

# The Association between Parental Financial Socialization and Adult Financial Well-Being



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## Introduction

- Financial well-being (FWB) is crucial for overall life satisfaction, reflecting stability and resilience; its absence contributes significantly to stress.
- Prior research consistently shows that parental financial socialization (e.g., teaching children about saving) strongly predicts later financial literacy and behavior in adulthood.
- Negative family financial experiences can also be transmitted across generations.
- Research Gap: While the link between parental lessons and knowledge is established, it is less certain whether their influence persists after accounting for the adult's own powerful economic factors, specifically household income.
- Aim: This project examines whether parental financial socialization and parental education are associated with higher adult FWB, even after controlling for income and demographics.

## Methods

### Sample

- Data comes from the 2016 National Financial Well-Being Survey (NFWBS), a nationally representative survey of U.S. adults conducted by the CFPB.
- Final analytic sample: 6,394 respondents

### Measures

- Dependent Variable: Financial well-being score (fwbscore), with higher values indicating greater well-being.
- Key Independent Variables:
  - parent\_college (parent has college degree vs. no degree)
  - finsoc2\_2 (parents talked about saving)
  - finsoc2\_3 (parents discussed credit)
- Control Variables: Household income (incgroup), respondent education (ppeduc), age category, and race/ethnicity (ppethm).

## Research Questions

- Does parental financial socialization (saving talk, credit discussion) and parental education predict higher adult FWB scores?
- Does this association hold true even after controlling for income, respondent education, age, and race/ethnicity?

## Results

### Univariate

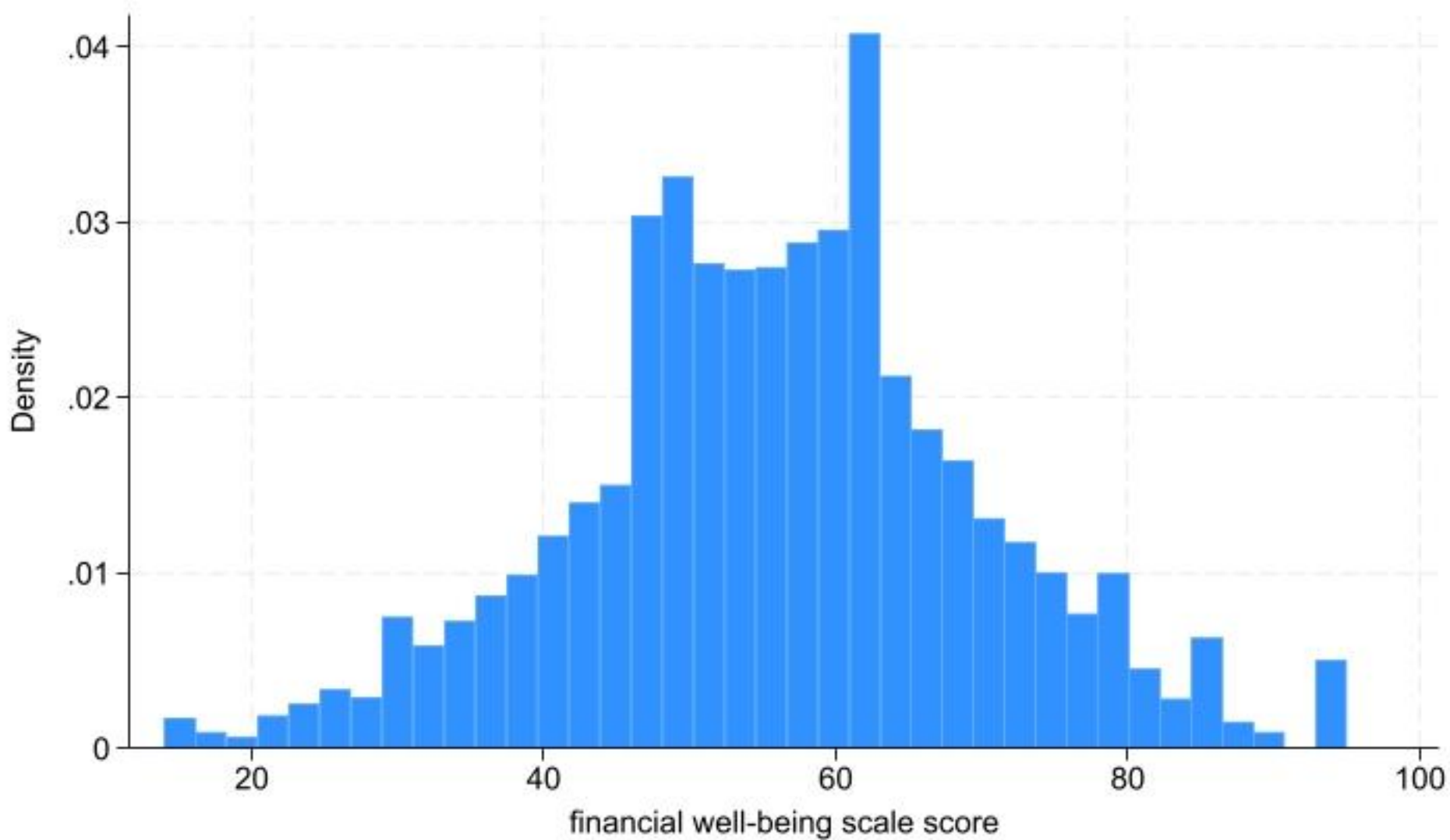
- The Histogram of Financial Well-Being Score (Visual 1) shows that the distribution is roughly bell-shaped, with most respondents clustered between approximately 40 and 70 points, indicating moderate financial well-being.
- When asked about parental saving talk (finsoc2\_2), 65.47% of respondents reported receiving this lesson.
- A bar graph displays the prevalence of parental discussion about establishing a credit rating (finsoc2\_3).

