

What is Your Money Type

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This study examines the relationship between personality type, gender, and financial behaviors. Some differences between men and women, and between MBTI® type preferences were found on four financial scales – financial worry, financial efficacy, financial tracking, and financial engagement. Potential implications are given for the financial services industry and type practitioners.

INTRODUCTION

Previous research has found a link between personality and financial behaviors, such as materialism and spending (Troisi, Christopher, & Marek, 2006), risk taking (Wong & Carducci, 1991), impulse purchasing (Verplanken & Herabadi, 2001), preferences for resources such as money and goods (Stangl, 1993). Other research has shown differences between men and women in their financial behaviors, preferences, attitudes, and biases. One study showed that women and those with preferences for Introversion, Intuition, Feeling, and Judging tolerate less financial risk than men and those with opposite personality preferences (Pompian & Longo, 2004). Another study found that women have lower propensities for risk and use different strategies in financial decision making than men (Powell & Ansic, 1997). Studies among college students found women to have less enthusiasm, lower confidence, and were less inclined to learn about financial topics than men (Chen & Volpe, 2002).

Given that some gender differences in financial behaviors have been found, we expected to find a similar pattern in the present study. However, the present study was primarily focused on differences in financial behaviors and attitudes, and differences in behaviors and attributes based on MBTI® instrument type preferences: Extraversion-Introversion, Sensing-Intuition, Thinking-Feeling, and Judging-Perceiving. The MBTI instrument is one of the most widely used personality assessments in the world. Its typology is composed of four pairs of opposite preferences, called dichotomies: Extraversion (E) or Introversion (I) – where you focus your attention and get energy, Sensing (S) or Intuition (N) – how you take in information, Thinking (T) or Feeling (F) – how you make decisions, and Judging (J) or Perceiving (P) – how you deal with the outer world. The MBTI assessment combines an individual's four preferences – one preference from each dichotomy, denoted by its letter – to yield one of the 16 possible types.

Of particular interest in this study was a focus on attitudes and behaviors that might inform both individual investors as well as investing professionals on what approach the investor takes towards their financial management, and how the professional may help to support the investor by providing the right mix of information and support. In particular, it was expected that individuals with preferences for N, F, and P would have a different approach to managing their finances compared to STJs. In particular, it was anticipated that NFP investors would be less focused on their finances, and perhaps report being less knowledgeable and able to manage their own portfolio.

A literature review revealed broad financial topics, from which additional items were added that the authors theorized may be related to the MBTI preferences. For example, a 1982 study developed a Money Attitude Scale that included factors power-prestige, retention-time (items that involve planning and preparation), distrust, quality, and anxiety (Yamauchi & Templer). Another study found 6 factors of money beliefs and behaviors – obsession, power/spending, retention, security/conservatism, inadequacy, and effort/ability (Furnham, 1984). The final survey consisted of 36 questions about topics such as feelings toward finances, financial activities, and financial behaviors.

METHOD

Participants

A sample of 5,327 individuals who had previously taken the *Myers-Briggs Type Indicator*® (MBTI®) Form M assessment were invited by email to complete an online

survey regarding financial topics between May 2010 and January 2011. Of the invited sample, 1,214 respondents (69% female and 31% male) completed the financial survey. Respondents were excluded from the final sample if they did not know their best-fit type, if they did not feel confident of either their best-fit type or any one of their preferences (EI, SN, TF, or JP), or if they omitted most of the items on the financial survey. Limited demographic information was asked of these respondents in order to protect anonymity.

Measures

Two measures were completed. First, the MBTI® Form M instrument, consisting of 93 items, was administered. Note that participants completed the MBTI instrument prior to being invited to complete the financial survey. Second, a survey on financial topics was developed, using a previous study by Jennifer Selby Long (Selby Long, 2007) as a starting point and augmented by the results of the literature review.

RESULTS

Several analyses were undertaken in order to examine differences financial attitudes and behaviors based on gender and MBTI type preferences. First, classical test theory analyses were conducted to develop measures from the Likert type responses included in the survey. Second, the measures developed were analyzed using parametric techniques to examine gender and type differences. Finally, categorical items included in the survey were examined using descriptive and categorical analysis. A factor analysis with varimax rotation was conducted on a set of the survey items.

Based on this factor analysis, four scales were created – Financial Worry (4 items, Cronbach's alpha = .79), Financial Efficacy (7 items, Cronbach's alpha = .66), Financial Tracking (3 items, Cronbach's alpha = .62), and Financial Engagement (5 items, Cronbach's alpha = .65). Analyses of variance (ANOVAs) were then calculated to determine whether there were differences based on gender and MBTI preference pairs (Extraversion and Introversion, Sensing and Intuition, Thinking and Feeling, and Judging and Perceiving). ANOVAs compare the mean scores of two or more groups (e.g., men and women) to determine whether there are statistically significant differences (Tabachnick & Fidell, 2001). The ANOVA results (for those with statistically significant differences) are shown in the notes of Figures 1-7.

There were no significant differences between Extroversion and Introversion for any of the four financial scales. There was a significant difference between Sensing and Intuition on the Financial Worry scale (those with a preference for Sensing averaged higher scores on worry; see Figure 1), but not on any of the other financial scales. There were significant differences between Thinking and Feeling on the Financial Worry scale (those with a preference for Feeling averaged higher scores on worry; see Figure 2), the Financial Efficacy scale (those with a preference for Thinking averaged higher scores on efficacy; see Figure 3), the Financial Tracking scale (those with a preference for Thinking averaged higher scores on tracking; see Figure 4), and the Financial Engagement scale (those with a preference for Thinking

averaged higher scores on engagement; see Figure 5).

There were significant differences between Judging and Perceiving on the Financial Tracking scale (those with a preference for Judging averaged higher scores on tracking; see Figure 6), the Financial Engagement scale (those with a preference for Judging averaged higher scores on engagement; see Figure 7), but not for the other two scales.

ANOVAs showed significant gender differences for Financial Worry (women averaged higher scores on worry; see Figure 1), Financial Efficacy (men averaged higher scores on efficacy; see Figure 3), and Financial Engagement (men averaged higher scores on engagement; see Figure 5) scales, but not for the Financial Tracking scale.

