of respondents identified an item (e.g., at least five close friends or family members) as a resource

for financial resilience in their lives. Lower scores indicate areas of weakness that individuals could develop to improve their resiliency to be better able to cope in the event of a financial crisis.

Table 1  
*Frequencies, Percentages, and Means of Personal Resiliency Resources*

<b>Financial Resiliency Resource</b>	<b>No</b>	<b>Sometimes</b>	<b>Yes</b>	<b>Mean Score</b>
1. Emergency fund of at least three months expenses set aside in a liquid account	45.5%	18.7%	35.8%	0.92
2. Low-interest home equity or other line of credit established	55.3%	5.7%	39.0%	0.80
3. Monthly consumer debt-to-income ratio less than 15%	42.3%	23.6%	34.1%	0.95
4. Long-term disability policy that will replace at least half of pay	45.5%	4.1%	50.4%	0.99
5. Health insurance policy with a high (\$1 million or unlimited) per person limit	20.3%	11.4%	68.3%	1.37
6. Current job skills through formal education, on-the-job training, etc.	11.4%	26.8%	61.8%	1.50
7. Recommended estate planning documents, e.g., a will, living will, durable POA	64.2%	14.6%	21.2%	0.60
8. Spend less than amount earned and make regular deposits into savings	25.2%	33.3%	41.5%	1.19
9. Beneficiary or owner of life insurance policy that protects self or others	28.5%	2.4%	69.1%	1.34
10. Tax-deferred retirement plan where money could be borrowed or withdrawn	19.5%	11.4%	69.1%	1.43
11. At least 5 close friends or family members to call in the event of an emergency	15.4%	12.2%	72.4%	1.59
12. Awareness of government and non-profit agencies in community	22.0%	19.5%	58.5%	1.35
13. Regular physical exams and health screening tests	19.5%	16.3%	64.2%	1.45
14. Ability to easily search for needed information on the Internet or at library	.8%	4.1%	95.1%	1.95
15. Positive (optimistic) personality trait	.8%	24.4%	74.8%	1.75
16. Organized person who can juggle many tasks and has organized household records	8.9%	39.9%	51.2%	1.45
17. Focused person who gets things done after making up mind to do so	.8%	39.0%	60.2%	1.61
18. "In good health" (e.g., nutrition, health, sleep) and no major health problems	3.3%	52.0%	44.7%	1.44
19. Good stress management skills and an ability to handle crises and unexpected events	7.3%	38.2%	54.5%	1.47
20. "Literate" person with good ability to read and write and understand health/finance terms	1.6%	3.3%	95.1%	1.92

Responses to this study reflect respondents' self-assessments, which could differ from an objective analysis performed by an objective third party, such as a financial planner. Nevertheless, some interesting patterns emerge from the data. The most frequently available financial resiliency resources are personal qualities, especially information-seeking skills, and social support and the least frequently available are five commonly-recommended financial practices: preparing estate planning documents, a low-interest home equity line, an emergency fund, a low debt-to-income ratio, and a long-term disability policy. The latter are indicative of serious vulnerability in the financial resiliency of many respondents who may lack adequate fallback funds to pay expenses should "a rainy day" occur.

**References**

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*Endnotes*

<sup>1</sup> Extension Specialist in Financial Resource Management, Rutgers Cooperative Research and Extension, 55 Dudley Road, New Brunswick, New Jersey 08901. tel. 732-932-9155 x250, fax. 732-932-8887, [onneill@aesop.rutgers.edu](mailto:onneill@aesop.rutgers.edu)

<sup>2</sup> Professor, Norton School of Family and Consumer Sciences, University of Arizona, PO Box 210033, Tucson, AZ 85721. tel. 520-621-5948, fax. 520-621-3209, [xiao@email.arizona.edu](mailto:xiao@email.arizona.edu)