### Bivariate

- Individuals whose parents spoke to them about saving had a statistically significantly higher mean FWB score (57.61) than those whose parents did not (53.19).
- This difference was highly statistically significant, confirmed by ANOVA:  $F(1, 6371) = 145.41$ ,  $p=0.0000$ .
- The simple linear regression confirms this, showing that parental saving talk predicts FWB scores 4.42 points higher (95% CI 3.70, 5.14,  $p<.001$ ).

### Multivariate

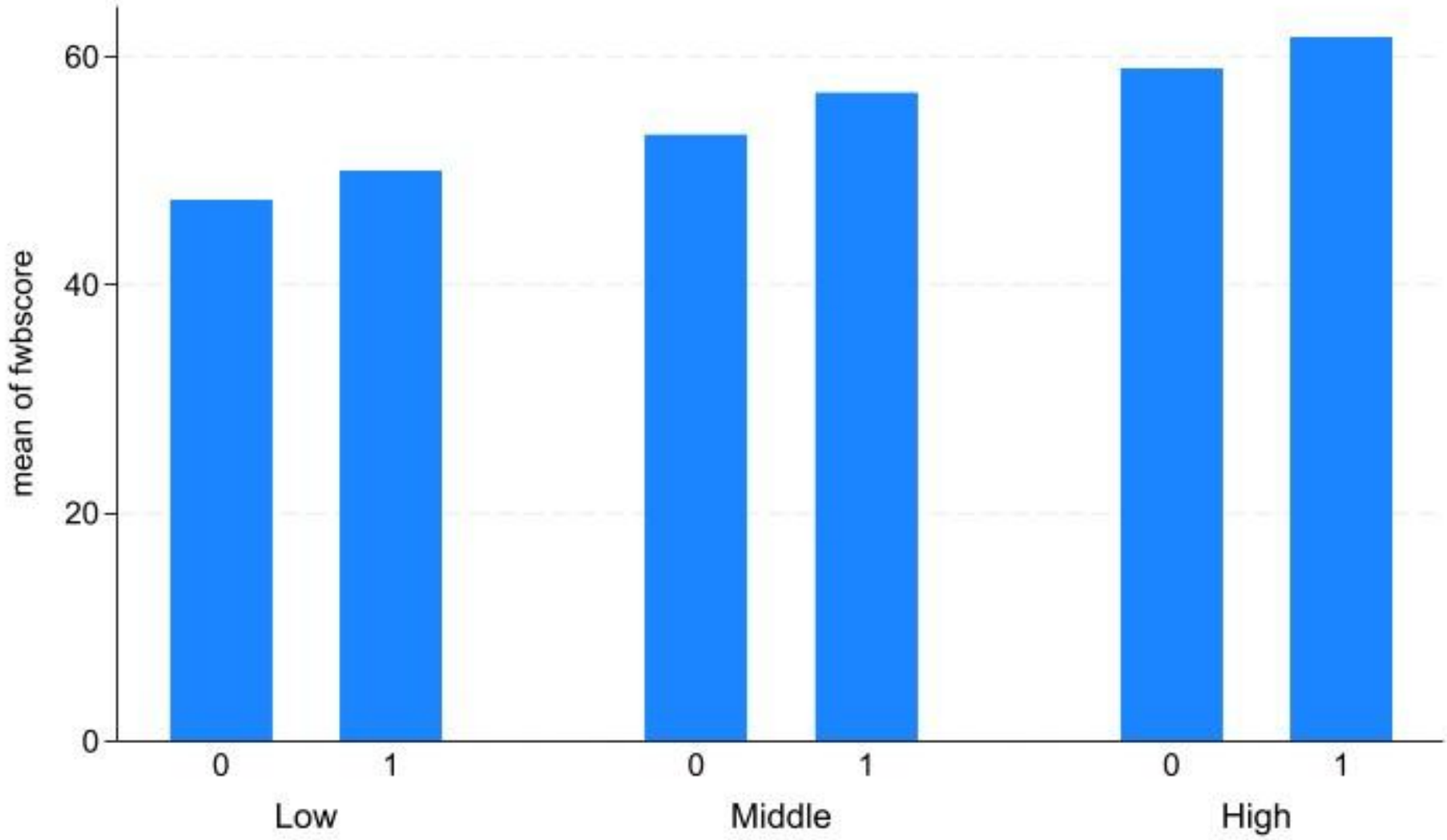
- The fully controlled regression model, which includes all demographic and economic controls, explains 26.51% of the variance in adult FWB scores ( $R^2 = 0.2651$ ).
- Parental saving talk (finsoc2\_2) remains a statistically significant positive predictor, predicting FWB scores 2.578 points higher when controlling for all variables ( $p=0.000$ ).
- Household income is the strongest predictor: the High income group predicts FWB scores 10.376 points higher than the Low income reference group ( $p=0.000$ ).



Visual 1. Histogram of Financial Well-Being Score

### Multivariate (cont.)

- Older age categories (specifically the oldest group, 75+ (agecat=8) are associated with significantly higher FWB scores, predicting scores 12.445 points higher than the reference age group ( $p=0.000$ ).



Visual 2. Bar Graph of Mean FWB Score, Over Parental Saving Talk and Income Group

- The visual analysis demonstrates a clear gradient of financial well-being (FWB) scores across income groups, with means rising substantially from Low, to Middle, to High income categories.
- Crucially, within every single income category (Low, Middle, and High), respondents who reported parental saving talk (finsoc2\_2=1) consistently show a higher mean FWB score than those who did not (finsoc2\_2=0).

## Discussion

- The primary hypothesis is partially supported: The benefit of parental financial socialization (saving talk) persists and remains highly significant even after accounting for the powerful influence of adult household income.
- The persistence of parental saving talk as a significant predictor suggests that the benefits of early financial lessons are not entirely diminished by the powerful, immediate reality of the adult's own economic resources.
- Parental college education (parent\_college) was found to be statistically non-significant in the full model ( $p=0.108$ ), suggesting that the adult's own educational attainment and income may override the intergenerational benefit of the parent's educational background.
- Evidence that parental lessons continue to matter provides a strong rationale for policy interventions, such as high school financial parenting modules, designed to equip parents with tools to foster long-term financial resilience in their children.

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