THE EDUCATION OF PROSPECTIVE FINANCIAL ADVISORS: A CASE FOR A MULTIDISCIPLINARY CURRICULUM

By
Keith Redhead
Abstract

It is proposed that an academic curriculum for the education of financial advisors should be multidisciplinary. A list of threshold concepts for personal finance is suggested. The threshold concepts are examined to indicate that a professional training program is much narrower than the suggested curriculum. The proposed curriculum is performative despite differing substantially from professional training programmes.
The Need for Foundational Theory

Over the past decade there have been a number of contributions to the definition of the content of an academic discipline of personal finance. These include Altfest; Black et al.; Overton; Schuchardt et al., and Warschauer.¹

Schuchardt et al., who included ‘Interdisciplinary Profession’ in the title of their article, stated:

‘Consensus on defining the interdisciplinary profession of personal finance is important to all members.’ (Page 68)

This latter quote highlights the absence of a generally accepted definition of personal finance. There is not even unanimity about its title. Schuchardt et al. devoted considerable attention to the title and chose “Personal Finance”. Other authors covered by this review have used ‘Financial Planning’ or ‘Personal Financial Planning’.

The five articles mentioned above suggested definitions of personal finance. They have also indicated topic content of a curriculum for the academic study of personal finance. In each case the article pointed out that a defined body of theory was required if personal finance was to attain academic respectability. Correspondingly it was suggested that the attainment of recognition as a profession at the qualification level of law and accountancy required the establishment of a research and theory based body of knowledge.
Black et al. referred to personal finance as personal financial planning and abbreviated it to PFP. To quote from page 2:

‘...the PFP field has evolved largely devoid of a theoretical foundation......the continuing omission of conceptual underpinnings is hindering the development of PFP as a distinct profession.’

‘Few disciplines achieve recognition and respect without a strong theory base, particularly within higher education. We believe that PFP will prove no exception. Thus, unless PFP can articulate a conceptually sound basis on which to build, its study will remain largely outside mainstream academia. The consequences of this exclusion cannot be forecast with precision, but they would seem to be negative. We know of no respected profession without academic underpinnings and recognized academic standing.’

Warschauer made complementary points:

‘It is clear that universities can have a significant role to play in the development of the financial planning profession; in creating decision models through research; in disseminating that research in a way that is meaningful to practitioners; in helping the profession define the domain of the field and evaluating it from a cognitive level; and, to provide educated, and client-dedicated planners to provide competent advice to their clients.’ (Page 213)

‘It is the intent of this article to demonstrate that financial planning has become a legitimate profession, but that its content and decision processes are in the early stages of theoretical development.’ (Page 214)
Altfest also emphasized the need for a theory of personal finance:

‘A theory of PFP would validate the individuality of its characteristics, lead to further academic research, and enhance the stature of the profession. It would result in such things as broadening academic finance, now almost exclusively focused on financial assets, providing further linkage of the parts of the financial plan for financial practitioners, and helping the public better understand why personal financial planning is performed.’ (Page 58)

The sources surveyed tended to agree that the theory base should be multidisciplinary or interdisciplinary (none disagreed). For example Overton stated:

‘Furthermore, the theoretical body of knowledge of financial planning represents the integration into a comprehensive whole of a variety of theories from multiple disciplines.’ (Page 35)

**Possible Subject Content**

The most limited article, in terms of suggested subject content, was Black et al. The suggestion was that modern portfolio theory (mean-variance diversification) was the foundational theory of personal finance. This is a theory of portfolio construction taken from finance theory. The suggestion was that a version amended to incorporate all assets, not just financial assets, would provide a theoretical basis for personal finance.
Warschauer suggested the use of household accounting ratios, particularly ratios involving debt, as a theoretical basis. This was presented as an example of possible theoretical bases rather than as the single dominant theoretical basis.

