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MAKE NEW YEAR'S RESOLUTIONS STICK IN 2011

Knowing, Understanding Financial Values Key to Maintaining Goals

DENVER—Vito Gerasole's top spending priority is clear. It's family. As a child, he remembers the special feeling he got when his mother returned from a trip. "When I was a kid, my mom traveled a lot and when she came home she always brought me something," recalls Gerasole, a sommelier who lives in Pittsburgh. "Now, I feel like I have to do that with my own daughter, even though she doesn't expect it or ask for it. I guess I do it because it's an important way I show my daughter I'm thinking of her."

Gerasole also ranks personal appearance high on his list of priorities. "My problem is that I like nice clothes and nice hats," says Gerasole. "It's important to me to look a certain way. My cousin has a great clothing store right around the corner from where I work, and he lets me pick out things and pay him when I can. That's dangerous."

As he thinks about his spending preferences, Gerasole begins to recognize what values influence his financial decisions. And, knowing what he values will help Gerasole make spending decisions that support his values, rather than conflict with them. "I thought my New Year's resolution to cut back on mindless spending would be pretty straightforward," says Gerasole. "But skipping those small gifts for my daughter won't work for me. I'll have to look for other places to cut."

"Understanding what's behind the decision-making process is the first step to successfully changing behavior," says Patricia Seaman, senior director at the Denver-based National Endowment for Financial Education® (NEFE®). "Other Americans making financial resolutions in 2011 would benefit from following Gerasole's lead."

Understand Values Before Making Resolutions

Financial decisions are not made in isolation. People's values, whether they pertain to long-term security or an appreciation for status cars, significantly impact what they do with their money. NEFE's new LifeValues quiz on www.smartaboutmoney.com helps people identify their own values in four comprehensive categories: inner, social, physical and financial.

Gerasole's desire to enhance his appearance and appreciation for tangible things in life, such as elegant clothing, ranks him high on physical values. His inclination toward making spending choices that benefit his daughter demonstrates that he also ranks high in social values. For those who have yet to externalize their values like Gerasole, Seaman says taking the 20-question LifeValues quiz can help them realize why they make the decisions they do.

"LifeValues helps pinpoint what's important to you," says Seaman. "If you've always spent your money to make your home beautiful, you'll probably score high on physical values. On the other hand, if you've taken great trips throughout the world but don't have a single decorator pillow in your apartment, your physical value score is probably pretty low."

Seaman suggests that if people identify their values before making financial New Year's resolutions, they will be more likely to maintain their goals throughout the year. "People break their resolutions for many reasons," says Seaman. "Don't fight your intrinsic values when it comes to your money. It's a sure recipe for discontent and failure. But when you understand the reason behind your habits and can take the emotion out of financial decisions, you should find it easier to keep your resolutions."

Values Are as Diverse as People

As demonstrated by Gerasole, people don't fall into one value realm or the other. Everyone has a mix of values: some work together, some conflict. "You might want to buy a hybrid car because you value the environment," says Seaman. "But you also might feel yourself leaning toward a gas-guzzling SUV because you're the family chauffeur and you want to identify with all the other soccer moms in the neighborhood. That's the confluence of multiple values."

Other people prioritize inner values, contributing to an emergency savings fund because it gives them a sense of security. But those saving tendencies can sometimes conflict with a social desire to travel with friends or a physical value to buy their children a new wardrobe each school year. And values change throughout a person's life. Seaman suggests taking the LifeValues quiz every time you go through a significant life change.

"When you're young and single, spending on fun with friends (high social, low physical) might be most important to you," says Seaman. "But for many people, those values take a back seat when they get married or have their first child."

Regardless of how much money you have, your values—and conflicts in values—affect your financial decisions. But if you recognize what is driving your financial behaviors, you will have more control over your financial well-being in 2011 and beyond.

About the LifeValues quiz

The LifeValues framework and quiz are based on the academic research of Dr. Lois Vitt, chair and founding director of the Institute for Socio-Financial Studies (ISFS). LifeValues references numerous works in social psychology, economics, family and consumer sciences, and marketing. To take the LifeValues quiz, visit www.smartaboutmoney.org/LifeValuesQuiz.

About the National Endowment for Financial Education

NEFE is an independent nonprofit organization committed to educating Americans about personal finance and empowering them to make positive and sound decisions to reach financial goals. For more information, visit www.nefe.org.

Sidebar:

Make Financial Resolutions Stick in 2011

- 1. Take the LifeValues quiz.** Understanding your values and attitudes about money will bring clarity to the decision-making process. It will help you identify your values and make resolutions based on those values.
- 2. Write down your resolutions.** Clearly articulate why you think a resolution is a good idea, steps you can take to reach your goal, and what you hope to gain. Post your list somewhere you can see it each day.
- 3. Go public.** Share your resolutions with your family and friends. You will be more likely to keep them knowing you are accountable to someone.

4. **Monitor your progress regularly.** If you are trying to reduce debt, make sure you check your balances often. Set aside a couple of hours each week to address your finances.
5. **Do it now.** Many of us wait until we feel the time is right to begin new behaviors. If we wait until after the big party to start watching our diets, or until after that big purchase to start saving money, the ideal time never will present itself.
6. **Vary goal intensity.** Give yourself a short-term goal such as paying more than the minimum on one credit card this month. A long-term goal could be setting up—and adding to—the emergency account you know you should have but didn't get around to starting last year.
7. **Address conflict logically.** If you are finding yourself breaking a financial goal by reverting to old spending habits, identify what value might be causing you to stray and take the time to ask yourself if the decision is appropriate given your current financial situation.

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