

SHORT-TERM DYNAMIC ASSOCIATIONS BETWEEN NEED-SUPPORTIVE AND -THWARTING FINANCIAL PARENTING AND EMERGING ADULTS' FINANCIAL IDENTITY AND POSITIVE FINANCIAL BEHAVIORS

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Financial self-sufficiency

In its broadest sense, reaching adulthood involves transitioning from parental dependence to self-reliance.

In a narrower sense, it primarily includes:

- (a) transforming relationships with parents into those characterized by equality;
- (b) leaving the parental home;
- (c) attaining financial self-sufficiency (Arnett, 1998; Tanner, 2006).

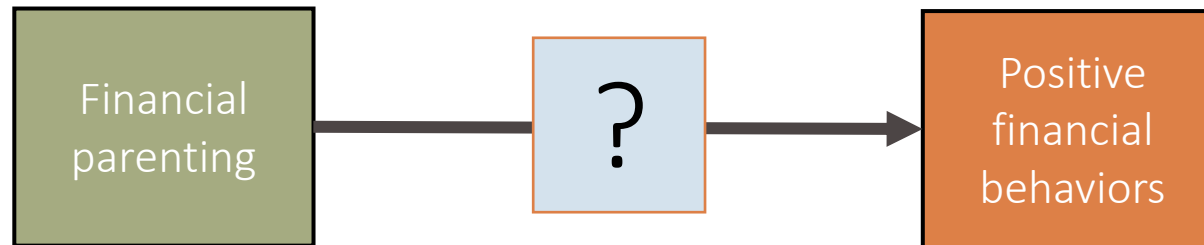
Financial self-sufficiency requires:

- income earned from stable employment;
- effective financial behaviors that sustain this self-sufficiency.

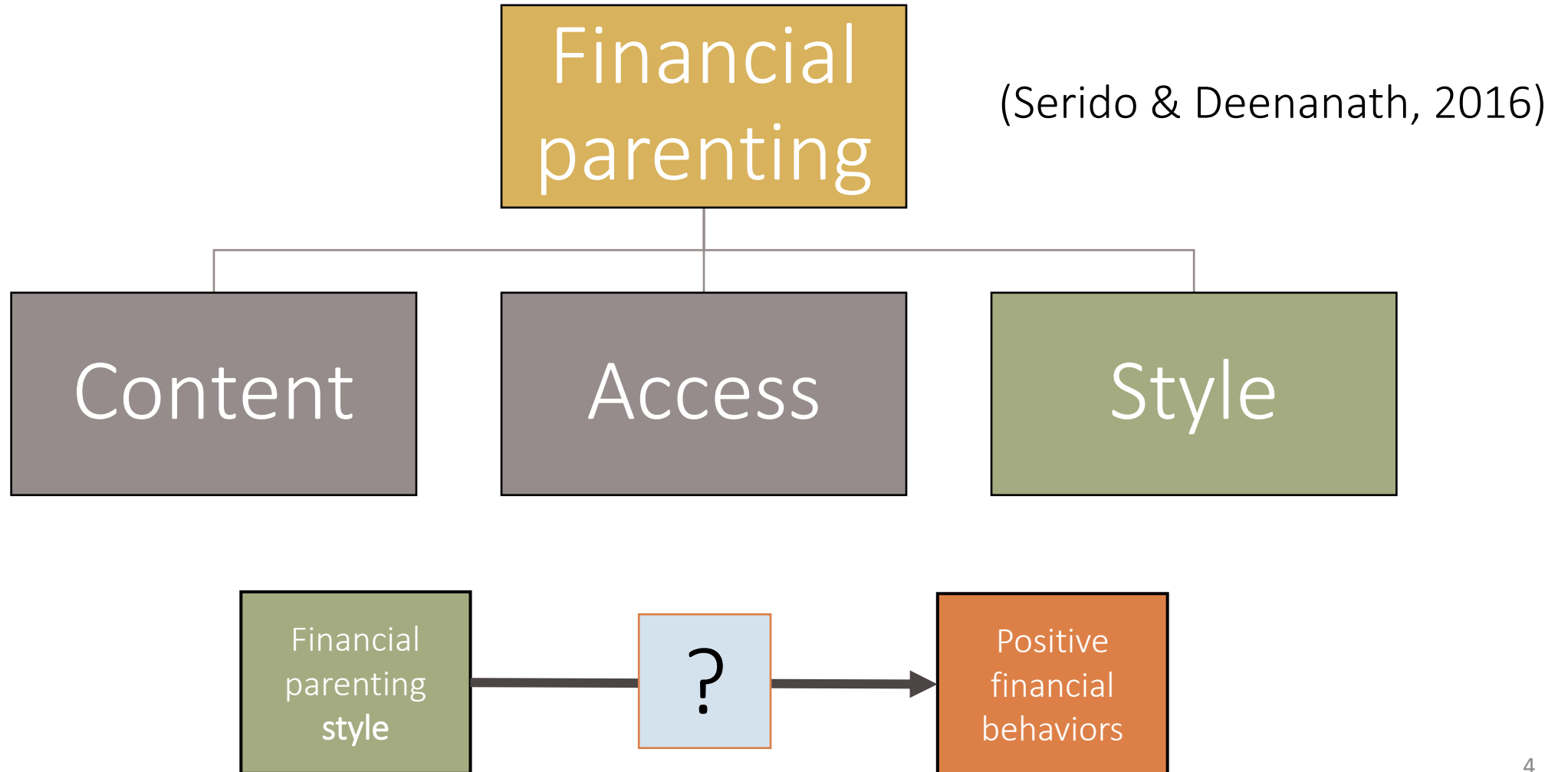
Financial socialization is central to the development of effective financial behaviors (Drever et al., 2015; Friedline, et al., 2011).

