

HOW PARENTAL FINANCIAL SITUATION AND FINANCIAL SUPPORT SHAPE FINANCIAL PARENTING OF EMERGING ADULTS AND THEIR FINANCIAL BEHAVIORS?

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This research is funded by the European Social Fund under the No 09.3.3-LMT-K-712 „Development of Competences of Scientists, other Researchers and Students through Practical Research Activities“ measure



Kuriame
Lietuvos ateitį
2014–2020 metų
Europos Sąjungos
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veiksmų programa



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).

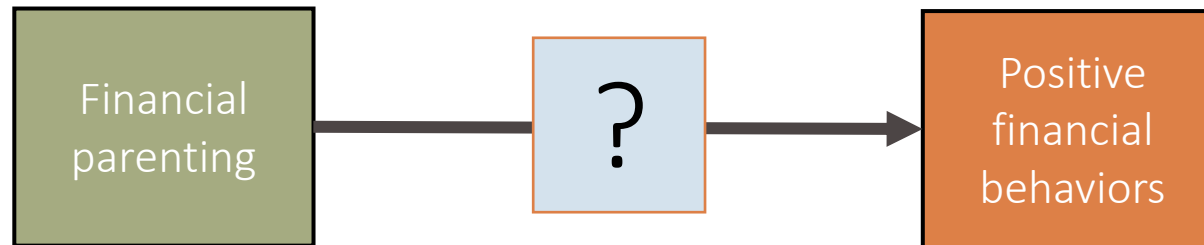
Financial self-sufficiency requires:

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

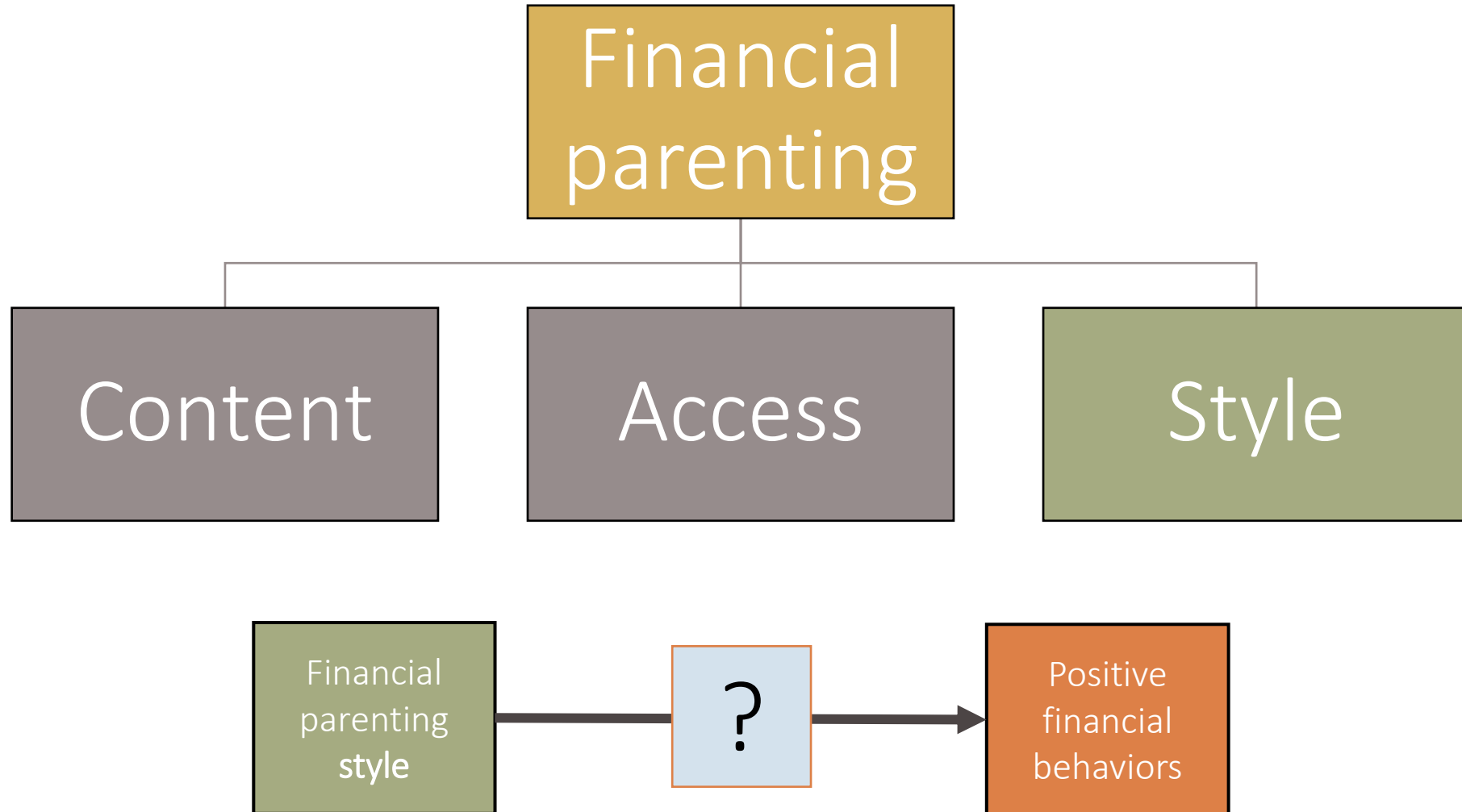
Financial socialization is central to the development of effective financial behaviors (Drever et al., 2015; Friedline, et al., 2011).

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



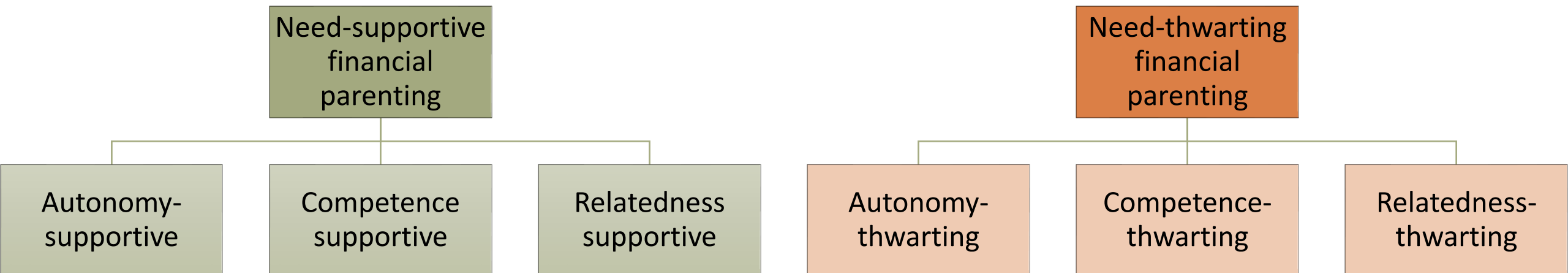
A self-determination theory (SDT)-based view of socialization

