

Public Abstract

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Title:FINANCIAL PLANNING AND HOUSEHOLD PORTFOLIO PERFORMANCE:
EVIDENCE FROM THE 1998-2013 SURVEY OF CONSUMER FINANCES

This dissertation employed data sets combined from the 1998-2013 Survey of Consumer Finances to investigate the effect of use of financial planning services on portfolio performance.

In this dissertation, portfolio performance was measured by portfolio Sharpe Ratio. The higher the Sharpe Ratio, the better the portfolio performance. Financial planning services were considered to be the professional services provided by lawyers, accountant and financial planners. In practice, lawyers, accountants and financial planners usually work as a team to provide financial planning services to the clients. Therefore, it was reasonable to include all these three professions when analyzing the effect of financial planning services.

After controlling other factors, the findings lend empirical support to the belief that financial planning services delivered by professional benefit households in higher possibility of reaching better portfolio performance, which was consistent with the descriptive analysis.

This dissertation also provides insight into other determinants of portfolio performance. Results indicate that investment horizon positively affected portfolio performance. It was also found in this dissertation that compared to the respondents who were not willing to take any risk, the probability of achieving higher Sharpe Ratios was higher for the respondents who were willing take risks.

Findings in this dissertation suggest that financial planning service professionals should devote more time and effort to helping those with a lower risk tolerance and a shorter investment horizon to construct portfolios that can achieve better portfolio performance. It was financial planning service professionals' responsibility to not only understand their clients' financial situations, but also know their clients preferences and expectations.

In addition, financial planning service professionals have a responsibility to educate their clients, to help them better understand themselves and to make better choices, which can maximize their utility.

Future research needs to examine methods to evaluate other aspects of the value that the financial planning industry provides, such as adoption of tax strategies to enhance clients' financial well-being or methods to avoid behavioral biases or at least, reduce the effect of such biases.