Altfest provided a broader range of theories from which personal finance could draw. As with Black et al. ‘modern portfolio theory’ was suggested. The capital asset pricing model (CAPM) was suggested. CAPM is a model of asset allocation and is a central theory of finance. Another pillar of finance theory, the efficient markets hypothesis (EMH), was also suggested. One form of the EMH proposes that people behave rationally and that market prices of assets accurately reflect all relevant information. Altfest also saw economics as providing foundational theories for personal finance. Becker’s ‘new home economics’, wherein time spent working within the family is allocated monetary value, was seen as foundational as was the life cycle hypothesis (and by extension the permanent income hypothesis). Life cycle theory sees spending as being determined by expected lifetime average income rather than by current income. Altfest introduced psychology in the form of behavioral finance, but provided little detail beyond pointing out that behavioral factors can prevent the portfolio construction recommended by ‘modern portfolio theory’.

Schuchardt et al. suggested a number of theories relevant to personal finance, although without much detail about their content or application. Two were from economics. Life cycle theory as mentioned by Altfest was one. The other economic theory was utility maximization, which is a mainstay of microeconomics. Behavioral finance was also mentioned. The other suggested theories were from psychology and
sociology: the human ecological model, the theory of planned behavior, and the transtheoretical model of change.

Overton provided the most substantial set of theories that could be regarded as foundational to personal finance. Some were covered by the previous authors (in fact she made reference to Altfest and to Black et al.) but others had not been mentioned by the other authors. From economics she took ‘new home economics’, life cycle theory, and theories relating to financial institutions and monetary policy. From finance she took ‘modern portfolio theory’, the capital asset pricing model, the efficient markets hypothesis, the time value of money, types of financial risk, investment analysis, and time diversification. From management theory she took the concepts of strategic planning and strategic management, and gave them a central role as models of the financial planning process. From accounting she took the use of personal financial statements. Insurance concepts such as the law of large numbers were included. Investment mathematics was considered in the form of Monte Carlo simulation. Behavioral finance received a mention, as did communication and counseling.

A book on the history of financial planning which devoted a chapter to academic theories that had influenced financial planners mentioned ‘modern portfolio theory’, asset allocation, Monte Carlo simulation, and behavioral finance.² It also discussed life planning and interior finance, which entail the advice and planning process going beyond finance and being applied to other aspects of the client’s life.
It might be noted that some foundational theories were proposed by two or more authors. These were ‘modern portfolio theory’, the capital asset pricing model, the efficient markets hypothesis, ‘new home economics’, life cycle theory, behavioral finance, and Monte Carlo simulation.

**Definitions of Personal Finance**

Emphasis on different underlying theories is accompanied by differing definitions of personal finance.

Warschauer offered the following definition of financial planning:

‘Financial Planning is the process that takes into account client’s personality, financial status and the socio-economic and legal environments and leads to the adoption of strategies and use of financial tools that are expected to aid in achieving the client’s financial goals.’ (Page 204)

Schuchardt et al. suggested:

‘Personal Finance was viewed as an application of the principles of finance, resource management, consumer education, and the sociology and psychology of decision making to the study of the ways that individuals, families, and households acquire, develop, and allocate monetary resources to meet their current and future financial needs.’ (Page 67)

According to Overton:

‘...financial planning is the value and goals driven application of strategic management to the client’s financial and economic resources, and that the financial
planning process is an adaptation of the strategic planning process to the client’s financial and economic goals. Furthermore, the theoretical body of knowledge of financial planning represents the integration into a comprehensive whole of a variety of theories from multiple disciplines.’ (Page 35)

A common feature of the definitions is that personal finance (alias financial planning) is seen as a multidisciplinary or interdisciplinary subject. The processes of personal financial management are influenced by not only financial circumstances and opportunities but also the social environment, together with the personalities and attitudes of the people concerned. Personal financial management entails interaction between client and advisor.

Processes Underlying the Relationship between Client and Advisor

Financial planning, when facilitated by a financial advisor, can be seen as a six-step process; as presented in table 1 (this six-step process has been accepted by the International Organization for Standardization).