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



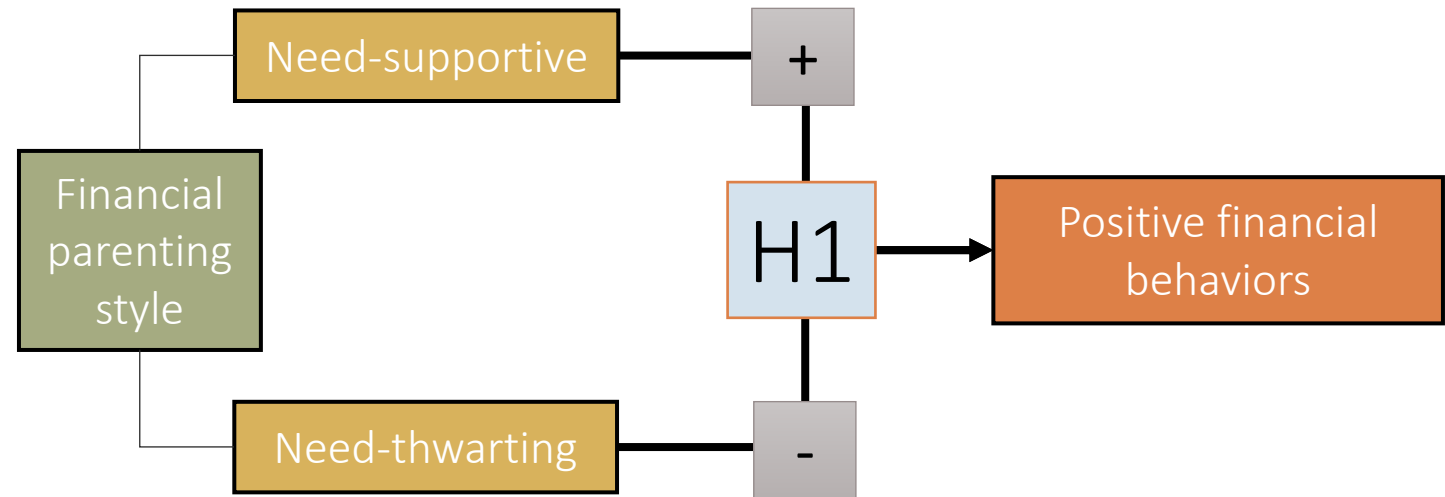
Becoming Financially Self-Sufficient: Developing a Need-Supportive and Need-Thwarting Scale for Financial Parenting of Emerging Adults

Rimantas Vosylis¹ , Angela Sorgente² , Joyce Serido³ , Margherita Lanz² , and Saulė Raižienė^{1,4} 

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Hypotheses

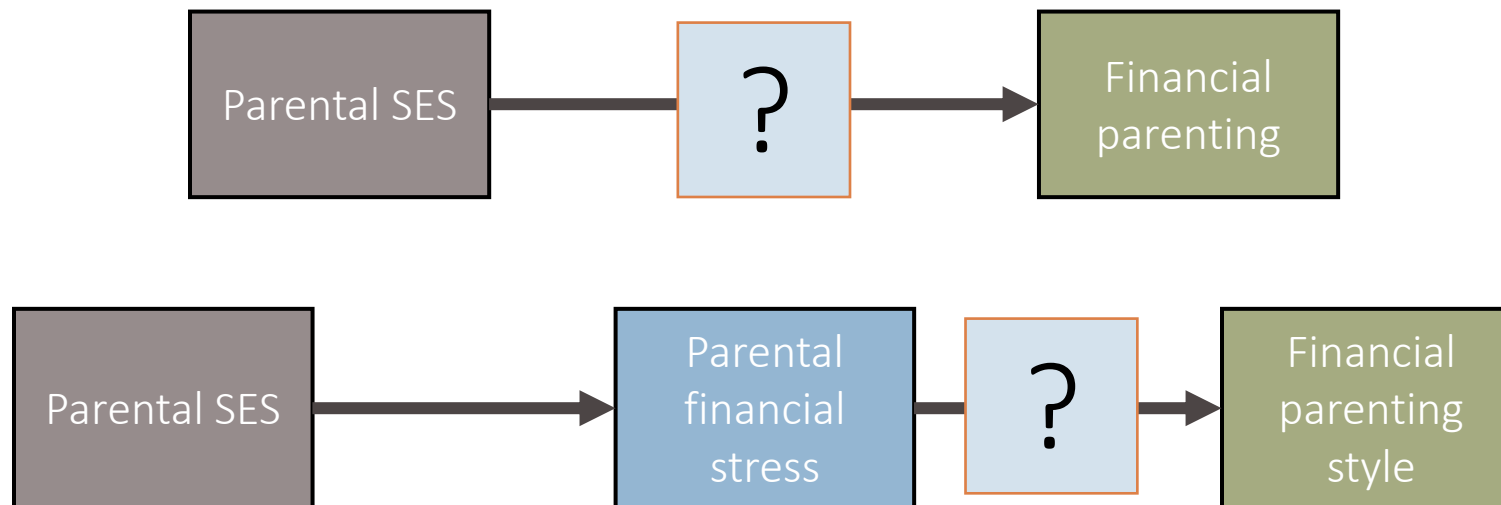
H1: Financial parenting style will be associated with emerging adults' positive financial behaviors: need-supportive financial parenting will be positively associated, while need-thwarting financial parenting will be negatively associated with positive financial behaviors



Parental SES and financial parenting

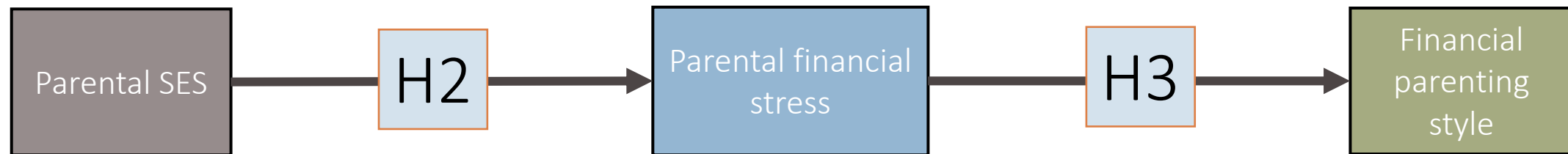
The integrative family financial socialization model (Gudmunson & Danes, 2011) stresses that parental SES may shape financial parenting.

At the same time, a more recent overview (Gudmunson, et al., 2016) suggest that the exact mechanism explaining the links between parental SES, financial parenting, and financial behaviors in children are yet not particularly clear.



