Do Financial Planners Improve Household Well-Being? Inferring Causality from Observational Data

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Although significant progress has been made in the professionalization of the field of financial planning, the empirical evidence regarding the effect of financial planner use on household well-being is limited. At least part of the reason for the lack of evidence is that there are significant methodological challenges in analyzing the causal effect of using a financial planner with observational data that have typically not received careful treatment in the literature. While there are well-known issues related to inferring causality from observational data, we posit that analyses using non-experimental data can establish a strong case for causality given certain conditions. We focus on two conditions necessary for causal inference (1) a clear theoretical framework and (2) an appropriate empirical model. Our review of the causal inference literature in the social sciences highlights the Potential Outcomes Model (Cameron & Trivedi, 2005; Morgan & Winship, 2014) and Directed Acyclic Graphs (Elwert, 2013; Pearl, 2009) as especially useful tools for consumer researchers in modeling causal effects at the theoretical level. We also review identifications strategies (Joshua D. Angrist & Krueger, 1999; J.D. Angrist & Pischke, 2008; Cameron & Trivedi, 2005) that should be used to empirically model causal effects. We show that these tools yield useful insights into the causal effect of financial planner use on household well-being that could otherwise be easily overlooked.

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