Financial Socialization Family Pathways: Reflections from College Students' Narratives

Catherine A. Solheim, Ph.D.
University of Minnesota

Virginia S. Zuiker, Ph.D.
University of Minnesota

Polina Levchenko, Doctoral Student
University of Minnesota

ABSTRACT. This study explored 217 college students' narratives about financial socialization experiences in their families. Using a deductive coding and interpretation strategy grounded in existing literature, identified themes and sub-themes provided richer descriptions of financial socialization processes than currently exist. Parental modeling and direct teaching led to both positive and negative young adult behaviors. Coaching and family rules revealed parents' use of authoritarian and authoritative parenting styles to socialize their children about money. Five distinct messages about money communication were identified as well as positive and negative views of parental roles and division of labor related to money management tasks. Implications for continued financial socialization and education during the emerging adulthood phase of development are discussed.

Few would argue that financial competence is critical for successful functioning in American society. Current economic challenges and the national outcry about adults' poor financial fitness suggest that socialization efforts have not been successful in developing competent consumers and money managers. Beutler and Dickson (2008) stated that failure to adequately socialize young people for adult financial roles is costly at both individual and societal levels. A recent report from the National Symposium on Financial Literacy and Education included financial socialization in three of ten important research questions that need to be addressed (National Research Priorities for Financial Literacy and Education, 2008).

In his remarks at the 2008 Financial Literacy and Education Summit, Douglas Michelman, Visa Inc., commented, "When they turn 18, we give young adults the full rights to make contracts, obtain loans, secure housing, work full time and fight for their country. Underpinning all of these very adult responsibilities are financial choices. Yet far too few of these young people are ever taught to manage money." Evidence supports Michelman's indictment; over half of students entering colleges and universities have an average balance of $2,864 on four or more credit cards (Young Americans Center for Financial Education, 2009). Nearly 30% of 18 to 24 year olds' income is spent on repaying debt (Silva & Draut, 2004). Clarke, Heaton, Israelsen, and Eggett (2005) coined this phenomenon of young adults' lifestyle financing with debt as

Direct correspondence to Dr. Catherine Solheim at csolheim@umn.edu.

Family Science Review, Volume 16, Issue 2, 2011
© 2011 by the Family Science Association. All rights reserved.

"premature affluence" (p. 322). While turning 18 gives young people certain legal rights, human development experts suggest that this age marker does not signify that adolescence is over and adulthood has been attained. Rather age 18 marks the onset of a new developmental phase identified by Arnett (2000) as emerging adulthood. This 18 to 25 year-old period is a time in which young people feel adult in some respects but not in others. Their journey from adolescence to adulthood brings life-changing experiences, one of which is the transition from financial dependence to financial independence (Xiao, Shim, Barber, & Lyons, 2007).

This study employs a qualitative approach to arrive at an understanding of family socialization processes through the analysis of emerging adults' narratives. Specifically we wanted to learn what, how, and from whom they learned about money and how those experiences have influenced their current financial beliefs and practices.

General Knowledge about Financial Socialization

Financial socialization is a learned process of acquiring knowledge about money and money management and developing skills in various financial practices such as banking, budgeting, saving, insurance, credit card use (Bowen, 2002). The family is credited with being a major source of children's socialization; children through observing their parents, participating in financial practices, and receiving direct instruction (Beutler & Dickson, 2008; Danes, 1994; Pinto, Parent, & Mansfield, 2005).

Research on financial socialization dates back to the 1930s (see reviews by John, 1999, Kuhlmann, 1983; Rettig & Mortenson, 1986, & Ward, 1974). Recent research has focused on knowledge acquisition (Bowen, 2002; Chen & Volpe, 2002; Peng, Bartholomae, Fox, & Cravener, 2007; Pinto et al, 2008), activities and influence of socializing agents (Furnham, 2001; Jorgensen, 2007; Pinto et al., 2008; Webley & Nyhus , 2006), beliefs, attitudes, and values (Allen, Edwards, Hayhoe, & Leach, 2006; Fox, Bartholomae, & Gutter., 2000; Hayhoe, Leach, & Turner, 1999; Hira, 1997; Masuo, Malroutu, Hanashiro, & Kim, 2004; Newcomb & Rabow, 1999; Webly & Nyhus, 2006; Yang & Lester, 2001), and money experiences (Lachance, Lagault, & Bujold, 2000; Lea, Webley, & Walker, 1995).

Financial Socialization Knowledge Generated from Studies of College Students

Several studies in the past decade have involved college student samples to examine financial socialization. Pinto et al (2008) surveyed 1,170 students to understand their knowledge about and use of credit cards. They found that parents were perceived as more important socializing agents of credit card use than media, schools, and peers. Moreover, the more information they received from parents about wise credit use, the lower their outstanding credit card balances.