Hypotheses

Based on the Family (Economic) Stress Model (Conger & Conger, 2002)



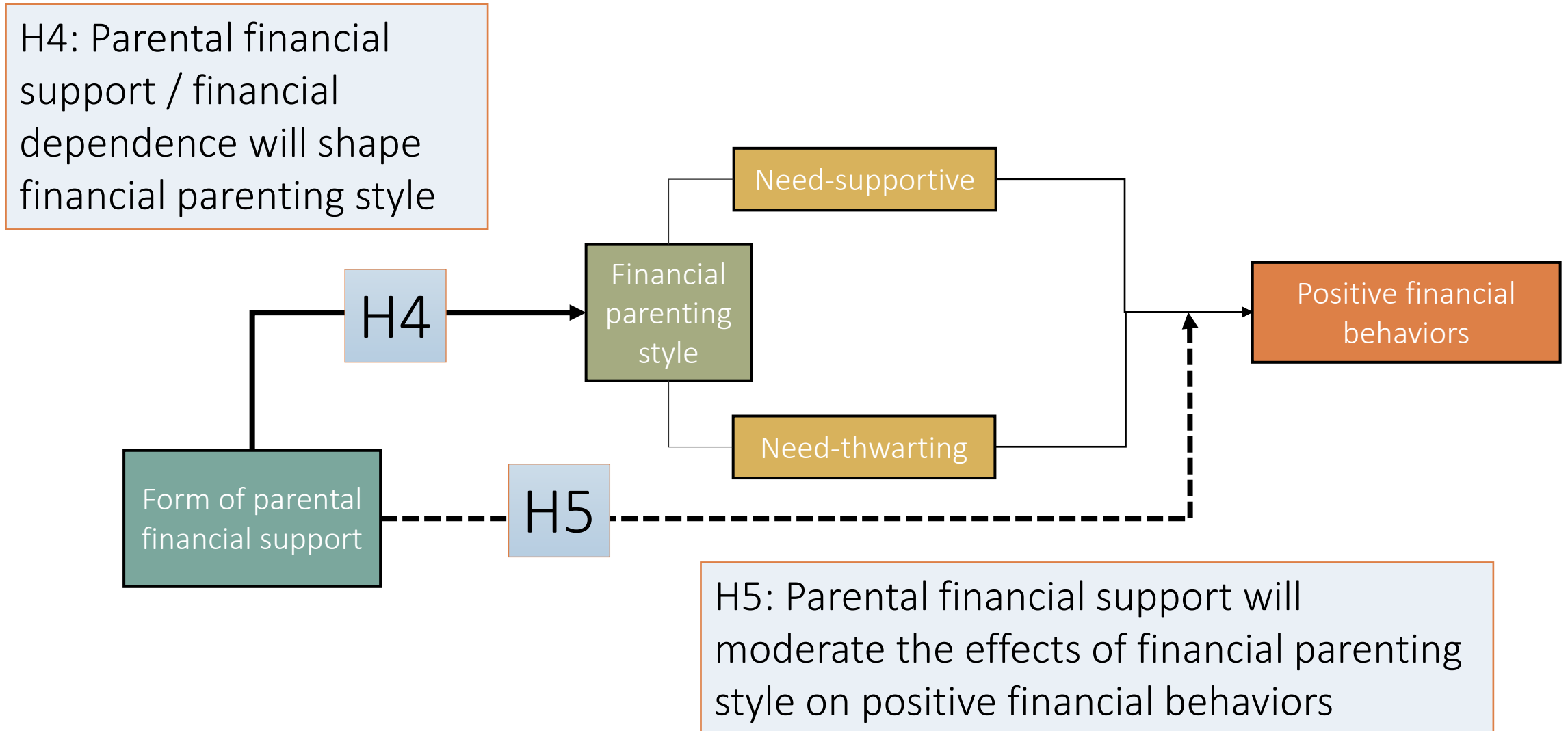
H2: Parental SES will be negatively related to parental experiences of financial stress

H3: Parental financial stress will be associated with financial parenting style: positively with need-thwarting financial parenting and negatively with need supportive financial parenting

Parenting in the context of prolonged financial support to emerging adult children



Hypotheses



Parental SES and parental financial support

Parents' ability to provide financial assistance to emerging adult- children depends on their own financial condition



Holistic assessment of parental financial support

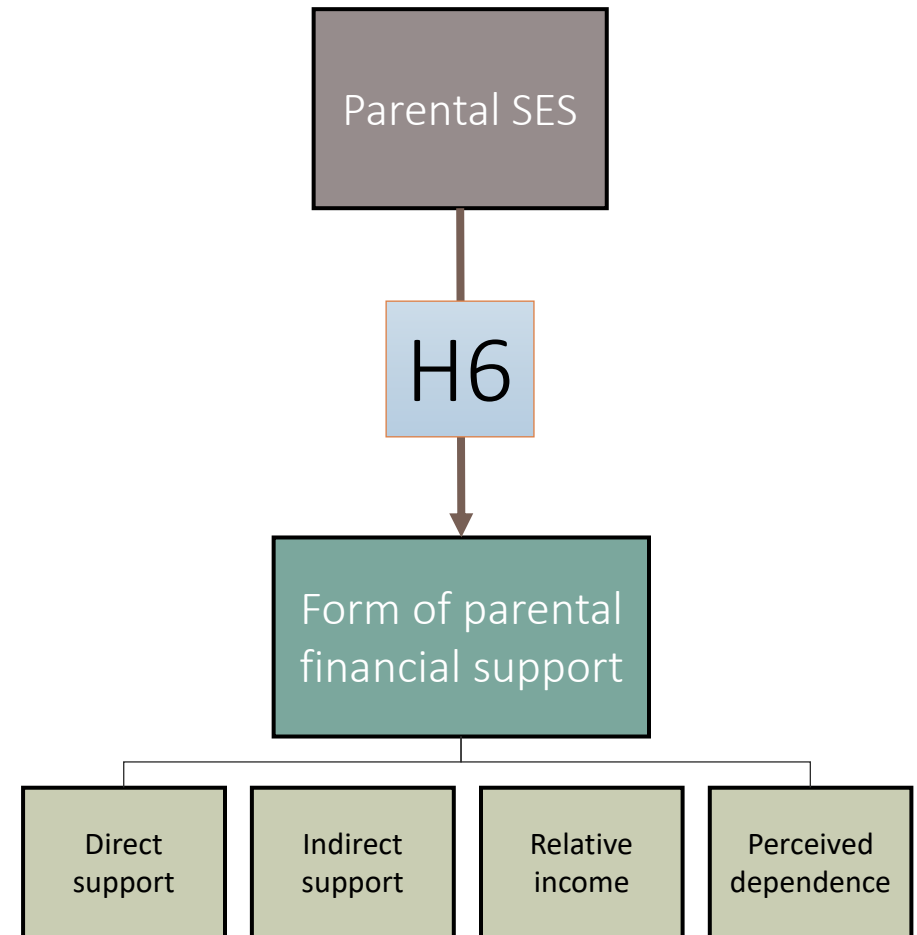
Direct financial support: money gifts or direct transfer of money;

Indirect support: “Who pays for housing, food and other life expenses?”

