

MIND — OVER — MONEY

How Optimism Connects to
Financial Health



METHODOLOGY: Frost engaged TRUE Global Intelligence, the in-house research practice of FleishmanHillard, and positive psychology expert Michelle Gielan to develop and field an online survey on behalf of Frost to further explore the link between optimism and financial health, as well as the habits, attitudes and beliefs of optimists. The sample size consisted of 2,002 Americans aged 18 years and older and was fielded between Sept. 20 and Sept. 28, 2018. The survey was offered in both English and Spanish, with respondents selecting the language of their choice. One percent of the sample opted to take the survey in Spanish. The data have been weighted to reflect the U.S. adult population in terms of age, gender, region, race/ethnicity, income and employment. The margin of error is +/-2.2% and higher for subgroups. The survey assessed optimism using methodology prescribed by the Life Orientation Test and financial health using the Consumer Financial Protection Bureau Financial Well-Being Scale.

RESEARCH CONDUCTED BY:

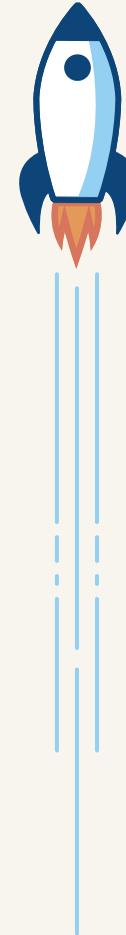


Executive Summary

It's no secret money is one of the single biggest stressors for Americans today. In fact, research by Frost Bank shows 62% of Americans feel they are just getting by financially. Yet an online search for “how to budget” generates more than 1.29 million results, and “how to save money” brings in a whopping 2.12 million results. Between books, podcasts, blogs and even bootcamps about financial wellness, resources abound.

And while there is no shortage of advice for how to manage money, many Americans continue to struggle with their finances. This is not a new struggle to Frost, which has been helping people manage their money for 150 years. But, the mismatch of educational resources and the belief that Americans can achieve financial well-being has seemed more pronounced than ever.

So, Frost decided to dig deeper into the state of financial health in the United States to understand more about the connection between mindset and financial well-being. Through this research, Frost identified a powerful tool that can make a major impact on financial well-being and the positive habits of optimists that predict greater financial health.



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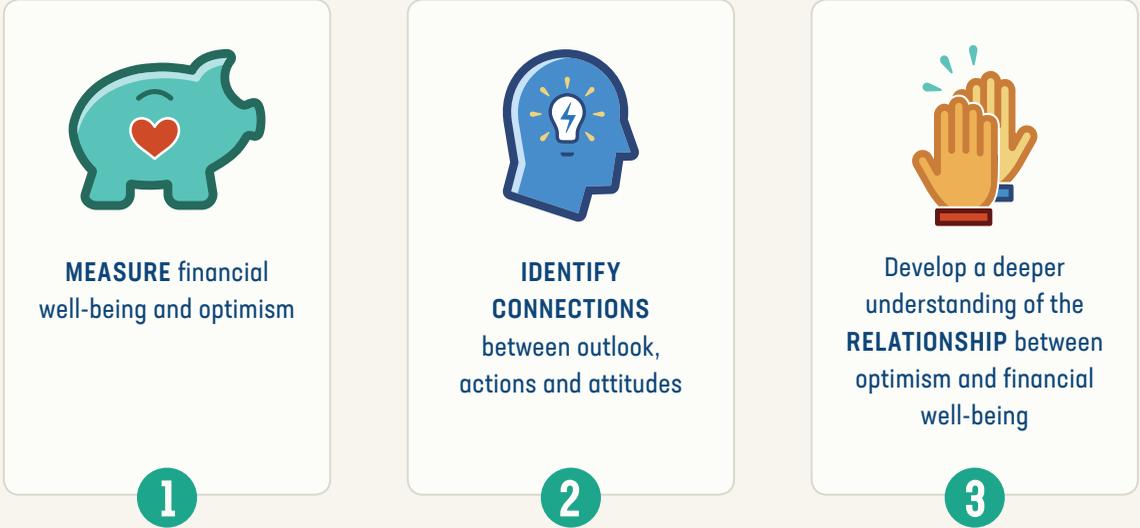
1.29 MILLION
ONLINE SEARCH RESULTS FOR
“HOW TO BUDGET”

