

A Multi-Generational, Mixed-Method Analysis of Parent Financial Socialization

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Introduction

The purpose of this study is to better understand parent financial socialization processes and outcomes, with the ultimate goal of improving financial behaviors and financial wellbeing. With both qualitative and quantitative methodologies, we will utilize reports from multiple generations from the same family (i.e., emerging adult, parent, and grandparent for qualitative; adolescent and parent for quantitative). Our research questions (qualitative) and hypotheses (quantitative) are as follows:

RQ1. How do reports of parent financial modeling compare across generations of the same family?
RQ2. How do reports of parent-child financial discussion compare across generations of the same family?
RQ3. How do reports of experiential learning of finances compare across generations of the same family?

H1a. Adolescents' age will be positively associated with both adolescent and parent reports of modeling, discussion, and experiential learning.
H1b. Male adolescents and their parents will report higher-quality modeling, discussion, and experiential learning compared to female adolescents and their parents.
H1c. Household income will be positively associated with both adolescent and parent reports of modeling, discussion, and experiential learning.
H1d. Black adolescents, Latino/a adolescents, and adolescents of other races—and their parents—will report lower-quality modeling, discussion, and experiential learning compared to White adolescents and their parents.
H2. Adolescent and parent reports of experiential learning will be positively associated with adolescents' financial self-efficacy, while reports of modeling and discussion will not be significantly associated.
H3. Adolescents' financial self-efficacy will be positively associated with adolescents' healthy financial behavior.
H4. Adolescents' financial self-efficacy will be negatively associated with adolescents' financial distress.
H5. Adolescents' healthy financial behavior will be negatively associated with adolescents' financial distress.

Literature Review

Gudmunson and Danes' (2011) family financial socialization theory proposes that family socialization processes predict financial socialization outcomes (see Figure 1). Although the theory is broad enough to cover other family relationships, the vast majority of family financial socialization research focuses specifically on how parents socialize their children, and the current study aligns with that focus. Many studies have found that parent financial socialization during childhood and adolescence is positively associated with children's financial outcomes in adolescence (Kim et al., 2011), emerging adulthood (LeBaron-Black et al., 2023), and beyond (Palaci et al., 2017). However, almost exclusively in previous parent financial socialization research, researchers have relied solely on the reports of socialization recipients. Given Handel's (1996) proposition that "No member of any family is a sufficient source of information for that family," we believe that our multi-generational approach will give us a clearer understanding of how financial attitudes, knowledge, and capabilities are transmitted across generations.

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Our qualitative analysis will help us understand the extent to which grandparents', parents', and emerging adult children's narratives (about the same socialization) align, and in what ways they differ, providing a unique window into the financial socialization being passed down from generation to generation. Our quantitative analysis will help us understand whether adolescents' or parents' perceptions of socialization more strongly predict adolescents' outcomes.

Our qualitative analysis is unique in that never before (to our knowledge) has parent financial socialization been examined across three generations of the same families. Thus, it is exploratory. Our quantitative analysis tests Gudmunson and Danes' theoretical model (see Figure 1)—H1 corresponds with pathway A/B, H2 with D/E, H3 with F, H4 with G, and H5 with H. We diverge from Gudmunson and Danes' model in our conceptualization and measurement of parent financial socialization. Although originally scholars (informed by the theoretical model) distinguished between "family interaction" (often operationalized as parent financial modeling) and "purposive financial socialization" (often operationalized as parent-child financial discussion), recent theoretical developments suggest that whether socialization is "purposive" (i.e., intentional) cannot be easily measured and is not as meaningful as whether it occurred and the method of socialization employed (LeBaron-Black et al., 2023). Thus, some scholars have recently distinguished between the three main methods of parent financial socialization that were identified in qualitative research (i.e., parent financial modeling, parent-child financial discussion, and experiential learning of finances; LeBaron et al., 2018) when testing Gudmunson and Danes' model.