Dilworth, Chenoweth, and Engelbrecht's (2000) qualitative study examined 75 college students' and their parents' meanings of money and money management goals. Of the seven themes identified, including necessities, security, luxuries, savings, debt, charities, and money philosophies, savings ranked fourth. Half of the respondents specifically identified saving for retirement, but not surprisingly, retirement was more salient for parents than students. Study participants also identified that needs should be prioritized over wants, concluding essentials should be paid first with remaining money used for wants. Even though college students understood the importance of reducing debt, it was further down the list of important themes identified.

Research by Kidwell and Turrisi (2004) examined 189 college students budgeting tendencies in relation to financial debt, finding that those who were highly confident in their ability to

© 2011 by the Family Science Association. All rights reserved.

maintain a budget were likely to justify reasons to budget. These individuals may also perceive "normative expectancies" from a family member in maintaining a budget. Contrarily, those students who had lower perceived control over their budget relied on their emotional feelings towards budgeting, rather than their cognitive beliefs about budgeting.

Clarke et al. (2005) found that college students reported that their fathers were responsible for financial management, but that it was their mothers' financial education efforts that were associated with their own feelings of being financially competent. The study also concluded that children's participation in various financial practices was related to adolescents' confidence about their preparedness to manage their own finances.

A uniquely focused study by Allen et al. (2006) analyzed 1,293 college student reports of imagined interactions with parents about credit. The research measured imagined interaction and related pleasantness, credit and money attitudes and family communication surrounding money management. Results showed that imagined financial interactions were inversely related to pleasantness. The authors concluded that students may anticipate conflict and thus 'rehearse' messages that their parents may not receive positively. Additionally, imagined interactions were related to money and credit attitudes. Pleasantness was reported if students were savers, obsessed less about money and had adequate resources.

Most recently, a longitudinal study of college students at the University of Arizona found that parents, school, and work influenced first-year college students' financial learning. Parental involvement and financial knowledge were associated with students' positive financial responsibility attitudes and behaviors (Shim et al., 2009).

Family Communication about Money

Social learning theory (Bandura, 1986) suggests that *how* parents communicate financial concepts to their children is as important as *what* young people are taught. In his 1985 study, Moschis found that parents influence their children overtly and cognitively through direct teaching, reinforcement and purposive modeling. Children's interactions with other financial socialization sources and their subsequent learning from those experiences are mediated by four types of family communication styles: a) laissez-faire (minimal parent-child communication); protective (stress obedience and social harmony); b) pluralistic (openly discuss ideas and support children's exploration without judgment); and c) consensual (encourage idea exploration within bounds of family hierarchy and harmony).

In summary, the literature is fairly clear that young people learn a wide range of financial beliefs, attitudes, and behaviors from their families, and suggests that family communication about money is a key ingredient in raising competent adult money managers. However, less is known about intimate family-based processes by which socialization occurs. A recent study by Allen et al. (2006) provided new and intriguing insights about money attitudes and communication based on imagined interactions and pleasantness. The authors' ability to examine the relational context in which family communication and resulting socialization occurs suggests the need for new questions and methodological approaches to enhance our understanding in this area.

The qualitative research approach used in the current study is unique in important ways. The use of personal narrative data differs from previous reliance on survey data. The qualitative data used in this study allowed researchers access to rich descriptions of financial socialization processes in young adults' own words and allowed for nuanced descriptions of family financial

© 2011 by the Family Science Association. All rights reserved.

socialization experiences. This in turn, can lead to a deeper understanding of these complex processes.

Method

Data Source and Collection

Data for this study were from an undergraduate assignment in a financial management course at a large Midwest university. The semester course enrolls upper-level students majoring in family science, business, or psychology. Approximately 80% of the students are female; 95% are of traditional college age between 19 and 24 years old. Students are socioeconomically, racially, and ethnically diverse - about one-third are Somali, Hmong, Laotian, Filipino, Ethiopian, Cambodian, Vietnamese, and Latino – many from first-generation immigrant families.

Two instructors teach the course using the same text, content, and assignments. In one early-semester assignment, students are asked to reflect on their financial experiences from childhood. The purpose is to raise students' awareness of the roles their families have played in socializing them about finances.

Institutional Review Board for Human Participants protocol was followed to assure that students' participation decision would not influence assignment evaluation and grading. Informed consent was obtained at assignment turn-in and was kept separate until all grading was completed. Consent forms were then matched with the assignments of those students who had agreed to participate. Once participation was confirmed, copies of the assignment were made, identifying information was removed, and originals were returned to the students.

Data were collected from a total of 217 students over three semesters. Assignment questions used for this study were:

- When and from whom did you learn about money and how to manage it?
- If your family talked about money, what topics were discussed and what did you learn?
- If your family didn't talk about money, why do you think money conversations were avoided?
- What did you learn about money management from observing how finances were handled in your home?

Procedures

The current study employed a qualitative analysis that allowed for family financial socialization experiences to emerge from college students' narratives. Open-ended questions provided a loose structure to capture students' voices as they explained what, how, and from whom they learned about money. A deductive analysis approach (Gilgun, 2005) facilitated the discovery of differences and similarities surrounding seemingly universal and technical concepts such as the process of learning how to save and manage money.