<table>
<thead>
<tr>
<th>Table 1 – The process of personal financial planning</th>
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<tr>
<td>1. Establish and define the client-planner relationship.</td>
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<td>2. Gather client data, including goals.</td>
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<td>3. Analyze and evaluate client financial status.</td>
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<td>4. Develop and present financial planning recommendations and/or alternatives.</td>
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<td>5. Implement the financial planning recommendations.</td>
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<td>6. Monitor the financial planning recommendations.</td>
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The goals of a client might be seen in specific terms; for example achievement of a particular level of retirement income or a specific level of payment to dependents in the event of death. Alternatively the more general goal of financial satisfaction could be pursued. Financial satisfaction refers to clients’ contentment with their financial circumstances. Aspects that contribute to financial satisfaction include levels of wealth and debt, the ability to meet regular financial commitments, preparedness for emergencies, preparedness for future needs, financial stress (financial difficulties), financial management skills, and financial behavior (such as regular saving).

Financial satisfaction is a dimension of general well-being.

The financial advisor is simultaneously performing broader social roles. One such role is the encouragement of saving; particularly saving for retirement. Also advisors would steer clients towards productive forms of financial investment; such as balanced portfolios in preference to bank deposits.

It might be expected that use of the ‘Backward Design Method’ of curriculum development based on table 1 would result in a curriculum for the education of financial planners that draws on behavioral disciplines, particularly psychology. Backward curriculum design starts with the desired results, such as desired learning outcomes from the education of financial planners. The six steps of table 1 might be seen as indicating such required learning outcomes. Working backwards from those desired learning outcomes should lead to a curriculum that provides the concepts that are essential to achieving those learning outcomes. It is hard to imagine that a set of
learning outcomes that focus on the advisor’s interaction with a client would lead to a curriculum that excludes behavioral and relationship concepts. However professional training programs exclude most of the behavioral and relationship dimensions.

In addition the implied curriculum would encompass the soft skills required for communication and counseling; professional qualification programs exclude the soft skills.

It is suggested here that the curriculum should include behavioral and relationship dimensions. It is suggested that attention to the psychology of clients should be included in the education and training of financial advisors. This could take the form of using behavioral finance to gain insights into how clients might perceive financial products and services.

Incorporation of behavioral dimensions into the education and training of financial advisors would help to develop a subjectivist dimension to their analyses of client financial problems. Existing professional training programs focus on objectivist factors such as portfolio management and regulatory issues. There is a need to incorporate a subjectivist, client focused, dimension. This is not to say that the objectivist dimension is unnecessary; on the contrary it is vitally important. However the objectivist dimension needs to be accompanied by a subjectivist dimension.
Factors (themes) bearing on personal financial management

It is proposed here that an individual retail client’s personal financial management is the central theme of personal financial planning. Five factors bear upon personal financial management:

1. The personality, environment, and thought processes of the individual retail client.
2. The relationship between the client and an advisor.
4. Institutional investments such as mutual funds and pension funds.
5. Non-institutional instruments such as deposits, stocks, bonds, real estate, government-funded benefits, and human capital.

The interaction of the six factors (themes) within the process of personal financial management can be illustrated by a flow chart. The flow chart is shown as figure 1.

Figure 1 - Factors Influencing Personal Financial Management
Each of these factors (themes) can be researched, and taught, at an academic level using insights from a number of academic disciplines.

Factor 1 (the personality, environment, and thought processes of the individual retail client) would entail the student learning the principles of behavioral finance, as indicated in appendix 1, and factor 2 (the relationship between the client and an advisor) would involve interpersonal skills, as indicated in appendix 2.

**The Purpose of Personal Financial Advice**

The purpose of personal financial advice might be seen as the provision of information and recommendations without any attempt to influence the decision of the client. If that purpose were accepted there would be little point in providing a subjectivist dimension to the education of financial advisors. The advisor would not need to have knowledge of the psychological, social, and relationship dimensions to the decision-making process.

If the purpose of personal financial advice includes influencing the decision-making of the client, the subjectivist dimension becomes important. The question may be raised as to whether the advisor should influence the decisions of the client. Thaler and Sunstein (2003) argued that it is impossible not to influence the decisions. The way in which information and recommendations are presented will influence the decision to be made. An analogy can be drawn with supermarkets. The way in which goods are arranged on the shelves, such as height and order, can influence the
decisions made by customers. That influence cannot be avoided since the goods on
the shelves have to be arranged in some way. The advisor has to present information
and recommendations in some way (order, pace, level of detail, oral or written,
relative amounts of time given to different aspects, etc). Whatever way they are
presented will affect the decisions of the client. If influence is unavoidable, why not
present the information and recommendations in such a way as to influence the
clients’ decisions in a particular direction?