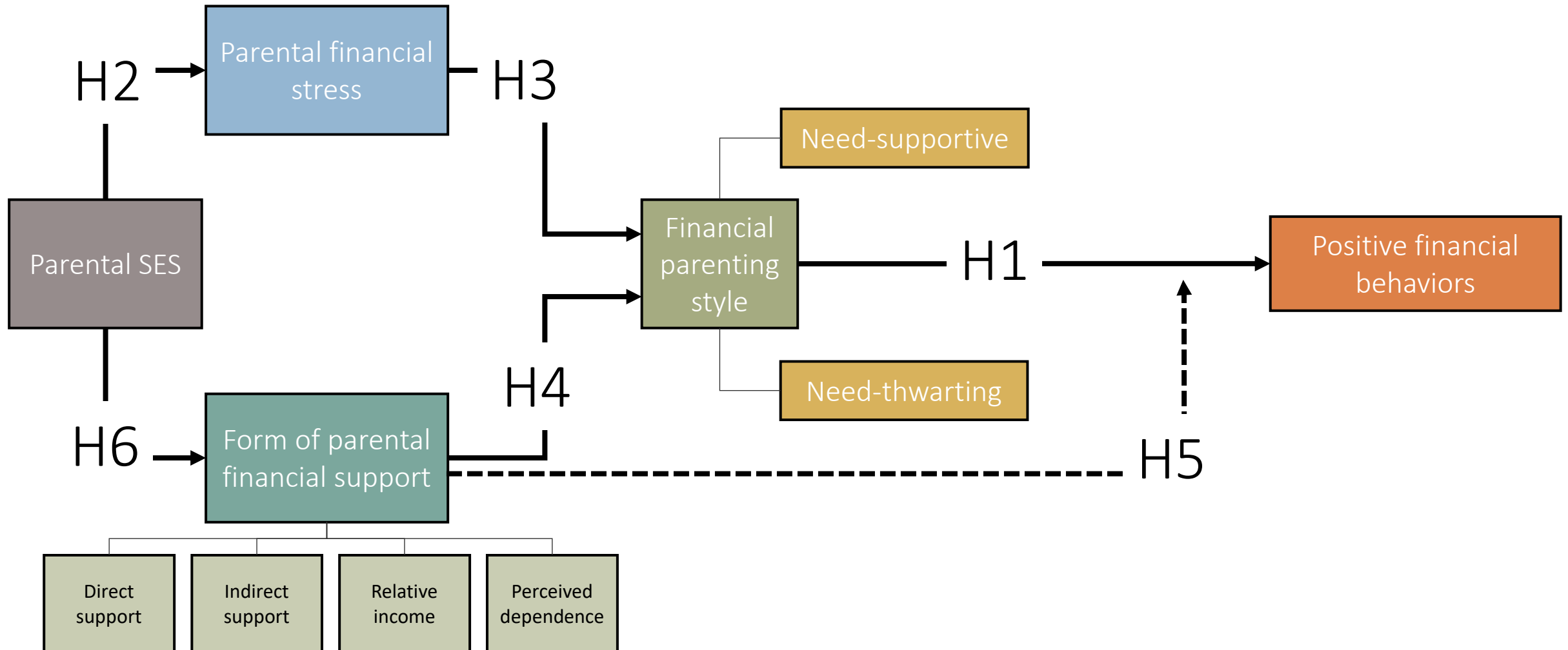
Relative income: Proportion of income comes from parental support

Subjective financial dependence: How economically dependent emerging adults feel they are dependent on their parents

H6: Parental SES will be positively related with level and form of parental financial support



Theoretical model of the study



Sample and sampling strategy

Exactly **600 Lithuanian emerging adults** ($M_{age} = 24.94$, $SD_{age} = 3.03$, 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

11 participants did not respond to parenting measures and were excluded from analysis

Measures

Construct	Content	Reliability
Parental SES	Education, employment, income, indirect indicators of material wealth	.77
Parental financial stress	Parental financial insecurity and financial need	.88
Parental financial support	Direct and indirect support, relative income, perceived financial dependence	-
Need-supportive financial parenting	In relation to autonomy, competence, relatedness	.91
Need-thwarting financial parenting		.93
Positive financial behaviors	Saving, cash-flow monitoring, long-term financial planning	.73

Associations between financial parenting and positive financial behaviors

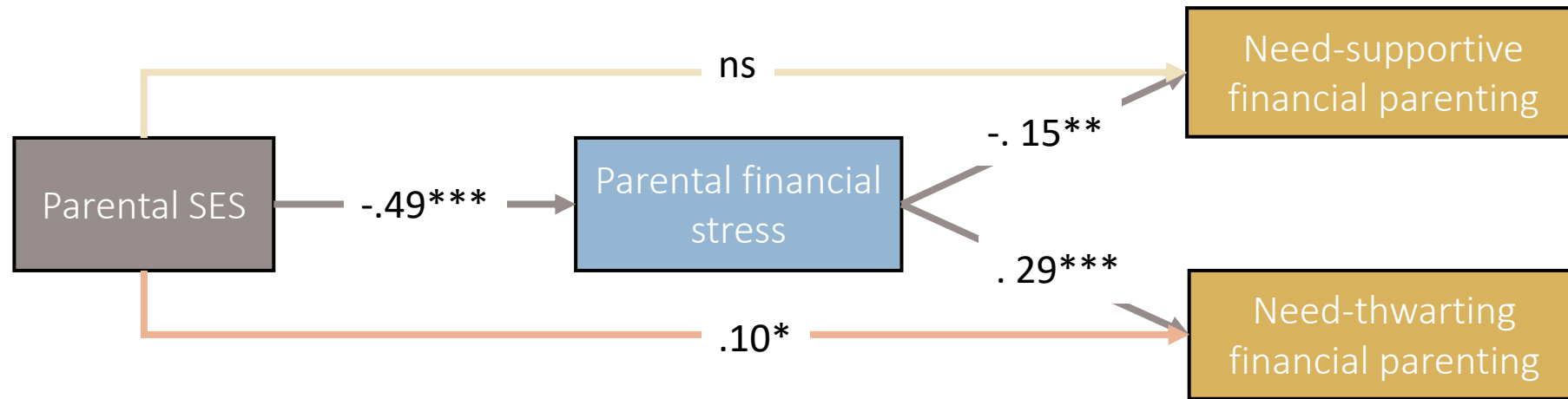
Correlations	Positive financial behaviors
Need-supportive financial parenting	.28***
Need-thwarting financial parenting	-.16***

