Book Review

The Thank You Economy

Barbara O’Neill1

Author: Gary Vaynerchuk
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Journal of Financial Counseling and Planning (JFCP) book reviews typically discuss books about some aspect of personal finance including: investment products (Bonds: The Unbeaten Path to Secure Investment Growth, 23(2), 2012), retirement (The Predictable Surprise: The Unraveling of the U.S. Retirement System, 25(2), 2014), debt (Broke: How Debt Bankrupts the Middle Class and Borrow: The American Way of Debt, 24(1), 2013), financial literacy (Student Financial Literacy: Campus-Based Program Development, 24(2), 2013 and Financial Literacy and Adult Education, 25(2), 2014), low-income households (Striving to Save, 21(1), 2010 and Broke, USA, 22(1), 2011), financial decision-making (How We Decide, 21(2), 2010 and Nudge, 22(1), 2011), the economy (What’s the Economy For, Anyway? and Working Scared (Or Not at All), 25(1), 2014) and the financial services industry (Shortchanged: Life and Debt in the Fringe Economy, 23(1), 2012) and Pound Foolish: Exposing the Dark Side of the Personal Finance Industry, 24(2), 2013). This review is different. The Thank You Economy (TYE) has nothing to do with personal finance content but everything to do with how financial counseling and education services could and should be marketed and delivered. There are many take-aways for JFCP readers if they read it with a “lens” of adapting key concepts from the corporate world to practitioner settings.

Two hundred and forty pages long, The Thank You Economy was written by Gary Vaynerchuk, a self-described “serial entrepreneur” who built his family’s liquor store into a national industry leader (WineLibrary.com) with the help of social media (SM). Also CEO of VaynerMedia, Vaynerchuk has consulted with businesses in a variety of fields, including sports and retailing, on the application of TYE principles. Several publications for entrepreneurs named him to their “people to watch” lists and he has over 1.1 million Twitter followers.

The Thank You Economy is organized into five parts comprised of 13 chapters and a two-page summary. It is meticulously referenced with 224 citations of business and economic news and research. Readers who want to delve further into data that are presented are easily able to do so. In the 4-page Preface, Vaynerchuk explains that “a business is only as strong as its closest customer relationships” (p. xiv) and that “developing strong consumer relationships is pivotal to a brand or company’s success” (p. xv). The era of one-way messaging to consumers is long gone. For about a decade, people have embraced SM communication capabilities “because communicating makes people happy; it’s what we do” (p. xv).

Part I is Welcome to The Thank You Economy. In Chapter 1, How Everything Has Changed Except Human Nature, Vaynerchuk notes “how we cultivate our relationships is often the greatest determinant of the type of life we get to live” (p. 3). He then notes that SM provides a way to scale interactions with customers—or potential customers—“provided you use the right tools the right way” (p. 5). Done correctly, SM allows consumers and businesses to interact as if they were friends and family. Trusting relationships and connections formed via SM are becoming growing economic forces, says Vaynerchuk,

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who calls the Internet “the greatest platform ever invented” (p. 5). With SM, businesses [and financial counseling and education organizations] can connect with customers to hear what they want, how they think, and whether or not their product or services are working. Traditional formal focus group methodologies may no longer be necessary.

Vaynerchuk compares the world we live and work in today to small towns of a bygone era where everyone knew each other. Then, and now, to lose a customer means losing his or her friends and relatives. “Consumers have more direct, daily contact with other consumers than has ever been possible in the history of the planet” (p. 19) and word of mouth is back in full force. Businesses can no longer ignore even one disappointed customer because everybody counts. Heartfelt engagement and products/services that exceed expectations are keys to TYE success.

The topic of resistance to SM use continues in Chapter 3, Why Smart People Dismiss Social Media, and Why They Shouldn’t. Here Vaynerchuk debunks common excuses that business leaders use: 1). There’s no return on investment (ROI), 2). The metrics aren’t reliable, 3). SM is still too young, 4). SM is just another trend that will pass, 5). We need to control our message, 6). I don’t have time to keep track of what every Joe or Jane says, 7). We’re doing fine without it, 8). We tried it, it doesn’t work, 9). The legal issues are too thorny, 10). It takes too long to pay off, and 11). SM only works for start-up, lifestyle, or tech brands. Real world examples of businesses listening to customer feedback and the “relationship capital” derived from SM use are described.

Chapter 4, From the Top: Instill the Right Culture, begins Part II, How to Win. Vaynerchuk places the date when the TYE became “a matter of public record” to 7/22/09, the day that Amazon bought Zappos for $1.2 billion. He then describes how Zappos creates an “outstanding customer experience” and “amazing work environment” and how he applied Zappos’ principles to Vaynermedia. Five key “cultural building blocks” are described: 1). Begin with yourself (i.e., key executive buy-in), 2). Commit whole-hog (i.e., unwavering determination to create a culture of super-sized caring), 3). Set the tone (i.e., role-model interactions with customers), 4.) Invest in employees, and 5). Trust your people. Business case studies of these principles in action are provided.