2.12 MILLION
ONLINE SEARCH RESULTS FOR
“HOW TO SAVE MONEY”

To better understand the connection between optimism and financial health as part of Frost’s Opt for Optimism initiative, Frost engaged **TRUE Global Intelligence**, the in-house research practice of FleishmanHillard, to conduct a national survey. Frost also partnered with positive psychology researcher **Michelle Gielan**, who has spent more than a decade researching the link between optimism and success.

This white paper presents the research results, which support Frost’s belief that **OPTIMISM IS POSITIVELY CONNECTED TO FINANCIAL HEALTH.**

The objectives of this research can be summarized as:



Through these objectives and the Opt for Optimism initiative, Frost aims to encourage positive financial behaviors that can, in turn, improve financial health.

FINANCIAL HEALTH DEFINED

For this study, financial health was defined by using the Consumer Financial Protection Bureau (CFPB) Financial Well-Being Scale¹.

The CFPB defines financial well-being as:

- Having control over one’s finances in terms of being able to pay bills on time, not having unmanageable debt and being able to make ends meet.
- Having a financial “cushion” against unexpected expenses and emergencies.
- Having financial goals and being on track to meet those goals.
- Being able to make choices that allow one to enjoy life, such as taking a vacation, enjoying a meal out or pursuing an advanced degree, among others.

To create a financial health score, we used questions and scale methodology prescribed by the CFPB for measuring financial well-being in surveys. The financial well-being score in this study ranged from 0-100.

What Is Optimism & Why Does It Matter?

Michelle Gielan, positive psychology researcher and best-selling author, describes optimism as the expectation of good things to happen and the belief that behavior matters, especially in the face of challenges. Optimists generally view setbacks as temporary. They believe that if they take steps to fix the problem, they can improve their circumstances.

By believing that life's challenges are temporary rather than permanent, people can feel inspired to take meaningful steps toward improvement.

Gielan notes that optimism can positively impact people's lives in incredible ways. Beyond finances, optimism can be a catalyst for better physical and emotional health and can encourage people to turn challenges into opportunities. It can change perspectives and the way people view and interact with the world. According to Frost's survey, most Americans want more optimism in their lives, and, according to Gielan, it's possible to increase optimism levels.



MICHELLE GIELAN
Positive Psychology Expert

“ A plethora of studies show that while genetics and upbringing set the baseline for optimism, it is malleable and can be increased at any age. For example, one study on elderly pessimists found that those who engaged in a simple, two-minute daily positive habit of writing down their gratitudes became significantly more optimistic in just a couple of weeks. Actions that remind the brain our behavior matters in influencing our mood and mindset fuel optimism. ”

MEASURING OPTIMISM

The optimism score for this study was created using methodology prescribed by the Life Orientation Test - Revised (LOT-R[®]). The test was created by Carnegie Mellon University professors Michael Scheier and Michael Bridges and University of Miami professor Dr. Charles Carver.

The methodology uses the following six statements:

- In uncertain times, I usually expect the best.
- If something can go wrong for me, it will.
- I'm always optimistic about my future.
- I hardly ever expect things to go my way.
- I rarely count on good things happening to me.
- Overall, I expect more good things to happen to me than bad.

Respondents' scores to the statements were used to measure optimism on a scale ranging from 0 to 100.

The Link Between Optimism & Financial Health

As Frost set out to understand the link between optimism and financial health, it was important to understand what Americans currently think about their finances. Here's what Frost learned about the existing landscape:

- More than half (59%) of Americans say finances control their lives at least sometimes.
- Americans average nearly five months—or 148 days—annually of financial stress.
- Financial challenges are a major part of people's lives as 87% of Americans report having experienced one or more financial setbacks.