Most interventions to improve financial behavior and wellbeing are for adults, and the efforts to financially educate adolescents are almost exclusively on financial literacy courses. Given that parent financial socialization during childhood and adolescence has powerful, long-lasting impact (LeBaron & Kelley, 2021), practitioners, educators, and policy makers should help parents improve their financial socialization efforts and involve parents more in other (e.g., school-based) interventions (van Campenhout, 2015). A better understanding of parent financial socialization processes and associated outcomes can inform these efforts and interventions.

Methods

Qualitative Method

Our qualitative data comes from a larger study, the Whats and Hows of Family Financial Socialization project (LeBaron et al., 2018), which aims to understand what and how parents teach their children about money through semi-structured interviews of 128 emerging adult college students, 18 parents, and seven grandparents. Qualitative semi-structured interviews were conducted in person or over the phone by trained team members. Each interview began with two open-ended questions: "What did your parents teach you about money?" and "How did they teach you those things?" The parents and grandparents were also asked, "What did you teach your children about money?" and "How did you teach those things?" Due to the semi-structured nature of the interviews, follow-up questions were asked by the interviewers to gain a deeper understanding of relevant experiences. The interviews lasted between 15 and 60 minutes. Each interview was recorded and later transcribed verbatim by the interviewers. A team-based approach to analysis and coding was used to produce valid, reliable, and rigorous qualitative research (Marks, 2015).

For this study, we focused solely on the three-generation data. The sample ($N = 18$) included five student, parent, and grandparent triads; specifically, five undergraduate college students (18-30 years old) enrolled in a family finance class, five parents, and eight grandparents (in two cases, multiple grandparents of the same student agreed to be interviewed). The students came from two universities: a private university in the Intermountain West (60%) and a state university in the Southwest (40%). The sample consisted of 83.33% female and 16.67% male participants. The racial composition of our sample was 66.67% White, 27.78% Latino/a, and 5.56% Black individuals.

Quantitative Method

We used quantitative data from wave 1 of the Advancing the Development of Emotional Proficiencies in Teens (ADEPT) project, a national longitudinal survey of U.S. families. Data were gathered from 1,117 adolescents (aged 11-17) and their primary caregiver (combining adolescents and primary caregivers, $N = 2,234$). Participants were compensated \$30 in Amazon e-gift credits for survey completion. The adolescents were 50.9% female and 48.9% male. The adolescents were 42.2% White, 28.6% Black, 12.5% Latino/a, 11.3% Multiracial, 4.0% Asian, 0.7% American Indian or Alaska Native, and 0.2% Pacific Islander, with 0.4% reporting "Other." The primary caregivers were 86.7% female and 12.8% male. The primary caregivers were 44.3% White, 28.7% Black, 13.9% Latino/a, 5.3% Asian, 5.2% Multiracial, 1.4% American Indian or Alaska Native, and 0.3% Pacific Islander, with 0.4% reporting "Other." For annual household income, 41.2% reported less than \$50,000, 36.8% \$50,000 to \$99,999, and 21.4% more than \$100,000.

We estimated a structural equation model (SEM) using MPlus version 8. SEM allowed us to test all study constructs in the same model as latent constructs (when possible) and thus reduce measurement error. Regression paths were estimated from adolescents' age, adolescents' sex, adolescents' race, and household income to adolescent-reported parent financial modeling, adolescent-reported parent-child financial discussion, adolescent-reported experiential learning of finances, parent-reported parent financial modeling, parent-reported parent-child financial discussion, and parent-reported experiential learning of finances; from modeling, discussion, and experiential learning (both adolescent and parent reports) to adolescents' financial self-efficacy; from adolescents' self-efficacy to adolescents' financial behavior and adolescents' financial distress; and from adolescents' financial behavior to adolescents' financial distress. Missing data was handled using the full information maximum likelihood method.

Results

Qualitative Preliminary Results

We examined how parent-child financial discussion occurs across multiple generations to teach financial principles to each generation (RQ2). An example of this multigenerational financial socialization comes from three separate accounts from one of our triads. All participant names that we use to describe our preliminary findings are pseudonyms.

Erika, a college student, reported how her parents would sit down with her and her siblings to break down the family budget. This experience allowed Erika to gain a greater understanding of how money is distributed to different familial needs.

