Cross-Group Associations between Family Financial Socialization and Financial Skill

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Introduction

- Young Americans often enter the workforce with higher levels of financial struggle than older age groups, especially related to long-term financial planning (Lu & Park 2021).
- Emerging adults tend to acquire financial knowledge more from their parents than from other sources like high school education or employment (Shim et al. 2010). This has been deemed "family financial socialization" (Gudmunson & Danes 2011).
- Other studies have found a positive association between family financial socialization and financial well-being and skill among young participants (Zhao & Zhang 2020).
- Family financial socialization may have long-lasting benefits; adults aged 45-63 with higher levels of family financial socialization were more likely to report having taken steps to prepare for retirement (Palaci et al. 2017).

Methods

Sample

- Non-institutionalized American adults over age 18 (n= 6,394) who responded completed the Consumer Financial Protection Bureau's National Financial Well-Being Survey (published September 2017).

Measures

- Financial Skill Score: score ranging from 0 to 100 based on participants' responses to 10 questions regarding financial skill
- Family Financial Socialization Score: score ranging from 0 to 7 calculated from summing participants' binary responses to 7 questions regarding family financial socialization
- Generation: the survey grouped participants into four age groups: Millennial (ages 18-35), Gen X (ages 36-51), Boomer (ages 52-70), and Pre-Boomer (ages 71 and older)

Research Questions

- How does the relationship between family financial socialization and financial skill later in life differ across generations?
- Are certain generations more likely to benefit from family socialization than others?
- Which other factors could moderate the relationship between family financial socialization and financial skill?

Results

Multiple linear regression tests show a significant positive association between financial socialization score and financial skill score (Beta = 1.13, p < 2e-16) after controlling for participants' generation, ethnicity, gender, education level, and parental education level.

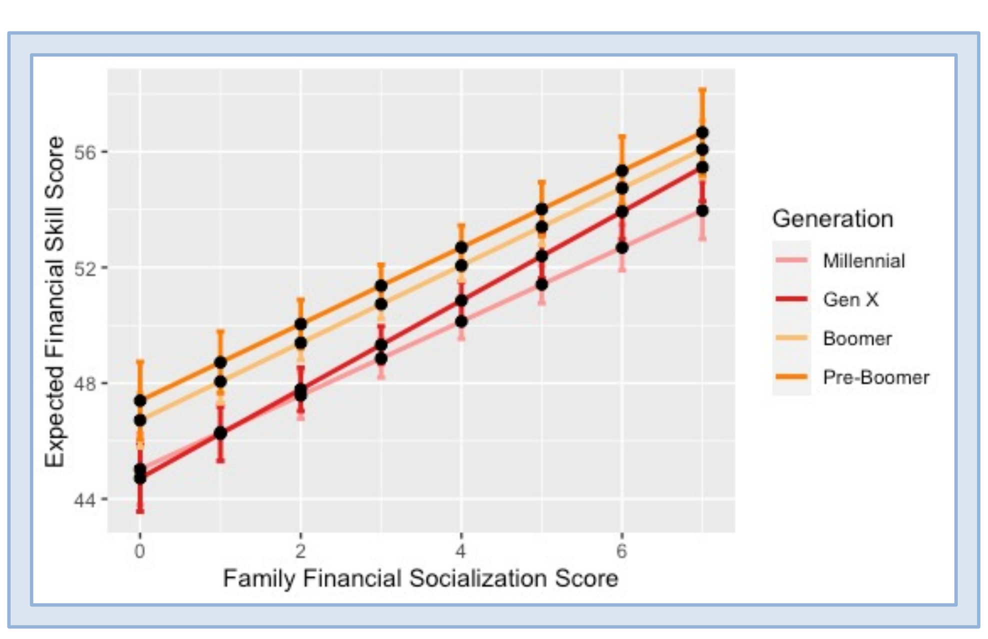

Figure 1: Family Financial Socialization Score and Expected Financial Skill Score by Generation

Except for Gen X, each generation differs significantly from the Millennials in average financial skill score. However, as the linear slopes and multiple linear regression tests demonstrate, generation does not moderate the relationship between socialization and skill (Figure 1).

Multiple linear regression tests for gender and participants' highest education level did not find any statistically significant evidence for moderation, but tests for ethnicity and parent's highest education level did (Figures 2 and 3).

