ARE MILLENNIALS IN THE U.S. BEING TAUGHT HOW TO MANAGE FINANCES?

The Association between Parental Instruction and Financial Well-being among Working Adults in the U.S. across Four Generations.

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INTRODUCTION

- Despite being the most educated generation, **millennials** exhibit the **lowest financial well-being** in the U.S. compared to pre-Boomers, Boomers, and Generation-X controlling for age (FINRA, 2018).
- Many **financial literacy programs** designed to improve financial health among working adults have **failed to significantly improve financial health** (Bruhn et al., 2014); a meta-analysis conducted over 201 studies finds that among those who attended a literacy program, consumption behavior only changed 0.1% in variance while saving behavior remained unchanged (Fernandes et al., 2013).
- One longitudinal study found that among US working adults who have received **childhood discipline on money management** exhibit, on average, **higher levels** of **financial health in adulthood** compared to those who did not (Moffitt et al., 2011).
- While a number of recent studies have begun to corroborate a **positive correlation** between **parental instruction** and **financial wellness**, it is unknown whether the cause of poor financial performance among millennials can be attributed to decreasing levels of parental instruction in the United States.

RESEARCH QUESTION

① Is there an association between parental instruction and financial well-being among working adults in the U.S ? ② Can the decrease in financial health among working millennials in the U.S be explained by changing levels of parental instruction?

METHODS

Sample

Data (n=2493) was drawn from the 2016 National Financial Wellbeing Survey with a nationally representative sample of the English and Spanish-speaking, working adult population of the United States.

Method

- "Parental instruction" was measured using a constructed index variable which reflects the level of financial socialisation the respondent received from their parents. Values range from 0-7.
  - Discussed : [1] financial matters [2] saving [3] credit rating [4] smart shopping [5] success with the respondent.
  - Provided respondent : [6] regular allowances [7] savings account.
- "Financial Well-being" was measured using a scaled score constructed by the CFPB ranging from 0-100. This quantitative variable is determined through weighing and summing responses to individual items to reflect respondents' financial health.

  Note: The scaled score normalizes age-related differences such that it is directly comparable across age groups.

RESULTS

Univariate

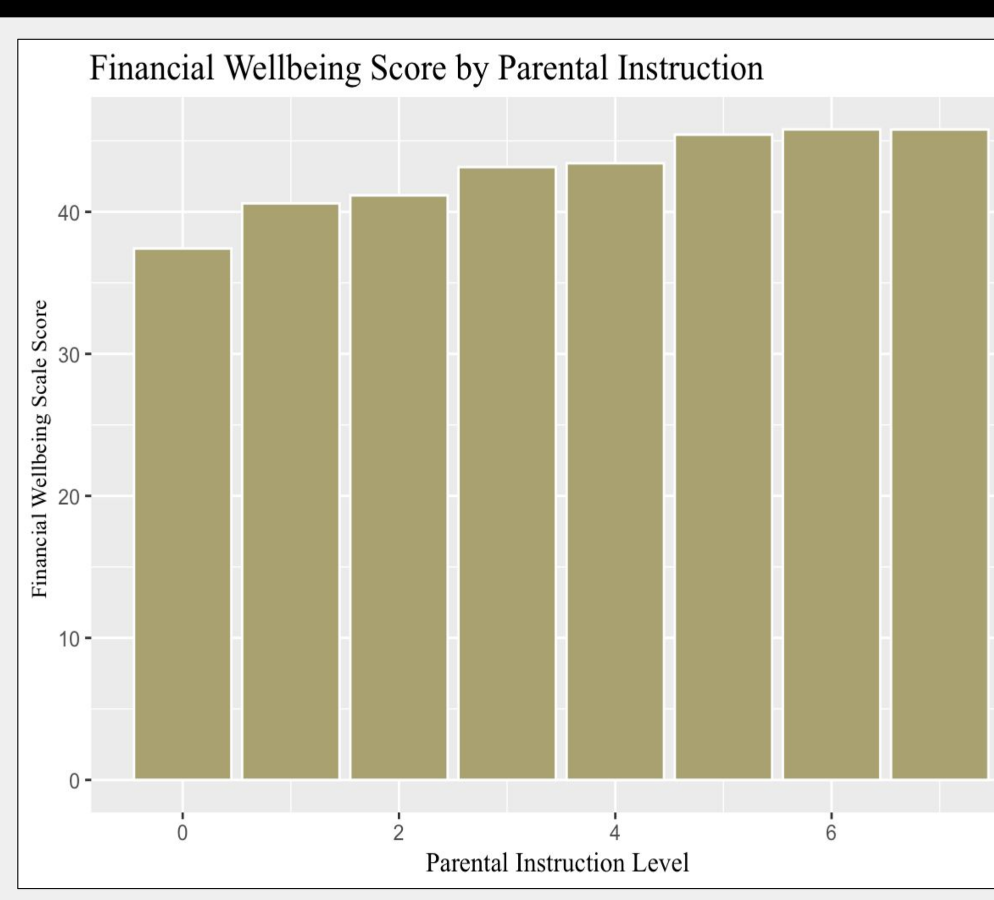
- Among the selected respondents,
  4.6% of had a FWB score of 0-20
  35.7% had a FWB score of 20-40
  52.0% had a FWB score of 40-60
  7.6% had a FWB score of 60-80