Narrative documents were scanned for the purpose of using NVivo, a qualitative software program, to organize data and facilitate analysis. Coding and interpretation of the data followed widely accepted procedures in qualitative data analysis approaches (Corbin & Strauss, 2008). First, broad categories derived from existing financial socialization literature were used to code the data into broad themes such as saving behavior, management practices, communication processes and others. After the three researchers independently reviewed the data within the coded themes, we met to determine if there was agreement. When disagreement occurred, we discussed differences and reached consensus. When agreement was reached on all coded data, broad themes were again read independently by each researcher and coded for sub-themes to

© 2011 by the Family Science Association. All rights reserved.

further parse the data into more discrete dimensions of the broader theme. After this, the research team met again to discuss and resolve disagreements about sub-themes that emerged during independent coding. For example, after discussing two subthemes, we decided that they were not distinct enough to keep separate and were therefore combined to yield a more robust subtheme. Discussion continued and modifications made until full agreement was reached. Finally, researchers worked together to interpret the findings.

Results

The three most prevalent themes about what and how students learned about finances are reported: saving, money management practices, and family communication patterns. Quotes are used to illuminate themes in students' own voices.

Saving

The most common money concept that students learned from their families was saving (n=202; 93%). A slight majority (n=116; 53%) reported learning from observing their parents' or other family members' saving behavior. Slightly fewer (n=86; 40%) learned from coaching or conversations about saving; parents suggested, promoted, and supported saving behavior. Sub-themes reveal several nuanced socialization pathways to learning about saving including: a) learning to save from parental modeling; b) learning to save from lack of parental modeling; c) not learning to save from lack of parental modeling; d) learning to save from parental coaching and conversations; e) learning to save from parental rules or guidelines about goals, allowance and gift money use; f) learning to save from other family members; and g) learning about retirement and investments.

Learning to save from parental modeling. Students shared that parents provided positive models of saving behavior. Some observed that saving was directed toward a particular goal or specific purchase, such as buying a new car. Others noted a more general savings attitude that was oriented toward spending wisely in order to build up a savings' cushion.

> The greatest piece of financial knowledge that I learned from home was observing how my mother always kept a close eye and a good handle on all money issues. She never would spend or splurge and she would always be sure to save money. [Student 50]

Saving from absence of parental modeling. What is perhaps more interesting were the narratives of students who were clear that they learned to save by observing what families who did not save. Students realized that no savings or cash reserves had consequences for their families. Some reflected that their parents' lack of savings made large purchases such as buying a home or a car very difficult if not impossible. They also came to understand that living paycheck to paycheck or even day by day forced families to make decisions based on the funds available at that moment.

> Most financial planning was made month to month, and more commonly, week to week. I remember it was the balance in the checking account for any particular week night would determine if we would go out to eat for dinner. There was never any thought to the next week, nor the prior week, to other expenses, or emergencies. This is how I learned financial planning. I saw the mistakes they made and slowly began to think about long term goals and savings. [Student 161]

© 2011 by the Family Science Association. All rights reserved.

Learning not to save from absence of modeling. Finally, some students' responses illustrated that they did *not* learn about saving in their formative years because of the lack of modeling. For those students, uncontrolled spending leading to debt was a common outcome of not learning to save. "Finances in my home I believe were not planned but went as quickly as they came. Learning not to save money and to constantly be in a spending mood has attributed *[sic]* to some of my current debt" [Student 148].

Learning to save from coaching. The second most common way students learned about saving was through coaching (N= 86; 40%); parents encouraged and supported saving behavior. Through conversations with young children, parents encouraged them to think about spending and saving, but typically stopped short of imposing a rule about saving. Suggesting that saving money was smart and responsible, reminding children that money saved today could be used for larger purchases in the future, and even invoking a sense of guilt about spending versus saving were some of the strategies shared in students' narratives.

> Even if it was little tips like, 'Why don't you just save that dollar instead of getting a candy bar so you can buy something you really want when you find it?' That tip alone provided me with a lot of motivation to save all the money I could to get the things I really wanted. This in return built up my savings account so I could do that. [Student 23]

Although they were coached to save at early ages, some students didn't really understand what it meant until they got older. For example, one student commented that:

> …at a young age, my parents emphasized the point of saving. They always told me that saving was a huge step for future financial usage. As I got older, into middle school and high school, I started to understand the time value of money and how [by] putting my money into my savings account, it would actually grow to a higher value. [Student 194]

Parental coaching didn't always result in desired outcomes; some students recalled receiving mixed messages about savings, which resulted in their current inability to save.