Family financial socialization

While other agents of financial socialization play a role in shaping child's financial capabilities, family remains the most important institution for financial socialization, with parents being the primary agents in this process (Drever et al., 2015; Gudmunson, et al., 2016).



Aspects of financial parenting



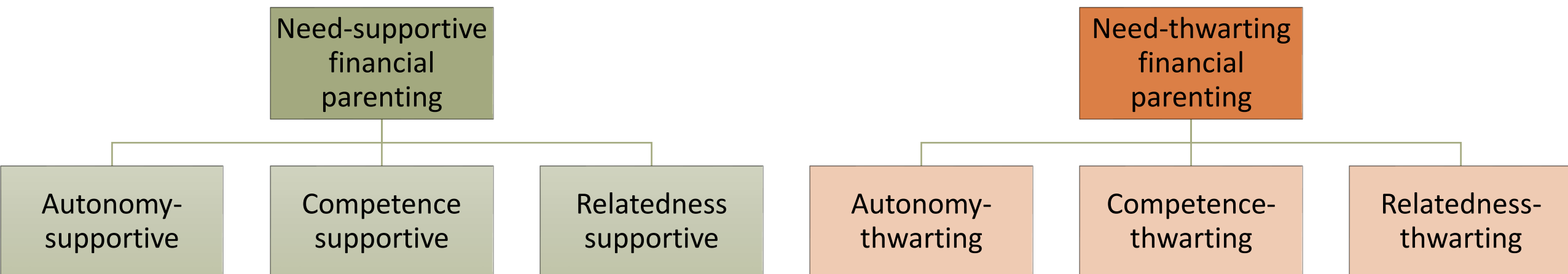
A self-determination theory (SDT)-based view of socialization

According to SDT, people have three basic psychological needs, i.e., the need for autonomy, competence, and relatedness (Vansteenkiste et al., 2020).






SDT also stresses that:

- **interpersonal contexts that support satisfaction of needs** can strengthen internalization and adaptive growth;
- **interpersonal contexts that deliberately thwart satisfaction and promote frustration of needs** can hinder internalization and development (Haerens et al., 2015; van der Kaap-Deeder et al., 2021).

SDT-based approach to financial parenting style

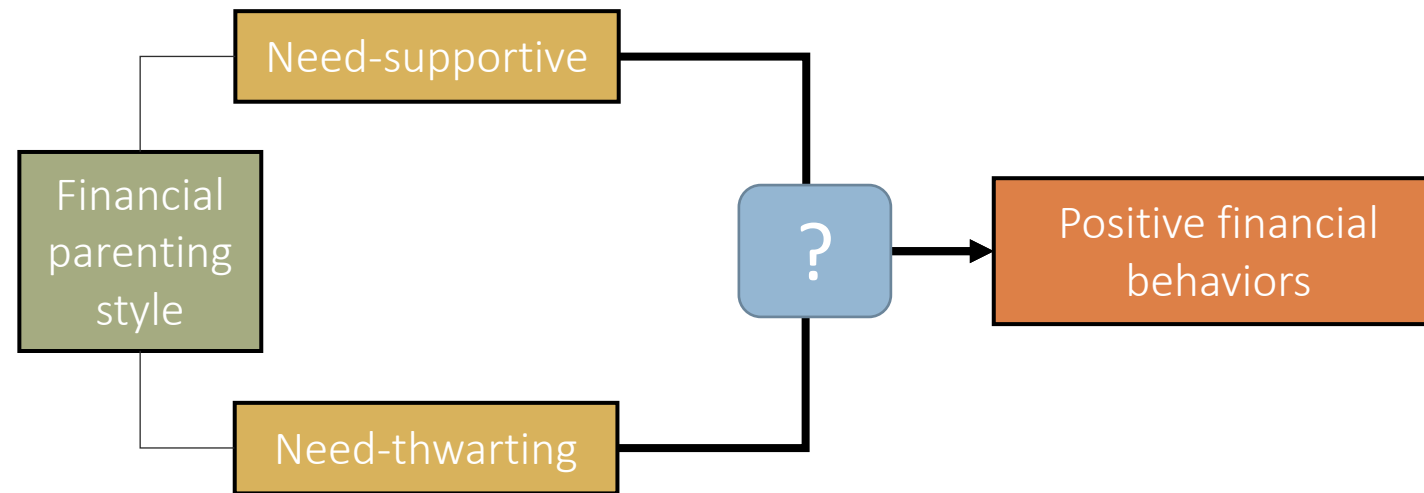


Becoming Financially Self-Sufficient: Developing a Need-Supportive and Need-Thwarting Scale for Financial Parenting of Emerging Adults

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Research questions



Q1: How need-supportive and need-thwarting financial parenting contributes to emerging adults' positive financial behaviors formation?

