Examining Financial Socialization, Socioeconomic Mobility, and Financial Well-being

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Introduction

- Since the most recent economic crisis, more attention has been put toward establishing a conceptual framework of financial well-being due to its societal and economic implications (Brüggen et al., 2017; Consumer Financial Protection Bureau (CFPB), 2017).
- The millennial generation has attributes that allow it to make a considerable economic impact. There are over 75 million American millennials, which make up almost a quarter of the population, 30 percent of the voting age population, and almost two-fifths of the working age population (Metropolitan Policy Program at Brookings, 2018).
- Perceived socioeconomic mobility and financial socialization have been positively linked with healthy financial behaviors (Szendrey & Fiala, 2018; LeBaron et al., 2020).
- The goal of this study is to analyze how past financial socialization experiences and the perception of socioeconomic mobility is connected to financial well-being. Results for young and middle-aged adults (18-34) will be compared to their older counterparts (35-75+).

Methods

Sample

- Adults age 17 – 75+ who participated in the National Financial Well-being survey (n=6,394) carried out by the CFPB.
- The National Financial Well-being survey is a nationally representative sample of non-institutionalized U.S adults.

Measures

- Perceived socioeconomic mobility (PSM) is measured on a 7-point Likert scale ("Everyone has a fair chance of moving up the economic ladder").
- Financial socialization (FS) is measured in 7 binary variables to gauge whether a respondent has been taught a financial concept in their past. Scores were accumulated into an aggregate FS score with a range of 0 – 7.
- Financial Well-being is measured on a quantitative scale with a range of 14-95.

Research Questions

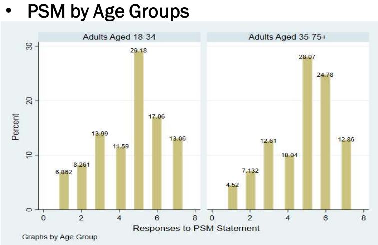
- Is there an association between PSM and financial well-being across all age groups?
- Does the association between these variables remain significant after controlling for FS experiences and additional demographic variables?
- How does this association differ between younger generations (Gen Z, Millennials) and older generations (Gen X, Baby Boomers, Pre-Boomers)?

Results

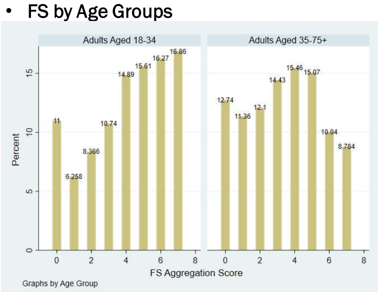
Univariate

- Financial Well-Being
  - Across all age groups, average financial well-being scale score is **56**.
  - For young and middle-aged adults, the average score is **51.2**.
  - For older adults, the average score is **57.6**.

- PSM by Age Groups



- FS by Age Groups



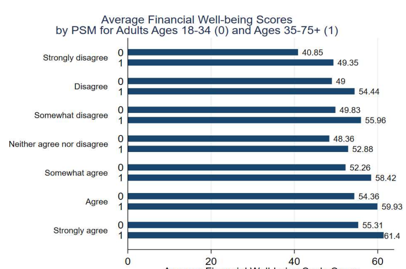
Bivariate

- Analysis of variance (ANOVA) between financial well-being scores and aggregate FS scores indicate significantly different financial well-being scores (F=32.08, p=0.0000, df=6366)
  - The Sidak post-hoc test for differences between categories of FS scores indicate 10 non-significant differences.

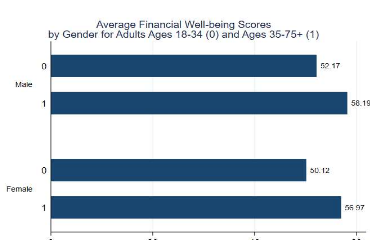
Bivariate (cont.)

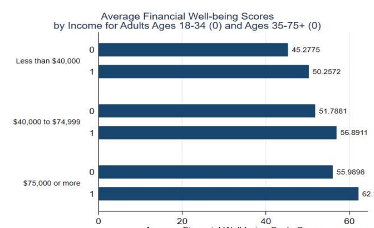
- The ANOVA test between financial well-being scores and PSM indicate significantly different financial well-being scores for the 7 categories of PSM (F=65.58, p=0.0000, df = 6320).
  - The Sidak post-hoc test for differences between PSM categories indicate the only non-significant cross-category differences are between disagreeing and somewhat disagreeing (t=1.39, p=0.821), disagreeing and being neutral (t=-1.29969, p=0.925), as well as agreeing and strongly agreeing (t=1.00604, p=0.870)

Multivariate



- Multiple linear regression analyses was used to analyze the significance of the relationship between financial well-being scores and PSM, Aggregate FS score, Employment, Age Group, Income, Gender, and Highest Degree Received. Results indicate the only insignificant variable was gender (t=-0.95, p=0.344, 95% CI -> -.9113838< β<.3177958)





Discussion

- Results from this study indicate that financial well-being is significantly associated with perceptions of socioeconomic mobility and financial socialization experiences for the older and younger generations.
- Although the results remained significant even when including a financial skill scale score into the regression model, there is still more research that could be done to test how well perceptions and past experiences could influence financial well-being. Additionally, there may be a more robust way to conceptualize financial-well being into comparable quantitative scales.
- These results could be helpful for financial education specialists who wish to craft curriculums addressing specific subgroups of the population.

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Szendrey, J., & Fiala, L. (2018). "I Think I Can Get Ahead!" Perceived Economic Mobility, Income, and Financial Behaviors of Young Adults. Journal of Financial Counseling and Planning, 29(2), 290–303. https://doi.org/10.1891/1052-3073.29.2.290