The Perfect Date: Traditional Media Meets Social, Chapter 5, describes how to layer SM on top of traditional media for extended impact and outreach. Included is a discussion of traditional media benefits and pricing, the benefits of adding SM to traditional marketing strategies, and an example of a company, Denny’s, that paid a large sum to run three commercials during the 2010 Super Bowl but failed to leverage people watching those ads with a follow-up SM campaign (e.g., a coupon or code for liking them on Facebook). Conversely, Reebok executed what Vaynerchuk calls “Ping-Pong” successfully; i.e., tossing messages back and forth between traditional and social media “to work together to extend your story, continue the conversation, and connect with your audience” (p. 116).

The title of Chapter 6, I’m On a Horse: How Old Spice Played Ping-Pong, Then Dropped the Ball, is self-explanatory. Again referencing the 2010 Super Bowl, Vaynerchuk describes a clever ad followed by successful Twitter engagement with the “Old Spice Man” that spiked sales of body wash. The letdown afterward was a lack of continued engagement with almost 120,000 Twitter followers. The take-away message: “you have to keep working at every relationship in your life, whether personal or professional” (p. 128).

Intent: Quality Versus Quantity is the title of Chapter 7. Here, Vaynerchuk describes good intent as perhaps “the single biggest differentiator in this new economy” (p. 131). Platforms such as Facebook and Twitter emphasize transparency and immediacy and have given consumers tools to expose bad intentions and recognize and reward good ones. Readers are urged “to create an opportunity for engagement, not to force it” (p. 133). One-way feeds that push a product should be replaced by conversations. Again, real world examples are provided.

In Chapter 8, Shock and Awe, Vaynerchuk provides an advanced lesson in SM engagement for those who have the basics down pat. “What more can you possibly do?” he asks. Apparently, quite a lot. Summed up, “shock and awe” means paying attention to things that enhance a customer’s
experience. If you don’t think this applies to financial counseling and education, think again. The closing speaker at the 1997 AFCPE annual meeting, a marketing consultant, told attendees—almost a decade before the advent of SM—to make our clients/students say “Wow!” Examples of Wow! experiences are provided by Vaynerchuk as well as examples of how companies could make their customers say Wow! and resulting SM messages that could follow. “A few one-time expenses can pay off in a lifetime of loyalty from the people who are touched by a company’s generosity” (p. 143). Clicks, opinions, reviews, tweets, retweets, and status updates all have value in the TYE.

Part III, *The Thank You Economy in Action*, provides examples of SM engagement methods that Vaynerchuk espouses. In Chapter 9, *Avaya Going Where the People Go*, he describes how the telecommunications company uses Twitter to track consumers’ technical questions and “to head complaints off at the pass” (p. 151). Their customer service department addresses disgruntled tweeters, reducing the need to replace customers at an estimated cost of $10,000 each. Avaya is praised for “showing up” and not avoiding SM.

Chapter 10, *AJ Bombers: Communicating With the Community*, describes the use of SM by a Milwaukee burger restaurant whose owner “has been doing his best to keep people talking from day one” (p. 155). Customers are engaged in a variety of ways including inviting disgruntled customers to return for a free meal, hosting a holiday Tweet Up (i.e., an organized in-person gathering of Twitter users), free cookies for customers who post messages to their site, and incentives for FourSquare users. Efforts such as these get repaid many times over in the TYE.

The themes of attention to detail and producing shock and awe continue in Chapter 11: *Joie de Vivre Hotels: Caring About the Big and the Little Stuff*. The chapter describes California’s largest boutique hotel company whose name and mission translates to “Joy of Life.” One of the company’s operating methods is learning about guests before they arrive and using that information to create a memorable experience. Employees also compete for the Dream Maker of the Month Award for delivering the best over-the-top experience. Acts of kindness and unexpected perks can become very visible on SM, which can sometimes lead to attention by traditional media. The hotel also used SM during the 2009 economic downturn to announce special deals to followers, thereby booking rooms that otherwise would have remained empty.

Chapter 12 describes a San Francisco dentist’s use of SM as a business development tool. I suspect that this chapter was especially relevant to my brother, a sole proprietor, as it will be to JFCP readers in private practice. Several unique business practices are described including a “spa-like” office, “movie goggles” worn by patients, the use of Groupon to attract new patients, and the use of SM to apologize for poor customer service when the Groupon response was overwhelming. Of course, all SM use is predicated on offering a superior product or service. As Vaynerchuk notes, “any bad service or mediocrity is asking to be exposed” (p. 181).

Chapter 13 describes another successful SM user in professional practice: an attorney within a global law firm. Many JFCP readers, like myself, who are “intrapreneurs” for an employer will relate to the content of this chapter. The lawyer provides pro bono or discounted consultations for business start-ups during off-hours, often using Skype video-conferencing. Many of those he helped eventually became full-paying clients. Even if they didn’t, positive word of mouth from fledgling entrepreneurs via SM often brought new business. A short conclusion at the end of Part III provides an excellent summary of key take-aways (e.g., “using SM to talk with customers is like getting access to the most honest focus group that’s ever sat around a conference table and not paying a dime for their input,” p. 195). Vaynerchuk notes that the lifetime value of customers/clients is important. Every interaction has the potential to be spread through their SM network.