> They would try to tell me about saving money and fundraising, but never conditioned me to actually do those things. I believe they wanted me to be involved in activities instead of having a part-time job. In effect, I was never really forced to learn about the realities of money until midway through my college career. Before college, I had never had my own checking account or any formal system of saving besides putting cash away in a shoebox. [Student 166]

Learning to save from family rules. Another sub-theme that ran through learning from observation and coaching was that students remembered family rules or guidelines about saving money. Some recalled rules about saving for specific goals while others abided by more general rules such as saving a specific percentage of their money from allowances, gifts or other sources. All remembered that their parents were generally quite strict in enforcing their rules.

© 2011 by the Family Science Association. All rights reserved.

> I learned from him that to save was a good thing – the best and only thing to do. Even as a young girl I was very disciplined about following the rule-requirement, rather to save. To do otherwise was just not worth it. [Student 2]

Students recounted memories of annual trips to the bank to deposit a portion of their birthday money. This gave them opportunities to practice saving and learn about financial institutions. Watching savings accounts grow over time was a motivator for continued saving.

> When I was very young my Mom set up savings accounts for me and my younger sister. Each birthday I would put any money that I had received in birthday cards into my savings account…. Experience with this bank account and saving birthday money beginning at a very young age was my first lesson on money management. [Student 38]

However, rules about saving weren't always remembered positively. Rigid adherence to the rules without explanation or opportunity for negotiation, power struggles with parents as students moved into early adolescence, and the inconsistency between parents' rules for children and their own lack of savings behavior were sources of frustration. A student commented that his dad "had what I thought were crazy rules about money. Even when I started earning my own wage at the ripe age of 11, dad's rigid rules did not allow for spending money-only saving" [Student 2].

Learning to save from other family members. An important idea that emerged in students' writing about learning to save was the influence of grandparents. The ways in which this occurred mirrors the ways in which parents socialize their children – modeling, coaching and rules. "The person I credit the most with teaching me how to manage money would have to be my grandma. She taught me how to save and never allowed me to touch the money" [Student 83].

Older siblings who regularly saved income from part-time jobs provided good role models for younger siblings. Even into young adulthood, older siblings' influences continued:

> I always have looked up to my older sister. I watched her work, open and pay off accounts immediately, save her money, get married, and buy a house. She really knows what she is doing and how to spend and save money wisely. [Student 137]

Learning to save for retirement. Only nine (4%) of the students mentioned that saving for retirement was something they learned from family modeling. Even though the number was small, those who reported this were already saving for retirement as young adults. Interestingly, some students had watched grandparents struggle to make ends meet in retirement and now worried that their parents may experience similar challenges. Their resolve to avoid a similar situation when they reach retirement provided strong motivation to save and invest. "[I] worry about my parents' plans for retirement and wonder if they have prepared at all. I know that I will not find myself in a similar circumstance when I am their age, because I *will* have planned" [Student 205].

Learning to invest savings. Only nine (4%) of students' narratives mentioned that their parents taught them about investing. Passive learning occurred by hearing parents conversations about their own investment strategies. Although only two students had been actively engaged with their parents' investment activity in their formative years, they were also the only two to report that they are currently active investors in their early 20s.

© 2011 by the Family Science Association. All rights reserved.

Money Management

The second main theme emerging from students' narratives was the importance of on-going money management (N=133; 61%). Ninety-one (68%) learned from observation and 42 (32%) learned from conversations. Sub-themes highlight different aspects of the money management socialization process: learning money management from positive parental modeling, the lack of parental monitoring, and conversations; learning about the use of credit; and learning specific roles related to money management.

Learning money management from parental modeling. The majority of students clearly observed management behavior in their households. Most often mentioned behaviors included prioritizing needs over wants, budgeting, tracking expenses, and reconciling checking accounts. Generally, behavioral modeling was an effective means of socialization; students attributed their current financial practices to the observations of their parents' money management behaviors.

For other students, the absence of positive money management modeling resulted in resolve *not* to follow a similar path. "I would watch my parents struggle to make ends meet by living paycheck to paycheck. Because of what was going on in my own home, I began to realize why managing my money was so important" [Student 201].

Learning money management from conversation. Students also talked with their families about how to manage their finances. Discussions at home typically centered around paying bills on time and keeping track of one's spending.

> They always told me it was very important to understand the cash inflows and outflows of your money. They told me to always know exactly what you have spent your money on and if cash is coming in, know where it is coming from. [Student 194]

Learning to manage credit resources. One specific management practice that students observed was their parents' use of credit. However, the limited number of students (N=40; 18%) explicitly writing about credit use socialization is important to note, especially given the increasing concerns about college students' credit use.

In general, students had positive recollections of how they learned about credit. They particularly noted their parents' responsible use of credit, often mentioning that their parents faithfully paid their credit card bills in full each month, used credit only when necessary, and maintained good credit records and scores. One student's response reflects the general credit attitudes that this group of students were taught at home.