Financial identity

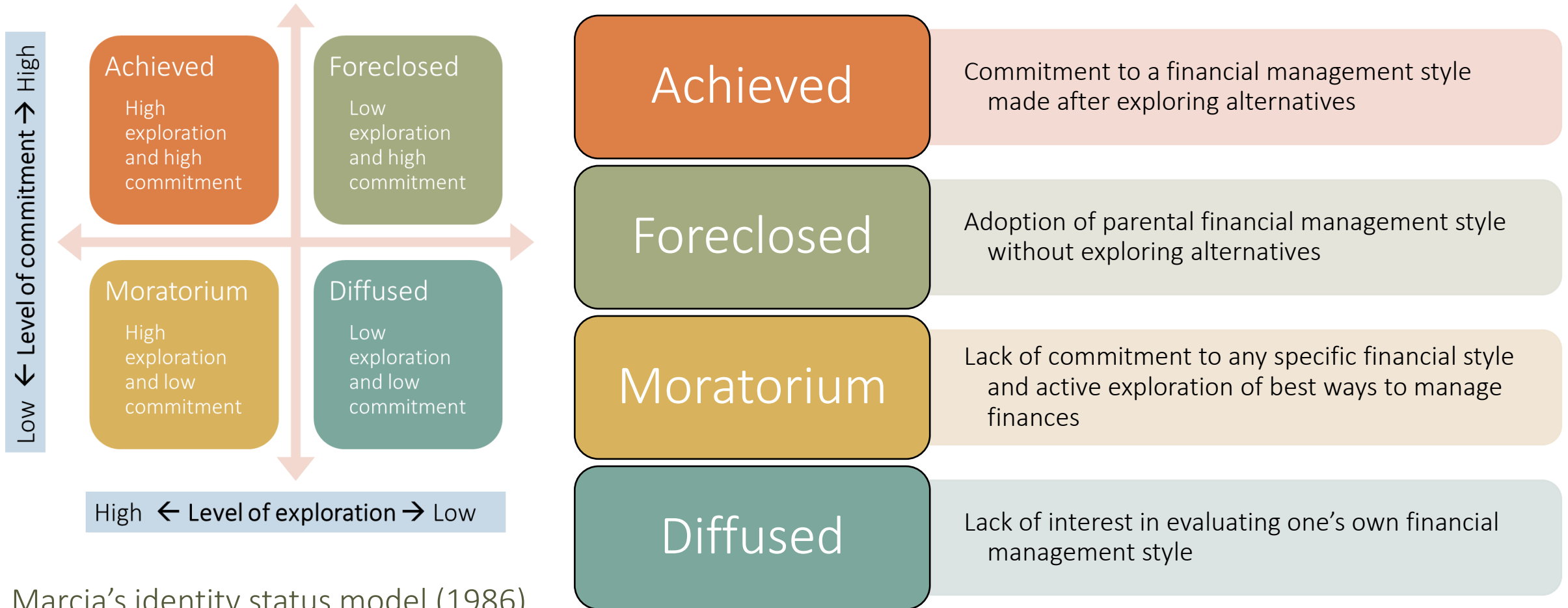
Emerging adults differ in how much they care about obtaining money management skills or how much they explore different ways of managing personal finances (Bosch et al., 2016; Sorgente et al., 2020).

The similarity between the process of developing financial skills and the process of general personal identity formation has been underlined by some authors (Bosch et al., 2016; Shim et al., 2013).



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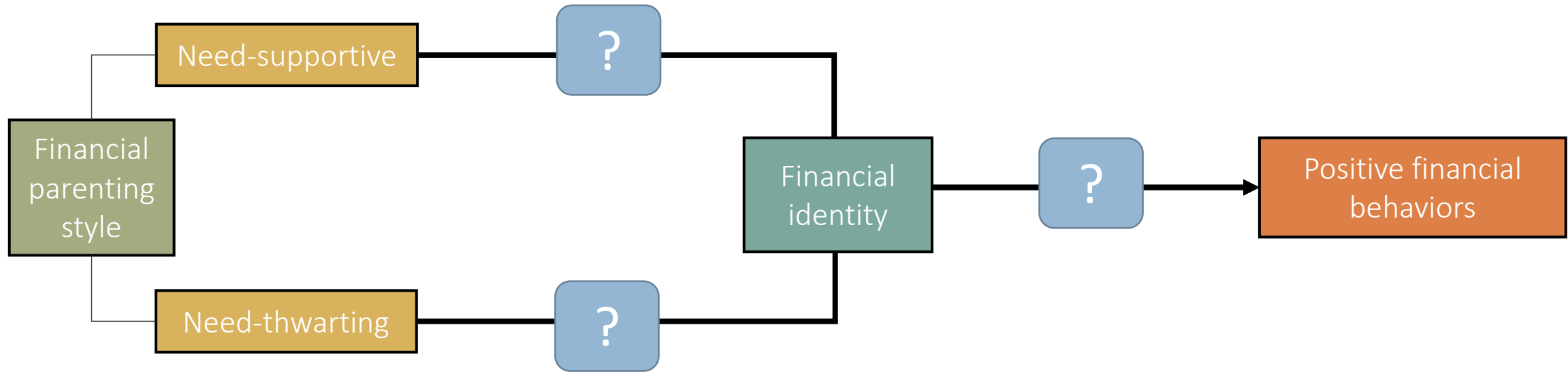
Financial identity statuses



Marcia's identity status model (1986)

Sorgente et al., 2020

Research questions



Q2: How need-supportive and need-thwarting financial parenting contributes to the formation of emerging adults' financial identity and do changes in financial identity explain the effects of need-supportive and –thwarting financial parenting on the formation of positive financial behaviors?

