

The Triad of Finance: Understanding Financial Knowledge, Advice-Seeking, and Financial Planning Horizons

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Study Purpose



This study explores the connections among three key components:

Financial knowledge (objective and subjective)
The use of financial planners as sources of advice
Individuals' financial planning horizons (FPH)



Goal: Determine whether using a financial planner strengthens the link between knowledge and FPH



Also investigates whether other financial professionals (e.g., brokers, lawyers) influence FPH



Motivation: Understanding how consumers make forward-looking decisions can inform education, policy, and practice

Background & Motivation



Financial planning horizon (FPH):

A proxy for time preference; reflects long-term thinking in financial decisions



Longer FPH associated with better saving, planning, and investing behaviors



Financial knowledge positively influences financial behaviors, but knowledge gaps persist



Seeking professional advice can compensate for limited knowledge or reinforce it



Few studies examine how advice-seeking behaviors interact with financial knowledge to shape FPH

Research Questions & Hypotheses

Research questions

RQ1: Is financial knowledge associated with financial planning horizon?

RQ2: Is the use of a financial planner associated with financial planning horizon?

RQ3: Does financial planner usage moderate the relationship between financial knowledge and planning horizon?

RQ4: Do other professionals (e.g., brokers, lawyers) have a moderating effect?

Figure 1. Conceptual framework

Hypotheses

H1: Financial knowledge positively associated with FPH

H2: Financial planner use positively associated with FPH

H3: Financial planner use strengthens the financial knowledge-FPH link

H4: Other advisors also have moderating effects, though possibly less than planners



Theoretical Framework



Bounded Rationality (Simon, 2000)

- Decision-making is constrained by limited cognitive capacity and resources
- Financial knowledge helps reduce complexity



Information Asymmetry (Akerlof, 1970)

- Consumers face uncertainty and knowledge gaps
- Planners and advisors reduce these gaps, especially in complex decisions



Application:

- Professional advice may supplement or enhance the effect of financial knowledge, influencing planning behavior