However, Americans who identify as very optimistic in the research exhibit some significant differences in how they manage their money. The research found that these optimists exhibit more positive and proactive behaviors related to money more often. For example, 90% have saved for a major purchase as compared to 70% of pessimists. They also are more likely to meet their financial goals on average. For example, optimists are more than twice as likely to have paid for their children's education.

Overall, Frost found that **62% of optimists exhibit better financial health, nearly 7X higher than pessimists at 9%.**

These indicators support the idea that being optimistic could be a path toward better financial health.



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The Link Between Optimism & Financial Health

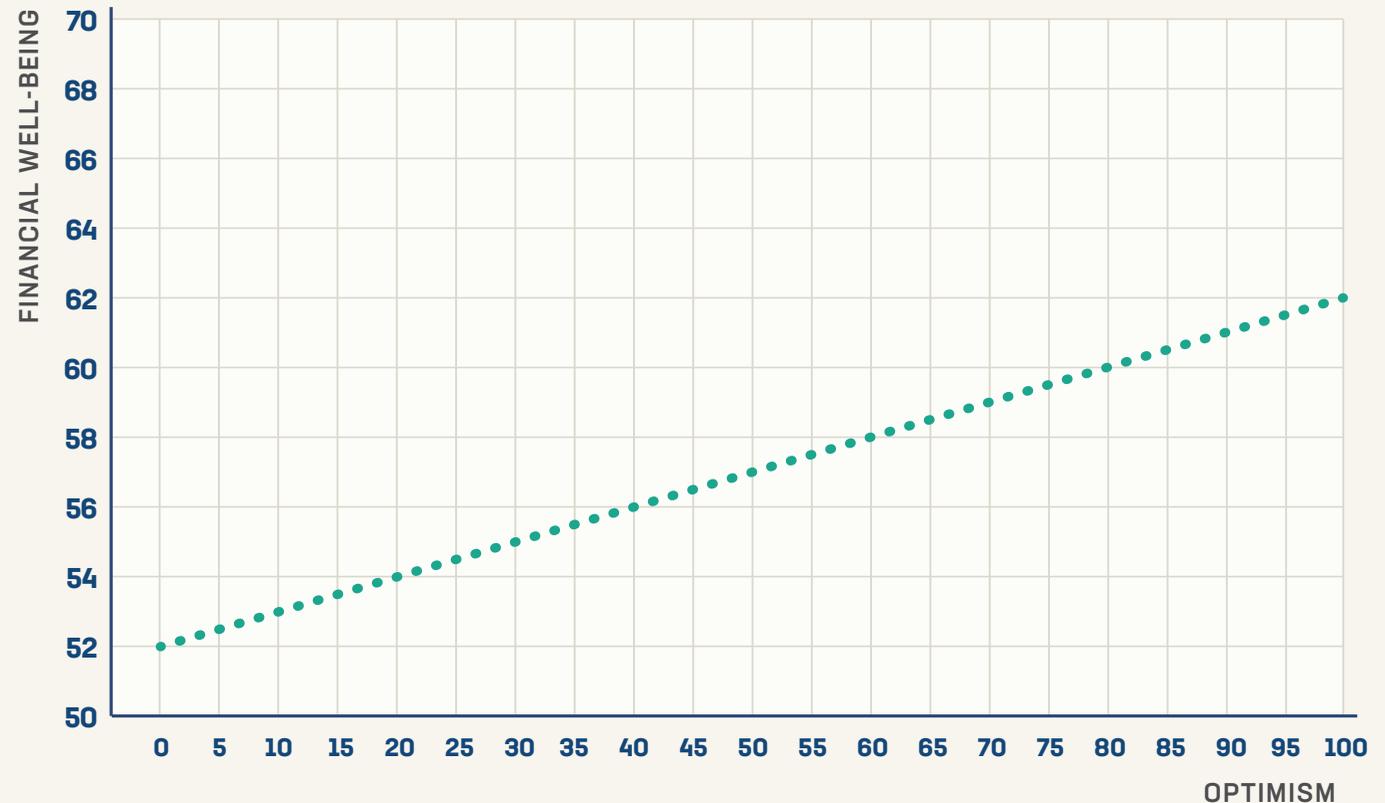
Taking a closer look at the data through a regression analysis that controlled for wealth, income, financial knowledge, attitudes, behaviors and skills, and other demographics, the relationship between optimism and better financial health became clear.