I remember my parents sitting down with us and going through their budget. We learned how much my dad makes in a month, how much they put their money towards everything, and that was a big eye opener for me. I realized how much things cost and how expensive everything is and that it's good to budget, so you know how much money is going to different places.

In a separate interview, Erika's mother, Teresa, identified a similar (or perhaps the same) experience where she taught her children about budgeting with the help of Monopoly money. This financial discussion made the budget easier to understand for her children.

We got out Monopoly money and [explained] 'this is how much is coming in, this is where it's coming from, this is where it's going, this is for the house, this is for the car, this is for the food, this is for whatever.' Then they can see if there's a gap one way or another—what do you do with the leftover or how do you make up the difference, where do you cut.

In the interview with the grandmother, Ruby, she also recalled teaching her children about the family budget in a similar fashion by bringing out the game of Monopoly and demonstrating where their money came from, where it was going, and what they could do with the leftover money.

Because of my husband's work, his income fluctuated and so we would say, 'things are tighter this month' or 'we have a little more, let's go party!' We did have times where we were sometimes sitting around the table with Monopoly money and putting the money out on a table and saying, 'this month, for the utilities, this is what we pay, this is what it costs for the house payment, this is what we've got, and this is how much we have left over.'

Although each interview was done individually, each generation of this triad recalled a similar use of parent-child financial discussion that helped children in the family (across generations) understand the principle of budgeting.

Quantitative Results

Acceptable model fit (Little, 2013) was achieved with a CFI > .90 and an RMSEA < .08. We report here only statistically significant associations ($p < .05$) in connection with their related hypotheses, as standardized coefficients.

(H1a – partially supported): Adolescents' age was negatively associated with adolescent-reported parent financial modeling ($\beta = -.07$) and positively associated with parent-reported experiential learning of finances ($\beta = .10$).

(H1b – not supported): No significant associations with adolescents' sex.

(H1c – fully supported): Household income was positively associated with adolescent-reported parent financial modeling ($\beta = .33$), adolescent-reported parent-child financial discussion ($\beta = .12$), adolescent-reported experiential learning of finances ($\beta = .12$), parent-reported modeling ($\beta = .27$), parent-reported discussion ($\beta = .11$), and parent-reported experiential learning ($\beta = .10$).

(H1d – not supported): Compared to White adolescents, Black adolescents reported higher-quality parent financial modeling ($\beta = .11$). Compared to White adolescents' parents, Black adolescents' parents reported higher-quality modeling ($\beta = .08$) and higher-quality experiential learning of finances ($\beta = .11$).

(H2 – partially supported): Child-reported parent financial modeling ($\beta = .15$), parent-reported parent financial modeling ($\beta = .13$), and parent-reported experiential learning of finances ($\beta = .26$) were positively associated with adolescents' financial self-efficacy.

(H3 – fully supported): Adolescents' financial self-efficacy was positively associated with adolescents' financial behavior ($\beta = 0.61$).

(H4 – fully supported): Adolescents' financial self-efficacy was negatively associated with adolescents' financial distress ($\beta = -.17$).

(H5 – not supported): Adolescents' financial behavior was not significantly associated with adolescents' financial distress.

