

The Association Between Methods of Childhood Financial Socialization and Financial Well Being



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Introduction

- Financial socialization in one's childhood is correlated with higher financial well being scores as an adult (Ullah & Yusheng 2025).
- Children who participated in hands-on learning about finance-related topics retained more information than those who were simply lectured about them (LeBaron-Black et al. 2023).
- There is a strong correlation between childhood financial socialization and FWB, with an emphasis on experiential learning (Kim & Chatterjee 2013)

Research Questions

- How does exposure to different types of financial socialization impact one's financial well-being score?
- How do factors such as household income and parental education impact this relationship?
- What is the single best method of financial socialization?

Methods

Sample

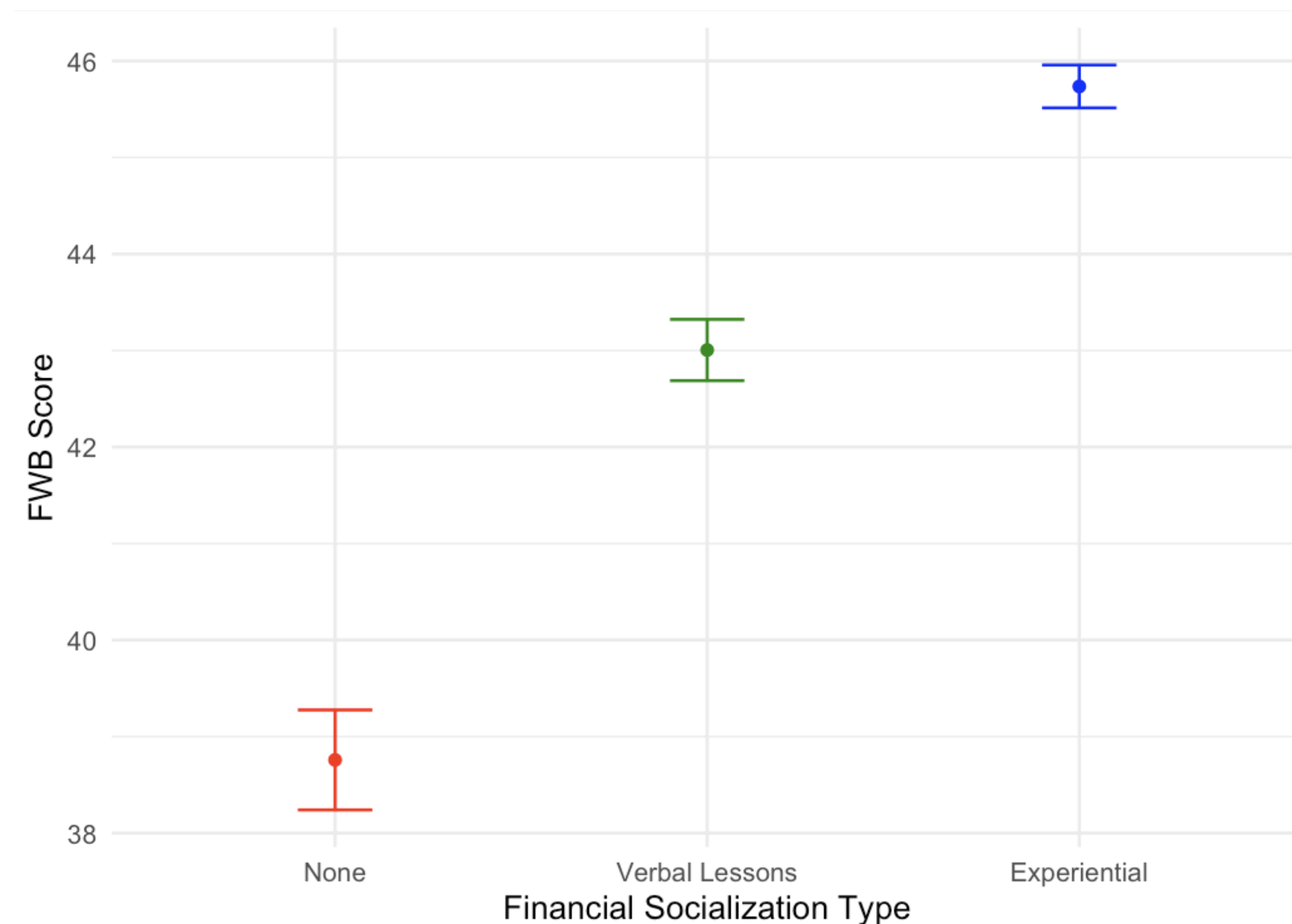
- Respondents (n=2,394) were drawn from the National Financial Well-Being Survey, a nationally representative survey of adults in the United States.

Measures

- Each of the financial socialization factors were measured on the scale of no = 0, yes = 1, refused to answer = -1. The non-responses were excluded from the analysis.
- A new variable, financial socialization type, was created by grouping financial socialization factors such as discussed family financial matters, learned smart shopping, and taught that actions determine success into the level "verbal lessons", while access to a regular allowance or savings account formed the level "Experiential". Respondents in neither category were marked as "None".
- Financial well being scores range from 1-100 and are calculated based on a multitude of variables that were included in the survey.

