
CFP quarterly debuts with article on managing longevity risk

By Editorial Staff Fri, Sep 21, 2018

"The Financial Planning Review will publish research that builds the financial planning body of knowledge," said Marilyn Mohrman-Gillis, executive director, CFP Board Center for Financial Planning.

The first issue of Financial Planning Review, a peer-reviewed academic journal from the CFP Board Center for Financial Planning contains articles on the "mental accounting" aspect of financial behavior, how financial planners encourage retirement planning, the tendencies to over- or under-spend, and strategies for managing longevity risk.

"The Financial Planning Review will help address the current shortage of qualified faculty to teach financial planning by [enabling them] to publish research that builds the financial planning body of knowledge," said Marilyn Mohrman-Gillis, executive director, CFP Board Center for Financial Planning, in a statement.

Published quarterly by John Wiley & Sons, the review will feature research on:

- Financial planning
- Portfolio choice
- Behavioral finance
- Household finance
- Psychology and human decision-making
- Financial therapy, literacy and wellness
- Consumer finance and regulation
- Human sciences

Accepted papers will span a broad range of research methodologies and data analyses. Some of the papers featured in the first issue include:

Perspectives on Mental Accounting: An Exploration of Budgeting and Investing, by C. Yiwei Zhang and Abigail Sussman, Booth School of Business, University of Chicago.

According to the paper, mental accounting is "the set of cognitive operations used by individuals and households to organize, evaluate, and keep track of financial activities (Thaler, 1999)...This article provides a summary overview of mental accounting within the context of consumer financial decision-making. We first discuss the categorization process that underlies mental accounting and the methods people use to categorize funds. We then turn to implications of mental accounting for budgeting, spending, and investment

decisions.

The Relationship Between Financial Planner Use and Holding a Retirement Saving Goal: A Propensity Matching Analysis, by Kyoung Tae Kim, Tae-Young Pak, and Su Hyun Shin (University of Alabama) and Sherman D. Hanna (Ohio State University).

This paper “used data from the 2010 and 2013 Survey of Consumer Finances to examine the association between financial planner use and setting a retirement saving goal.” The authors “found that households who consulted a financial planner were more likely to report retirement as the motive for saving... The use of other types of financial professionals was not positively associated with the likelihood of setting retirement as an important saving goal in our main model.”

Tightwads and Spendthrifts: An Interdisciplinary Review, by Scott Rick
Ross School of Business, University of Michigan.

According to this article, neither over-spenders nor under-spenders “are happy with how they handle money. In the decade since the tightwad/spendthrift construct was introduced... Much has been learned about what it is and is not (e.g., frugality, greed), what contextual factors are likely to reduce its importance, how it plays a role within romantic relationships, and when it might first emerge in childhood. This paper reviews the wide range of interdisciplinary research relevant to the tightwad-spendthrift construct and proposes several directions for new research.”

Household Financial Planning Strategies for Managing Longevity Risk, by Vickie L. Bajtelsmit and Tianyang Wang, Colorado State University.

This study “shows that the top third of households by longevity need approximately 20% more retirement wealth than those households who live only an average life span. Investigations of various risk mitigation strategies suggest that combination strategies, particularly those that include delayed retirement, can significantly reduce the retirement wealth target.”

The journal is available electronically from the Wiley Online Library and the Center website. Each edition of the Review will also be distributed electronically to more than 82,000 Certified Financial Planner professionals throughout the U.S.

In the coming months the Center intends to launch a Body of Knowledge website containing additional papers, videos, and interactive capabilities relevant to financial planning

practitioners and firms.

Co-editors of Financial Planning Review are Vicki Bogan, Ph.D., Cornell University; Chris Geczy, Ph.D., Wharton School, University of Pennsylvania; and John Grable, Ph.D., CFP, University of Georgia. The executive editor is Charles R. Chaffin, Ed.D., Director of Academic Initiatives at the CFP Board Center for Financial Planning.

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