In Part IV, *Sawdust*, Vaynerchuk describes the difference between the power of word of mouth and advertising and advises readers to “jump into every relevant conversation you spot” (p. 201) within their industry sector. He also describes how large organizations allow fear, politics, and/or short-term concerns to prevent them from taking risks and implementing creative strategies. An analogy is made between modern warfare and traditional business marketing. Neither carpet-bombing an enemy, nor spending millions of dollars exclusively on television ads, are effective. Seven big SM mistakes are also described including using it to brag, using it as a press release, using it to push product, and expecting immediate results. Part V, *How to Win in the Thank You Economy, the Quick Version*, is a mere two pages and contains another summary of key TYE concepts, this time in 16 bullet points (e.g., “If you’re small, play like you’re big; If you’re big, play like you’re small,” p. 233-234).
JFCP book reviews typically end with implications for readers. This review is no different, except to fully appreciate *The Thank You Economy*, you must overcome an initial “What does this book have to do with my work?” reaction and consider TYE applications within the military, universities, Cooperative Extension, financial aid offices, non-profit organizations, private practice, and other employment venues. In other words, when Vaynerchuk uses the words “company” and “business,” mentally picture your work setting and apply the content accordingly. Below are five implications that I recognized for financial counseling, education, and research:

**Make People Say Wow!** – We all have the capacity to create “shock and awe” among those we serve with the potential for SM sharing of our random acts of kindness or unexpected benefits (e.g., a free book, CD, class registration, or financial counseling session). Remember that everything we do or say, face-to-face or online, can have a powerful word-of-mouth afterlife.

**Jump In and Get Engaged** – I realized this first-hand when an injury left me unable to drive my 3-hour commute during Summer 2014 and freed up time to participate in personal finance Twitter chats (for a list, see http://www.slideshare.net/BarbaraONeill/social-media-resources-for-financial-education-0414). By doing so, I experienced the sense of community that results, “met” a whole new set of professionals and consumers who became aware of Cooperative Extension resources, and was honored to later be invited as a Twitter chat guest.

**Ping-Pong Traditional and Social Media** – We can all get better at this by giving traditional media messages a SM extension (e.g., Twitter handle in a newspaper column). Conversely, use SM to extend traditional media such as including the link to a newspaper interview in a Twitter or Facebook post, with a nod to the media outlet.

**Engrain TYE Principles in Your Staff** – In the non-profit world, “staff” might include a volunteer, graduate student assistant, or intern. Make sure everyone representing your organization isn’t making SM errors (e.g., “broadcasting”) and realizes that every consumer interaction on SM, good or bad, requires a quick and authentic response. Today’s SM follower could be tomorrow’s advocate or funder if they become aware of your work and like what you do.

**Use Social Media for Research** – Before reading *The Thank You Economy*, a land grant university research group, to which I belong, was collecting online focus group data about student loan decision-making using an online course platform. Despite carefully crafted instructions with screen shots, participation was low, even with a professional sampling company. Had we started six months later, I would have suggested using a Twitter chat. SM provides a valuable, unfiltered look at how people think. Another option is an online survey link in SM messages.

In summary, *The Thank You Economy* is a valuable resource for financial practitioners who wish to build or enhance positive relationships with clients, students, colleagues, administrators, funders, media outlets, and others. I believe that includes every JFCP reader. The chapters are concise, the writing is witty, and the case study examples are informative. I found nothing to criticize other than it would have been nice to have a few government or non-profit case studies. These organizations are also operating in the TYE. We all are.

I can see why my brother found this book so valuable as a business development tool. You will too if you currently use social media in financial counseling, planning, education, or research or plan to in the future. Thank you gary@vaynermedia (@garyvee on Twitter).

**About the Reviewer**

**Dr. Barbara O’Neill** holds the rank of Distinguished Professor in the School of Environmental and Biological Sciences at Rutgers University, and is Rutgers Cooperative Extension’s Specialist in Financial Resource Management. She also provides national leadership for the Cooperative Extension program *Small Steps to Health and Wealth™*. Dr. O’Neill has written over 1,500 consumer newspaper articles and over 125 articles for academic journals and conference proceedings. She is a certified financial planner (CFP®), chartered retirement planning counselor (CRPC®), accredited financial counselor (AFC), certified housing counselor (CHC), and certified financial educator (CFEd), and served as president of the Association for Financial Counseling and Planning Education (AFCPE) in 2003. Dr. O’Neill received her Ph.D. in family financial management from Virginia Tech. She has received over three dozen awards for program excellence and over $975,000 in funding to support her financial education programs and research.
Book Review

Down the Up Escalator: How the 99% Live in the Great Recession

Barbara O’Neill

Author: Barbara Garson
Publisher: Doubleday (2013)
ISBN: 978-0-385-53274-7

In a previous issue of the *Journal of Financial Counseling and Planning*, I reviewed the book *Working Scared (or Not at All)* by Carl E. Van Horn, which presented detailed quantitative data about post Great-Recession America. The book was heavy on economic statistics but also included stories about real people that put a human “face” on the financial impact of the financial crisis. *Down the Up Escalator: How the 99% Live in the Great Recession* covers the same exact ground but does so in a polar opposite format. This book focuses on human interest stories with a smattering of economic and historic data. Like *Working Scared*, the topic of this book—numerous lives torn apart by financial losses and unemployment—isn’t pretty. Like a mixed methods research study that uses both quantitative and qualitative data, *Working Scared (or Not at All)* and *Down the Up Escalator*, combined, provide extremely valuable insights into the lives of financially vulnerable people and the new world economic order, especially for readers who got through the financial crisis relatively unscathed.