Sample and sampling strategy

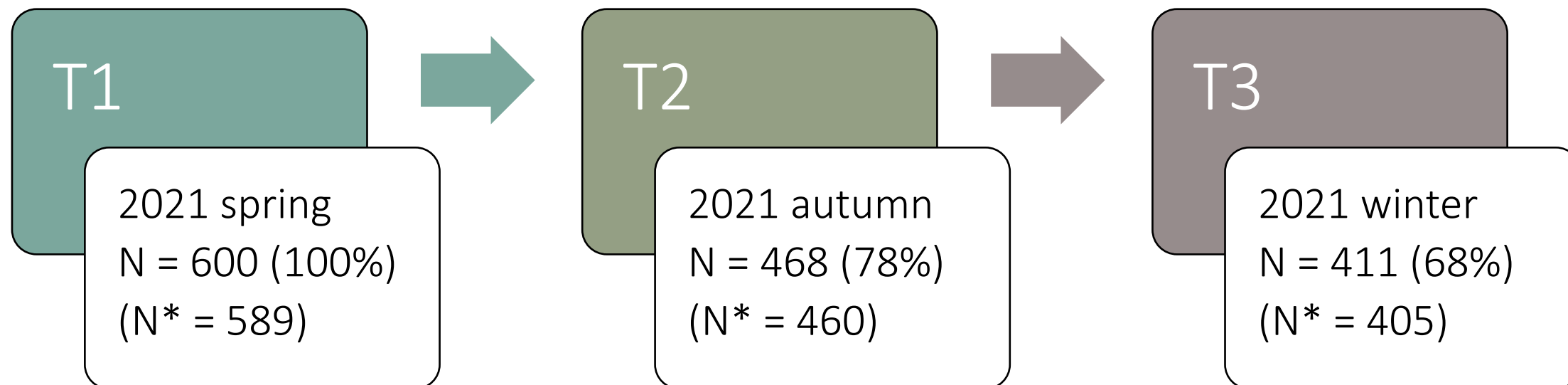
Exactly **600 Lithuanian emerging adults** ($M_{\text{age}} = 24.94$, $SD_{\text{age}} = 3.03$, range 19–29 years; 52.3% women) **took part in the study**.

All participants were recruited from an online survey panel at random, using a controlled quota sampling strategy

In line with the quotas established before the study:

- precisely 300 participants were 19-24-year-olds and 300 were 25-29-year-olds;
- the distribution of occupational status within each age subgroup was identical to that of the Lithuanian emerging adult population

Participant retention rate



N* - participants who responded to parenting measures

Missing data handling

Little's MCAR test: $\chi^2 = 142.442$, $df = 122$, $p = .100$ (for the data used in this analysis)

More significant association between missingness and highest level of achieved education

Full Information Maximum Likelihood / MLR estimator

Level of highest achieved education was included as auxiliary variable using the "saturated correlates" approach

Measures

Construct	Content	Composite reliability	
Financial parenting	Need-supportive	In relation to autonomy, competence, relatedness	.91
	Need-thwarting		.93
Financial identity	Achievement	Commitment to a financial management style made after exploring alternatives	.70
	Foreclosed	Adoption of parental financial management style without exploring alternatives	.59
	Moratorium	Significant amount of current exploration of several financial management styles	.67
	Diffusion	Lack of interest in evaluating one's own financial management style	.71
Positive financial behaviors	Saving, cash-flow monitoring, long-term planning	.73	

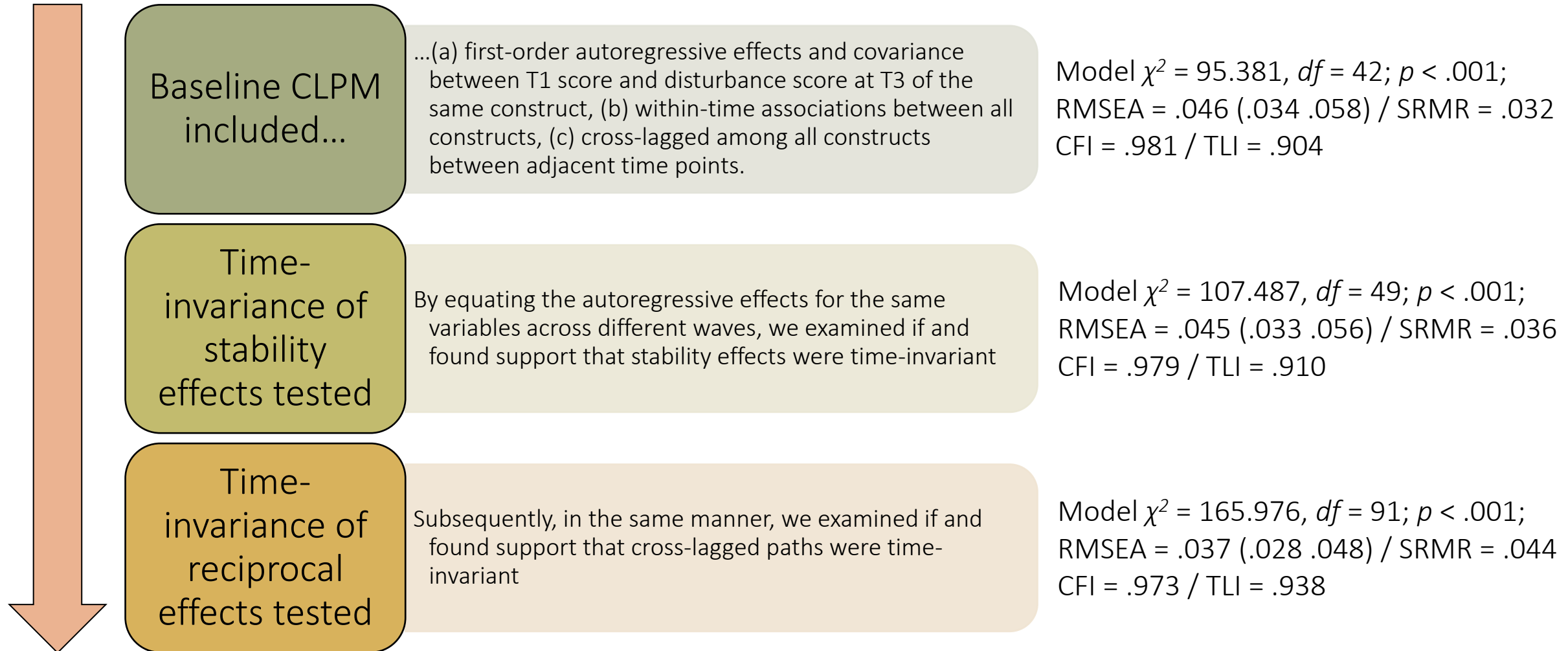
Strict longitudinal measurement invariance was supported for all three constructs.