Results

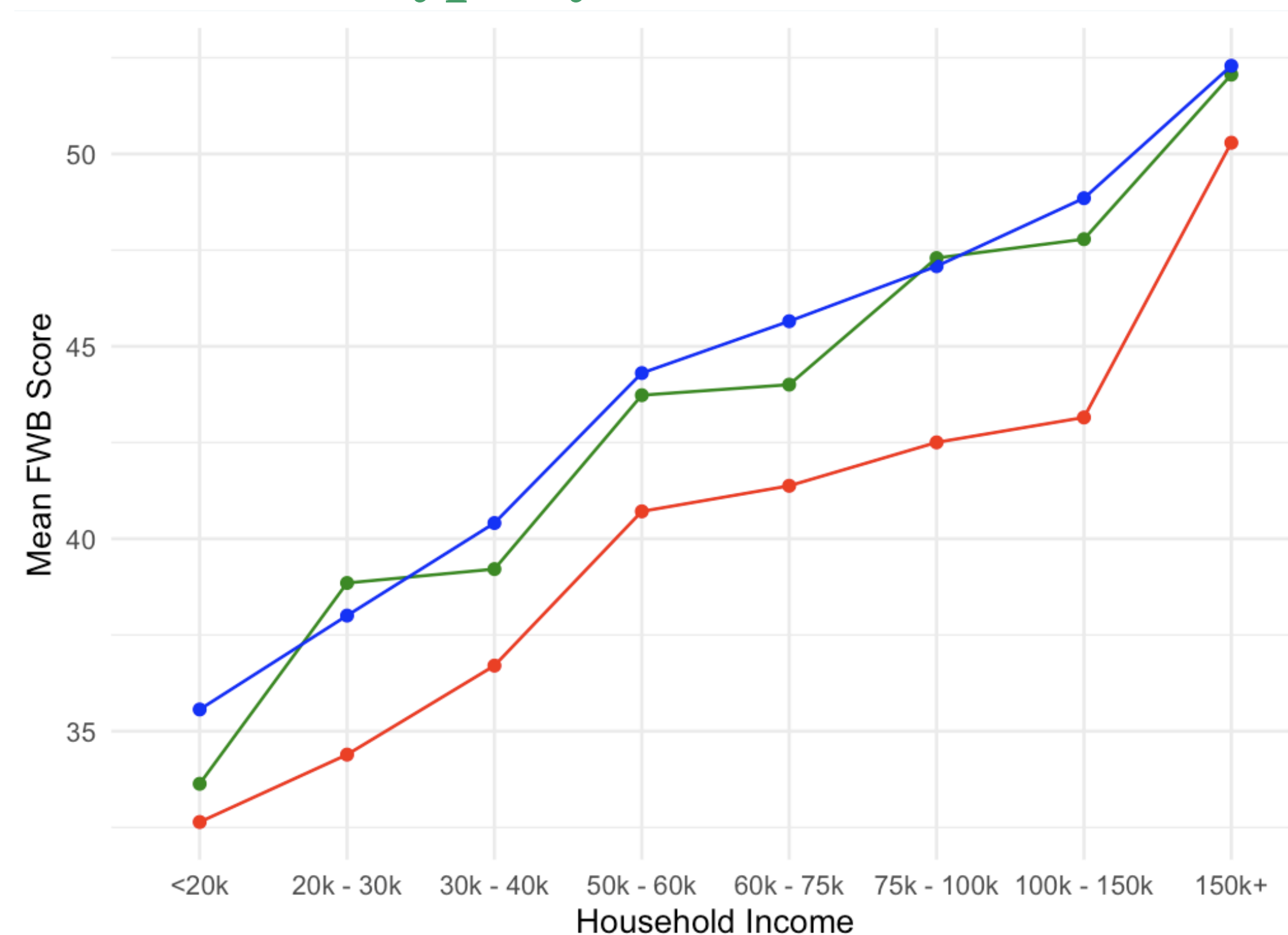
Figure 1: Mean FWB Scores by Financial Socialization Type with Standard Error



Bivariate (Figure 1)

- Analysis of variance (ANOVA) showed that financial socialization type **is significantly associated** with FWB score ($p = 2e-16$).
- Post-hoc analysis yielded **significance** between all three levels of financial socialization.
- On average, FWB scores in the "None" category were 4.25 lower than in verbal lessons and 6.98 lower than experiential. The average FWB scores for experiential were 2.73 higher than verbal lessons.