Discussion

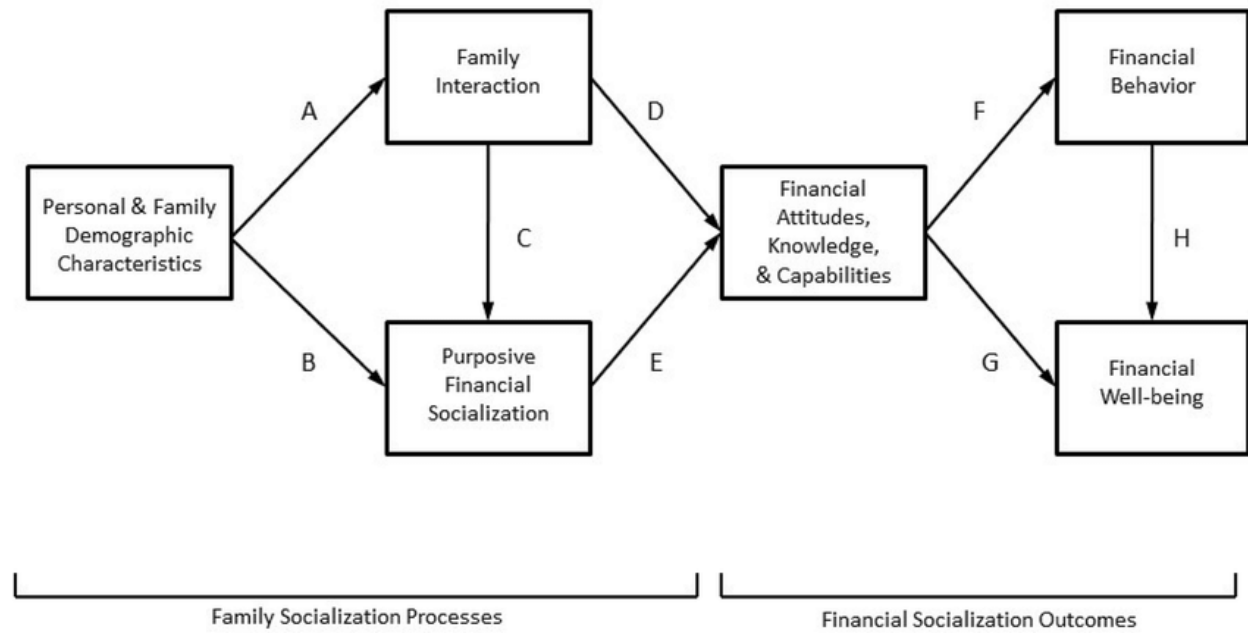
From the preliminary qualitative results, we saw similar reports of parent-child financial discussion across all three generations of a family. We believe that by examining five families through a multi-generational lens, we will gain a clearer picture of how financial socialization is not isolated to a parent-child dyad but flows continuously from generation to generation, with grandparents indirectly affecting the financial socialization (and subsequent financial outcomes) of their grandchildren. We expect to see interesting similarities and differences in narratives across members of the same family, and perhaps some instances of transitional characters who intentionally socialized (or planned to socialize) their children differently than they were socialized.

From the quantitative results, we conclude that Gudmunson and Danes' model may not fully explain parent financial socialization processes and outcomes during adolescence. For example, while adolescents' financial self-efficacy was positively associated with financial behavior and negatively associated with financial distress, adolescents' financial behavior was not associated with financial distress as we expected (and as the theoretical model proposes). Additionally, our findings in some ways align with previous research (e.g., higher household income was associated with higher-quality of all six measures of parent financial socialization; Serido et al., 2020) and in some ways contrast with previous research (e.g., males did not receive higher-quality financial socialization than their female counterparts as some previous research has found; Serido et al., 2020).

Implications of our study for practitioners, educators, policy makers, and researchers are as follows: (1) The narratives explored in our qualitative findings may prompt further examination in future quantitative studies by helping researchers know what phenomenon to study. (2) Given that the majority of quantitative parent financial socialization research has been single-informant, with that informant being a college student retrospectively reporting on the socialization they received while growing up (LeBaron & Kelley, 2021), we believe that our multi-generational approach reporting on current socialization (i.e., during adolescence) will be valuable for the field. (3) A better understanding of parent financial socialization processes and associated outcomes can help practitioners, educators, and policy makers improve parents' financial socialization efforts and know how best to involve parents in other (e.g., school-based) interventions. For example, although inequitable levels of financial inclusion based on race may disadvantage Black adolescents in terms of financial education opportunities and financial outcomes (Florant et al., 2020), it seems that many Black adolescents' parents are great examples of money management and facilitate great hands-on experiences with money. This is especially impressive given inequitable financial opportunities and should be further explored in qualitative research. Financial educators can learn from Black parents and help other parents engage in some of the financial socialization that Black parents are doing well.

As researchers better understand parent financial socialization across generations, practitioners, educators, and policy makers will be better able to help parents improve this socialization, thus improving the financial behavior and wellbeing of young people.

Figure 1. Family financial socialization theory (Gudmunson & Danes, 2011).



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