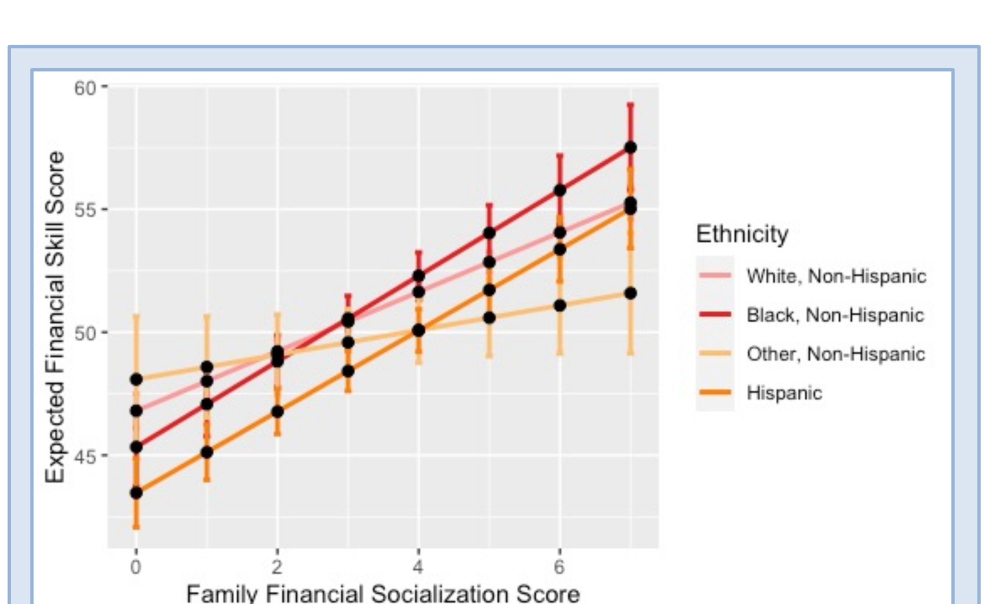

Figure 2: Family Financial Socialization Score and Expected Financial Skill Score by Ethnicity

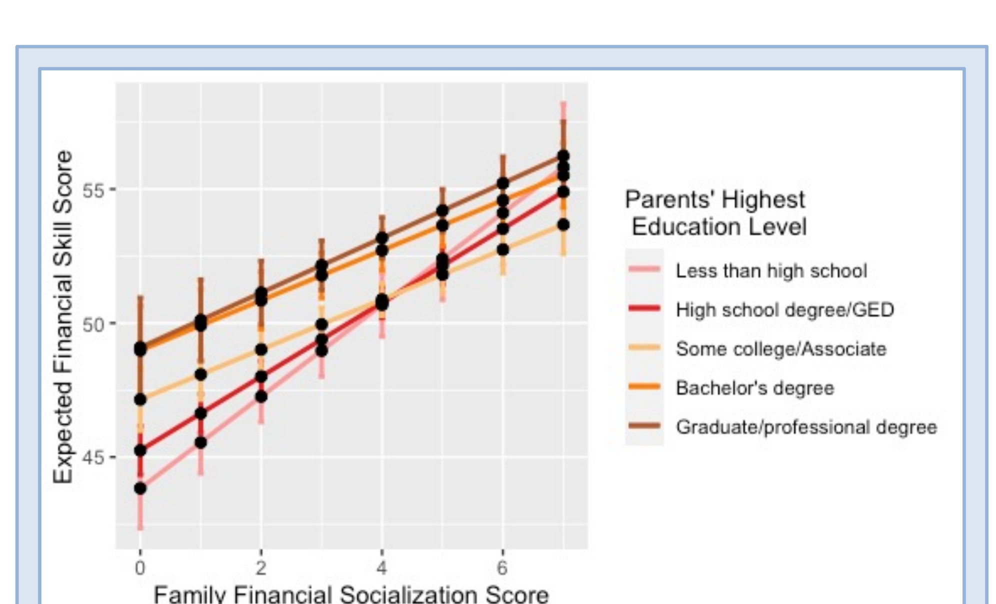

Figure 3: Family Financial Socialization Score and Expected Financial Skill Score by Parental Education Level

Discussion

- Family financial socialization is positively associated with financial skill across demographic groups
- Although certain generations have significantly different average financial skill scores based on a given family financial socialization score value, there is no significant evidence for generation as a moderator.
- Ethnicity and parental education category moderate the family socialization/skill relationship for certain groups.
- Findings from this study may support the creation of financial literacy programs specifically for parents, as family socialization remains key for developing children's long-term skills.
- Future research should further investigate proposed links between social conditions during childhood and family financial socialization, particularly for under-sampled populations

References

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