If the influence is constructed so as to encourage clients to make decisions that are in
their best interests, the process is known as libertarian paternalism. It is libertarian
since the client makes the decision; it is paternalistic in that the advice nudges the
client towards acting in the client’s own best interests. It is in the realm of influencing
the decision-making of the client that the psychological and relationship aspects of
personal financial advice become important. It is for this aspect of the financial
planning process that prospective advisors need education in the subjectivist
dimensions of personal financial advice. The desirability of libertarian paternalism is
reinforced by the observation (much reported in the behavioral finance literature) that
people have systematic tendencies to make decisions that are not in their own best
interests, and hence need to be nudged in the right direction (a particularly obvious
example of this was the finding that many employees failed to join a pension scheme
even when the employer was paying the entire contributions).

The question arises as to whether the financial advisor is a good judge of what is in
the best interests of a client. The advisor probably has a better understanding (than the
client) of the significance of the client’s financial circumstances, and education in the
subjectivist dimensions of financial advice could lead the advisor to an enhanced understanding of the needs and values of the client. The recommendations should depend on both the objective and subjective circumstances of the client. The bias, on the part of clients, for the default option suggests that many want someone else to decide what is best for them. Some people choose not to choose; they want someone else to choose for them. Provision of a plan in such cases is the libertarian approach since it allows clients to exercise the right to delegate the decision to the advisor. If people recognize a self-control problem within themselves, they may be happy to pass the decision making to a trusted agent. An example would be the driver who gives a barman the car keys such that the barman refuses to hand them back if the driver gets drunk.

In ascertaining the ‘best’ interests of a client the advisor could take a number of alternative approaches. One approach is to suggest what the majority of similar people would do given the objective and subjective circumstances, but that assumes that the majority would act in their best interests. Another approach is to compel people to make their preferences explicit. However it is possible that their choices are not rational and well-informed. Besides, compelling people to decide (when they may not want too), is not libertarian. Another approach is to produce a plan that is judged to minimize the likelihood of withdrawal. If someone is reluctant to explicitly reveal preferences, that person would implicitly reveal the preferences by the choice of whether to continue to adhere to the plan. Another approach that the advisor may take is to balance the costs and benefits of alternative plans in the light of the client’s objective and subjective circumstances.
**Threshold Concepts**

Threshold concepts are ideas that transform a person’s thinking. When a threshold concept is successfully communicated to someone, that person acquires a new way of understanding, interpreting, or viewing something. Threshold concepts are transformative, in that they occasion significant shifts in the perception of a subject. They are also likely to be integrative, in that they expose relationships between subjects. Acquisition of a threshold concept gives the person a new way of interpreting events and situations. Arguably, education should aim to communicate threshold concepts.

Every profession has its threshold concepts that are essential for students to learn and practitioners to understand. Understanding the threshold concepts is necessary if someone wants to be able to think like a professional. There is a distinction between learning engineering and thinking like an engineer, or learning economics and thinking like an economist. When a person is able to think like an engineer or think like an economist, then that person is capable of being an engineer or an economist. A student first learns about personal financial planning, then develops the ability to think like a financial planner, and then can become an effective personal financial planner. Threshold concepts are more than just learning; they transform a person’s way of thinking. It is not necessarily easy to identify the threshold concepts of a profession. The identification of a set of threshold concepts may require the establishment of a consensus opinion, for example by means of questionnaire-based surveys. Such a consensus opinion is not yet available for personal finance.
People can be resistant to changing the way they think, and can therefore be resistant to threshold concepts. Threshold concepts change the way a person looks at matters, and thinks about those matters. This can be disconcerting, particularly if it leads to the person questioning previous practice or is inconsistent with strongly held beliefs. For these reasons people who have earned a living from financial advice for many years may be reluctant to engage with new threshold concepts. Confirmation bias causes people to be unwilling to accept new ideas if those ideas conflict with existing opinions; there would be a tendency to seek reasons for rejecting the new ideas. Assimilation bias could lead to misinterpretation of new ideas (to make them consistent with existing views), and a resulting failure to understand them.

