

WHAT ATTRACTS LOW INCOME CONSUMERS TO BAD FINANCIAL ADVICE AND TO IMMOBILIZE WHEN THEY GET GOOD ADVICE?

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Quote attributed to Mark Twain in the opening of the movie: The Big Short

“It ain't what you don't know that gets you into trouble. It's what you know for sure that just ain't so.”

What brings me here?

- 14 years of presentations to low income people
 - West Neighbourhood House (St. Chris.)
 - Retiring on a low income in the Toronto Library System
 - Women Speak out
 - Houselink
 - Voices from the Street
 - CAMH
 - 'Church basements'
 - City Council
 - Webinars

What brings me here?

- Arguing with low income consumers about what they know for sure that just ain't so.
 - E.g. what you have to buy at a bank
 - What they are eligible and not eligible for
 - How the tax system works
- Watching low income consumers getting good advice and not acting on it (immobilizing)
 - E.g. not cashing in RRSP's when they should
 - Not borrowing money when they should
 - Not saving in a TFSA
 - Going to payday lenders

What brings me here?

- Interest in deconstruction of ideas and behavioural patterns
- Watching certain people continue to fail when they “know better”
- Watching the ‘odd’ (= rare) low income consumer succeed

FINANCIAL INNUMERACY

“Splitting the Difference”

Financial Innumeracy & “splitting the difference”

- Long experience of watching financially innumerate people ‘*split the difference*’ when it come to advice:
- *“Innumeracy encourages the view that all opinions are equally valid, that whenever there is disagreement, the truth lies somewhere in the middle. Innumeracy thus becomes another means of disenfranchisement: by reinforcing the idea that truth is relative and unknowable, people with the least defenses. . . will be most vulnerable.”*¹¹
- Lynn Arthur Steen, “The New Literacy,” Why Numbers Count: Quantitative Literacy for Tomorrow’s America, St. Olaf College, College Entrance Examination Board, 1997, p. 10.

Financial Innumeracy & “splitting the difference”

- Low income people with low financial skills and low confidence,
- Facing two diametrically opposed pieces of advice will do one of three things:
 - Stick with mainstream bad advice
 - Accept the new good advice; or
 - Split the difference (as they always do) and IMMMOBILIZE as only one piece of advice can be right.

The more financially innumerate you are, the more you split the difference because you don't have the skills to evaluate one piece of advice vs the other.

But because the advice is diametrically opposed, you can't split the difference – you must choose

Financial Innumeracy & “splitting the difference”

- Conclusions:
 - Need to understand that low income audiences divides into three and that higher levels of financial innumeracy results in higher **immobilization** (as one can't split the difference between opposed choices).
 - There is high value in having numerate low income people advocating for good advice . When trying to split the difference, **the voice of lived experience** will tend to prevail in the face of two sets of sophisticated advice.
 - If there is no frame to accept financial advice, presentation of a new frame does not solve the problem.
 - Financial literacy (understanding the frame) can help while simplifying the playing field can also help.

THE IMPORTANCE OF COLOUR PALETTES

Similar palettes for fast food, self improvement books,
and payday loans.

The colour palette of Individualism

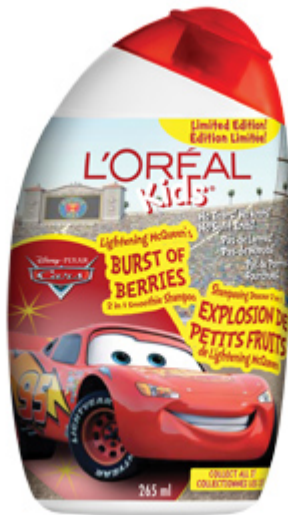
- Fast food has the dilemma of marketing ‘individual choice’ and nudging people to choose among extremely limited menu choices.
- <https://www.youtube.com/watch?v=KrvuGdTiVWc>
- Appearance products market individual value
- They have branded a number of colours as reflecting “happy, self-esteem driven, and informed choice”

The colour palette of Individualism

- Combinations of:
- Red
- Yellow/gold
- Black
- Brown
- White
- With a blue sky background