> It was a known rule in our household that you pay your credit card balance in full every month. If you cannot afford to pay off your credit card the month it is due, then you should not be making those purchases in the first place. My parents always say the only exception is when you take out student loans or buy a home. [Student 16]

Some students mentioned receiving the 'credit card talk' right before they left for college. They were told to use a credit card sparingly or only in an emergency. This helped them control spending and avoid debt. "Before I left for college, I was given the credit card lecture; how

© 2011 by the Family Science Association. All rights reserved.

necessary it is to limit the amount of credit card use and to only use a credit card when worse comes to worse" [Student 61].

Not unexpectedly, poor examples of credit use in their families also taught students about this important aspect of financial management. Students voiced worry and even fear that they will get into similar financial troubles as they had observed from their parents' and sometimes siblings' poor credit use behaviors. Some recalled heated discussions and even fights between their parents. One student reflected, "When I see my parents use their credit cards daily, it really scares me from having one myself. I would rather just pay cash for an item at the time then have to pay interest for it later" [Student 19].

Learning about money management roles. Students articulated what they learned by observing how their parents divided money management responsibilities. One model was that parents managed family finances jointly. Based on their observations, students concluded that equal participation in and knowledge of financial management was optimal. If both parents understood the family's financial situation and agreed on decisions about spending, saving and investing, power and control were more equally distributed.

Other students observed that their parents' clear division of financial responsibilities worked well. No pattern of typical male or female task assignment was evident from students' narratives. Some hypothesized that their parents had arrived at a workable arrangement early in their marriage and had continued it. Some discerned that task ownership was connected to who was better at it; others suggested it was related to parental preference. In a couple of cases, students planned to replicate their parents' financial management arrangements.

> My mother bought groceries and kid related expenses, while my dad paid most of the bills and home expenses. I think since I have seen how well this worked for them I would like to have the same thing when I get married. [Student 120]

Students who noticed that their parents had very different approaches to money found that created confusion in the family. Specifically, the 'spender versus saver' dialectic created conflict in families. One student shared:

> I think I learned to have a significant amount of guilt/competence/gender issues around earning and managing of money. My father was frugal and therefore good with money, while my mother was seen as more impulsive and indulgent, and always struggling over money. [Student 85]

Others learned positive things from observing two very different approaches to money management. If parents recognized strengths and weaknesses in each other, they effectively divided tasks accordingly; this was perceived by students as a positive use of difference. Observing parental differences also provided students with options for developing their own money management style. They recognized the strengths in each parent's style and often arrived at a blend of the two for their own. The following quote articulates that socialization process.

> Dad was the saver and Mom was the spender. Dad dealt with long term savings of money and Mom dealt with the everyday spending and saving of the money. So with this I understood that couples don't always see eye to eye in the ways that they choose to spend and save their money. Having two different parenting styles

© 2011 by the Family Science Association. All rights reserved.

> of money management I believe left me somewhere in the middle of my two parents. [Student 68]

Communication about Money

Some of the most interesting findings in this qualitative study are students' reflections on what they learned from family communication about money. Students were quite clear about whether or not their families discussed money and why.

Money should be openly discussed. For those students who grew up in families where money was discussed openly, results were positive. They concluded that talking about money regularly and in straight-forward ways created an open environment in which everyone could contribute and have a say in the decision. They learned that if conflict arose, dealing with it immediately often resulted in a fairly quick resolution.

Money is not an issue. Several students wrote that money was not discussed because their families were financially comfortable and therefore there was no need. "My parents never discussed things like our family bills or investments with us because we have been very fortunate and money has never been a real concern for my family" [Student 130].

Other students attributed the lack of communication about money to the *lack* of financial resources in their families. These students knew that money conversations would have merely added to the already high levels of stress in their families. "I think that money conversations were avoided because we did not have much money anyway and talking about it would have just created another problem for my family" [Student 173].

Money is a secret, private matter. A subsample of students received clear messages that money discussions were not okay. Money is a private matter and should not be shared, sometimes even between parents. Conversations about income were and continue to be particularly taboo. Students were either told or somehow intuitively knew that they should not ask about their parents' income. "My parents never told me their yearly salaries. When I ask my parents what they make, they repeatedly say "not enough" [Student 114].

Money is a source of conflict and stress. Some students learned that family communication about money led to conflict. As a result, money was not discussed lest it raise conflict between parents. If parents were under stress, raising money issues served to increase their stress levels. Therefore, students were taught that discussion was to be avoided. "I think the reason money is not brought up too much is that they are simply trying to avoid a disagreement. The unspoken agreement to compromise is why I feel that it isn't mentioned often" [Student 11]. Another student recalled that when her mother had to say no to her children's money requests, her "face would change and her tone of voice would become highly tense and stressed. I learned quickly not to bring it up in order to avoid seeing my mom like that" [Student 46].

The money-conflict/stress association formed in childhood continues to play out in these college students' lives. Some are resolved to avoid all communication about money in their current relationships. Others feel greatly hampered in their ability to effectively manage their finances. One student commented that she "got the impression that money equaled stress and paying bills was an endless thing. From this experience, I am scared to become independent on a financial level" [Student 38].

