‘Finance Ecosystem’ is key to lifetime financial success, says K-State expert

Kiss says gaining knowledge is only one part of successful planning

By Pat Melgares, K-State Research and Extension news service

MANHATTAN, Kan. – On the road to financial well-being, Elizabeth Kiss knows most consumers will run into a few bumps.

But Kiss – a family resource management specialist at Kansas State University – also knows that several factors can help lead to a lifetime of financial health.

“What we’re finding in personal finance is that a lot of what we talk about is expert opinions,” Kiss said. “So that makes it a little bit difficult (to determine what’s right for each individual), but in general for financial information, my bottom line is you need to see if someone’s trying to sell you something or if they’re just transmitting information.”

Kiss -- who recently discussed the topic on Sound Living, a weekly radio podcast from K-State -- explained some key aspects of a “finance ecosystem” that help to build financial success.

Financial education

Kiss calls education “a systematic approach to cultivating financial knowledge and financial decision-making skills….you’re not just picking up ideas at random.” While building knowledge, she says, the individual is also learning how to apply the knowledge to decisions.

Financial capability

This refers to the individual’s ability to act on their own best interests, “so they understand how to apply learning in a way that is best for them,” Kiss said.
“You may have financial knowledge and decision-making skills, but you also have to have general skills and abilities because some of this is transferrable to many parts of our lives,” she said.

“If you are unemployed, for example, you may have all the knowledge in the world but you can’t act on it because you have some limitations of income or other resources. If you don’t have access to financial products or services, that’s an external factor that will come between what you know and what you’re able to do.”

Idiosyncratic factors

These are factors that motivate an individual, including protective instincts (such as for family), values, beliefs, attitudes and risk tolerance. “In the financial world, this often has to do with future events,” Kiss said.

“If you think about retirement…we have a pretty high level of risk tolerance, but those are things that are idiosyncratic because there’s no systematic way to describe it. It’s an individual choice.”

Behavioral influencers

This area may also relate to an individual’s risk tolerance, said Kiss, who recently was talking with a colleague on whether people really do plan for emergencies, or whether they are more likely to prepare after they’ve experienced an incident.

“That’s why we buy insurance, right?” Kiss said. “With insurance or any risk planning, we talk about risks you want to avoid altogether, or some you’re willing to accept but you want to minimize. We pay the insurance premiums, and we may have a deductible, but we’ve transferred the great part of risk to the insurance company.”

Kiss said K-State Research and Extension has published a series of fact sheets under the heading, Essential Living Skills, including one that focuses on financial success. The fact sheets are available to view online for free through the K-State Research and Extension bookstore.

FOR PRINT PUBLICATIONS: Links used in this article

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