Resistance to a threshold concept may be stronger if the student has to work hard to understand it. People tend to believe what they can understand, and to dismiss what they cannot understand. There is evidence that people give more credence to believable conclusions from illogical reasoning than to unbelievable conclusions based on logical reasoning. In consequence prior beliefs can dominate reason when evaluating alternative ideas.

A new idea that conflicts with existing opinions, or practice, can cause cognitive dissonance. Cognitive dissonance is mental discomfort, which could be reduced by rejecting the new idea. If an idea is challenging for the intellectual capacity of a person cognitive dissonance could again arise. People tend to have a high opinion of their intellectual capacity and if failure to understand an idea contradicts that high opinion the result may be a rejection of the idea. Dismissal of the idea would reduce
cognitive dissonance. For such reasons threshold concepts are often regarded as troublesome knowledge.

An attempt is made here to identify the most important threshold concepts for financial advisors, grouped according to factor. The list of threshold concepts inevitably reflects personal opinion. The list is:

**Factor 1.** (The personality, environment, and thought processes of the client.)

1. Selectivity, interpretation and closure in the process of perception.
4. Social influences on thinking and behavior.
5. The influence of mood and emotion on financial decisions.

**Factor 2.** (The relationship between the client and an advisor.)

6. Framing effects.
7. Conflicts of interest and motivated reasoning.
8. Ethics.
9. Transtheoretical model of change.
10. Theory of planned behavior.

**Factor 3.** (Principles of retail portfolio construction)

11. Life cycle analysis.
12. Monte Carlo simulation.
13. Mean-variance diversification (‘modern portfolio theory’).

15. Time diversification and asset allocation.

16. The efficient market hypothesis.

17. Types of financial risk.

18. The measurement of risk.

19. Probability theory.


22. Annual taxation versus deferred taxation.

23. Pound cost averaging versus lump sum investing.

**Factor 4.** (Institutional investments)

24. Stock indices and index funds.

25. Agency problems and asymmetric information.


27. Rationale of regulation.

28. Limits of regulation.

**Factor 5.** (Non-institutional instruments such as deposits, stocks, bonds, real estate, human capital, mortgages, and taxation-funded entitlements.)

29. Real versus nominal interest rates.


31. The mortgage and endowment equations.

32. Pricing assets by discounting expected cash flows.
33. Pricing assets by demand and supply.
34. Human capital.

It might be noted that some threshold concepts could be present in more than one factor (e.g. concept 13 in factor 4, and concept 19 in factor 2).

**Threshold Concepts and Professional Training**

If it were accepted that the list of threshold concepts is approximately correct (from the perspective of the education of personal financial advisors) the question would arise as to whether current professional training programs provide those threshold concepts. The specific comparison here will be with the certificate and diploma programs of the Chartered Insurance Institute, which is arguably the dominant professional body for financial advisors in the United Kingdom.

From an examination of the documents ‘Certificate qualifications for the financial services sector’, ‘Diploma/Advanced Diploma qualifications for the advice sector’ and the syllabus for ‘Investment principles, markets and environment’, which are all published by the Chartered Insurance Institute, the threshold concepts from the list above that appear to be covered are:

8. Ethics.

13. Mean-variance diversification (‘modern portfolio theory’).


15. Time diversification and asset allocation.

16. The efficient market hypothesis.
17. Types of financial risk.
18. The measurement of risk.
22. Annual taxation versus deferred taxation.
24. Stock indices and index funds.
27. Rationale of regulation.
28. Limits of regulation.
30. Present value calculations, projections of future value, and average compound 
rates of return.

With the exception of ethics, all of the threshold concepts covered are within the 
factors ‘Principles of retail portfolio construction’, ‘Institutional investments’ and 
‘Non-institutional instruments’. The training program appears to ignore most of the 
threshold concepts from the other factors, and even the other threshold concepts from 
the factors ‘Principles of retail portfolio construction’, ‘Institutional investments’ and 
‘Non-institutional instruments’. In particular the Chartered Insurance Institute 
professional training program omits most of the threshold concepts relating to the 
psychological, social, and relationship dimensions (ethics being the only inclusion).