Children should be protected from discussions about money. A final interpretation of the absence of communication about money in their families was that parents wanted to shield

© 2011 by the Family Science Association. All rights reserved.

children from unnecessary worry. For some this stemmed from a belief that money was an adult issue about which children need not be concerned. In some cases, it was parents' desires to protect children from their own fears and anxieties about money. However, it didn't work. As one student wrote:

> My parents believe that it was their responsibility to give us a feeling of security even when it is an illusion. Money was always a closed subject in my family, but everyone in the family knew exactly what was happening. [Student 140]

Discussion

The purpose of this study was to better understand what college students' narratives revealed about what they learned from their families about finances. The following discussion highlights key findings and interpretations of results, making connections to existing literature where appropriate.

Financial Concepts Learned

Saving was the most reported financial concept that students learned from their families. The second most frequently learned concept was how to manage finances, including credit use. Unlike findings from Dilworth et al.'s (2000) qualitative study, many college students in this study expressed the importance of savings as a key financial concept learned in childhood. This finding should be encouraging to parents who try to model savings behavior and teach their children the importance of saving (Brenner, 1998). Whether or not they are actually saving was not addressed in this study, but growing levels of debt reported in other studies of college students (Gutter & Renner, 2007) suggest that they are not. The disconnection between knowing and doing underscores the importance of reinforcing saving during young people's emerging adult phase of development. Reminding them of what they learned from their families, providing them with concrete suggestions for how to establish savings habits, and helping them shape savings goals are ways to continue financial development during emerging adulthood.

Multiple Socialization Pathways

This study identified three socialization pathways leading to different saving and management outcomes. One pathway could be characterized as positive and effective; students who observed that their parents saved and managed their money taught them the importance of saving and money management. Another ultimately effective pathway could be characterized as negative; students observed negative ramifications of their parents' inability to save or manage their money. Contrary to what we might expect, this negative model resulted in students' resolve to not repeat their parents' mistakes. A third pathway also started out with negative saving or management modeling, but the outcome was also negative; like their parents, students were currently neither saving or managing well.

These findings support the intergenerational correlations found in money management styles of parents and adult children (Clarke et al., 2005; Rettig, 1983). However, the pathway of negative parental modeling with positive outcomes is intriguing, and highlights a unique pathway that is not fully understood. Further study is needed to understand how young people resist the tendency to repeat parents' patterns and forge new models for their own lives.

A more detailed look at pathways to saving revealed that students learned about saving and managing money through family rules. Words such as 'discipline', 'requirement', 'demanded',

© 2011 by the Family Science Association. All rights reserved.

and ‘orders’ were used by students to describe parents’ rules for savings, suggesting an explicit socialization approach. Most students recognized why their parents imposed these rules and appreciated that it taught them to save from an early age. However, rules were not always viewed favorably; a few students shared frustration at the rigidity of the money rules imposed in their families.

An explicit, yet indirect socialization approach could be described as parental ‘coaching’; parents emphasized the importance of sound money practices as well as instilled a sense of responsibility for effectively managing financial resources. Students’ coaching descriptions included words such as ‘little tips’, ‘motivation’, ‘responsibility’, and ‘encouraged’.

Ideas of coaching, family rules, and family communication patterns found in this study support existing socialization literature which suggests that the ways parents socialize their children about money reflects their preferred parenting styles (Allen et al., 2006). Some family rules’ narratives described an authoritarian parenting style in which parents had explicit rules and expected compliance, similar to Baumrind’s (1966) authoritarian style, a protective communication style (Moschis, 1987), and a strong social orientation (Lachance et al, 2000).

Baumrind (1966) also suggested a different, more integrated parenting approach described as an authoritative style. This style is characterized by an environment of warmth in which children respect authority, but are encouraged to think independently and respond in pro-social ways. Coaching may be reflective of this authoritative approach to financial socialization. Moschis’ (1987) pluralistic communication style also fits with an authoritative parenting style as does Lachance et al’s (2000) description of an orientation toward children’s development of values, skills and competencies through monitored experiences. Which parenting style is most effective in socializing children into competent adult financial roles is a question to be answered.

Financial Roles

Another contribution this study makes to the literature is a nuanced glimpse into what young people learn from their families about financial management roles. Similar to other studies (Clark et al., 2005), descriptions of parents’ financial management roles emerged as three models: equally shared decision-making and management, clear division of financial responsibilities, and divergent approaches. What this study adds is students’ evaluations of the effectiveness of the models. Those who observed joint decision-making typically saw benefits in this model. They often recommended this as a best practice because it created an environment of equality and openness; they planned to follow this model in their own relationships. Students who noted their parents’ divergent approaches to money were quite astute in discerning why this was the case. Some saw that individual parents possessed either strengths that drew them to be responsible for a particular money task, or weaknesses that pushed them away from taking on particular responsibilities. They were able to see how their parents’ strengths and weaknesses made sense in the division of financial responsibilities.. For those who evaluated parents’ differences negatively, inconsistency and disagreement in the family created confusion and conflict.