The analysis found that a 1-point increase in optimism is associated with a 0.1-point increase in financial well-being, meaning **optimism is associated with an increase in financial well-being of up to 10 points.**

This led Frost to the conclusion that everyone, regardless of wealth, experiences more financial health as they become more optimistic.

RELATIONSHIP BETWEEN OPTIMISM & FINANCIAL HEALTH

Controlling For Wealth & Other Demographics



Results derived from a truncated regression model including optimism, wealth and a variety of demographic, knowledge, skill, behavioral and attitudinal control variables.

+ 1 POINT IN OPTIMISM



+ 0.1 POINT IN FINANCIAL WELL-BEING
— NATIONWIDE —

Financial Optimism Is Connected to Mindset & Behaviors

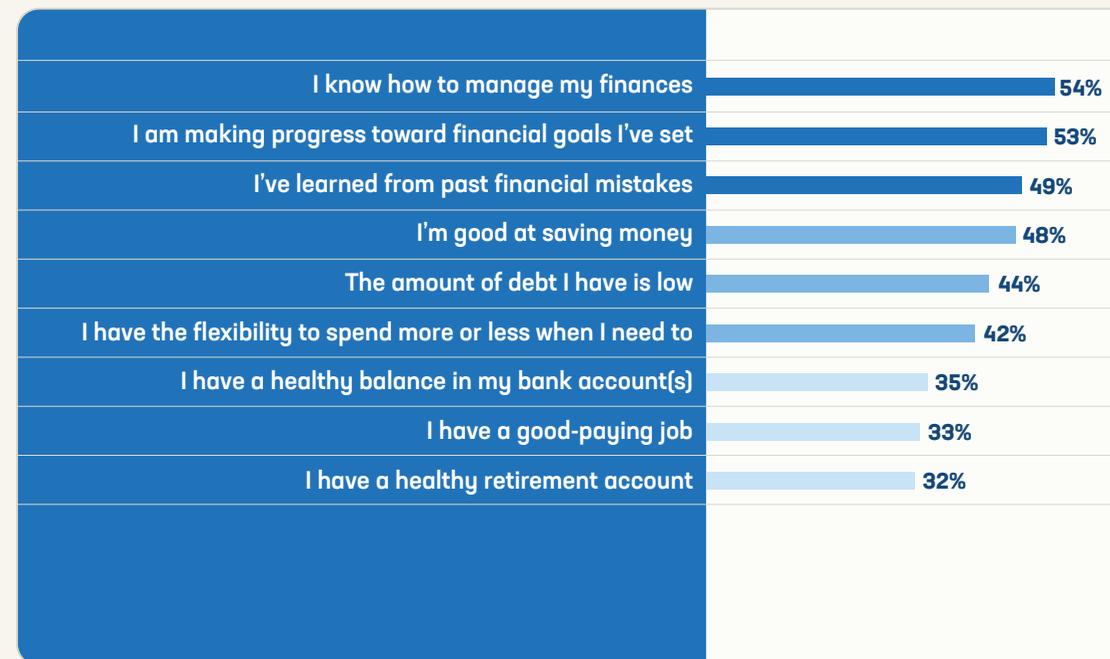
When Frost looked at the differences in how optimists and pessimists manage money and their personal finances, the research showed their behaviors and attitudes play a role. And the way optimists choose to act and react is different from those who hold a less optimistic view.