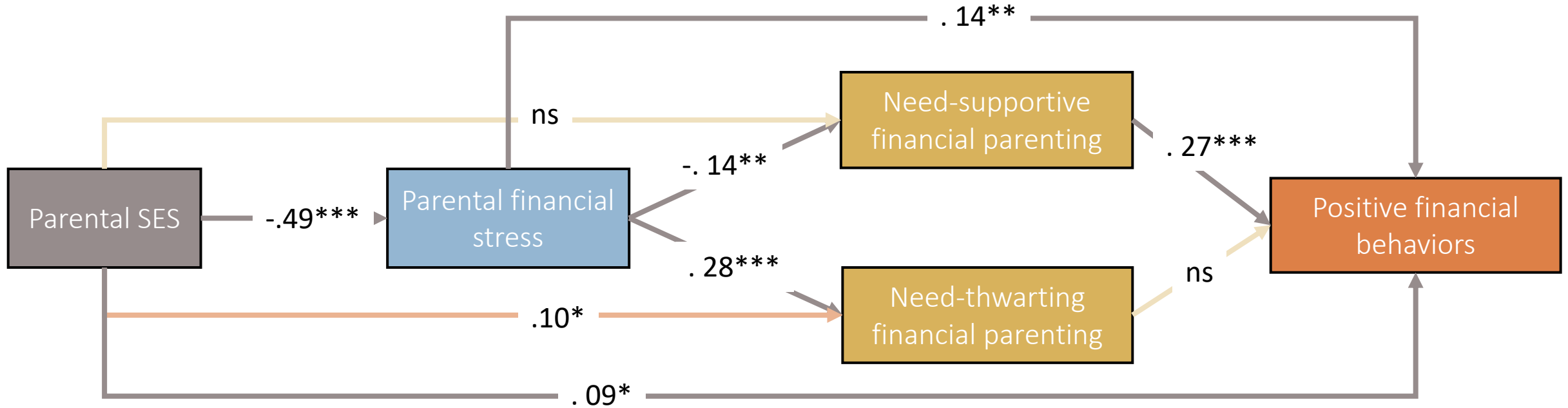
Multiple regression	Positive financial behaviors
Need-supportive financial parenting	0.27***
Need-thwarting financial parenting	-0.02 (ns)

Note: Age and gender are also included in the model, but not shown for clarity. Adjusted $R^2 = .101$

Key finding: H1 was partially supported.

Autonomy-, competence-, and relatedness-supportive financial parenting may promote positive financial behaviors of emerging adults. After accounting for need-supportive financial parenting, need-thwarting parenting was not significantly related to positive financial behaviors.

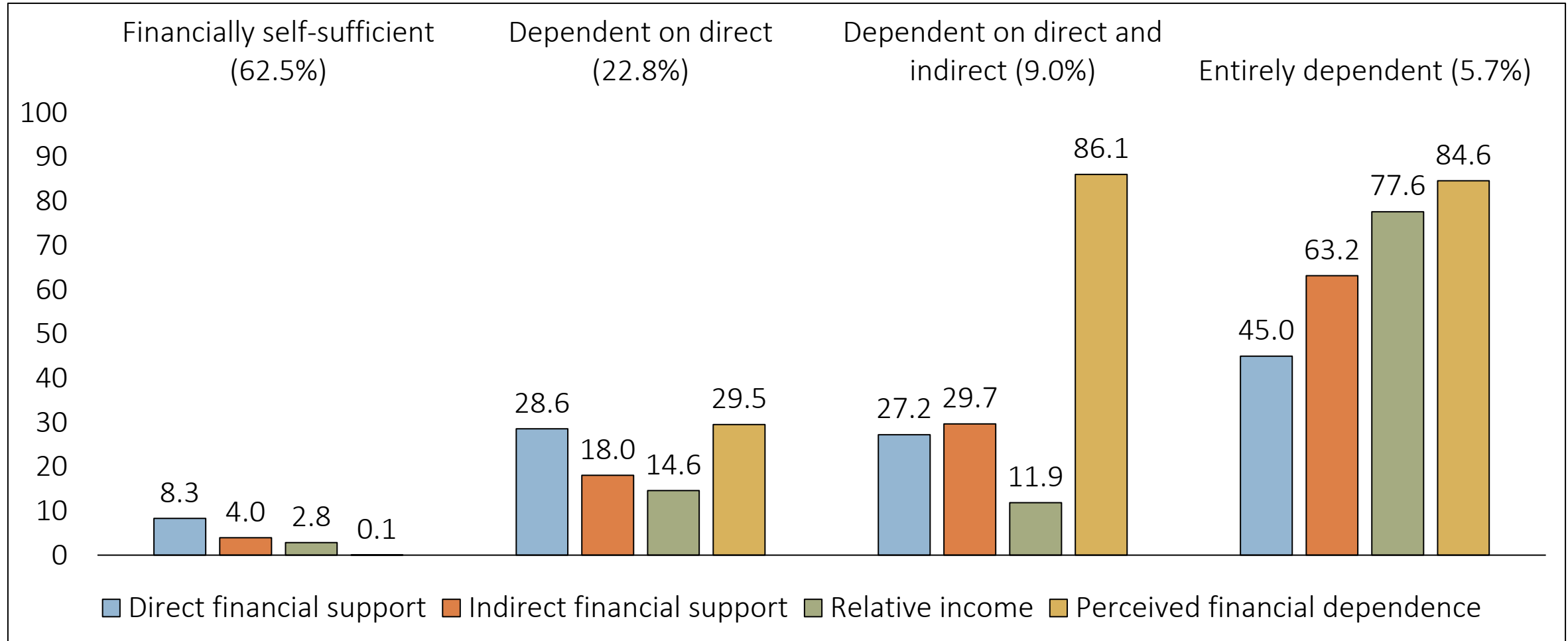




Correlations between parental SES and aspects of parental financial support

Study variables	Parental SES
Direct financial support	.18^{***}
Indirect financial support	.07
Relative income	.11 ^{**}
Perceived financial dependence	.09 [*]

Latent profiles of (dependence on) parental financial support



Effects of parental SES, and parental financial stress on profile of parental financial support membership

Multinomial logistic regression results

Covariates as predictors of profile membership	Likelihood Ratio Tests		
	χ^2	<i>df</i>	<i>p</i>
Parental SES	2.03	3	0.565
Parental financial stress	2.24	3	0.524

Key finding:

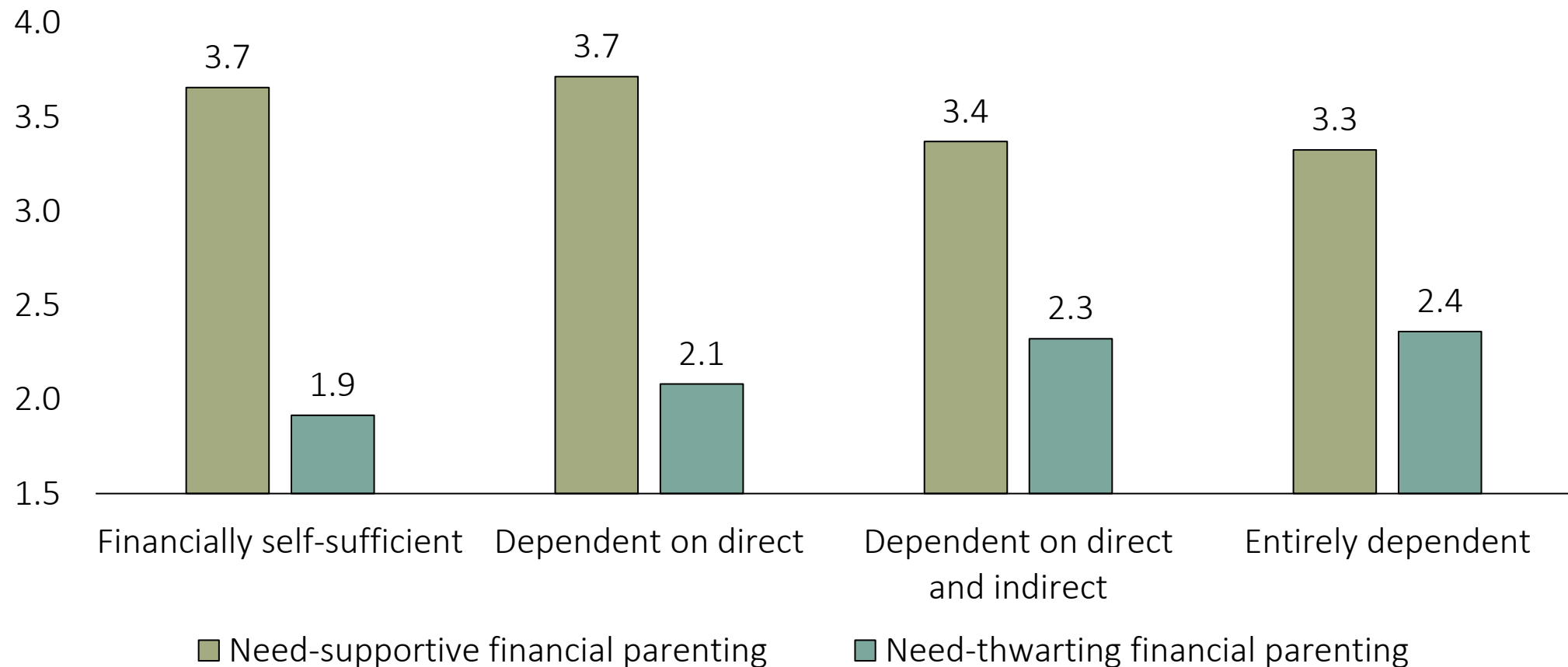
Findings provide little support for H6. Parental SES did not significantly differentiate between profiles of parental financial support.

Does parental SES, financial stress, and financial support shape need-supportive and –thwarting financial parenting?

ANCOVA results	Outcome variables	Need-supportive financial parenting		Need-thwarting financial parenting	
		<i>Partial η^2</i>	<i>p</i>	<i>Partial η^2</i>	<i>p</i>
Predictors					
Parental SES		.006	.066	.004	.128
Parental financial stress		.015	.003	.064	<.001
Profiles of parental financial support		.015	.029	.018	.016
		Adjusted R ² = .054		Adjusted R ² = .107	

Interactions between profiles of financial support and parental SES and financial stress were not significant

Levels of need-supportive and need-thwarting financial parenting across four profiles of parental financial support

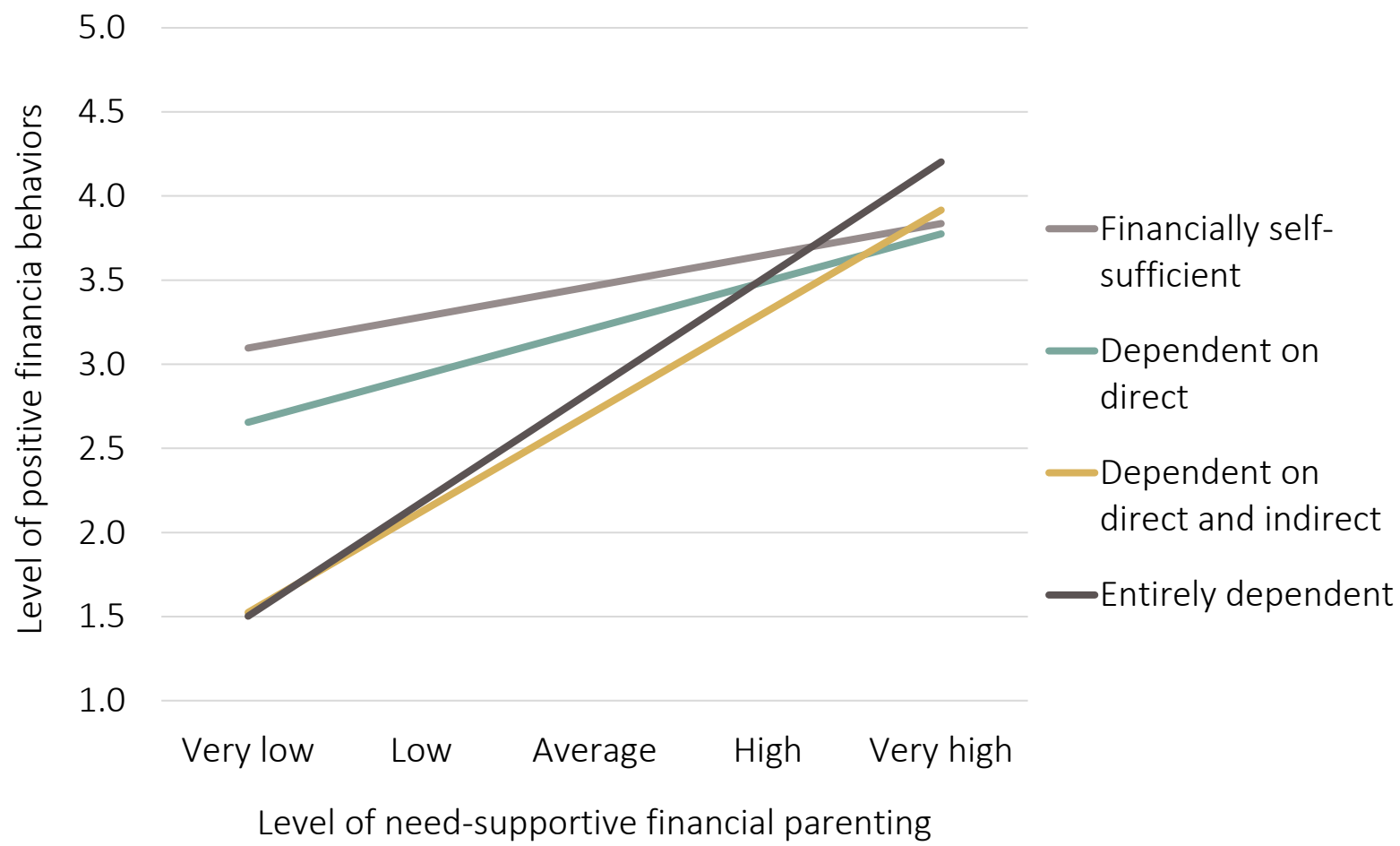


How parental SES, financial stress, financial support, and need-supportive and –thwarting financial parenting shape emerging adults’ positive financial behaviors?