The existence of similar gaps in financial advisor training in the US is suggested by 
Van Zutphen. To quote: 
‘...certification and licensing require the planner to pass exams on the rules, 
regulations, and technical aspects necessary to conduct business. Thus, practicing 
financial planners have achieved and demonstrated a base level of technical expertise. 
But there’s a gap in our training and testing: it’s in social and emotional intelligence,
understanding human motivations, emotions, and the development of interpersonal communication skills.’

Van Zutphen suggested that an absence of good interpersonal skills would adversely affect a client’s compliance with recommendations. It was pointed out that, in the US, medical professionals are required to pass an examination relating to the establishment of rapport with patients on the grounds that good interpersonal communication results in greater patient compliance with the doctor’s recommendations. In addition, clients of financial advisors frequently need help with the clarification of their goals and objectives.

The Financial Planning Association in the United States listed basic subject fields covered in the financial planning process, as designated by the three main US financial planning credentialing bodies for their courses and examinations. The coverage was similar to that of the UK’s Chartered Insurance Institute except that financial statement analysis was included in the coverage required by the CFP Board of Standards. This additional item is within factor 3: ‘Principles of retail portfolio construction’. As in the UK, the required training omits most of the psychological, social, and relationship dimensions (factors 1 and 2).

Johnson and Grayson concluded that investors’ trust in their financial advisors was influenced by both cognitive and affective factors. Cognitive trust is based on perceptions of technical competence and reliability of service whereas affective trust is based upon care, concern and familiarity. The client wants the advisor to be
competent and efficient technically but also to be concerned about the client as a person; to have the client’s best interests at heart.

Bejou, Ennew and Palmer suggested that developing satisfactory customer relationships can help to reduce the client’s perceived risk. From the perspective of the client the determinants of a satisfactory relationship include customer orientation, trust and technical expertise. Customer orientation contrasts with sales orientation. A customer-orientated advisor focuses on the needs of the client rather than focussing on selling financial products to the client.

**Comparisons and Possible Reactions**

In the process of personal financial planning, as shown in table 1, the fact find (gather client data, including goals) should include finding out how the client perceives and thinks about personal finance (and products and strategies) and what meaning the client attaches to them. Knowledge of behavioral finance (on the part of the advisor) would help in this subjectivist dimension to the fact find. A financial advisor with knowledge of behavioral finance should be more successful in the subjectivist fact find. The curriculum should include relationship dimensions such as interviewing techniques. The advisor gains information by interviewing the client. Training in interviewing techniques should enhance the effectiveness of the fact find, particularly in relation to how the client perceives and thinks about personal finance, financial products, and financial strategies.

There are reasons to suppose that many financial advisors would welcome the behavioral dimension to training. A survey on trends in the financial planning
industry in the United States found that financial planning professionals rated ‘People/Communication Skills’ as the most important contributor to planner success.\textsuperscript{21} This is consistent with a Merrill Lynch study, which reported that 42\% of clients stated that the most important factor giving them confidence in their financial plan was their relationship with their advisor.\textsuperscript{22} It is also supported by a study under the auspices of Advisor Impact that found that the most engaged clients (those most likely to recommend their advisors and thereby provide referrals) were distinguished by strong personal relationships with their advisors.\textsuperscript{23} (These findings further reinforce the case for a behavioral and relationship dimension to the education and training of financial advisors.)

The reaction of financial advisors depends upon their perceptions of the benefits as well as the costs. In the legal profession the introduction of relationship courses (referred to as humanizing legal education) has met with positive responses.\textsuperscript{24} The benefits have been seen as going beyond the improvement of interaction with clients, to improving relationships with colleagues and leading lawyers to be happier in their work.\textsuperscript{25} If there were similar benefits to financial advisors, there should be little negative reaction.