For optimists, **mindset wins over current circumstances** while the opposite is true for pessimists.

Consider the following:

For optimists, **mindset wins.**

REASONS FOR FEELING OPTIMISTIC ABOUT PERSONAL FINANCES



Q2. [IF OPTIMISTIC ABOUT PERSONAL FINANCES] Why are you optimistic about your personal finances? Please select all that apply. U.S. N=1179

For pessimists, **circumstances overwhelm.**

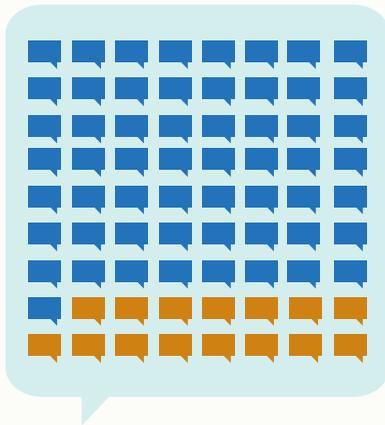
REASONS FOR BEING PESSIMISTIC ABOUT PERSONAL FINANCES



Q3. [IF PESSIMISTIC ABOUT PERSONAL FINANCES] Why are you pessimistic about your personal finances? Please select all that apply. U.S. N=420

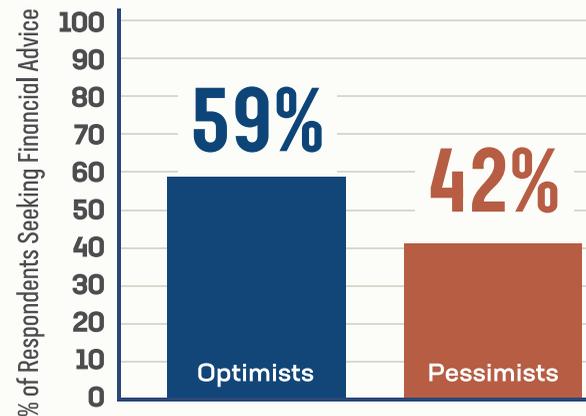
Financial Optimism is Connected to Mindset & Behaviors

The differences in how optimists and pessimists feel about and manage their money didn't stop there. The study also found:



76% of respondents who are classified as optimistic feel comfortable discussing money with family and friends compared to 53% of pessimists.

43% of optimists are extremely or very interested in learning more about money management compared to 33% of pessimists.



59% of optimists seek financial advice from experts or resources while 42% of pessimists do so. Of those seeking advice from experts such as financial advisors, 63% of optimistic respondents report following the advice of those experts always or most of the time compared to 40% of pessimists.

OPTIMISTS

ARE MORE LIKELY TO MEET THEIR
FINANCIAL GOALS

on average when compared to pessimists

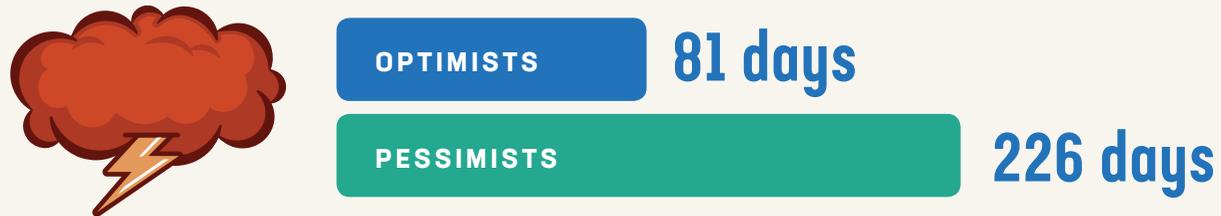
However, while most optimists have financial plans for the future, it's not all about having a perfect path forward. 54% of optimists said they have only a rough financial plan compared to 35% of optimists who have a detailed plan.