ANOVAs showed that many of the significant differences were along the Thinking-Feeling MBTI dichotomy. Following prior work by Selby Long (2007), individual items were examined by gender and TF preference (see Figures 8-13). Note that tests of statistical significance were not conducted on these items; however these figures offer some potentially interesting observations. For example, Figure 8 seems to show that both Thinking and Feeling women and Feeling men report feeling more scared about making financial mistakes. Figure 9 appears to show Feeling men and women to feel somewhat more bored by managing their money than their Thinking counterparts. As reported in Figure 10, Thinking and Feeling women and Feeling men appear to be overwhelmed by what

they don't know about finances. Figure 11 shows that men, regardless of type report being more interested in managing their finances than women; while women seem to report more worry about their financial futures than men (Figure 13). In Figure 12, more Thinking men, Feeling men, and Thinking women appear to believe their level of financial knowledge is above average than Feeling women.

DISCUSSION

Based on the results presented above, implications for two groups are discussed here – for those in the financial services industry, and for MBTI type practitioners.

Implications for the financial industry

Prior research has shown that MBTI type and gender can have an impact on investing decisions and the biases that seem to plague particular personality types (Pompian & Longo, 2004). The present study contributes to the understanding of how individuals with different MBTI types approach financial management in general, and suggests several possible implications for the financial industry. First, because type preferences help to understand how individuals take in information and how they make decisions, it may be helpful to financial professionals to know how to best present information to clients based on their preferences.

- As demonstrated in this study, Judgers and Thinkers, regardless of gender, are more likely to track financial information and data compared with Perceivers and Feelers. As such, providing options for tracking and in the detail of what

is tracked and presented may be a way to meet the needs of different clients in a more satisfying manner.

- Alternatively, frequency of communication with customers other than or in addition to quarterly and annual reports may be a way to differentiate for both customers and financial professionals whereby more frequent detailed communication with Judgers and Thinkers may be helpful.
- Thinkers also scored higher than Feelers on engagement and efficacy in this study. Because of the higher level of confidence for and involvement in dealing with their finances, Thinkers may want to handle more of their own financial details themselves. While these clients may be treated as more financially sophisticated, they might require more details about areas in which they are not currently as knowledgeable.
- Also shown in this study, Feelers tend to have a higher level of financial worry than Thinkers. This is not surprising, given that previous research has found those with a preference for Feeling to have significantly higher level of stress of finances than those with a preference for Thinking (Myers, McCaulley, Quenk, & Hammer, 1998). Since Feelers often cope with stress by talking to someone close to them or with a professional, financial planners may find it

beneficial to their clients to have more frequent verbal communications with those who have a preference for Feeling. This same tactic may also be valuable to clients with a preference for Intuition, who also tend to show a higher level of worry than their Sensing counterparts.

The financial services industry may be well served by considering, based on personality type, communication regarding investments that is provided to customers. While many financial packages and online sites allow the motivated consumer to get detailed information or overviews, expecting all customers to expend the same level of effort to get the information they need may lead to customer dissatisfaction with a financial firm. As such, understanding a client's type preferences would allow a financial services firm to present information (versus the customer finding the information) in different ways. Some options to consider include:

- What is presented - detail versus overview of results.
- How information is presented – tables with detail versus figures showing trends.
- Tone of communication – impersonal versus personalized.
- Frequency of interaction – how often information is provided to customers.
- Medium of communication – is information communicated face to face, phone, or electronically.

In addition, it is likely that those more knowledgeable of the financial services

industry can find additional ways to use personality type to make a critical area of life more satisfying, and possibly improve the financial returns to both customers and the company itself.

Tips for type practitioners: Type, gender, and money

- *Keep perception and reality in two separate buckets.* It's much too tempting to slip into the habit of believing that preference equals competency, as in, "She's a Thinking type, therefore she is effective at managing her personal finances. He's a Feeling type, so he can't make sense of money." But the research doesn't support such broad brushstrokes. When it comes to the topic of personal finances, take extra care to question the client's assumptions about himself or herself, asking for data to support this self-perception.
- *Ask lots of questions and listen carefully to the client's answers, doing your best not to make a type connection too quickly.* As type practitioners, of course we want to help our clients gain insights, but the risk in this very complex area is that you will draw a connection that isn't real and therefore does not accurately reflect what's going on. The relationship between type, gender, and personal finances is nuanced and complex.

- *Explore both type and gender as possible influencers with your clients, because both aspects can have a unique impact on each individual.* Psychological type may ultimately play a stronger role than gender in one's overall relationship with money, particularly the T/F dichotomy. This would have an impact on the developmental exercises you give the client, since a similar exercise may be effective for both men and women who share the same preference.
- *Sometimes it's not about money.* Your client may raise money as a priority goal. However, money can also be symbolic. For your client, it may symbolize power, freedom, love, control, or anything else he or she wants to have in greater abundance. Sometimes the best help we can give the client begins by asking, "And what would happen if you had that much money?"

Future research

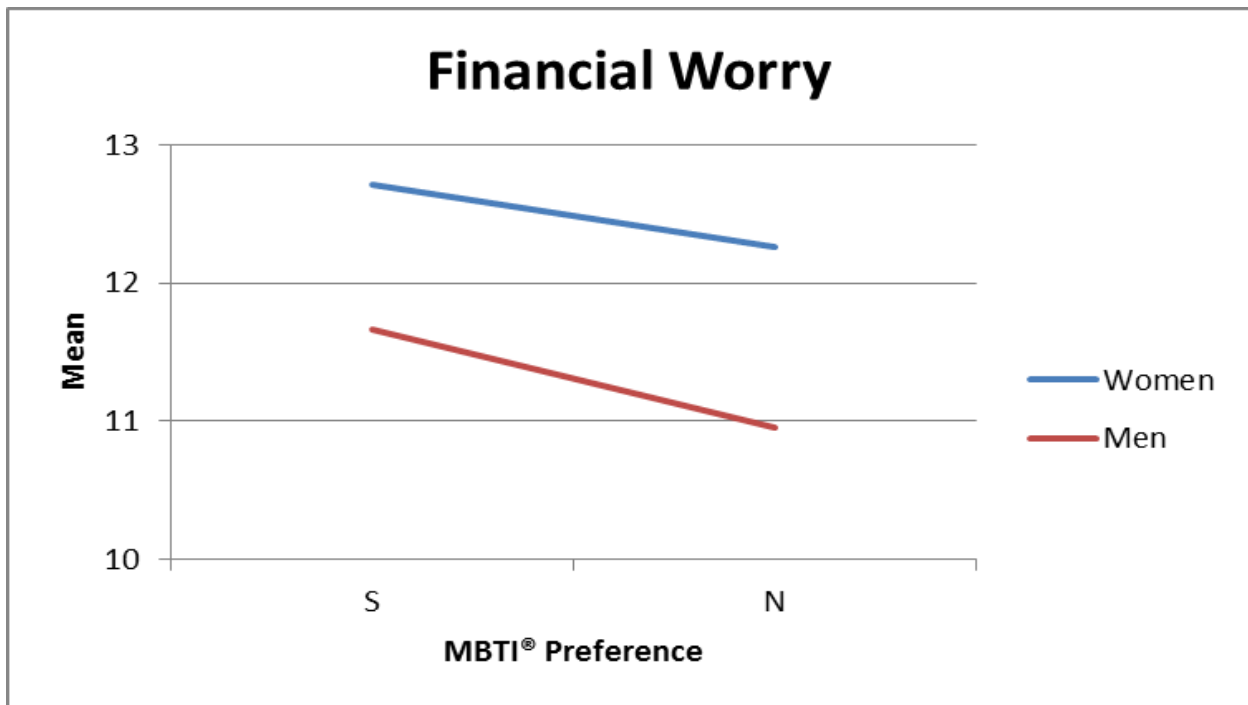
The current study, and several of the prior studies, relied on general samples of people who were asked questions about their financial behavior. Future research should collect data similar to that found here in samples who are currently engaged with the financial services industry. For example:

- Many people have a 401(k) or other retirement plan at work, but after making their initial selections, pay little attention to the plan while the economy is positive or neutral.

Sampling active investors, or those who recently engaged with a financial services company may be more cognizant of their financially related behaviors, and therefore stronger effects of gender or psychological type preferences may be found.

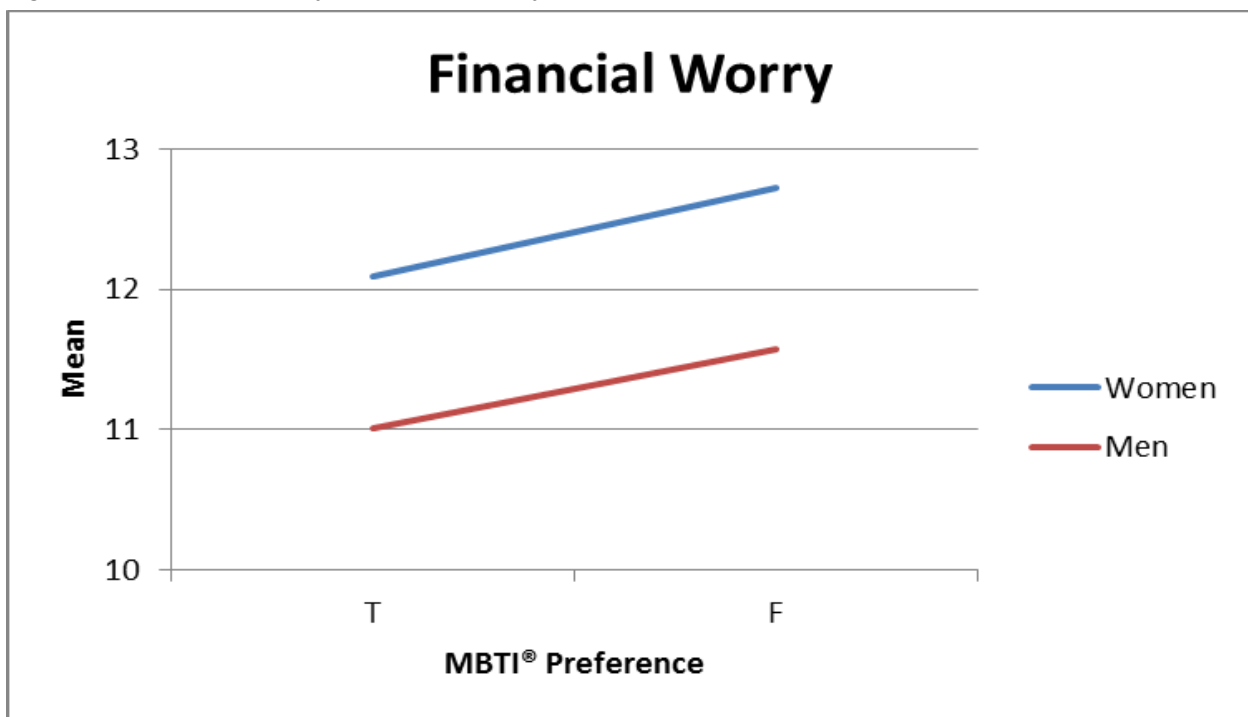
- Another useful avenue of research is to examine couples versus individuals. Based primarily on the implications for financial professionals, it is very likely that couples who seek financial advice may, based on the similarity or dissimilarity of their type preferences have different concerns, or need information presented in a variety of ways to make sense to the couple as an entity, and the individuals comprising the couple.

Figure 1. Financial Worry Scale Means by Gender and SN Preference



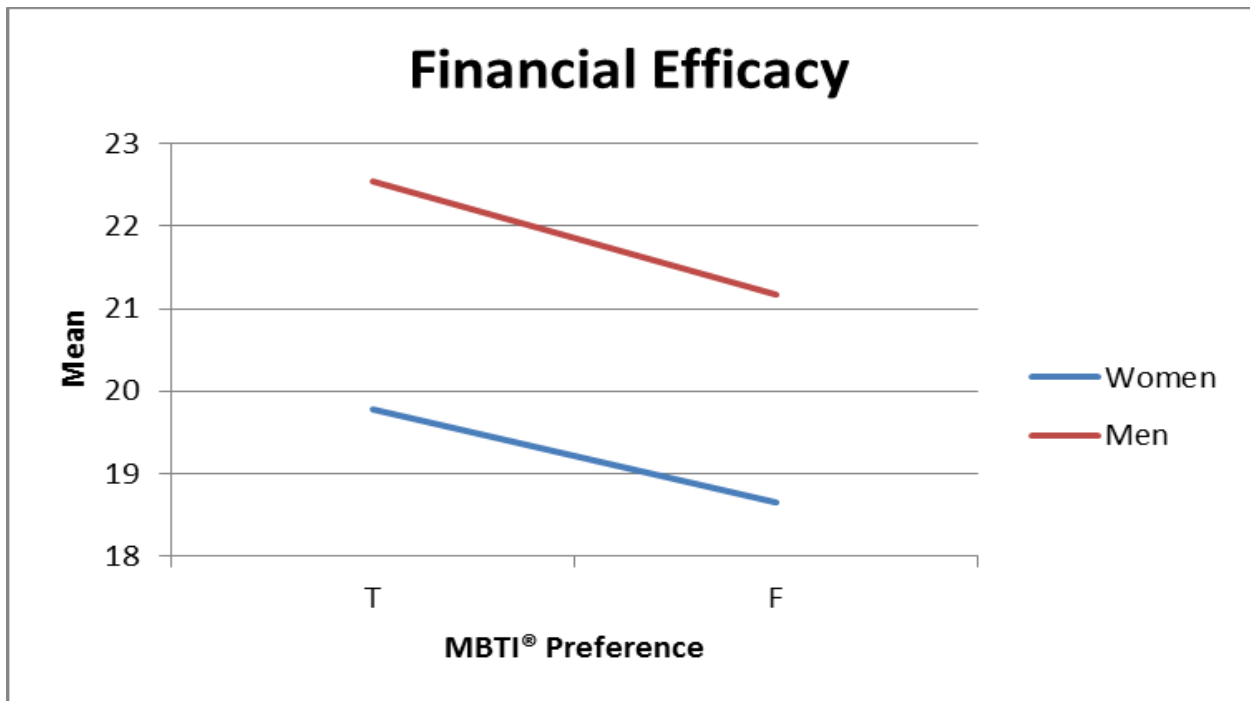
Note. ANOVA results SN: $F=6.570$, $p=.010$. Gender: $F=27.426$, $p=.000$.