Table 1. Level of Parental Instruction

PT	Frequency	Percentage
0	262	10.5
1	219	8.8
2	266	10.7
3	296	11.9
4	409	16.4
5	391	15.7
6	314	12.6
7	332	13.3

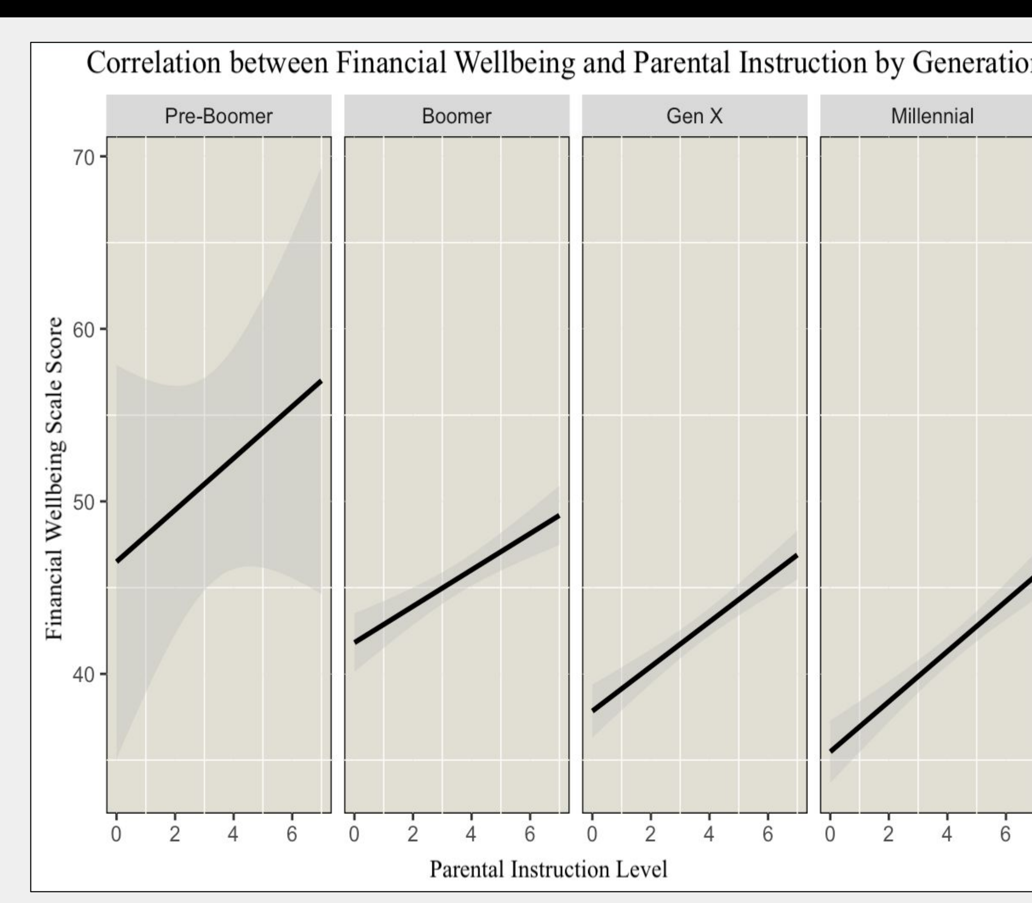
Bivariate ①

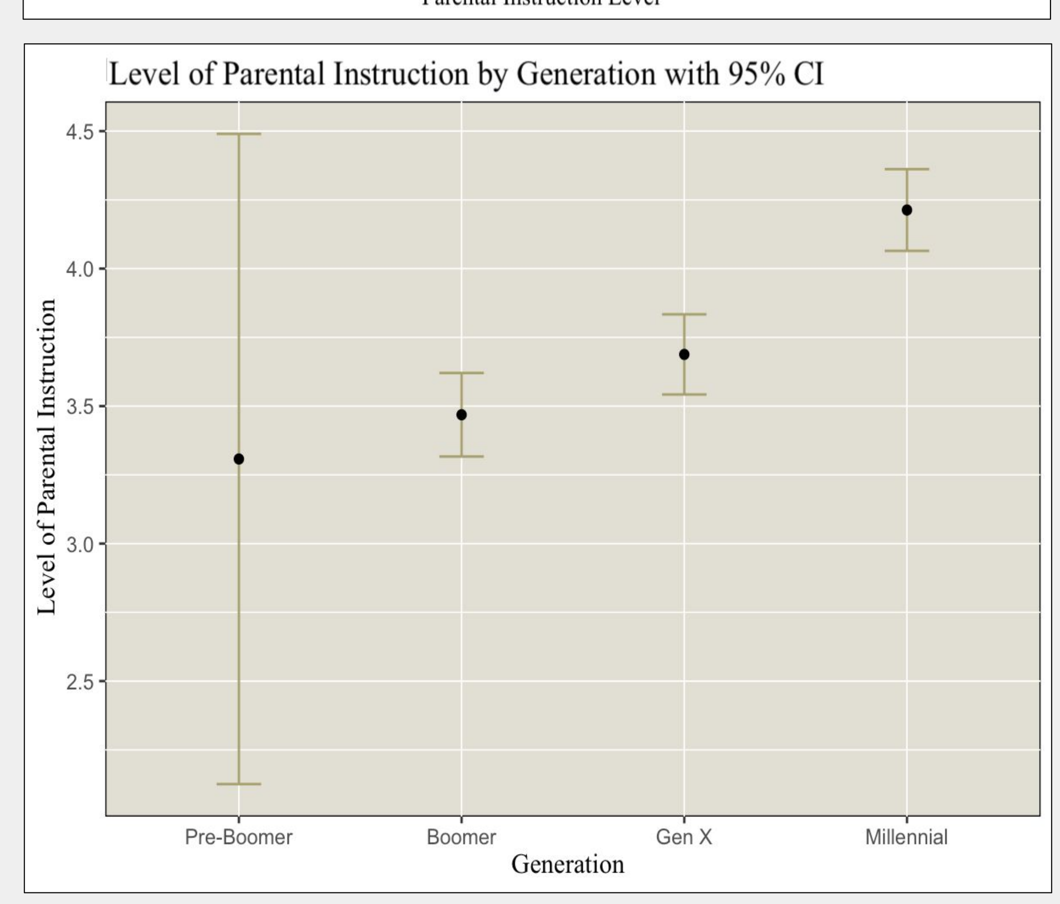
- The Pearson correlation test shows that parental instruction and financial wellbeing are **significantly positively** associated. (r-statistic = 0.2 | $p < 0.001$)



Multivariate

- After controlling for education, parental instruction and financial wellbeing remain **significantly** and **positively** associated.
- The average financial wellbeing score of someone who have received all seven items of parental instruction is **6 points higher** than someone who did not receive any parental instruction (**B1** = 0.87 | $p < 0.001$).





Multivariate Cont.

- Generation **does not** seem to **moderate** the relationship between parental instruction and financial wellbeing.
- The average FWB score for a college-educated **millennial is 39 points**; that is 10 points less than **Pre-Boomers**, 5 points less than **Boomers**, and 2 points less than **Gen-Xers**.

Bivariate ②

- ANOVA results show that the average level of parental instructions received by millennials is **significantly higher** than other generations. (f-statistic: 16.17 | $p < 0.01$)
- **Millennials** receive 1 more item of parental instruction than **pre-boomers** on average.

DISCUSSION

▸ Regardless of education, working U.S. adults who have received **more parental instruction** are likely to have a **better financial standing** than those who have received less. Yet, **millennials** in the U.S. exhibit the **worse financial standing** out of the four generations despite having received the **most parental instruction** on average.