ANCOVA results (model with interactions)		Outcome variables: Positive financial behaviors	
Predictors:		<i>Partial η^2</i>	<i>p</i>
Parental SES		.006	.063
Parental financial stress		.013	.006
Profiles of parental financial support (PoPFS)	Financially self-sufficient	.021	.007
	Dependent on direct		
	Dependent on direct and indirect		
	Entirely dependent (reference profile)		
Need-supportive financial parenting (NS-FP)		.048	<.001
Need-thwarting financial parenting (NT-FP)		.002	.266
Interaction: financial support * need-supportive financial parenting		.016	.027
Interaction: financial support * need-thwarting financial parenting		.015	.036
		Adjusted R ² = .101	

Note: Age and gender are also included in the model, but not shown for clarity.

The predictive effect of need-supportive financial parenting on positive financial behaviors across four parental financial support profile groups

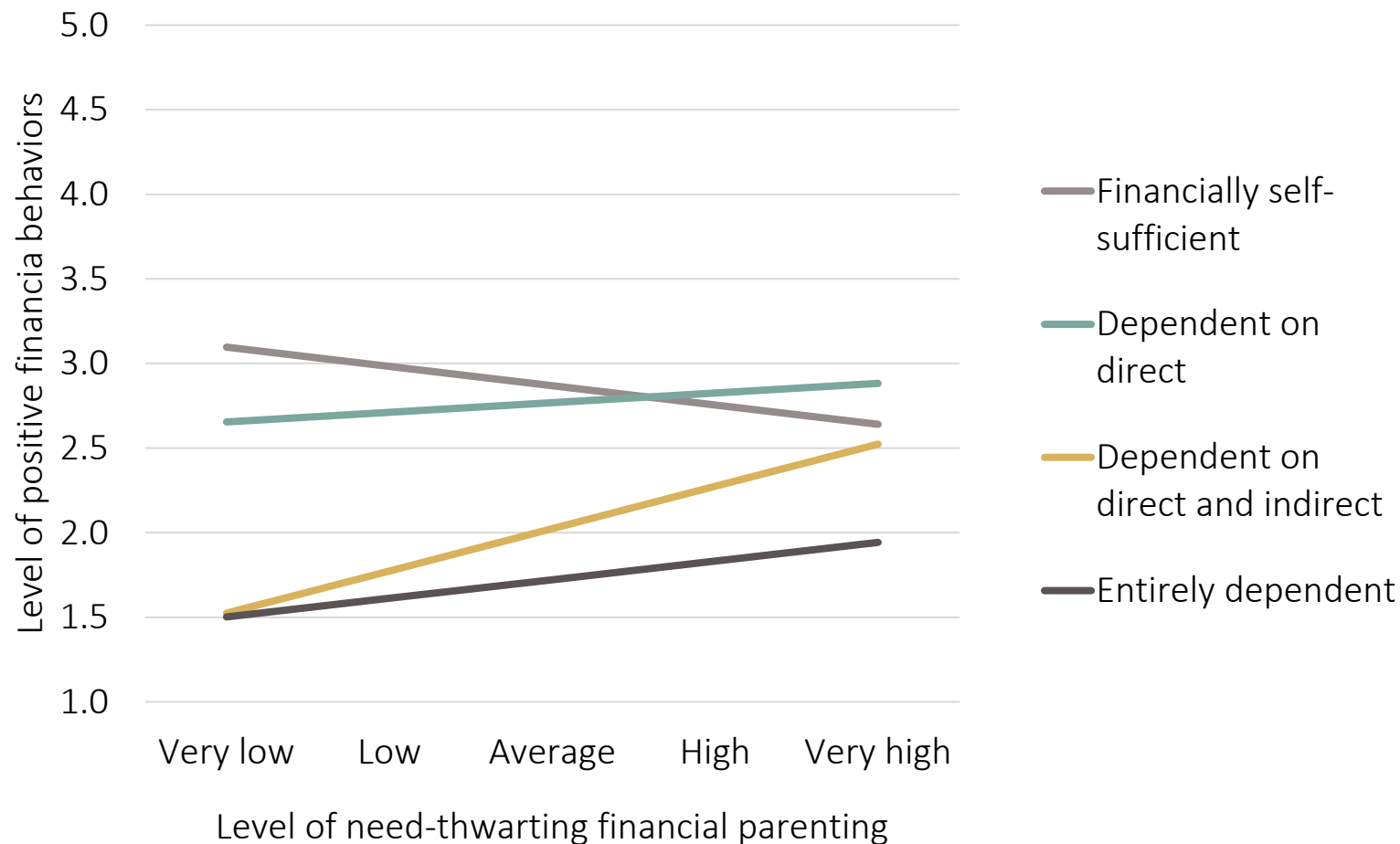


Estimated values of financial behaviors are conditional upon these covariate values:

- sample mean of age, parental SES, and parental financial stress;
- gender equals 0 (men);
- very low (minimal observed value in the sample (0)) of need-thwarting financial parenting

Key finding:
Need-supportive parenting has a stronger positive effect on positive financial behaviors for emerging adults that are either entirely dependent on parental financial support or semi-dependent yet receiving both direct and indirect support. The effect is weaker for those who are financial self-sufficient

The predictive effect of need-thwarting financial parenting on positive financial behaviors across four parental financial support profile groups



Estimated values of financial behaviors are conditional upon these covariate values: sample mean of age, parental SES and parental financial stress; gender equals 0 (men); very low (minimal observed value in the sample (0)) of need-supportive financial parenting

Key finding:
The effect of need-thwarting financial parenting seems to be stronger for those that are dependent on direct and indirect, but in general, the findings are inconclusive

Summary of findings

1. SDT and the SDT-based conceptualization of interpersonal context may be useful in understanding and operationalizing financial parenting style.
2. The ideas outlined in Family Stress Model also apply to and can shed more light on family financial socialization process.
3. Parental financial support and parental financial stress should be considered as two independent contributors to financial parenting of emerging adults.

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Thank you for listening!



Unused slides that may be
needed for questions

Summary of findings

1. SDT and the SDT-based conceptualization of interpersonal context may be useful in understanding and operationalizing financial parenting style.

As our findings indicate, autonomy-, competence-, and relatedness-supportive financial parenting may promote positive financial behaviors of emerging adults. As earlier studies indicate, such behaviors may lead to higher financial well-being.