Figure 2. Financial Worry Scale Means by Gender and TF Preference



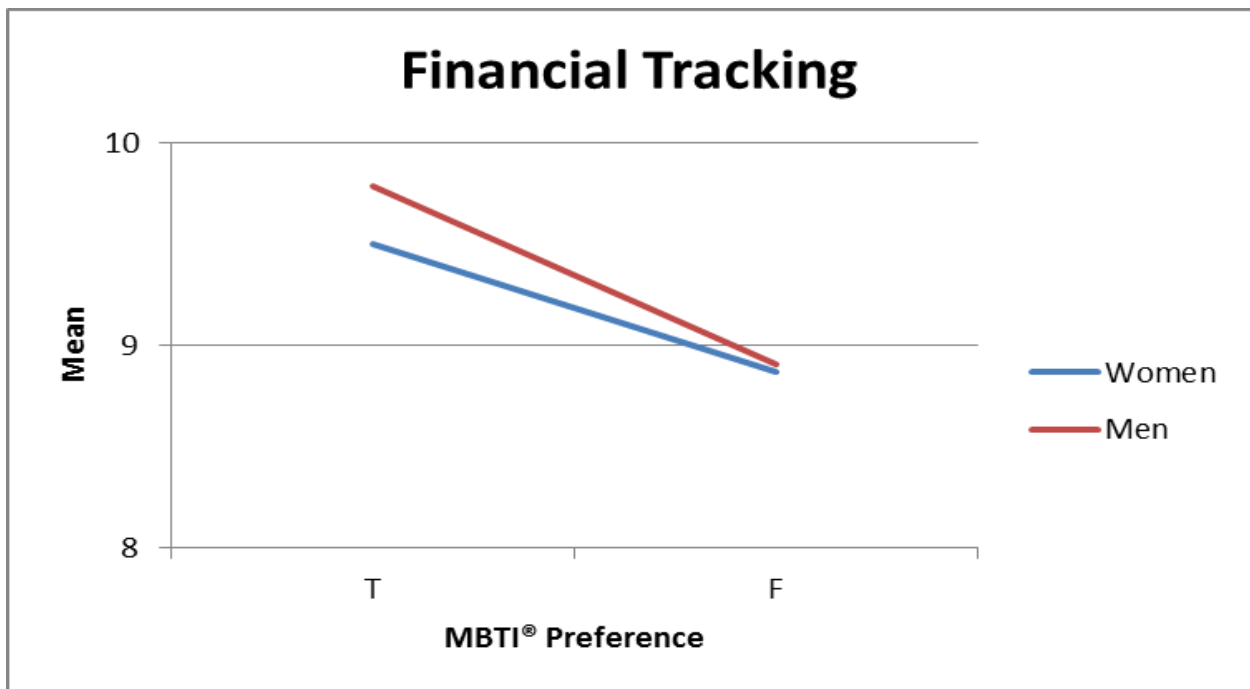
Note. ANOVA results TF: $F=6.760$, $p=.009$. Gender: $F=24.363$, $p=.000$.

Figure 3. Financial Efficacy Scale Means by Gender and TF Preference



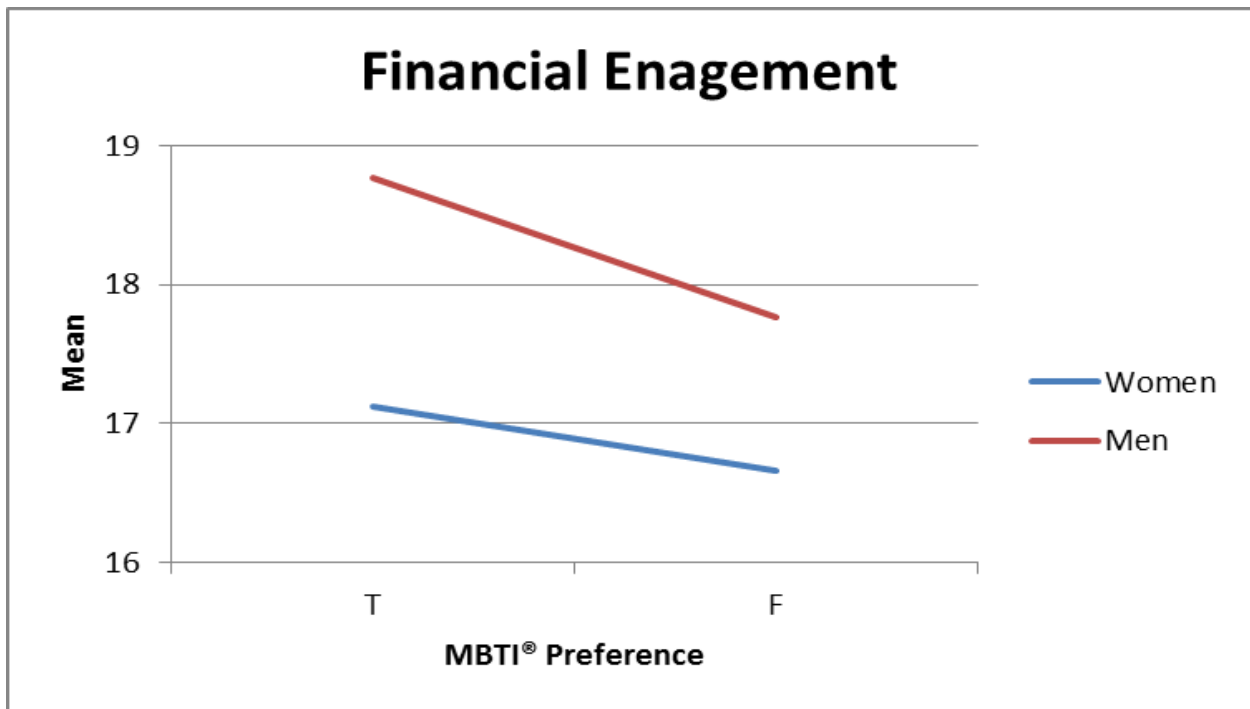
Note. ANOVA results TF: $F=23.554$, $p=.000$. Gender: $F=107.103$, $p=.000$.