To the extent that the use of knowledge of behavioral finance on the part of financial advisors leads to increased levels of saving for retirement, the central government might be expected to be supportive of such a development. There are reasons for supposing that the use of behavioral concepts could enhance rates of saving for retirement.\textsuperscript{26} It is to be expected that regulators would be supportive of a program that educates financial advisors in behavioral finance if such a program were to enhance
trust in financial services; there is evidence that indicates that behavioral finance provides insights into the determinants of the level of client trust in financial services and products.\textsuperscript{27}

On a negative note there could be concern that advisors, equipped with knowledge of behavioral factors, might use that knowledge to their own advantage rather than for the benefit of clients. The psychological processes involved in conflicts of interest can occur without any conscious intention to indulge in corruption.\textsuperscript{28} Montier has referred to the notion that people are able to exclude self-interest in decision-making as the illusion of objectivity.\textsuperscript{29}

**A Possible Course Structure**

**Year 3**

| Internship or Dissertation | Personal Financial Management | Principles of Retail Investment Management 2 |

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<td>Personality, Environment, and Thought Processes 2</td>
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<td>Personality, Environment, and Thought Processes 1</td>
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The modules ‘Advisor-Client Interaction’ and ‘Personal Financial Management’ should have a substantial experiential dimension. This could take the form of role-play plus visits to relevant firms. Financial planning practitioners could have an important role in providing experiential input. A strong experiential element would make an important contribution to the performative nature of the degree program. The performativity would be reinforced by extensive use of case studies throughout the program. The focus of the program would be to develop the student in terms of both the objectivist ‘hard’ skills of money management, and the subjectivist ‘soft’ skills of client management.

**Multi-Disciplinary Versus Inter-Disciplinary**

It is appropriate to distinguish between multidisciplinary and interdisciplinary. Harden suggested eleven steps in an integration ladder. At the bottom is ‘isolation’ where education is discipline-based and each discipline is taught in isolation from other disciplines. At the top of the ladder is the ‘trans-disciplinary’ curriculum where individual disciplines have disappeared completely. ‘Multidisciplinary’ and ‘interdisciplinary’ are rungs nine and ten respectively. To quote from Harden:

“The characteristic of multidisciplinary integration is that, whatever the nature of the theme, it is viewed through the lens of subjects or disciplines. The theme or problem is the focus for the student’s learning but the disciplines preserve their identity and each demonstrates how their subject contributes to the student’s understanding of the theme or problem.” (p.554)
“In the interdisciplinary course there may be no reference to individual disciplines or subjects..... Implicit in the move from a multidisciplinary to an interdisciplinary approach may be the loss of the disciplines’ perspectives.” (p. 555)

Both multidisciplinary and interdisciplinary curricula are based on themes (e.g. client trust\textsuperscript{27}, index funds\textsuperscript{32}). In the case of a multidisciplinary curriculum the contribution of individual disciplines is explicit (that is, it is clear what contributions come from finance, psychology, economics, etc.). In the case of an interdisciplinary curriculum there may be no obvious contribution from individual disciplines (although there may be implicit contributions).

Whereas the simultaneous application of disciplines to themes is highly desirable, the absence of disciplines risks losing the insights and resources (e.g. books and articles) associated with those disciplines. Retention of discipline links also renders delivery of a curriculum easier since academics tend to be discipline based. The division of the personal finance curriculum into six themes (see figure 1) facilitates delivery since five of the themes (factors) have approximate correspondence to one or two disciplines (for example ‘Personality, environment and thought processes of the client’ sits comfortably with psychology and sociology, whereas ‘Principles of retail portfolio construction’ is largely based on finance and economics). However ‘Personal financial management’, the theme into which the other five feed, might be taught using an interdisciplinary or trans-disciplinary approach; perhaps by teaching staff who see ‘Personal Finance’ as their discipline (and who may also be financial service professionals).
**Performativity**

It is proposed that the curriculum should be performative in nature. The treatment should be issue-based rather than concept-based and task-based rather than knowledge-based. This is not to say that there is no role for concept-based and knowledge-based approaches; it is a matter of relative emphasis. A performative curriculum has a relative emphasis on ‘doing’ rather than ‘knowing’, and is likely to include an experiential dimension. Examples of performative degree curricula are accountancy and medicine. They are orientated towards their use-value to society and the employability of their graduates.

Barnett et al. suggested that professional subjects such as business studies and nursing (and personal finance would be regarded as professional) have a relatively high emphasis on the ‘action’ domain of an educational program. The ‘action’ domain includes competencies acquired through ‘doing’. In professional subjects the ‘action’ domain may be as important as the ‘knowledge’ domain whereas discipline-based curricula emphasize the ‘knowledge’ domain.