In addition, Frost's research shows that while most Americans experience financial setbacks, perspective and behaviors associated with those setbacks can make a difference in a person's financial future. For example, 69% of optimists reported they completely or mostly put in place better financial habits after their most recent setback, suggesting they learned from the experience, compared to only 36% of pessimists who report having done the same.

Most People Want to Be More Optimistic

Being optimistic is a proven stress buster. Researchers at Concordia University's department of psychology found a direct link to more stable levels of cortisol, also known as "the stress hormone," in people with a positive outlook. The study also found that people who are less optimistic tend to have a higher stress baseline than optimists. What's more, Frost's survey found that very optimistic people experience 81 days of financial stress a year on average compared to 226 days for those who are less optimistic. That's a difference of 145 days—or nearly five months—on average.

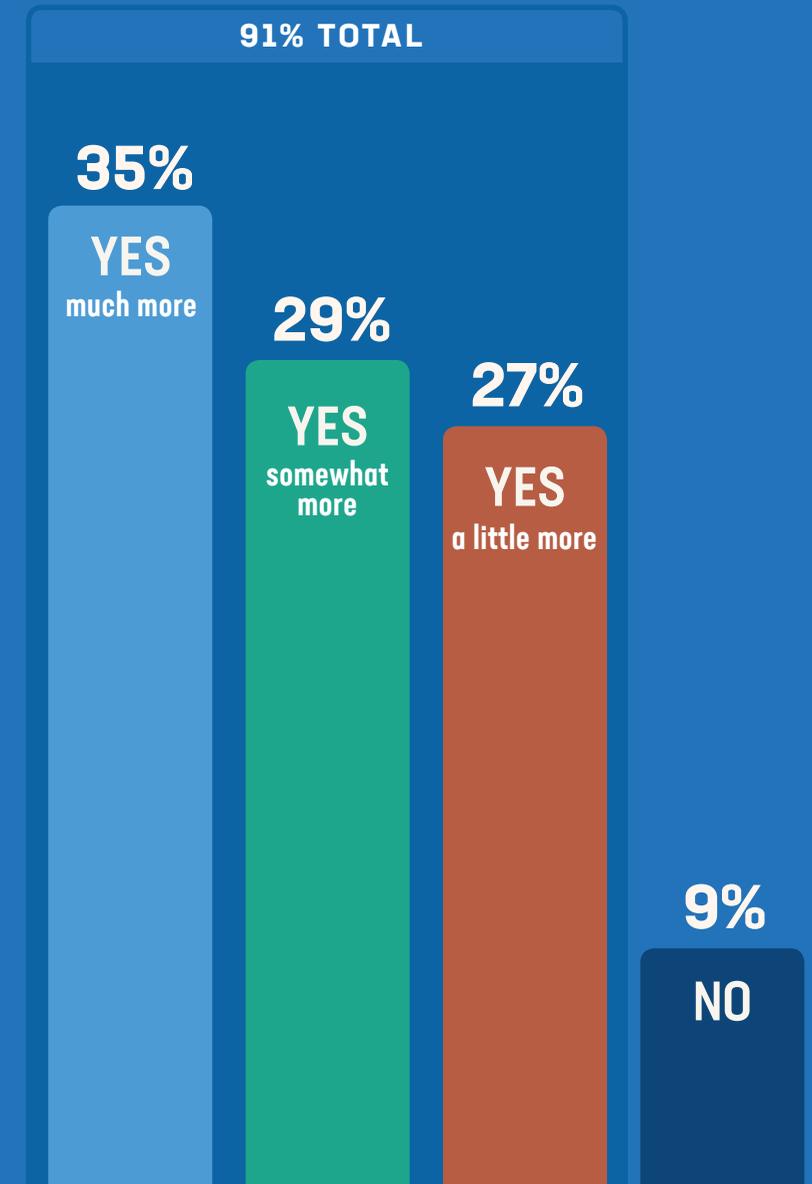
AVERAGE DAYS OF FINANCIAL STRESS PER YEAR



The good news is the Frost research showed that most Americans want to be more optimistic, and as Michelle Gielan notes:

"Anyone can increase their optimism by adopting optimistic behaviors."