Figure 4. Financial Tracking Scale Means by Gender and TF Preference



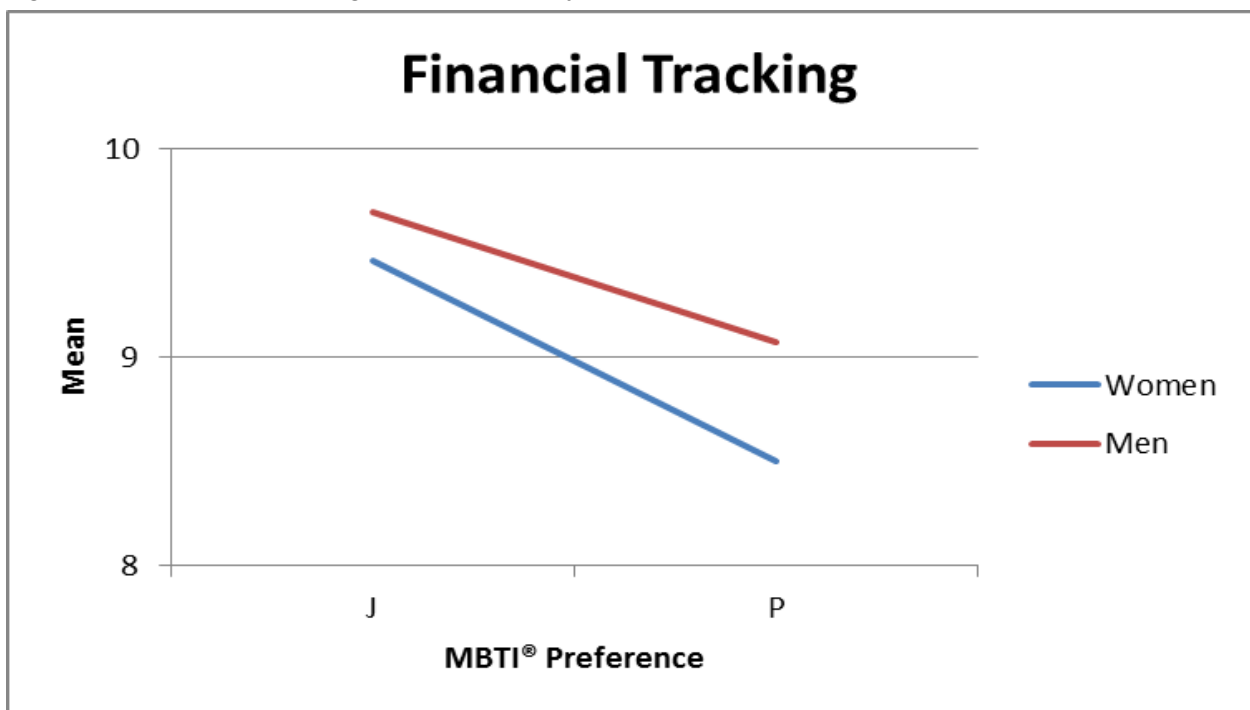
Note. ANOVA results TF: $F=22.258$, $p=.000$.

Figure 5. Financial Engagement Scale Means by Gender and TF Preference



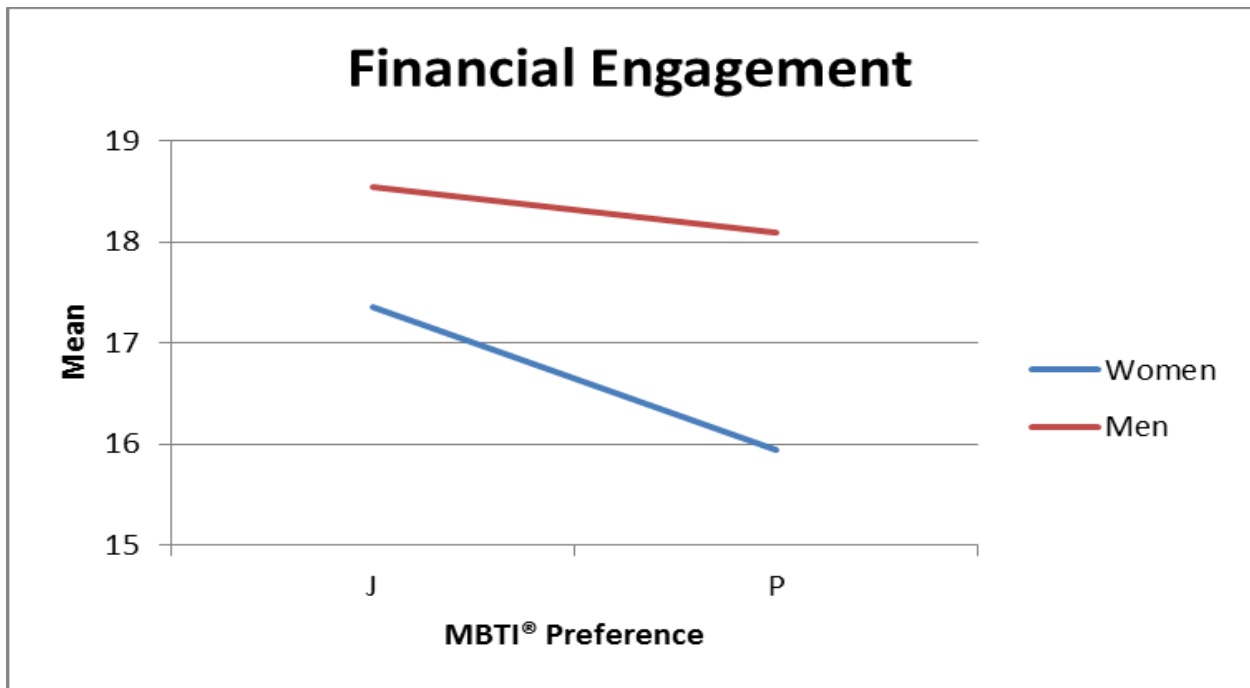
Note. ANOVA results TF: $F=10.258$, $p=.001$. Gender: $F=37.165$, $p=.000$.

