

Importance of Financial Counseling for Families in Debt

—An Undergraduate Work-Study Project

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As of June 1980, the use of consumer credit among Canadians had exceeded \$40 billion. This figure represented a per capita debt of some \$1,600, exclusive of mortgage debt (1). Attitudes toward credit have obviously changed. The young adults of today appear far more willing than their parents were to buy or borrow now and pay later (2). Many of these borrowers, however, are ignorant of the most basic principles of money management despite their eager acceptance of credit as a way of life. During personal interviews with bankrupts in Manitoba, Canada, it was discovered that in many cases overextension of credit resulted from a lack of understanding of the credit system (3). Garrison et al. found that one in five families has difficulty paying some bills most of the time (4).

Debt entanglement is a major social

problem, which can affect one's job, health, and marriage. Caplovitz's study *Consumer in Trouble* showed the interrelationships among debt-induced health problems, marital strains, lower work productivity, and unemployment (5).

Potentially, financial counseling can alleviate anxieties, instill and reinforce a sense of discipline, and provide information and education in money and credit management and thus improve the functioning of families. For this to happen, however, families and the professionals who work with them must know what family financial counseling is and where such service can be found.

The project reported here had as its overall objectives:

- to discover the extent and kinds of financial problems that Canadian families face today,
- to increase awareness among concerned professionals of the need for financial counseling, and
- to call the attention of selected professionals to the need for financial counseling services that currently exist in Winnipeg, Manitoba, Canada.

For these purposes, the team selected lending institutions such as department stores, banks, credit unions, finance companies, and trust companies because of their direct contact with

financially distressed persons.

The Department of Employment and Immigration, Canada, funded this project under its "summer youth employment" program. Criteria for funding required that the project provide employment for students—work that was relevant to their study and interest—and that the community directly benefit.¹ The specific objectives were:

- to identify and describe the existing financial counseling services available in Winnipeg for families and individuals who have overextended themselves financially;
- to develop an informational package and sound-slide presentation that would define financial counseling, emphasize its importance and the need for it, and outline its benefits as they relate to the debtor, and society in general;
- to disseminate the findings of the project to interested clergy, social service agencies, and credit grantors.

Stages of the Project

Activities of this project were organized into three stages. During the first, the team made a thorough literature review to determine the definitions and importance of financial counseling. Representatives of these Winnipeg agencies—the Orderly Payment of Debt,² (Department of the

Evaluation Sheet

1. Do you feel this presentation has increased your knowledge of:
 - a. The reasons behind personal financial difficulties
Yes _____ No _____
 - b. The extent of credit mismanagement?
Yes _____ No _____
 - c. The social and economic consequences of credit misuse?
Yes _____ No _____
 - d. The sources of financial counseling for those in need?
Yes _____ No _____
 - e. The need for financial counseling services?
Yes _____ No _____
2. Do you feel that there should be more publicity regarding the financial counseling services available?
Yes _____ No _____
3. From your own experience, do you feel that:
 - a. Existing services should be expanded?
Yes _____ No _____
 - b. New, additional services should be created?
Yes _____ No _____
 - c. The existing services are sufficient?
Yes _____ No _____
4. Do you have any further comments you wish to make regarding financial counseling in general or this presentation in particular? If so, state below.

Attorney General); Community Consumer Credit Counseling Agency; Home Economics Directorate;³ lending institutions; and the bankruptcy branch of the Department of Consumer and Corporate Affairs, Canada—were interviewed on the availability of their services. This information was compiled in the form of a written package to supplement an audiovisual presentation that the project team developed for current and later use after the termination of the grant.

In the second stage, the team telephoned all lending institutions, churches, and selected social service agencies to obtain a mailing list of persons involved in financial counseling in those institutions. Each of the three target groups then received a personalized letter, which explained the project and extended an invitation to view the financial counseling package. An acknowledgment card accompanied the letters along with a request that the card be returned should the agency wish to view the presentation. Follow-up phone calls then confirmed the location, date, and time of presentation. A total of 558 letters were sent to the various agencies, of which 73 (about 13 percent) expressed interest in the program. Not all, however, were able to view the presentation in the designated time period. The 13 who could not review it received a copy of the package and information about future viewings.⁴

In the third stage, the City of Winnipeg was divided into three areas and each project member was assigned to one. In total, 63 presentations were made to a diversified group that consisted of 30 clergy; 7 social service agencies; 10 credit unions; 4 finance companies; 2 department stores; 2 trust companies; 4 banks; the Credit Bureau of Winnipeg, Manitoba Bankruptcy Branch; Community Consumer Credit Counseling Agency; and Employment and Immigration, Canada.

For the general public, the team set up information booths at three main shopping centers, displayed posters on related money management and consumer credit topics, and offered various pamphlets from different agencies that provide financial counseling and money management information.

Evaluations and Recommendations

At the end of each presentation, viewers were given a short form (see Evaluation Sheet) and asked to evaluate the presentation. Out of the 332 who responded:

- 62 percent indicated an increase in knowledge of the extent of credit mismanagement
- 60 percent indicated a greater awareness of the social and economic consequences of credit misuse
- 80 percent believed that because of the presentations, they could identify more available sources of financial counseling than they could have previously. Of these viewers, 85 percent wanted expanded publicity so that specifics about the availability of financial counseling could be widely known.

In response to the request for any further comments regarding financial counseling in general or the presentation in particular, viewers recommended that:

- junior and senior high schools incorporate a program of money management into the curriculum, either as part of existing courses or as separate courses in life skills
- workshops and certificate courses in financial counseling be offered to interested clergy, loan officers, and social workers
- government and the media help to publicize financial counseling agencies by promoting the value of proper money management skills
- financial counseling services be expanded to cover a wide range of debtors beyond those in the low-income brackets. Review of the literature supports the contention of the Canadian Council on Social Development that "debt is not confined to low-income families, and conceivably people of all income levels could benefit from greater knowledge of the costs of credit and of sound money management" (6).

These evaluations suggested to the project team that the presentations did indeed alert the viewers to the need for community consumer credit counseling, did enlarge their knowledge of the extent of the problem, and did stimulate further thinking on potential education to forestall chronic financial difficulties.

Results Not Anticipated

Though not specifically mentioned in the project goals, the work of the Department of Family Studies at the University of Manitoba and the department itself gained recognition among the financial institutions and social service agencies.

Students, too—those involved in the project—benefited in that the project offered them opportunity to learn the procedures for grant application to the federal government and to acquire skill in writing both the proposal and the final reports to the granting agency. With the help of the Media Resource Department at the University, the students also took a major part in the development of the audiovisual presentation, which gave them still another learning opportunity.

Footnotes

¹For further information write to the Department of Family Studies, University of Manitoba, Winnipeg, Manitoba, R3T 2N2, Canada, or to the author at 163 LeBaron Hall, Iowa State University, Ames, Iowa 50011.

²Orderly Payment of Debt (Department of Attorney General) is Part X of the Federal Bankruptcy Act and is administered by the various county courts in the Province of Manitoba. This part of the act provides the mechanism whereby an individual can consolidate debt when in excessive financial trouble.

³Home Economics Directorate (Department of Health) is a centralized group of program specialists who serve in a coordinating role and provide support services to the field home economists.

⁴Audiovisual Package is available at the Community Consumer Credit Counseling Agency, Home Economics Directorate, Department of Family Studies, University of Manitoba, Winnipeg, Manitoba, and Department of Family Environment, Iowa State University, Ames, Iowa, 50011.

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See also:

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