*Down the Up Escalator* is 272 pages long and organized into three sections that correlate with the three major effects of the Great Recession on Americans’ finances: Our Jobs, Our Homes, and Our Savings. Each section contains three to four chapters that intersperse historical facts and economic data into stories about people who provided rich, in-depth, interviews about their economic plight. The book includes a multitude of direct quotes which provides the vantage point of individuals speaking in their own words. The author, Barbara Garson, is the author of over 150 articles in national publications as well as a series of books (including *All the Livelong Day: The Meaning and Demeaning of Routine Work* and *The Electronic Sweatshop: How Computers Are Transforming the Office of the Future into the Factory of the Past*) that describe the changing lives of working Americans at various points in time. She is also a playwright and has had a long history of political activism.

The book begins with an *Introduction* section that sets the stage for the content that follows. Garson juxtaposes descriptions of Duane, a one-time General Motors assembly worker, and his family who she touched base with for about 40 years, and economic events during the past half-century. Among the topics discussed here are the evolving nature of assembly line work and automation, causes and results of the 2008 housing crisis, U.S. wage stagnation throughout Duane’s working life (starting in the 1970s), the rise in average worker’s productivity, food insecurity, and rising household debt, including loans made to people clearly unable to afford them.

The *Our Jobs* section contains four chapters. In Chapter One, *The Pink Slip Club*, Garson introduces readers to a group of four single, unemployed New Yorkers who get together “to keep each other’s spirits up” (p.15). Garson tells each person’s financial distress story and skillfully describes how destabilized each of their lives has become and the challenges they faced finding work and living on a reduced income. Her thoughts, questions, and reactions to group members’ comments blend seamlessly with interview subjects’ direct quotes. This format continues throughout the book and reads more like a conversation among friends than a book interview. Garson’s colorful language (e.g., “the dowry of a second unemployment check”) also keeps readers’ interest. The four members of the Pink Slip Club eventually “morphed into the long-term unemployed” and Garson noted that, by Fall 2010, there were fourteen million officially unemployed Americans—40 percent of them classified as long-term unemployed” (p. 46).

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Down by the Banks of the Ohio, Chapter 2, describes the downward mobility of a former XM radio salesperson (among other jobs) and his significant others. Topics covered within the chapter include the challenges of finding work, older worker layoffs, low-wage income cash flow challenges, homeless shelters, piece work compensation, uncompensated work hours at a Big Box retailer, the “juggling” required to live “paycheck to paycheck,” and the decline of unions and contractually bargained wages. Garson noted that the wealth gap widened and hourly wages stagnated or declined around the mid-1970s, “If couples wanted to maintain homes like the ones they were raised in, they borrowed and/or took second jobs” (p. 85). Speaking about one of the interview subjects, Garson noted that he wasn’t “trying to keep up with the Joneses next door. He was trying to keep up with the Joneses of a generation earlier” (p. 85). The chapter notes that income declines were gradual and “many people didn’t fully grasp that they weren’t going to get ahead” (p. 86), nor did they want to make required midlife course corrections.

Garson begins Chapter 3, Innovating the Jobs Away, by describing a once successful retail salesperson whose income plummeted when her employer ended commissions and slashed full-time workers’ hours to part-time. The chapter also describes an unemployed hedge fund employee and the increased incidence of “temp” jobs (a.k.a., contingent employment). “At first, this trend hit unskilled workers but it has now extended to “brain workers” who are having increasing difficulty finding staff positions” (p. 97).

The title of Chapter 4, Even Bankers Can be Unemployed, is self-explanatory. Garson begins the chapter by describing an unemployed loan officer getting by on severance, savings, and his wife’s earnings and another unemployed banker studying to earn the CFA designation. Interwoven in the chapter is discussion of the $700 billion Troubled Asset Relief Program (TARP), the securitization of toxic mortgages, credit default swaps, and the moral hazard fostered by government assumption of the risk of “derived financial products” (p. 119).

Show Me the Mortgage, Chapter 5, begins with a discussion of the “robo-signing” scandal of 2010 where “clerks at mortgage companies signed hundreds of foreclosure papers a day without checking the original mortgage documents whose existence and terms they swore to” (p. 124). This chapter also profiles a Brooklyn, NY judge who stood up to banks and thwarted foreclosures and a woman obtaining a mortgage forbearance agreement (an arrangement that “allows a debtor to pay a lesser amount and defer the rest, plus interest, to an agreed later time,” p. 132). Crooked loan modification schemes are also discussed.

In Chapter 6, Bubble Birth Control, the theme of young couples trying to get ahead is explored. Specific topics covered include student loan debt, the housing bubble resulting in underwater home mortgages, and the postponement of life cycle events, such as having children. A couple profiled in the chapter noted that their parents would love another grandchild and they want a sibling for their only child “if we can get rid of this house” (p. 146). Garson notes that “when the housing boom suddenly went bust, about one-quarter of American mortgage borrowers were left with negative equity” (p. 147).