Figure 6. Financial Tracking Scale Means by Gender and JP Preference



Note. ANOVA results JP: $F=24.882$, $p=.000$. Gender: $F=6.488$, $p=.011$.

Figure 7. Financial Engagement Scale Means by Gender and JP Preference



Note. ANOVA results JP: $F=17.304, p=.000$. Gender: $F=56.473, p=.000$.

Figure 8. Fear Item - Percent of Agreement by Gender and TF Preference

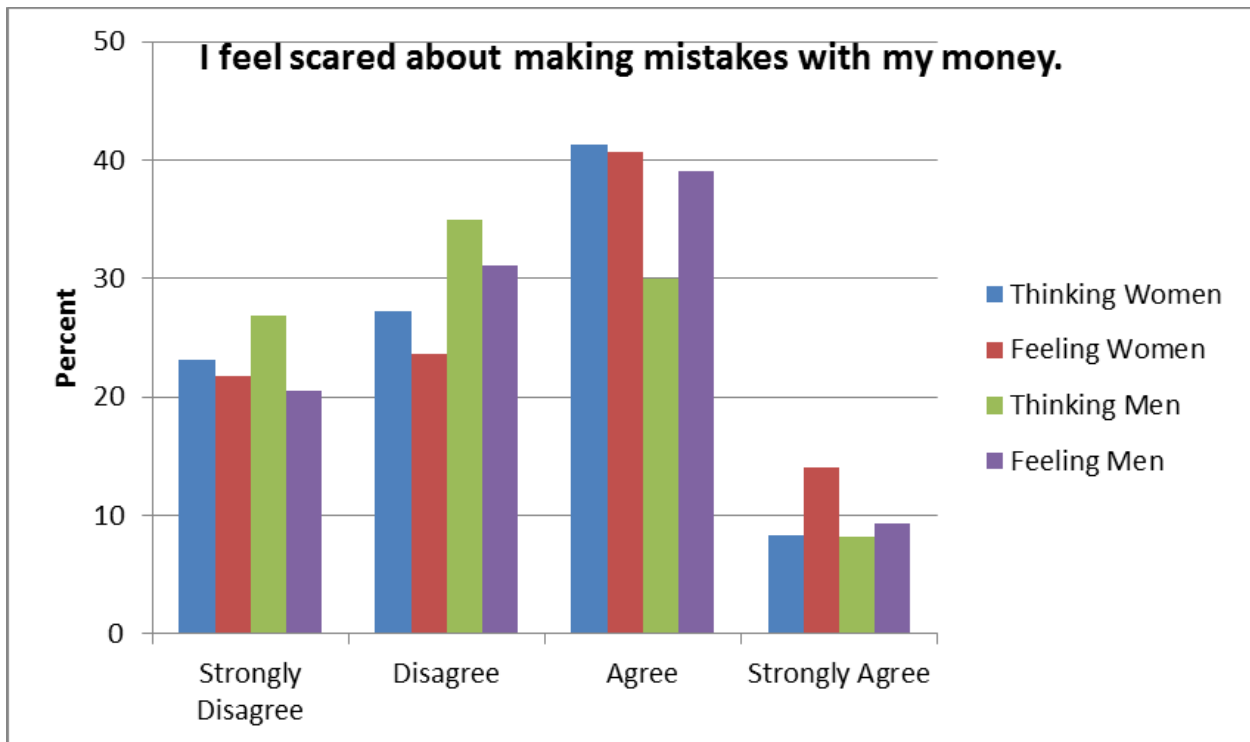


Figure 9. Boredom Item - Percent of Agreement by Gender and TF Preference

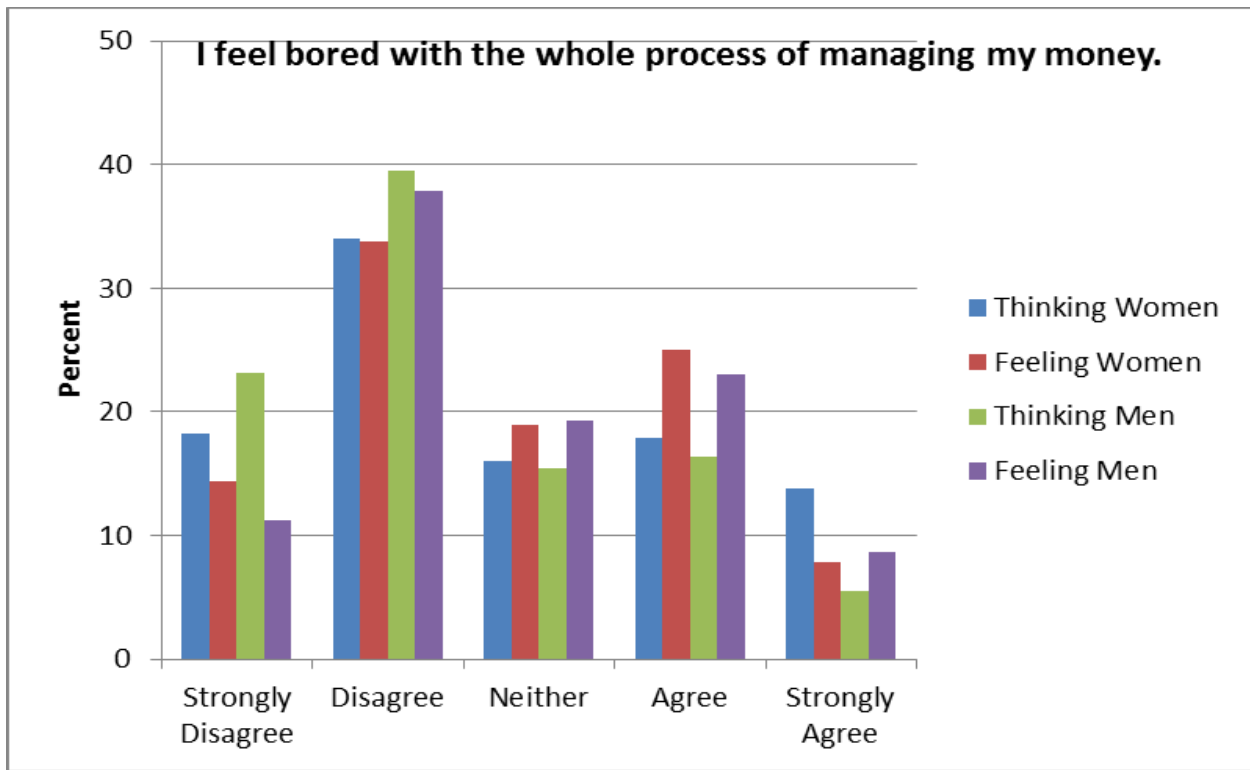


Figure 10. Overwhelmed Item - Percent of Agreement by Gender and TF Preference

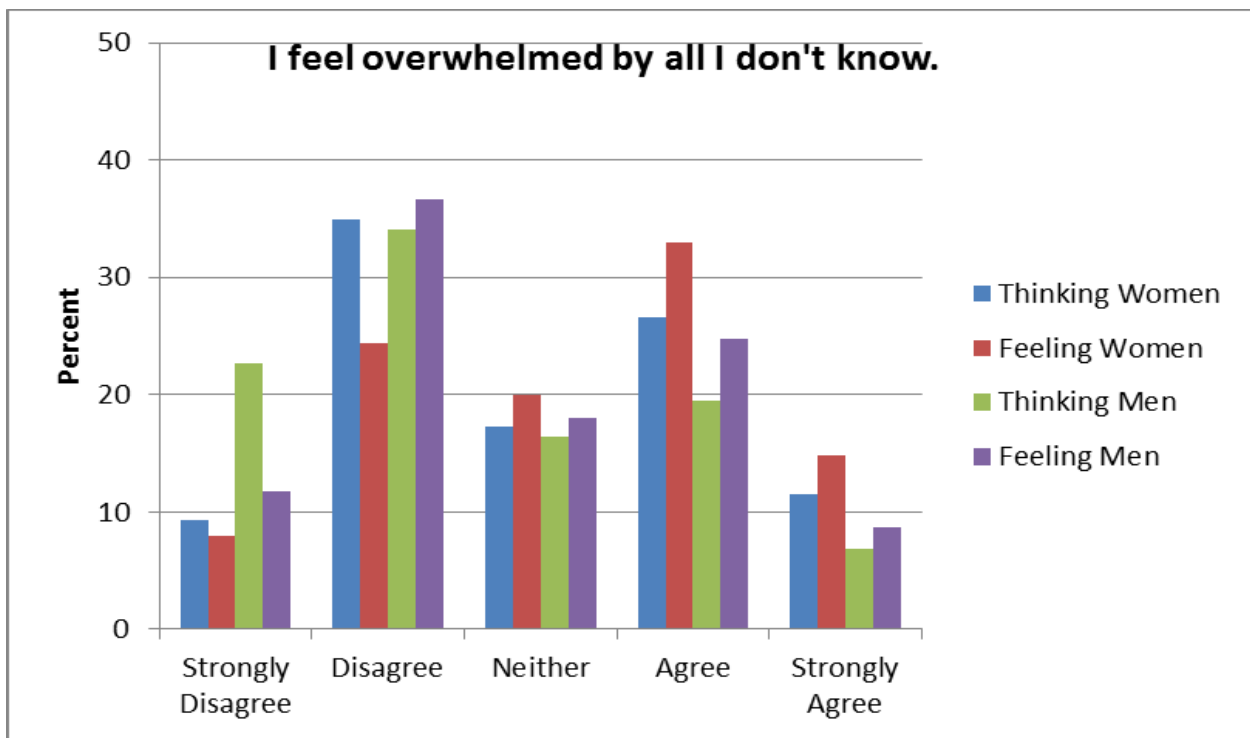


Figure 11. Interest Item - Percent of Agreement by Gender and TF Preference