Correlations at T1

Study variables	NT-FP	A-FI	D-FI	F-FI	M-FI	PFB
Need-supportive financial parenting (NS-FP)	-.49***	.23***	-.20***	-.04	-.07	.28***
Need-thwarting financial parenting (NT-FP)		-.20***	.29***	.29***	.12**	-.16***
Achieved financial identity (A-FI)			-.15***	.02	-.05	.56***
Diffused financial identity (D-FI)				.48***	.33***	-.29***
Foreclosed financial identity (F-FI)					.28***	-.01
Moratorium financial identity (M-FI)						-.01
Positive financial behaviors (PFB)						

*** $p < .001$; ** $p < .01$

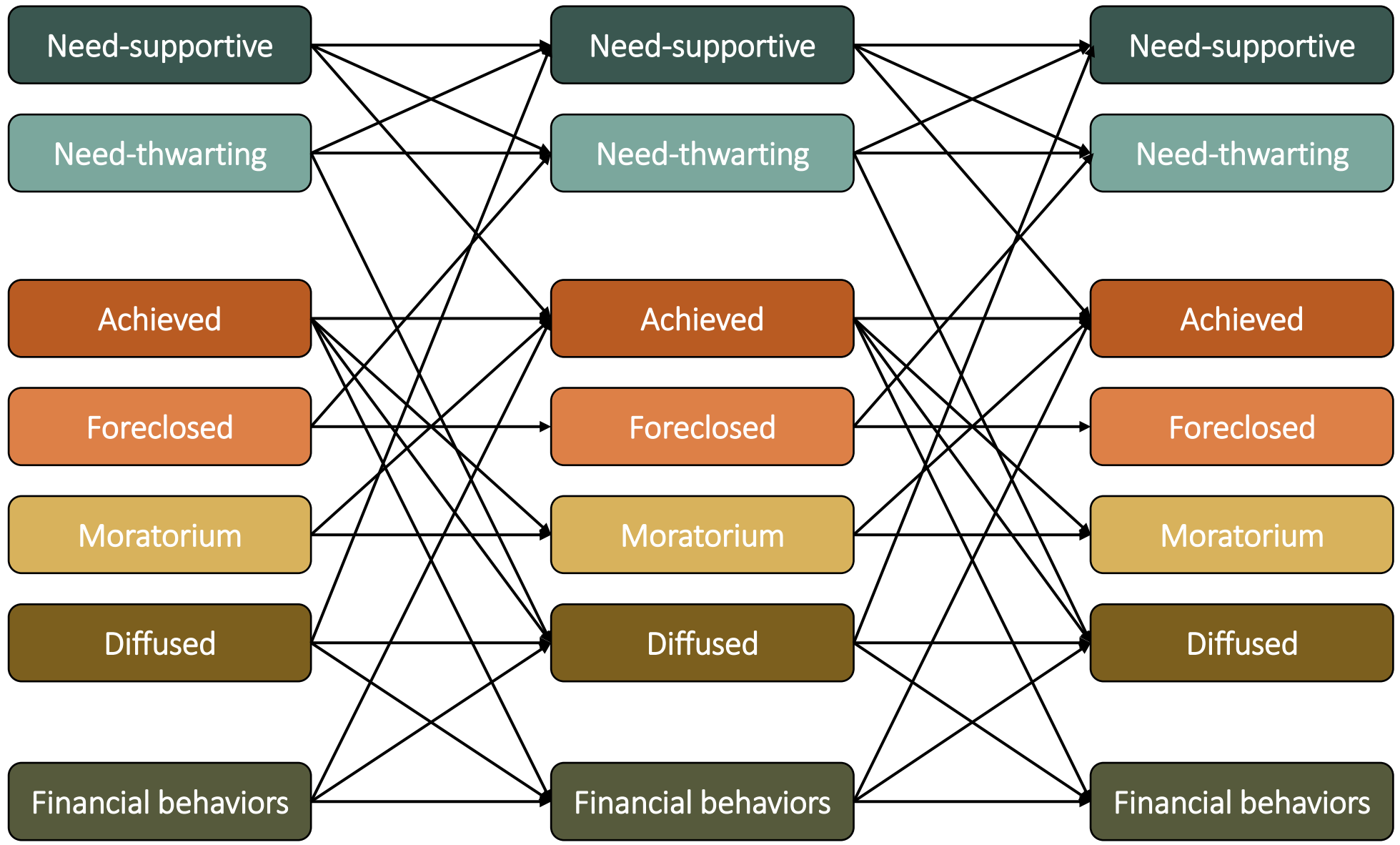
Cross-lag panel model (CLPM) analysis



T1

T2

T3



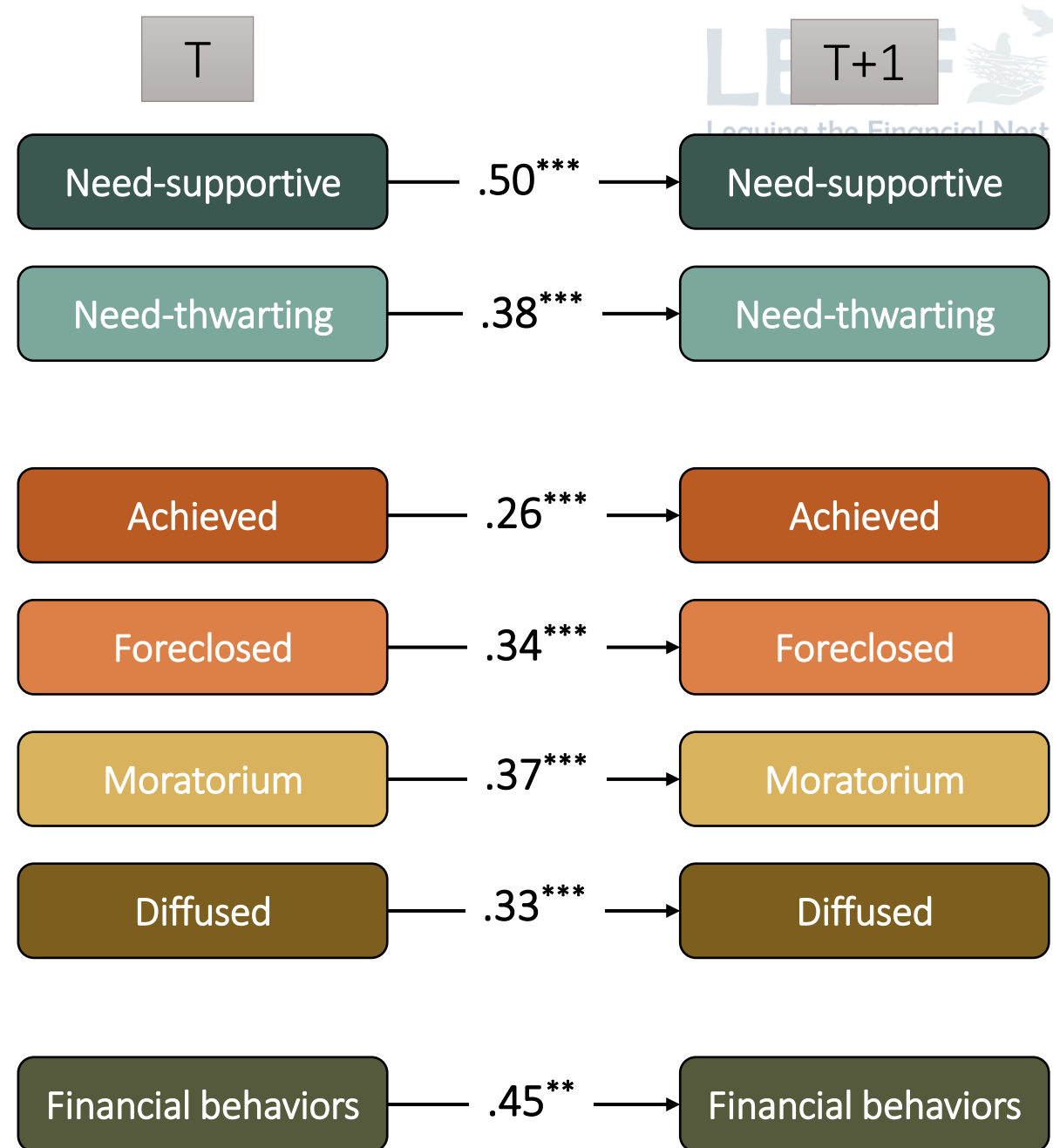
Significant longitudinal effects in the final CLPM

Lots of effects!!!

STABILITY LEVELS

Key finding:

Despite the absence of noticeable mean-level changes, findings indicate substantial rank-order changes for most constructs of the study. In particular, rank-order stability of financial identity was rather low, indicating considerable shifts in financial identity commitments and exploration. While stability in financial behaviors was somewhat higher, it was still moderate at best, with significant fluctuations. Such findings indicate considerable dynamics that characterize emerging adults' financial capability development