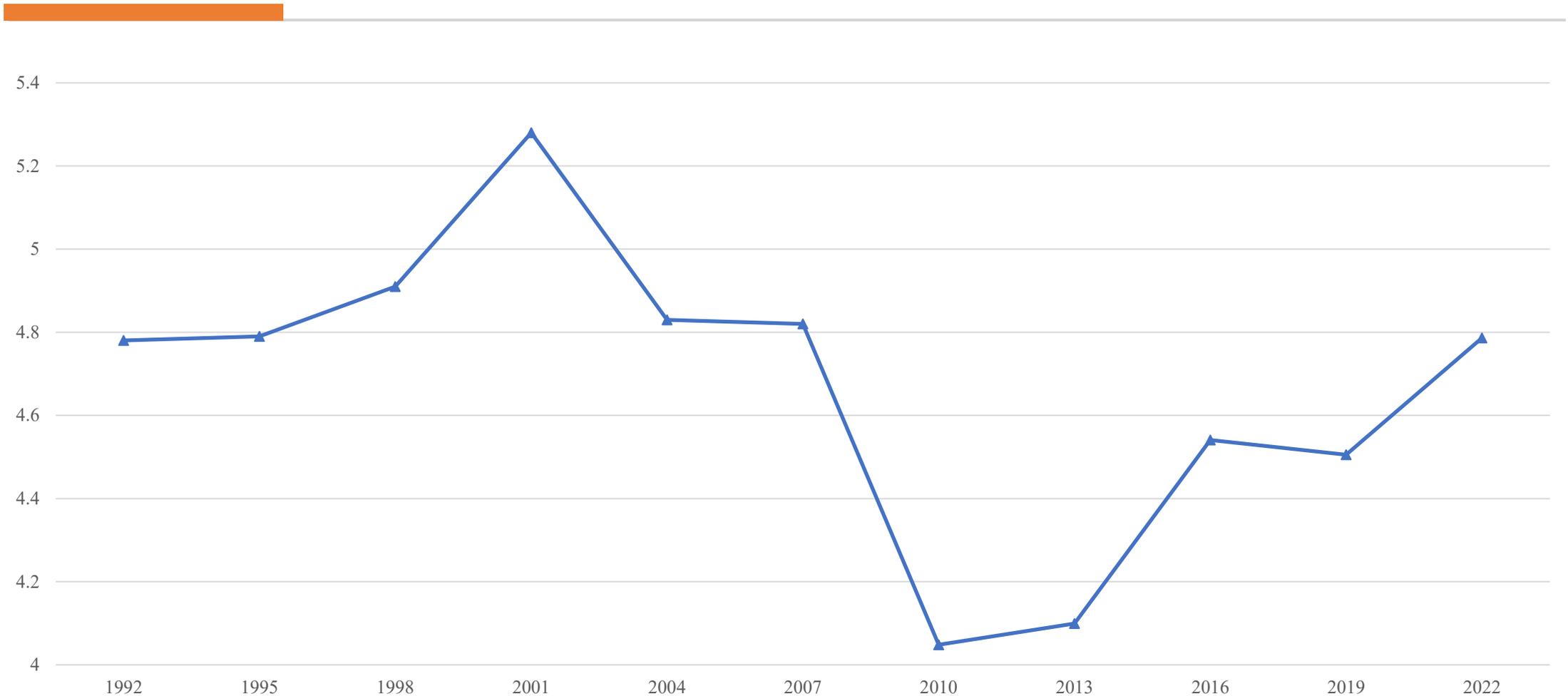
Data and Methodology

- **Data Source:** 2016-2022 Survey of Consumer Finances (SCF)
- **Sample Size:** 16,620 households (pooled data across 3 waves)
- **Dependent Variable:** Financial planning horizon (recoded from 0.3 to 15 years)
- **Key Independent Variables:**
 - Objective financial knowledge (0-3 correct answers)
 - Subjective financial knowledge (self-rated 0–10)
 - Use of financial planners (binary, saving/investment, credit/borrowing)
- **Controls:** Demographics, health, income, net worth, education, etc.
- **Analyses:** OLS regressions, interaction terms, robustness checks with ordered logit and sensitivity values

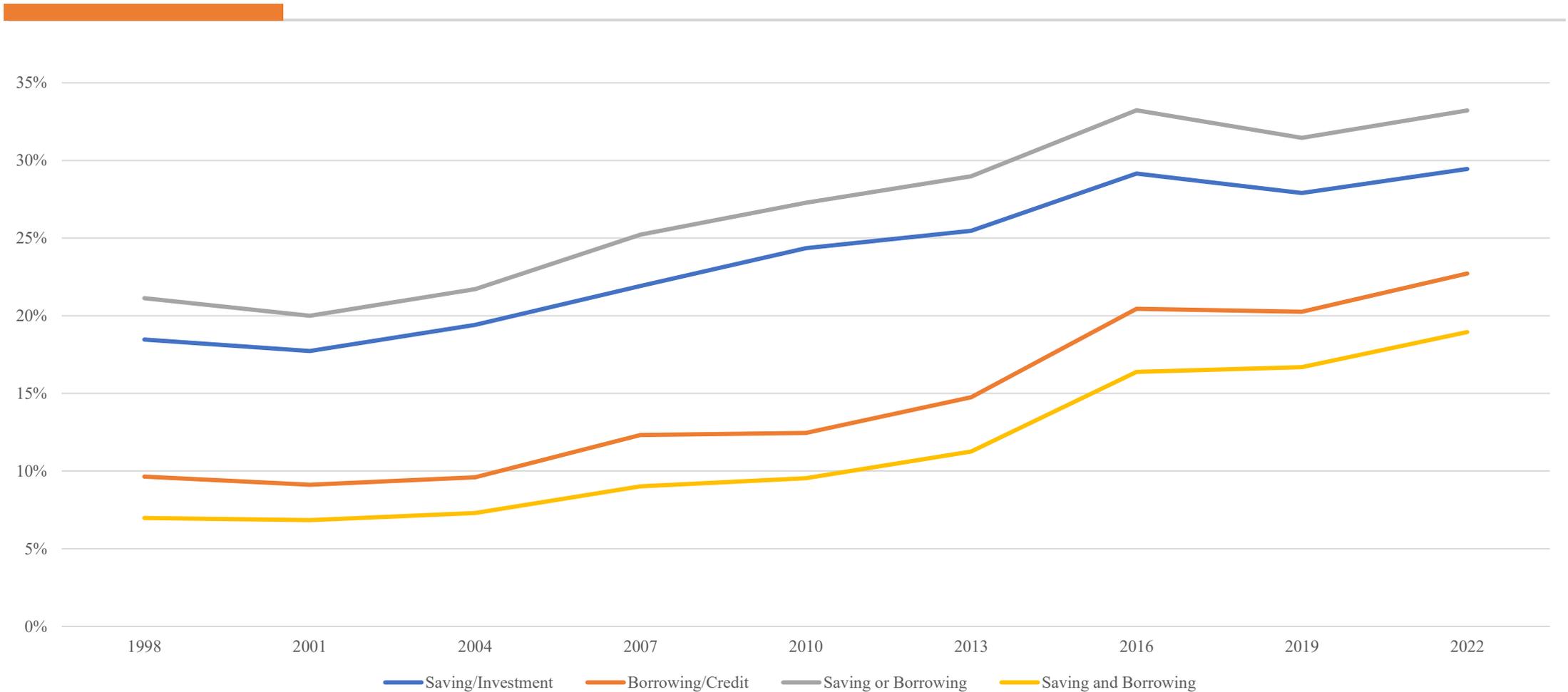
Descriptive Results

- **FPH:** Average = 4.6 years
 - Most common responses: “next few years” (28%), “5–10 years” (23%)
- **Knowledge:**
 - Objective: Mean score 2.2/3
 - Subjective: Mean score 7.2/10
- **Advice-Seeking:**
 - Financial planner for savings/investment: 29%
 - For credit/borrowing: 21%
 - Any planner: 32.6%; Comprehensive use: 17%