The colour palette of Individualism

Fast food and Appearance



The colour palette of Individualism

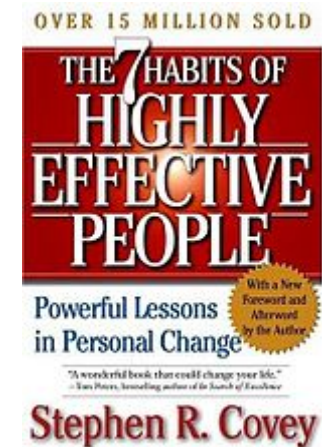
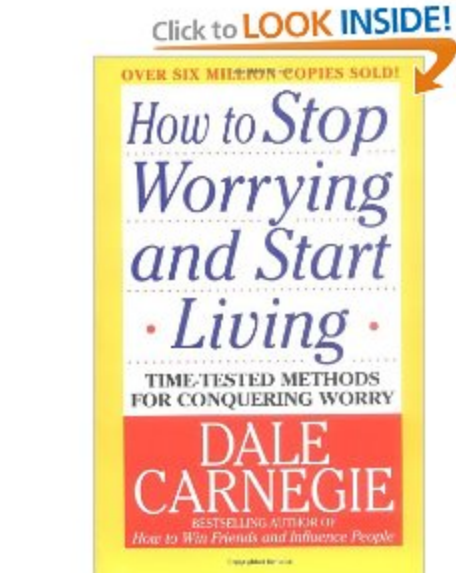
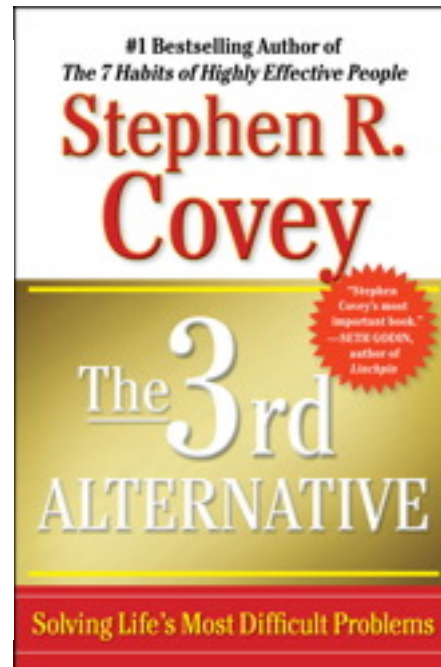
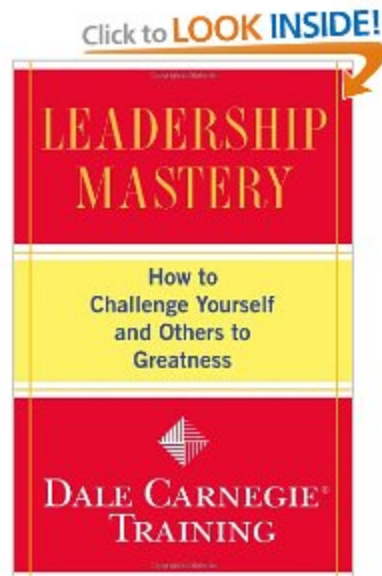
Fast food and Appearance

- ***The denominator is You and I:***
 - *I'm lovin' it,*
 - *You deserve a break,*
 - *You always got time,*
 - *You're worth it...*
 - I'm worth it!
 - <https://www.youtube.com/watch?v=V-IITQun7x4>

The Self-Improvement Industry

- The fast food Individual choice.... confident happy actor is also **not lost** on the self improvement genre
- the self-improvement industry is based on individual (self-actualized) success (very different from the leader genre that uses an entirely different colour palette - lots of dark blues, mahogany and green).
- Let's look at their colour palette... familiar?

The Self-Improvement Industry



Payday Lenders Cash in on colour palette of fast food and self-improvement

- Cult of individual choice...you came in because you had choices
- Welcoming
- Simple menu
- Fast (immediate) service
- One charge
- Notice a colour palette similarity?

True Colours: Payday Lenders



Payday Lenders



Need a Loan?

Get it in **3** easy Steps!

- 1 Fill out our Express Application
- 2 Get Approved
- 3 Withdraw your Cash

[Apply Now](#)

A smiling woman with dark hair, wearing a light blue shirt, holding a fan of US dollar bills. The background is yellow with a subtle pattern.

The importance of Colour Palette

- Payday lenders exploit colour palette associated with informed choice and self-improvement
- The financially innumerate person trying to split the difference will prefer a payday lender over a bank or a non-profit.
- Non-profits and banks work at the level of the rational and not the subliminal
- Values of smartness and smart choices not part of colour palette of alternative financial advice.
- Perhaps they should be!

What can we take away?

New ways to work!

- Remember that people without good financial skills will split the difference
- Good advice can be marginalized – we need ways for it to go mainstream
- While you are teaching people good financial habits, colour palettes that affect us all are working in the background.
- “out” the colour palette of payday lenders. Ask why low income people ‘feel good’ when they enter.

THANK YOU

Questions?