Strengths and Limitations

Using student financial autobiography narratives from an assignment as the source of data for this study had both strengths and limitations. These fairly extensive narratives of students’ personal recollections of what they learned about finances from their families allowed a qualitative analysis of over 200 experiences, contributing to a more nuanced understanding of

© 2011 by the Family Science Association. All rights reserved.

financial socialization pathways. A limitation is that questions were designed for teaching versus research purposes, and thus were more general than specific and were not systematically grounded in the financial socialization literature. Another limitation was that we were unable to describe the sample in detailed ways given data privacy and human subjects' protocol limitations. The obvious selection bias inherent in a sample of students pursuing higher education at a large public university limits the ability to generalize results.

Implications

Implications for families. In today's uncertain economic times, there is renewed interest in how families teach their children life-long financial management skills. Additionally, schools and higher education institutions are considering their obligations to either enhance what is learned at home, or in some cases, fill in the gaps due to inadequate or ineffective family financial socialization. Consistent with existing literature, college students' reflections clearly demonstrate that families play an important role in the development of financial competencies from an early age. Moreover, emerging adults are able to recall both positive and negative lessons learned and messages delivered from their families. Parents should be cognizant of how their positive and negative behavioral modeling impacts their children from early childhood through the emerging adulthood phase of development.

Implications for educators. This study also provides important insights for college and university faculty who teach financial management courses. Students in our classrooms are not blank slates; they arrive with attitudes, knowledge, and behaviors which have been shaped by their families of origin. Effective instructors understand that learning is enhanced when students can connect their lives to the topics at hand. Understanding our students' formative financial experiences contributes to our ability to create more effective learning activities in the classroom.

It is also important for faculty to recognize that there are multiple financial socialization pathways that students have followed to reach this point in their development. With student populations becoming more diverse than the faculty who teach them, it is increasingly important to include multiple and culturally diverse examples of how families socialize their children around financial issues and manage their financial resources. For example, how do collectivistic versus individualistic views of financial resources impact values, goals, and behaviors? How do Muslim families help their children reconcile religious teachings with the pervasiveness of credit use in the U.S. economy? How can resource pooling and credit rotation schemes be used effectively to reach financial goals?

Implications for research. This study suggests several interesting areas for future research.. Perhaps most significantly, understanding financial socialization during the emerging adulthood phase of development is important. How do young adults build on what they've learned in their families to establish their financial futures? How do financial behaviors of students who still rely on their parents' financial safety net during emerging adulthood, differ from those who are thrust abruptly into financial independence after leaving home? How do parenting styles impact financial socialization? How do cultural definitions of money and adulthood affect when and how young adults assume financial responsibilities?

We agree with Shim et al. (2009) that college offers a critical teachable time for continued financial socialization. As emerging adults, students are still internalizing their financial goals, values, and behaviors. It is an optimal time to provide them with opportunities to reflect on what they learned from their families as children and adolescents, to establish financial goals, and to

© 2011 by the Family Science Association. All rights reserved.

establish lifelong habits of controlled spending, saving, and investing that will positively impact their future.

References

Allen, M.W., Edwards, R., Hayhoe, C.R., & Leach, I. (2006). Imagined interactions, family money management patterns and coalitions, and attitudes toward money and credit. *Journal of Family and Economic Issues, 28,* 3-22.

Arnett, J. J. (2000). Emerging adulthood: A theory of development from the late teens through the twenties. *American Psychologist, 55(3)*, 469-480.

Bandura, A. (1986). *Social foundations or thought and action: A social cognitive theory.* Englewood Cliffs, NJ: Prentice-Hall.

Baumrind, D. (1966). Effects of authoritative parental control on child behavior. *Child Development, 37*(4), 887-907.

Beutler, I., & Dickson, L. (2008). Consumer economic socialization. In J. J. Xiao, (Ed.), *Handbook of Consumer Finance Research.* NY: Springer.

Bowen, C.F. (2002). Financial knowledge of teens and their parents. *Financial Counseling and Planning, 13*(2), 93-101.

Chen, H., & Volpe, R.P. (2002). Gender differences in personal financial literacy among college students. *Financial Services Review, 11,* 289-307.

Clarke, M.C., Heaton, M.B., Israelsen, C.L., & Eggett, D.L. (2005). The acquisition of family financial roles and responsibilities. *Family and Consumer Sciences Research Journal, 33*, 321-340.

Corbin, J.M., & Strauss, A.L. (2008). *Basics of qualitative research techniques and procedures for developing grounded theory*. United Kingdom: Sage Publications Ltd.

Danes, S. (1994). Parental perception of children's financial socialization. *Financial Counseling and Planning, 5*, 127-149.

Dilworth, J.L., Chenoweth, L.C., & Engelbrecht, J. (2000). A qualitative study of the money goals of college students and their parents. *Financial Counseling and Planning, 11*(2), 33-42.