Mean FPH by survey year, 1992-2022 SCF



Use of financial planner by survey year, 1998-2022 SCF



Regression Results

Key Findings:

- Both objective and subjective knowledge significantly increase FPH
- One-point increase in objective knowledge → 0.31 year increase in FPH
- One-point increase in subjective knowledge → 0.07 year increase

Controls:

- Age increases FPH until mid-40s, then declines (Inverse U shape)
- Married, white, educated, homeowners: longer FPH
- Parents with children <18, poor health: shorter FPH

Robustness checks

- Results consistent across robustness checks (Ordered logit, sensitivity values of FPH)

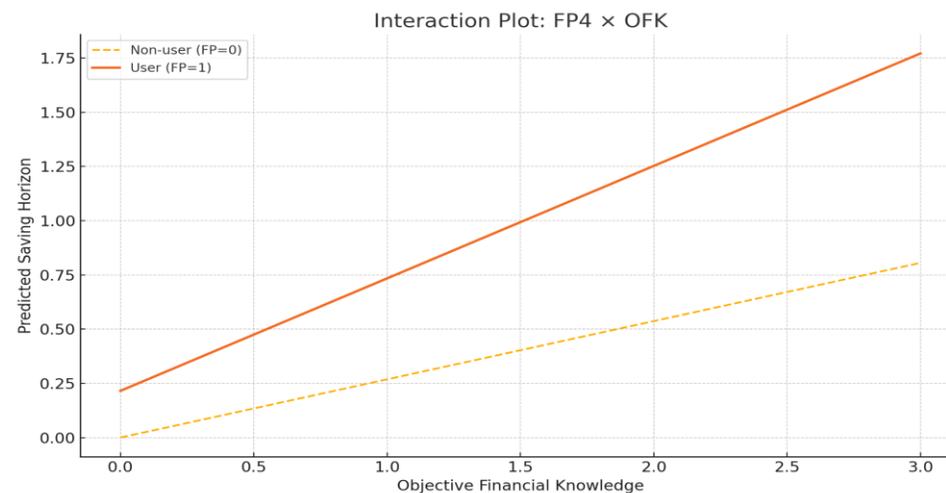
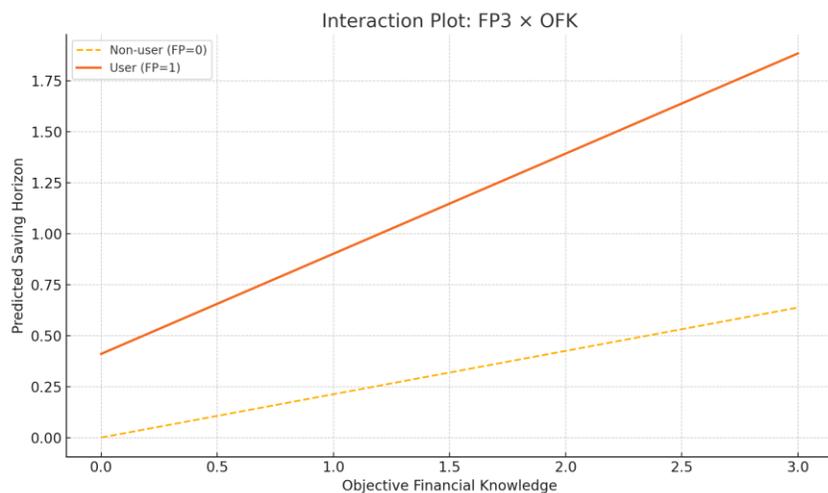
Moderation & Additional Analyses

Interaction Effects:

- Planner use significantly strengthens the link between knowledge and FPH
- Stronger moderation for objective knowledge

Different Planner Types:

- Any planner and comprehensive planners show significant moderation
- Credit-only planners do not



Moderation & Additional Analyses

Other Financial Professionals:

- Brokers (investment): Positive effect
- Lawyers (credit): Positive effect
- Accountants: Negative association in some models
- Interaction effects with these professionals were not significant

Discussion & Implications

Educators

- Design curricula that build both factual (objective) and perceived (subjective) financial knowledge
- Help learners develop confidence in their financial capabilities

Practitioners

- Tailor planning services to support clients' long-term financial planning horizons (FPH)
- Emphasize the value of long-term planning in client interactions

Policymakers

- Promote policies that improve access to financial planners
- Consider integrated delivery models that link financial education with professional advice
- Provide subsidies or incentives to encourage advice-seeking among underserved populations

Limitations & Future Research

Limitations:

- FPH measured categorically, based only on saving/spending
- Cross-sectional data; no causal inference
- Knowledge measures limited to a few items
- U.S.-only dataset limits generalizability

Future Directions:

- Use longitudinal data to assess changes over time
- Expand financial knowledge constructs
- Conduct international comparative studies
- Study other types of financial decision contexts (e.g., retirement planning)

Question and Answer

- Thank you for your attention!
- We welcome your questions, comments, and suggestions
- Contact: Dr. KT Kim ktkim@ua.edu