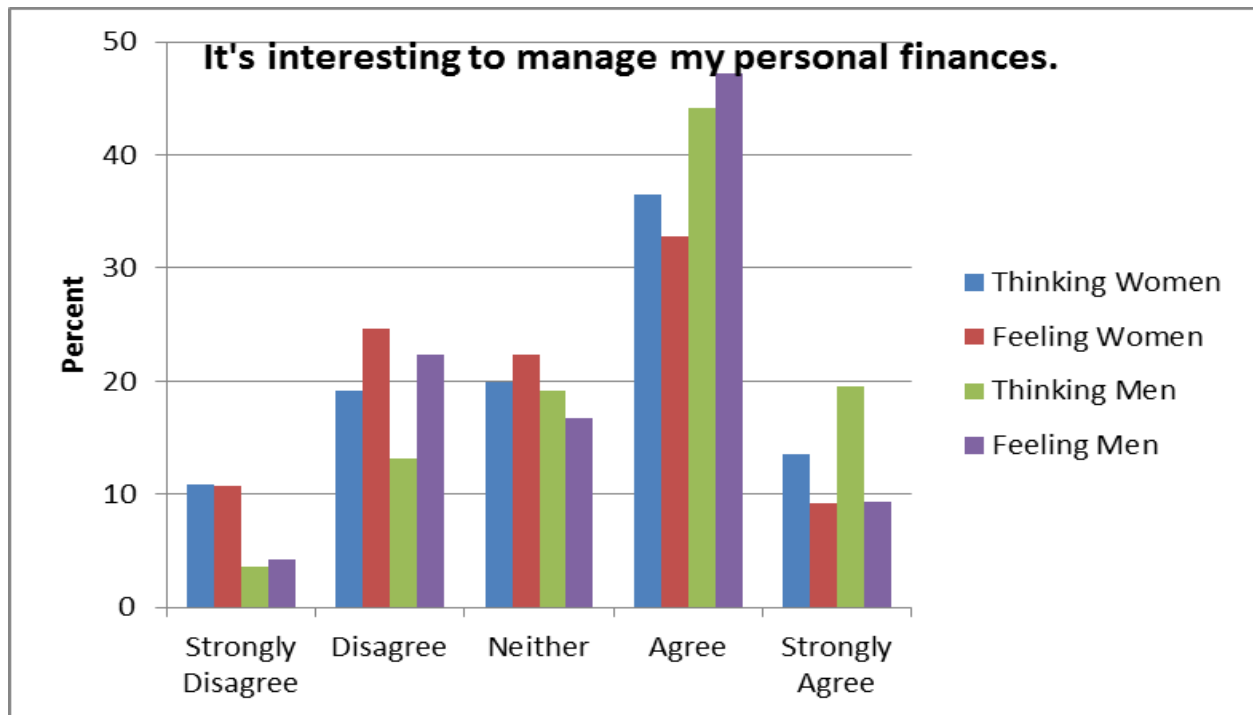


Figure 12. Level of Knowledge Item - Percent by Gender and TF Preference

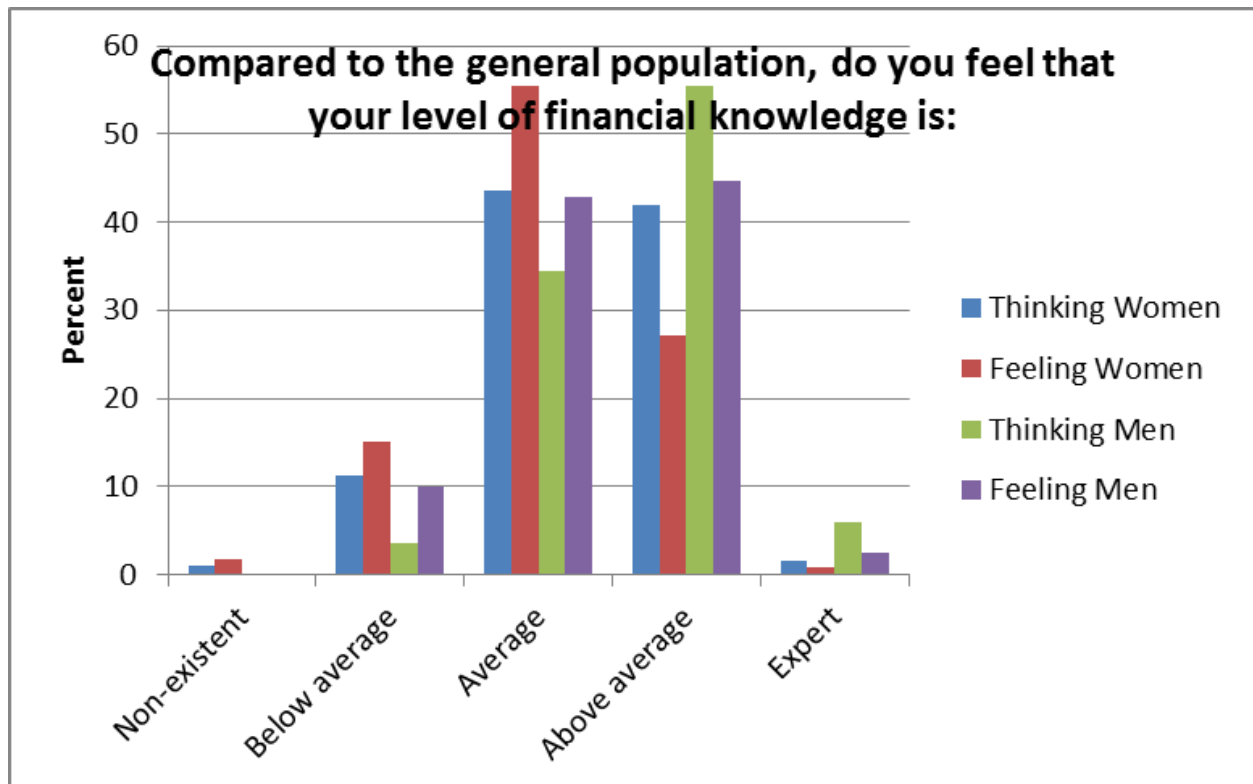
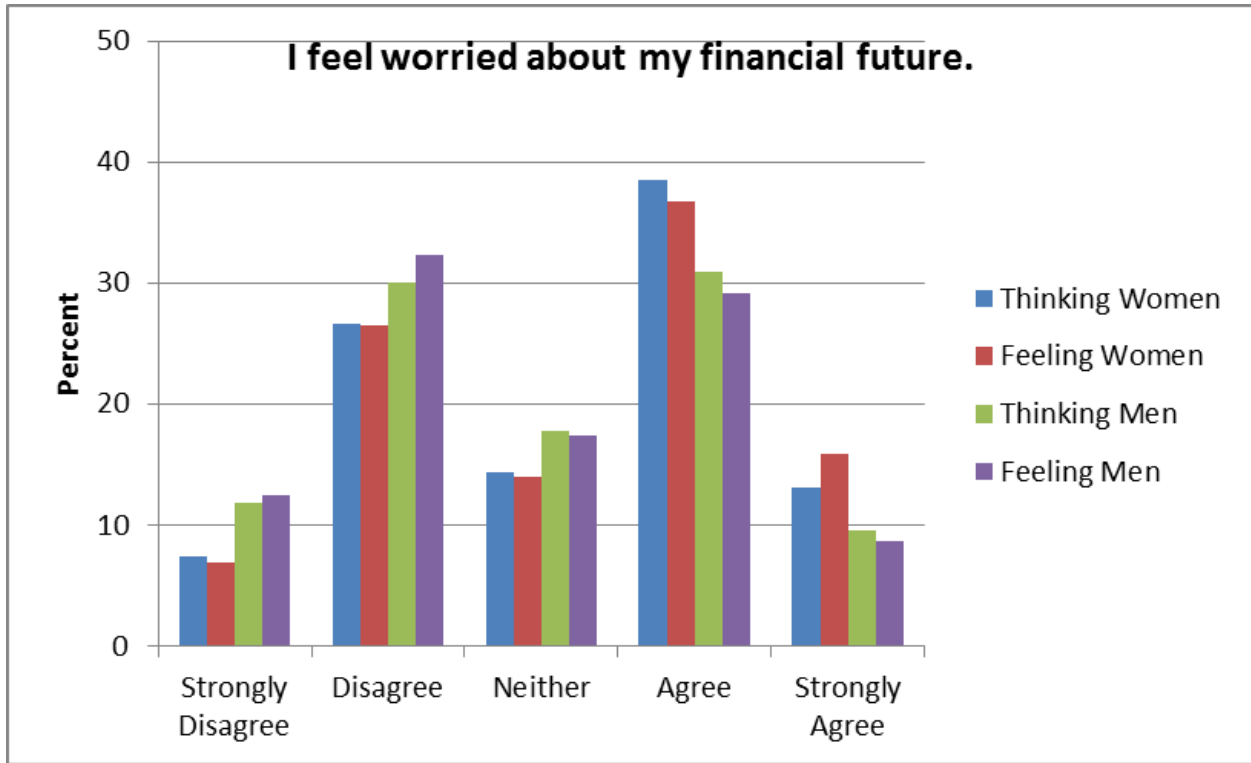


Figure 13. Worry Item - Percent of Agreement by Gender and TF Preference



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