Underwater and Up the Creek, Chapter 7, heads West to California, described as the “Wild West of mortgage innovation” (p. 149) where “the bubble’s burst left more than a third of California mortgages underwater” (p. 150). The chapter includes a description of house flipping and its battle-scarred practitioners who thought “you could periodically empty the house of equity and still retire on it when you finally sold it” (p. 151) and that “things would just keep going up” (p. 157). Other topics covered include short sales and FDIC bank takeovers.

Walking away from home mortgages to cut losses is the topic of Chapter 8, Strategic Default. As Garson notes, “a shocking number of people with jobs and savings were making calculated decisions about welshing on their debts. In the lending industry, that’s called strategic default” (p. 169). One person that she interviewed with a bailout mentality believed that lenders would look back on this period and say “Oh, you got caught up in the bubble, never mind” (p. 170). Others owned houses “so overpriced that they won’t return to their prerecession values within these women’s lifetimes” (p. 174). Stories of people living rent-free in their homes for months while they waited for foreclosure were also included.

Chapter 9, An Upright Man, describes pitfalls of the mortgage modification process. Ideally, mortgage principal is lowered to “something between the new market value and the old mortgage debt” (p. 177). This way, lenders ultimately collect more than they would through foreclosure, while homeowners get to stay in their homes. The inadequacy of the federal government’s Home Affordable Modification Program (HAMP) and homeowners’ poor experience with this program and negotiating with mortgage lenders in general is described in detail.
In Chapter 10, *The House Belongs to Them*, Garson describes a housing crisis victim who did not walk away from a mortgage, do a short sale, get a mortgage modification, or live rent-free. This person was about to be evicted due to a foreclosure resulting from missed mortgage payments. Topics covered include the inability of borrowers to keep up payments on unaffordable mortgages and predatory so-called mortgage modification scams. In the last chapter on housing, *An Old-Fashioned Foreclosure with a Modern Twist* (Chapter 11), Garson continues this theme by describing additional victims of predatory loan schemes so-called “ghetto loans” (p. 205), and borrowers taking steps to cut their losses. The following insight by Garson, referring to someone who stopped making mortgage payments that he could afford, is particularly troubling: “This crisis is fraying our national ethic about debt. I wonder if it applies only to mortgage debt, and I wonder if the lawlessness will be lasting” (p. 207). Certainly, there has been concern in recent years about high default rates on student loans as well as home mortgages.

*Three Investors*, Chapter 12, describes people “who saw their investments drop by as much as half in the first few months of the recession” (p. 213). Their raw emotions about experiencing large paper and/or real losses and “dipping into capital” are skillfully explained as is their ignorance of investment characteristics, recommended retirement income withdrawal strategies, and stock market cycles (i.e., the nature of bull and bear markets). Decisions made by individual investors in the wake of the financial crisis (e.g., purchasing high-dividend stocks and moving money to low-interest cash equivalent assets that don’t keep pace with inflation) are also explained.

Chapter 13, *Rich or Poor, It’s Good to Have Money*, delves into the topic of investment fraud by focusing on the lives of defrauded investors including one whose accounts were frozen in the wake of some murky financial deals. Both the financial and emotional impacts of being an investment fraud victim are explored; for example, down-sizing housing, collecting a pension early, maintaining a lifestyle with credit, unknowingly bouncing checks, pawning personal property, and “living with a daily fear that I never want to feel again” (p. 242).

In Chapter 14, *The Perfect Twofer*, Garson explores the effects of federal stimulus money from her personal vantage point of a New York City apartment dweller undergoing American Recovery and Reinvestment Act weatherization services (leaky window replacement) and contact with the contractors that she encountered. The word “twofer” in the title refers to the fact that weatherization programs both created jobs and lowered utility bills, albeit with a lot of government red tape and paperwork, which is described in detail. A major drawback of stimulus spending is that it was paid for by taxpayers, which added to federal debt.

*Down the Up Escalator* ends with a short *Conclusion* chapter that begins with a description of different types of recessions: V shaped, U shaped, W (double dip) shaped, etc. Garson notes that the Great Recession “morphed into an L [shape] for the Pink Slip Club four” (p. 263) that were profiled in Chapter 1. This is followed by depressing statistics about the decline in wages as a share of national income and the decline in U.S. household wealth. Garson then draws a number of conclusions from the stories of people described in earlier chapters. For example, a boutique that “used the recession as an opportunity to get rid of its entire commissioned sales staff. As business picked up, returning shoppers were welcomed back by low-paid part-timers” (p. 268). Reminiscent of Carl E. Van Horn’s prose in *Working Scared*, Garson paints a bleak picture of recent economic changes: “If you’re not a worker, not a consumer, and you don’t earn significant income from investments, then you don’t have much of a place in capitalist society. In the course of this recession, millions more of us have slipped into that no place” (p. 269). She also compares the U.S. economy to a limbo dance bar that “will be set lower after each recession and Americans will just have to contort themselves to squeeze under” (p. 269).