In relation to degrees in business studies there has been debate as to whether educational programs should be ‘for business’ or ‘about business’. In relation to personal finance there is a similar question as to whether an educational program should be ‘for financial decision-making’ or ‘about financial decision-making’. The former provides decision-making tools, whereas the latter provides understanding of the context. The former is primarily concerned with ‘how’; the latter addresses issues of ‘why’. There has been a tendency for courses aimed at professional qualifications to be focused on the former, whereas academic research has been primarily concerned
with the latter. Arguably both dimensions should be covered on the grounds that a program of study ‘for’ financial decision-makers should provide the existing thinking and evidence ‘about’ financial decision-making. The academic world has produced much that is of direct relevance to practitioners. In particular academic research ‘about’ financial decision-making provides a critical evaluation of the instruments and analyses used ‘for’ financial decision-making.

Conclusions and Discussion

Training may require that the contents of a specified manual be learnt whereas education requires the student to explore and discover amongst a wide range of sources, including academic journal articles. It is at the education stages that the multidisciplinary nature of personal finance becomes most apparent. The student may learn about regulations and product characteristics from a narrowly-based manual. A more complete education would require a multidisciplinary study of personal finance. That education process would entail research, on the part of the student, to uncover multiple sources of information. It would involve the student in problem-solving and the critical evaluation of alternative solutions to a problem. Appropriate education should result in a more analytical approach to planning and advice; and an approach that entails subjectivist as well as objectivist dimensions.

Education and training are distinct but complementary. Training must provide a complete coverage of essential information. Education has less need to provide a comprehensive coverage. Indeed the depth required in university education would be at the expense of some breadth. Since education is largely concerned with the development of cognitive skills, a comprehensive coverage is not to be expected.
What is more important is how the student thinks about the factual and theoretical material covered in the process of study.

Appendix 1

Factor 1: The personality, environment, and thought processes of the individual retail client.

1. Perception; selectivity, interpretation and closure.

2. Self-deception; self-enhancement bias, overconfidence, illusion of control, illusion of knowledge, outcome bias, hindsight bias, cognitive dissonance, escalation bias, confirmation bias, assimilation bias.


9. The transtheoretical model of behavior (and thought) change. Stages in decision making.

10. Future time perspective, procrastination, hyperbolic discounting, and propensity to plan.


12. The theory of planned behavior. The roles of attitude, subjective norms, and perception of control.


15. External versus internal locus of control.

**Appendix 2**

*Factor 2: The relationship between the client and an advisor.*

1. Relationship building; interviewing techniques, creating rapport, recognizing resistance, unconditional positive regard, empathy, listening skills, nonverbal communication, client orientation.

2. The power and influence dynamics in an advisor/client relationship.

Transactional analysis.
3. Financial education; educating clients, the association between financial education and financial behavior.

4. Ethics.
Endnotes


(5) An example of a learning outcome might be: ‘The student will acquire the ability to obtain all relevant information about a client’s financial circumstances, financial needs, financial goals, attitudes to personal finance, attitudes to financial risk, understanding of personal finance, social and family influences, proneness to
behavioral biases; and tendency to unrealistic expectations and perceptions including self-deception.’

(6) The subjectivist view is that phenomena arise from the perceptions and consequent actions of people. For example, personal finance may mean different things to different people because they perceive it differently.

(7) The objectivist view is that entities exist in a reality external to, and independent of, the people concerned with those entities. For example the principles of investment management may be developed and applied independently of how investors perceive them.


(17) Financial Planning Association, *Defining Financial Planning: Whitepaper Developed by the FPA Major Firms Initiative*,

[www.fpanet.org/professionals/PartnerwithFPA/MajorFirms/FPWhitepaperNM/](http://www.fpanet.org/professionals/PartnerwithFPA/MajorFirms/FPWhitepaperNM/)

(Accessed 31/03/2011)


(30) Performative education is distinguished by a strong vocational, or ‘use value’, orientation. It is not only the subject content that has a vocational orientation but also the mode of delivery, which is likely to be relatively problem-based and experiential with a focus on learning-by-doing. Performative education is to be found in areas such as medicine, engineering, law, and accountancy.