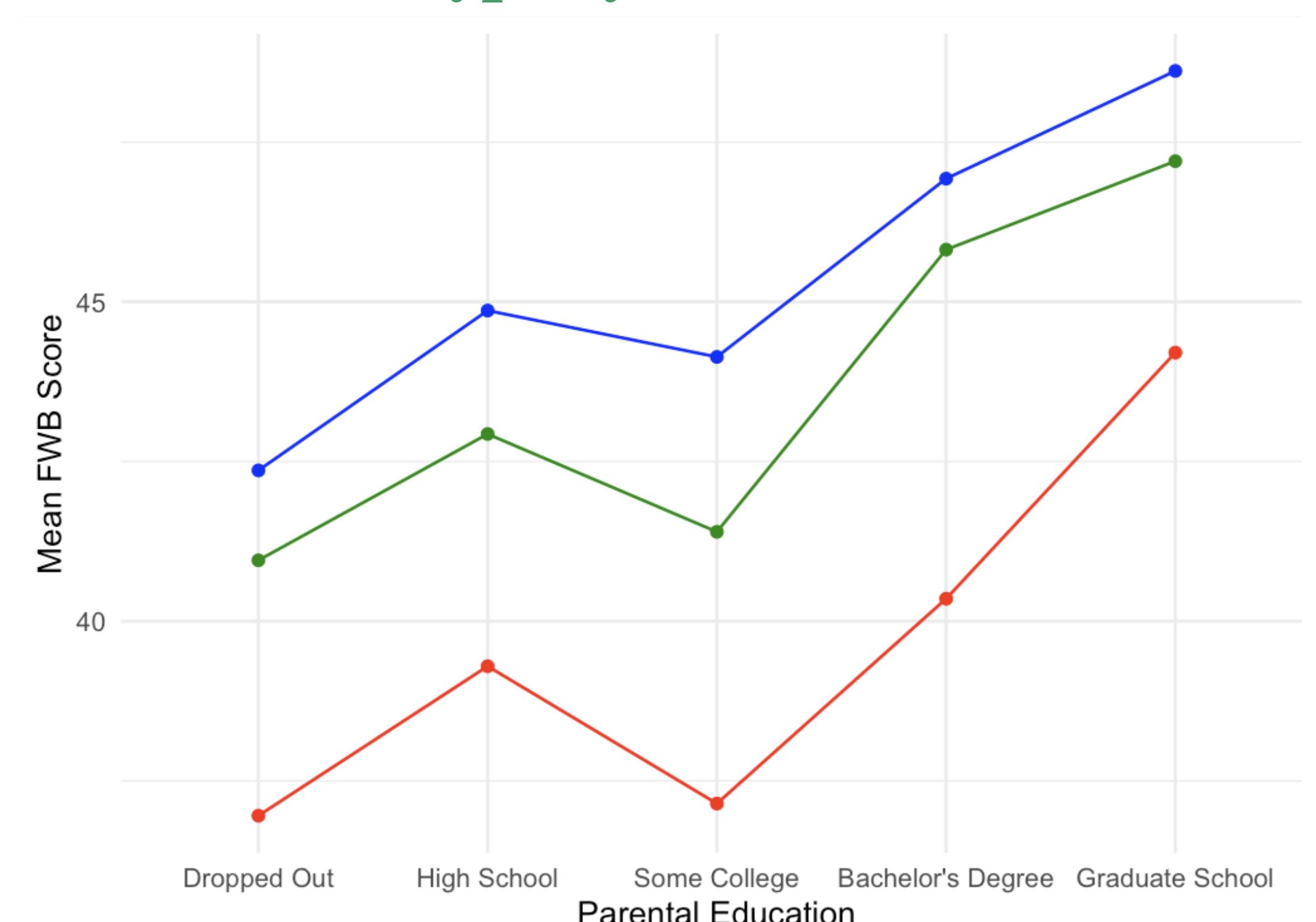
Figure 2: Mean FWB Scores vs. Financial Socialization Type by Household Income



Multivariate (Figures 2 & 3)

- When controlling for household income and parental education, linear regression yielded a significant difference between none and verbal lessons ($p=4.13e-08$), none and experiential ($p=2.57e-13$), and verbal lessons and experiential ($p=0.0254$).
- On average, FWB scores in the "None" category were 3.12 lower than in verbal lessons and 3.98 lower than experiential. The average FWB scores for experiential were 0.87 higher than verbal lessons.

Figure 3: Mean FWB Scores vs. Financial Socialization Type by Parental Education



Savings Account vs. Allowance

- After concluding that on average, experiential learning is associated the highest FWB scores, additional multivariate linear regression was conducted to test which form of experiential socialization is most closely associated with higher FWB scores.
- The regression showed a significant association between regular allowance FWB score ($p=4.9e-8$), as those with access experienced average FWB scores 1.97 higher than those who did not
- The association between savings account and FWB score was minimal, those with savings accounts had average FWB scores only 0.006 higher than those without, at a p-level of 0.986.

Discussion

- The significant association between financial socialization type and FWB score aligned with previous research as exposure to financial socialization was correlated with higher FWB scores. Additionally, experiential learning yielded higher FWB scores than verbal lessons, further reinforcing past findings.
- After controlling for household income and parental education, the association remained significant, strengthening the evidence of their relationship.
- Interestingly, regular allowance was significantly associated with FWB score, while access to a savings account had almost no influence on the response variable.
- Finally it can be concluded that experiential learning is the premier form of financial socialization, with regular allowance being the driving factor.

References

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