Desire to be more optimistic



Adopting the Financial Habits of Optimists

Optimists give more credit to their behaviors as the key drivers for their positive financial outlook. Frost's study uncovered simple habits that anyone can adopt to help unlock the power of optimism and improve their financial health. Think small actions and major impact.

1 Take the taboo out of money.

WHY IT'S IMPORTANT

Optimists are more comfortable talking about and interested in learning about money and are more likely to follow expert financial advice. Knowing how to manage their money was the No. 1 reason respondents were optimistic about their finances.

PUTTING IT INTO ACTION:

Whether you talk to trusted friends, family or a financial advisor like a personal banker at Frost, consider asking and answering these questions to start a conversation about money:

What do I want to accomplish financially?

What is holding me back from these goals?

How can I get started toward my goals?

What tools can help me make progress?

2 Seek progress, not perfection.

WHY IT'S IMPORTANT:

While optimists aren't perfect, they have courage to try. For example, many optimists favor a rough financial plan over a detailed one. They also find simply making progress toward a goal matters. Research shows that making and celebrating progress in small increments can make you more successful at meeting a goal.

PUTTING IT INTO ACTION:

Start where you are and start with one thing. For example, if you know a big purchase is coming, consider opening a savings account specifically for that purchase to start saving now, even if it's only \$5 or \$10 a month.



3 Expect the unexpected.

WHY IT'S IMPORTANT:

Even optimists experience financial setbacks, citing an average of four in their lives to date. But they are more likely than pessimists to have recovered and learned from their setbacks. In fact, optimists in our survey also say learning from their mistakes fuels their financial optimism.

PUTTING IT INTO ACTION:

Don't beat yourself up if you are experiencing or if you have experienced a financial setback. Instead, focus on what you can do differently going forward. This could be anything from not signing up for new credit card offers to starting a "rainy day" fund.



Opt for Optimism and Take Control of Your Financial Health

At Frost, we believe optimism is a powerful tool to use on the path toward better financial health. If you're inspired by what you've read or interested in learning more about how to use optimism to turn around your finances, join Frost for the journey.

- ▶ Visit optforoptimism.com for inspiring stories of everyday optimism and sign up for our monthly e-newsletter.
- ▶ Take the **30-Day Optimism Challenge** to find out how small actions can have a big impact on your daily outlook.
- ▶ Follow **Frost** on Facebook, Twitter and Instagram for more conversations on the role optimism plays in our lives.

It's time for Americans to unlock the power of optimism, and there's no better time than today to learn how to boost your optimism in the name of better financial health. Together, let's lean into optimism like never before.



¹"Measuring Financial Well-Being: A Guide to Using the CFPB Financial Well-Being Scale." Consumer Financial Protection Bureau, www.consumerfinance.gov/data-research/research-reports/financial-well-being-scale/

²"LOT-R [Life Orientation Test-Revised]." University of Miami, Psychology, www.psy.miami.edu/faculty/ccarver/sclLOT-R.html



ABOUT FROST BANK Cullen/Frost Bankers, Inc. (NYSE: CFR) is a financial holding company, headquartered in San Antonio, with \$31.2 billion in assets at Sept. 30, 2018. One of the 50 largest U.S. banks, Frost provides a wide range of banking, investments and insurance services to businesses and individuals across Texas in the Austin, Corpus Christi, Dallas, Fort Worth, Houston, Permian Basin, Rio Grande Valley and San Antonio regions. Founded in 1868, Frost has helped clients with their financial needs during three centuries.

ADDITIONAL INFORMATION IS AVAILABLE AT [FROSTBANK.COM](https://www.frostbank.com)

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