From a human interest standpoint, the stories of people profiled in *Down the Up Escalator: How the 99% Live in the Great Recession* will tug at your heartstrings. They can provide fodder for discussion of recent economic events with clients and students. I also enjoyed reading Garson’s thoughts about her subjects, which were skillfully interwoven with interview quotes. It was like she was in a reality show like *The Biggest Loser* or *The Bachelor* and filmed in those cut-away shots sharing her private thoughts about something as it was occurring. I wish that Garson would have provided endnote references for the statistics that she cited (e.g., “The Federal Reserve calculates that about three-quarters of the recession wealth loss was due to the housing bust,” p. 264). A better conclusion than “It’s time for a Jubilee” (p. 272), referring to the ancient Hebrew practice of cancelling debt every 49 years, with specific policy proposals and a summary of key take-aways gleaned from the book interview subjects would also have strengthened the book and made it more likely to be acted upon.
About the Reviewer

Dr. Barbara O’Neill holds the rank of Distinguished Professor in the School of Environmental and Biological Sciences at Rutgers University, and is Rutgers Cooperative Extension’s Specialist in Financial Resource Management. She also provides national leadership for the Cooperative Extension program Small Steps to Health and Wealth™. Dr. O’Neill has written over 1,500 consumer newspaper articles and over 125 articles for academic journals and conference proceedings. She is a certified financial planner (CFP®), chartered retirement planning counselor (CRPC®), accredited financial counselor (AFC), certified housing counselor (CHC), and certified financial educator (CFEd), and served as president of the Association for Financial Counseling and Planning Education (AFCPE) in 2003. Dr. O’Neill received her Ph.D. in family financial management from Virginia Tech. She has received over three dozen awards for program excellence and over $975,000 in funding to support her financial education programs and research.

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Book Review

Investor Behavior: The Psychology of Financial Planning and Investing
Suzanne K. Hayes

Editors: H. Kent Baker and Victor Ricciardi
Publisher: John Wiley & Sons, Inc. (2014)
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Various authors contribute chapters on specific behavioral finance topics in the book, Investor Behavior: The Psychology of Financial Planning and Investing. This 623 page book contains 30 chapters, each by a different author. The book is organized into six sections. First, the foundations of investor behavior are reviewed. The second section deals with personal finance issues and section three outlines financial planning concepts, as related to behavioral finance. Part four discusses investor psychology. Trading and investor psychology and strategies are contained in section five. The book concludes with section six, about special investment topics.

Foundations of investor behavior are discussed in the first three chapters. The editors provide an outline of the book in Chapter 1, Investor Behavior: An Overview. The second chapter, Traditional and Behavioral Finance, lays the foundation for the book with a discussion of the evolution of traditional finance and a review of standard financial theories. An overview of behavioral finance, an alternative to classical finance theory, is presented next. Traditional finance theory is based on expected utility theory where individuals possess complete information regarding outcomes and their associated probabilities; individuals rationally evaluate choices and select an option to maximize utility. Classical theory describes how investors should make decisions. Conversely, behavioral finance attempts to understand why investors make the decisions observed in the marketplace. Individuals may have cognitive and emotional biases that result in suboptimal decisions. Empirical evidence shows that investors make decisions inconsistent with traditional finance theory. Behavioral finance incorporates this evidence into decision-making models.

Chapter 3, Behavioral Economics, Thinking Processes, Decision-Making, and Investment Behavior, focuses on the contradictions between traditional finance theory and empirical reality. Research shows investors use decision-making “rules of thumb,” or heuristics, in situations of uncertain outcomes. Several heuristics are described and applied to investment decisions. Herding behavior, loss aversion, overconfidence, overoptimism, and ambiguity aversion are among the decision-making shortcuts discussed.

Section two, Personal Finance Issues, consists of seven chapters. Financial Literacy and Education, Chapter 4, is a discussion of how financial literacy has been conceptualized and measured. The authors describe financial literacy as the knowledge and skills related to financial behavior. Higher financial literacy is associated with improved financial decisions. Therefore, financial education to improve literacy has the potential to increase social outcomes. Although the evidence on the effectiveness of financial education is mixed, the authors recommend targeted education initiatives to increase the relative low levels of financial literacy in the United States. In Chapter 5, Household Investment Decisions, market frictions and behavioral biases are shown to influence household investment behaviors. Individuals have increased access to financial markets, are required to take a more active role in retirement investment decisions, and have access to ever-increasing complex financial products. Due to these issues, household financial decisions will likely benefit from increased financial education and awareness of behavioral decision-making biases.

Personality Traits is the subject of Chapter 6. A five-factor theoretical model of personality is outlined, together with a discussion of the biological basis of personality traits. The authors report that personality affects portfolio choice and that investors will select portfolios that are consistent with their personalities. Demographic and Socioeconomic Factors of Investors are examined in Chapter 7. Race and gender research studies indicate that white males tend to have a relatively

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high risk preference, followed by African American males and white females, with African American females having the lowest preference for risk-taking. Other factors linked to risk preferences are age, wealth, and level of financial education. Chapter 8 is titled The Effect of Religion on Financial and Investing Decisions. Few studies have examined the role of religion in investor behavior. This chapter reviews the research on religion and risk preferences, ethics, and behavior. It is also shown that religion affects corporate investment decisions.