Fox, J.J., Bartholomae, S., & Gutter, M.S. (2000). What do we know about financial socialization? *The American Council on Consumer Interests, 46*.

Furnham, A. (2001). Parental attitudes to pocket money/allowances for children. *Journal of Economic Psychology, 32*, 397-422.

Gilgun, J.F. (2005). Qualitative research and family psychology. *Journal of Family Psychology, 19(1),* 40-50.

Hayhoe, C.R., Leach, I.J., & Turner, P.R. (1999). Discriminating the number of credit cards owned by college students' credit and money attitudes. *Journal of Economic Psychology, 20*, 643-656.

Hira, T.K. (1997). Financial attitudes, beliefs and behaviors: Difference by age. *Journal of Consumer Studies and Home Economics 21,* 271–90.

John, D.R. (1999). Consumer socialization of children: A retrospective look at twenty-five years of research. *Journal of Consumer Research, 25*, 183-213.

© 2011 by the Family Science Association. All rights reserved.

Jorgensen, B.L. (2007). Financial literacy of college students: Parental and peer influences. Unpublished Master's Thesis. Retrieved from http://scholar.lib.vt.edu/theses/avaialble/etd10162007-143627/unrestricted/thesis_BJ2.pdf

Kidwell, B. & Turrisi, R. (2004). An examination of college student money management tendencies. *Journal of Economic Psychology, 25,* 601-616.

Kuhlmann, E. (1983). Consumer socialization of children and adolescents. A review of current approaches. *Journal of Consumer Policy, 6,* 397-418.

Lachance, M.J., Legault, F., & Bujold, N. (2000). Family structure, parent-child communication, and adolescent participation in family consumer tasks and decisions. *Family and Consumer Sciences Research Journal, 29*(2), 125-152.

Lea, S.E.G., Webley, P., & Walker, C.M. (1995). Psychological factors in consumer debt: Money management, economic socialization, and credit use. *Journal of Economic Psychology, 18,* 681-701.

Masuo, D.M., Malroutu, Y.L., Hanashiro, R., & Kim, J.H. (2004). College students' money beliefs and behaviors: An Asian perspective. *Journal of Family and Economic Issues, 25*, 469-481.

Michelman, D. (2008, April 21). Prepared remarks of Douglas Michelman, Global Head of Corporate Relations, Visa Inc. at the Financial Literacy and Education sponsored by the Federal Reserve Bank of Chicago. Retrieved from http://www.practicalmoneyskills.com/summit2008/transcript.php?trans=michelman

Moschis, G.P. (1985). The role of family communication in consumer socialization of children and adolescents. *Journal of Consumer Research, 11*(4), 898-913.

National Research Priorities for Financial Literacy and Education. (October 6-7, 2008). Results of the National Research Symposium on Financial Literacy and Education, Washington, DC.

Newcomb, M.D., & Rabow, J. (1999). Gender, Socialization, and Money. *Journal of Applied Social Psychology Volume 29*(4), 852-869.

Peng, T-C.M., Bartholomae, S., Fox, J., & Cravener, G. (2007). The impact of personal finance education delivered in high school and college courses. *Journal of Family Economic Issues, 28,* 265-284.

Pinto, M. B., Parente, D. H., & Mansfield, P. M. (2005). Information learned from socialization agents: Its relationship to credit card use. *Family and Consumer Sciences Research Journal, 33*(4).

Rettig, K. D. (1983). Family as economic socialization agent. *Illinois Teacher, 27,* 5-7.

Rettig, K. D., & Mortenson, M. (1986). Household production of financial management competence. In R.E. Deacon & W.E. Huffman (Eds.), Human Resources Research 1887-1986 Proceedings.

Shim, S., Serido, J., & Xiao, J. (2009, April). Arizona pathways to life success for university students: Cultivating positive financial attitudes and behaviors for healthy adulthood. University of Arizona: Take Charge Institute for Consumer Financial Education and Research.

Silva, J., & Draut, T. (2004, October). Generation broke: The growth of debt among young Americans. New York: Demos: Borrowing to make ends meet briefing paper #2.

Ward, S. (1974). Consumer socialization. *Journal of Consumer Research, 1,* 1-14.

Webley, P., & Nyhus, E. K. (2006). Parents' influence on children's future orientation and saving. *Journal of Economic Psychology, 27*(1), 140-164.

© 2011 by the Family Science Association. All rights reserved.

Xiao, J. J., Shim, S., Barber, B., & Lyons, A. C. (2007). Financial behavior and quality of life of college students: Implications for college financial education. *Proceedings of the Association for Financial Counseling and Planning Education,* 33-43.

Yang, B., & Lester, D. (2001). Predicting the number of credit cards held by college students. *Psychological Reports, 89*, 667-668.

Young Americans Center for Financial Education (2009). Financial literacy statistics. Retrieved from http://www.yacenter.org/index.cfm?fuseAction=financialLiteracyStatistics.financialLiteracyStatistics.

© 2011 by the Family Science Association. All rights reserved.