▸ The **gradual privatization of the financial sector** and the **rise of financial technologies** entail increased burdens on the individual to manage personal finances instead of their corporate employers. The increasing availability of credit accommodates for impulsive spending, and the diversity and complexity of modern financial services make it difficult to engage in long-term financial planning (Lusardi & Tufano, 2015). These factors may better explain the trend of decreasing financial health in the U.S. across generations.

▸ Considerations: **1** Small differences in the FWB scaled scores due to does not necessarily indicate a meaningful difference in underlying financial well-being depending on the specific questions in which the respondents' answers differ; therefore, the **significance** of a 6 point increase in average FWB score is inconclusive. **2** The **sample size** of pre-boomers was very small (n=13), which resulted in a large area of uncertainty in the correlation analyses between parental instruction, financial wellbeing and generation.

Consumer Financial Protection Bureau. "Financial Well-Being by State." (2019) ; Bruhn, Miriam, et al. "The Minimal Impact of a Large-Scale Financial Education Program in Mexico City." Journal of Development Economics, vol. 108, (2014) ; Fernandes, Daniel, et al. "Financial Literacy, Financial Education, and Downstream Financial Behaviors." Management Science, vol. 60, no. 8, (2014) ; Moffitt, Terrie E., et al. "A gradient of childhood self-control predicts health, wealth, and public safety." Proceedings of the national Academy of Sciences 108.7 (2011) ; Lusardi, Annamaria, and Peter Tufano. "Debt Literacy, Financial Experiences, and Overindebtedness*." Journal of Pension Economics & Finance, vol. 14, no. 4, Cambridge University Press, (2015)