Chapter 9 addresses the age-old question, “can money buy happiness?” In Money and Happiness: Implications for Investor Behavior, research findings are presented that indicate money does lead to happiness, although the effect is dependent upon income levels. This link is strong for low and middle income individuals; however, as income rises from middle to high levels, the effect between money and happiness weakens. Researchers have also studied a reverse relationship: do happier people make more money? It has been shown that this is true. Additionally, happiness is linked to consumption and saving choices. Motivation and Satisfaction, Chapter 10, examines the link between motivation, satisfaction, and personal financial decisions. Classical economic theory, behavioral life cycle hypothesis, Maslow’s hierarchy of needs, and humanism are discussed in detail.

Part four, Financial Planning Concepts, begins with Chapter 11. In Policy-Based Financial Planning: Decision Rules for a Changing World, the concepts of behavioral finance are extended to describe a practical tool to develop decision rules that mitigate individual decision-making biases. Policy-based financial planning is a framework with specific decision rules to guide both clients and advisors. The six step process includes: engagement in the discovery process, identify planning areas and best practices, combine goals and values with best practices, test the policy, test draft policies with clients, and perform periodic reviews and updates.

Financial Counseling and Coaching is the subject of Chapter 12. The goal of both financial counseling and coaching is to change client financial behavior to allow achievement of financial goals. The evolution of financial counseling is described. Rooted in financial counseling are the fields of financial coaching, financial therapy, and life planning. Chapter 13, Financial Therapy: De-Biasing and Client Behaviors, discusses the relatively new field of financial therapy. This area of study utilizes knowledge from financial planning and mental health to understand financial behavior and to identify interventions to improve well-being.

Theoretical foundations of financial therapy are reviewed. The practice of financial therapy is also addressed. Financial therapy is most often applied with either low-income or very high-income families. Transpersonal Economics, Chapter 14, shows how personal, cultural, and transpersonal domains lead to belief systems. The belief systems lead to thoughts, which lead to emotions and emotions lead to behaviors. This chapter introduces a framework for wealth creation, based on transpersonal economics, to mitigate problems from unrestrained capitalism. These concepts are applied to the financial advisor and client relationship.

Chapter 15, Advising the Behavioral Investor: Lessons from the Real World, reports evidence that investors do not always behave as the rational agent modeled in classical financial theory. Indeed, individuals exhibit several emotional biases. Fear and regret may overshadow logic and facts. Investors may be overconfident or be subject to a status quo bias and fail to rebalance their portfolios over time. Mental accounting is another bias where investors view money differently depending on which “mental account” they have assigned the money. Financial advisors can suggest strategies for overcoming emotional and biased decision-making practices.

Retirement Planning: Contributions from the Field of Behavioral Finance and Economics, Chapter 16, provides information for readers to utilize information from behavioral finance to plan for retirement. First, a life cycle financial planning and wealth management model is introduced. Next, the chapter examines specific heuristics and framing issues. Individuals use heuristics such as representativeness, availability, anchoring, and the affect heuristic. Framing effects such as loss aversion and mental accounting affect investment outcomes. In addition, the role of trust is critical for all phases of retirement planning. Chapter 17 is titled Knowing Your Numbers: A Scorecard Approach to Improved Medical and Financial Outcomes. This chapter outlines a digital health scorecard designed to help prevent chronic diseases such as cancer and cardiovascular disease. The method is a self-management tool for prevention and monitoring of conditions; the scorecard promotes health literacy. The authors note that financial literacy is important for effective financial decisions and suggest a similar scorecard method to improve financial literacy and financial decision outcomes.

Part four of the book, Investor Psychology, contains seven chapters and begins with Chapter 18. Risk Perception and Risk Tolerance, is a chapter that provides a literature review...
on risk: definition issues, measurement considerations, and the role of emotion in risk-taking. A behavioral finance view of risk tries to explain how individuals make decisions and is based on prospect theory, bounded rationality, satisficing, and loss aversion. Prospect theory incorporates risk aversion with gains in wealth positions and risk seeking with portfolio losses. A generational influence of the 2008 financial crisis is examined. Chapter 19, *Emotions in the Financial Markets*, summarizes an extension to prospect theory. The initial work in behavioral finance was concentrated on cognitive biases and heuristics; however, more recent work includes emotions such as regret, pride, joy, and elation. Both conscious and unconscious emotions are considered. The evidence is mixed on the effect of emotions on decision-making; however, the overall results imply that emotions hinder an investor’s decision-making process.

Chapter 20, *Human Psychology and Market Seasonality*, examines the evidence that psychological experiences of population groups may impact markets. Studies examine whether environmental patterns in weather, daylight hours, and seasonality in mood impact market returns. Relationships are evident for daylight hours and stock returns, where the quantity of daylight hours affects mood and risk aversion. *Neurofinance* is the topic of Chapter 21. Neurofinance research investigates financial risk taking, the formation of expectations, valuation, information presentation and updating, probability calculations under conditions of risk and uncertainty, cooperation, and competition. The chapter contains an informative section on brain physiology and a description of tools utilized in studies of brain function. Empirical studies reveal that biological factors can play a role in financial decision-making.