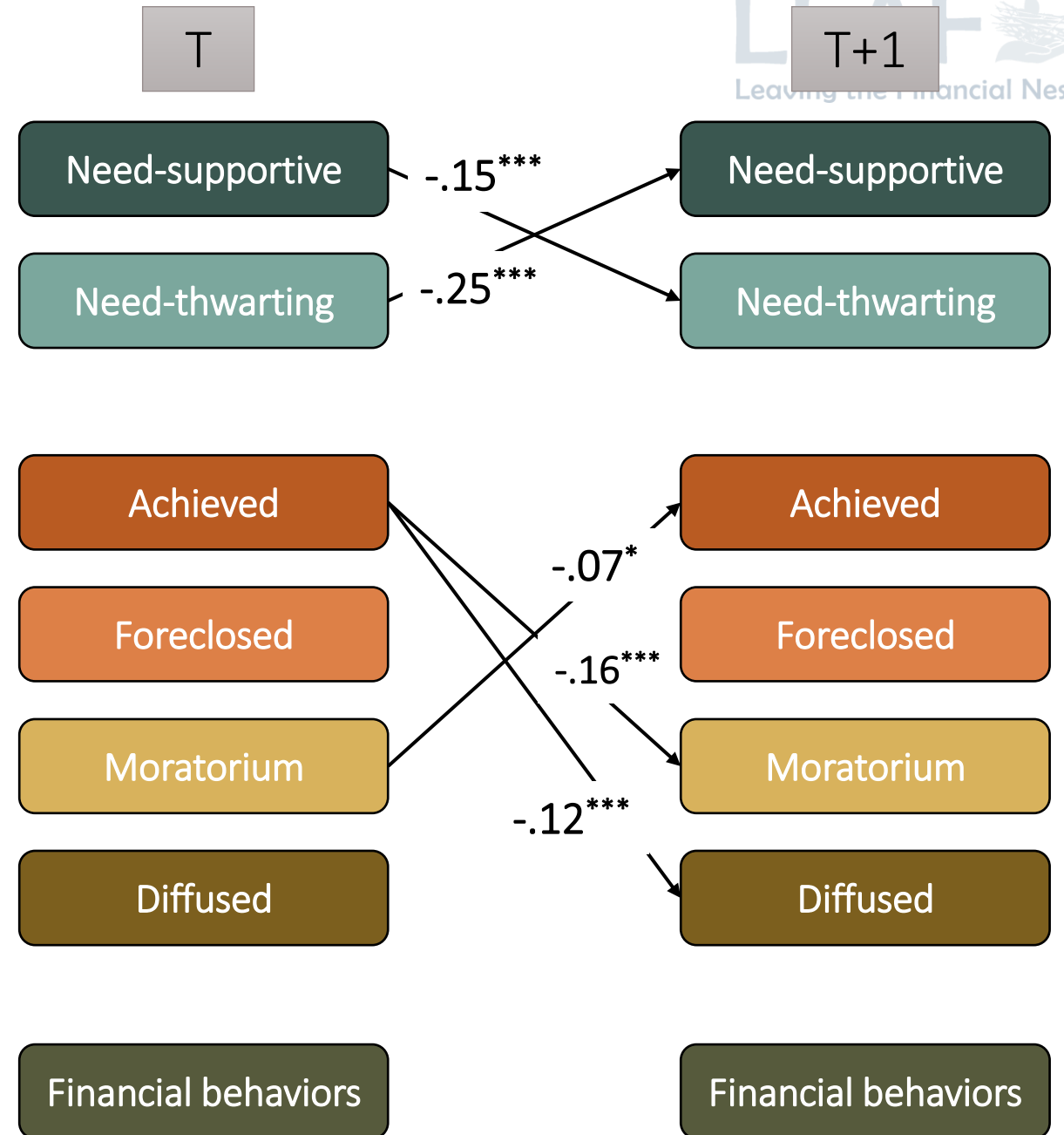


WITHIN-CONSTRUCT ASSOCIATIONS

Key finding:

Reciprocal negative relationships between need-supportive and need-thwarting financial parenting. Such result indicates that as one type of parenting increases, other time decreases.

At the same time, results show that stronger commitment to a style of managing personal finances, which was preferred after periods of explorations, reduces the feelings of uncertainty regarding best ways of managing personal finances and careless approach to personal finances.



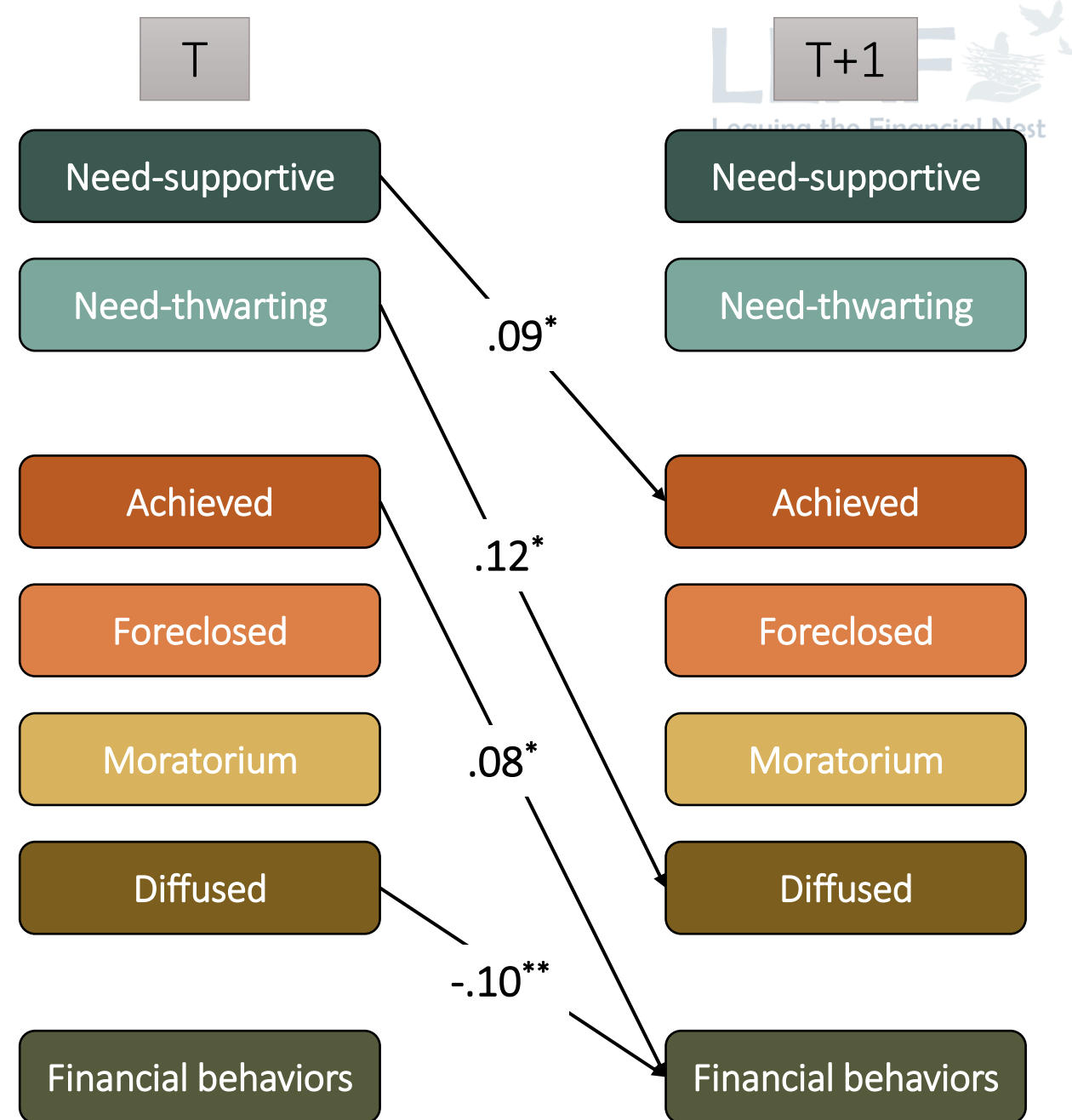
BETWEEN-CONSTRUCT ASSOCIATIONS: Anticipated effects

Key finding:

Higher levels of need-supportive financial parenting predicted over-time increase of achieved financial identity scores, while need-thwarting financial parenting predicted over-time increase of diffused financial identity scores.