*Diversification and Asset Allocation Puzzles* is the topic of Chapter 22. Primary areas of focus are: stock market participation, portfolio diversification, and asset trading behavior. Limited stock market participation is documented in several studies across countries. Reasons provided for this phenomenon include participation costs where households with income and entrepreneurial risk are less likely to purchase financial assets. Additionally, low financial literacy is related to limited stock market participation. Measurement difficulties exist for studies of household portfolio diversification. Trading behavior appears to depend, in part, on wealth. A majority of households exhibit low frequency trading; however, a small group of wealthy individuals trade excessively resulting in net losses due to transaction costs.

An overview of behavioral portfolio theory is provided in Chapter 23, *Behavioral Portfolio Theory and Investment Management*. The first section of the chapter discusses prospect theory and expected utility theory and is largely a review of material contained in earlier chapters of this book. The remainder of the chapter introduces behavioral portfolio theory and the behavioral asset pricing model. The framework of behavioral portfolio theory allows investors to choose optimal portfolios based on expected wealth, desire for security and earnings potential, aspiration levels, and the probability of achieving the desired aspiration level. The behavioral asset pricing model considers two groups of economic agents. One group consists of information traders that behave according to the traditional capital asset pricing model. The second group does not conform to the traditional model and exhibits cognitive judgment errors.

*Post-Crisis Investor Behavior: Experience Matters*, Chapter 24, investigates the effect of the 2008 financial crisis with regard to risk and investing behavior. Changes in risk tolerance may occur after an historical market event and affect generations differently. Using financial economics and behavioral finance concepts, the authors conclude that the greatest impact of the recent financial crisis is likely to be on generation Y, individuals from 18 to 34 years of age.

Section Five is *Trading and Investing Psychology and Strategies*. Chapter 25 is titled *The Psychology of Trading and Investing*. The authors report that, although personality is not a predictor of investing success, certain personality traits may be useful for successful trading and investment. Additional individual investor factors affecting trading are mood, empathy, and heuristics. *The Surprising Real World of Traders’ Psychology* is the topic of Chapter 26. Traders make frequent decisions under quickly changing conditions of uncertainty. Traditional finance indicates that superior decisions result from accurate quantitative analyses. However, affect and emotion are also involved in trading behavior. Two illustrative case studies are provided in the chapter.

Chapter 27, *Trading and Investment Strategies in Behavioral Finance*, focuses on applications of behavioral finance. Market anomalies have been documented in finance literature. The future of behavioral finance is to incorporate the anomalies, cognitive biases and heuristics into usable investment strategies. The proposed behavioral finance trading strategies use: momentum, earnings surprises, investor sentiment measures, long-term price reversals, and value anomalies.
Section six is Special Investment Topics. Chapter 28, *Ethical and Socially Responsible Investing*, describes the evolution of socially responsible investing (SRI) and reviews the performance of SRI funds. The historical development of SRI has religious roots and originated from concerns following social, environmental, and humanitarian crises. The chapter also includes a discussion of financial socially responsible practices on an international basis.

An individual investor’s choice of mutual funds is explored in Chapter 29, *Mutual Funds and Individual Investors: Advertising and Behavioral Issues*. It is puzzling that investors continue to purchase actively managed mutual funds despite widespread underperformance, when compared to passive funds. Mutual funds expend large sums of money on advertising to increase assets under management. This chapter outlines the relationships between advertising and performance, expenses, fund flows, and emotions. It is reported that a combination of cognition and emotion determines the choice of mutual funds and advertising can affect mutual fund choice through emotions.

The title of Chapter 30 is *Real Estate Investment Decision-Making in Behavioral Finance*. Real estate markets carry high transaction costs, illiquidity, limits to arbitrage, and short sale restrictions. These characteristics tend to magnify the behavioral biases with resultant prices that may depart from their fundamental value. Household wealth tends to be concentrated in residential real estate; therefore, home values affect household financial decisions. This chapter applies behavioral finance concepts to the real estate market to explain price deviations. Market inefficiencies such as return momentum, real estate bubbles, and price overreaction are discussed.

This book is a fascinating read and would be informative for finance professionals working with clients and those trading for their own account. Individual investors may apply the concepts in the book to increase awareness of decision-making patterns. Sometimes our own decisions and the process we use to make those decisions are the biggest limiting factor on financial performance. The content provides an excellent overview of the area of behavioral finance for students, professors, and financial practitioners. Future editions of this book will benefit from eliminating the repetitive coverage of heuristics and prospect theory. I highly recommend this book to the readers of JFCP.

**About the Reviewer**

**Suzanne K. Hayes**, Ph.D., is an Associate Professor of Accounting and Finance at the University of Nebraska at Kearney (UNK). She holds a Ph.D. in Finance from the University of Texas at Dallas and has been employed by UNK since 2004. She is a member of the Nebraska Financial Education Coalition and the Financial Education Association. Dr. Hayes teaches courses in corporate finance, investments, and portfolio management. Dr. Hayes serves as the faculty advisor for the Bauhard Student Managed Investment Fund at UNK and received two awards for outstanding teaching.