Findings align well with earlier studies on basic psychological need satisfaction and identity in general domains.

Achieved financial identity predicted over-time increase, while diffused financial identity predicted over-time decrease in engagement in positive financial behaviors. Such findings align with earlier studies on such effects.

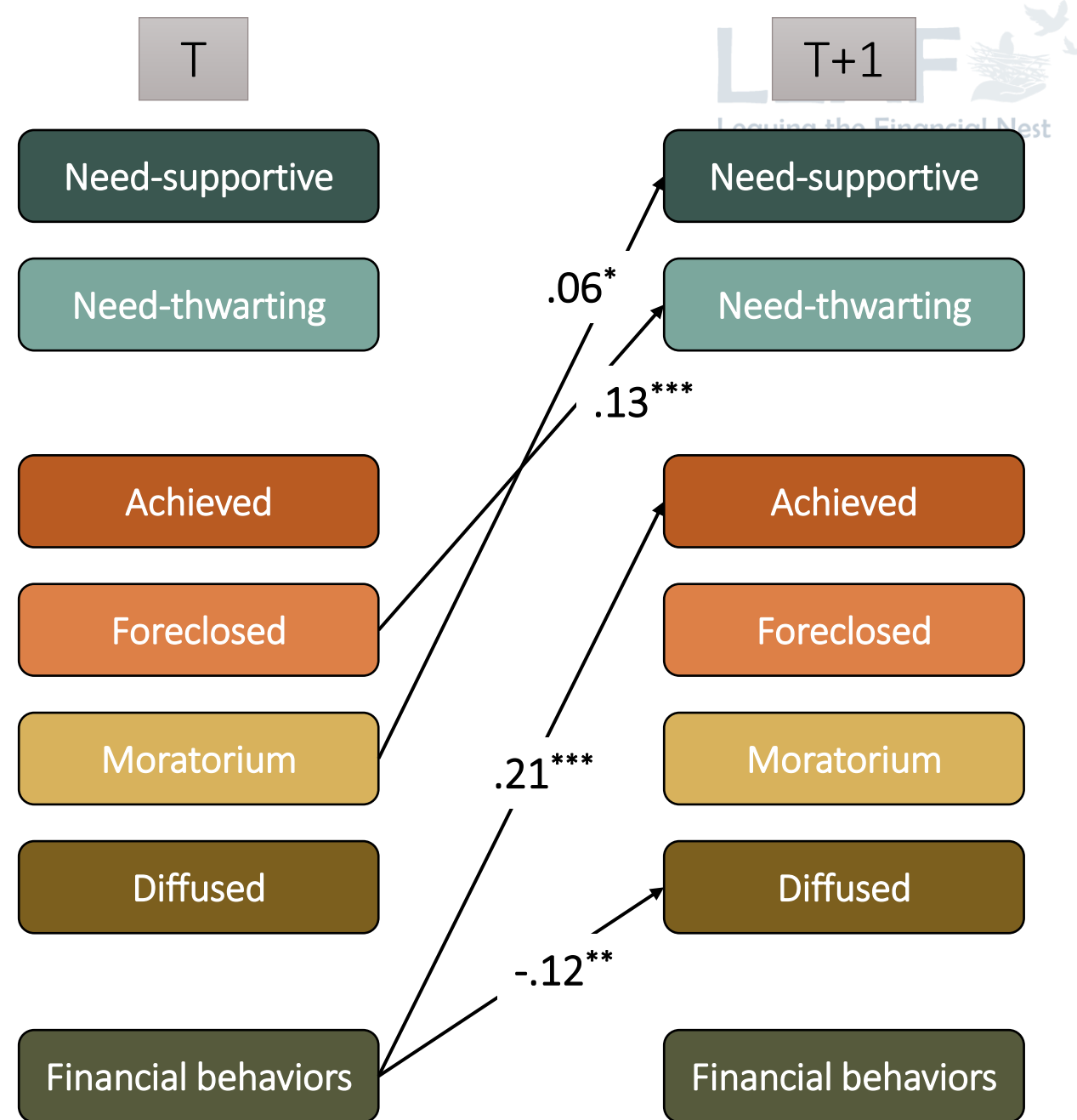


BETWEEN-CONSTRUCT ASSOCIATIONS: Unanticipated effects

Key findings:

Engagement in financial behaviors also predicted an over-time increase in achieved financial identity scores and over-time decrease of financial identity scores. Consistent with earlier studies, such finding indicates that engagement in effective financial behaviors may strengthen the certainty regarding best ways to manage personal finances.

Interestingly, financial identity moratorium predicted over-time increase in need-supportive financial parenting, indicating that parents tend to react positively and supportively when their emerging adult-children face uncertainty in financial issues. Interestingly, foreclosed financial identity scores predicted over-time increase in need-thwarting financial parenting.



Summary of findings

1. SDT and the SDT-based conceptualization of interpersonal context may be useful in understanding and operationalizing financial parenting style.
2. Financial identity concept may be useful in understanding the process of financial socialization and financial individuation (how emerging adults develop their unique style of managing their finances)
3. Formation of financial identity and financial behaviors should be considered as reciprocal processes both reinforcing and/or hindering each other
4. Parents continue to be significant agents in financial socialization during emerging adulthood years. Parents may also react and change their financial parenting style in response to their emerging adult-children attempts to develop their own style of managing their finances

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Thank you for listening!