2. The ideas outlined in Family Stress Model also apply to and can shed more light on family financial socialization process.

In particular, parental financial stress plays an important role in understanding the association between parental SES and favorable and unfavorable financial parenting practices. That is, parents experiencing economic hardships (resulting from lower levels of income) tend to be less supportive and more critical of emerging adults' autonomy in financial decisions and may display more ambivalence to emerging adults' financial situation. Such parenting may lead to fewer positive financial behaviors.

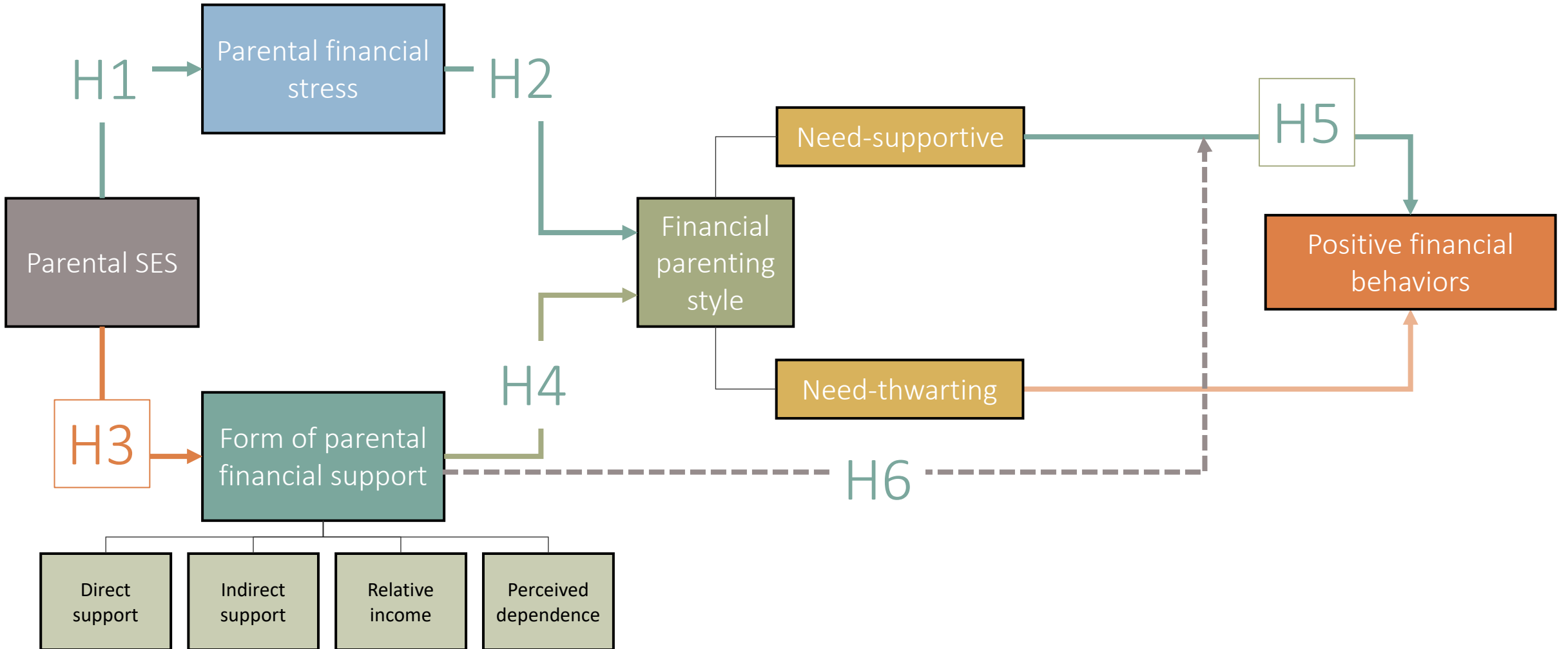
Summary of findings

3. Parental financial support and parental financial stress should be considered as two independent contributors to financial parenting of emerging adults.

On one hand, the level and form of parental financial support may lead to different levels of parental involvement in emerging adults' financial issues and decisions.

On the other hand, the level and form of parental financial support may moderate the effect of financial parenting on emerging adults' financial behaviors. Specifically, need-supportive financial parenting may mostly be relevant and produce desirable effects for emerging adults that are still entirely or almost entirely dependent on parental financial support. At the same time, need-supportive and –thwarting parenting may be less relevant to those emerging adults that are financially self-sufficient.

Summary of findings



SDT-based approach to financial parenting style

Dimension of financial parenting	Definition	Item example
Autonomy-supportive	Providing choices in making financial decisions and encouraging independent money management	Supported my financial decisions even if they did not agree with me.
Autonomy-thwarting	Interference in and excessive control of a child's use of money	Interfered with my money matters.
Competence-supportive	Encouragement of setting and achieving financial goals, positive feedback on financial behaviors	Acknowledged that I was capable of managing my money.
Competence-thwarting	Sending messages of incompetence in handling money, criticizing child's financial behaviors	Repeatedly criticized how I handled my money.
Relatedness-supportive	Parents' interest in child's financial situation and being sympathetic in times of financial strain	Were not indifferent to my financial situation.
Relatedness-thwarting	Parent's lack of interest in and displays of indifference to child's financial situation	Acted like strangers when we discussed my financial situation.

Measures

Parental SES

Nine items targeting parental employment status, level of education and income, and three indirect indicators of family material capital (number of cars owned, family holiday trips outside of the country, and holiday houses owned by the family ($\rho = .77$)). To construct a score for parental SES, we estimated factor scores and used these in subsequent analysis.

Parental financial stress

Six items (e.g., “My parents are often worried that they may not be able to pay their bills in the near future”; $\rho = .88$) targeting financial insecurity and financial need were adapted from Ponnet (2014) to assess parental financial stress.

Parental financial support

Direct support: „...how much money do you get from your parents every month?“

Indirect support: “Who pays for various life expenses?” E. g., housing, food, clothing.

Relative income: “How much of your income comes from parental support?“

Subjective financial dependence: „How economically dependent are you on your parents?“

Measures

Need-supportive and need-thwarting financial parenting

D-NEST-FP (Vosylis et al., 2022): Two global dimensions of **need-supportive financial parenting** (12 items; $\alpha = .91$) and **need-thwarting financial parenting** (12 items; $\alpha = .93$) were used for this study.

Positive financial behaviors

Long-term financial planning was assessed using a Generalizable Scale of Propensity to Plan in Money domain (Lynch Jr et al., 2010), which consists of 6 items (e.g., “I set financial goals for the next 1 to 2 months for what I want to achieve with my money”).

Cash-flow monitoring (e.g., “I review and evaluate spending on a regular basis”) and **Saving** (e.g., “I regularly set aside money for saving”) were assessed with the two subscales from a Brief Money Management Scale (Ksendzova et al., 2017). Both scales consist of four items.

Latent profile analysis results

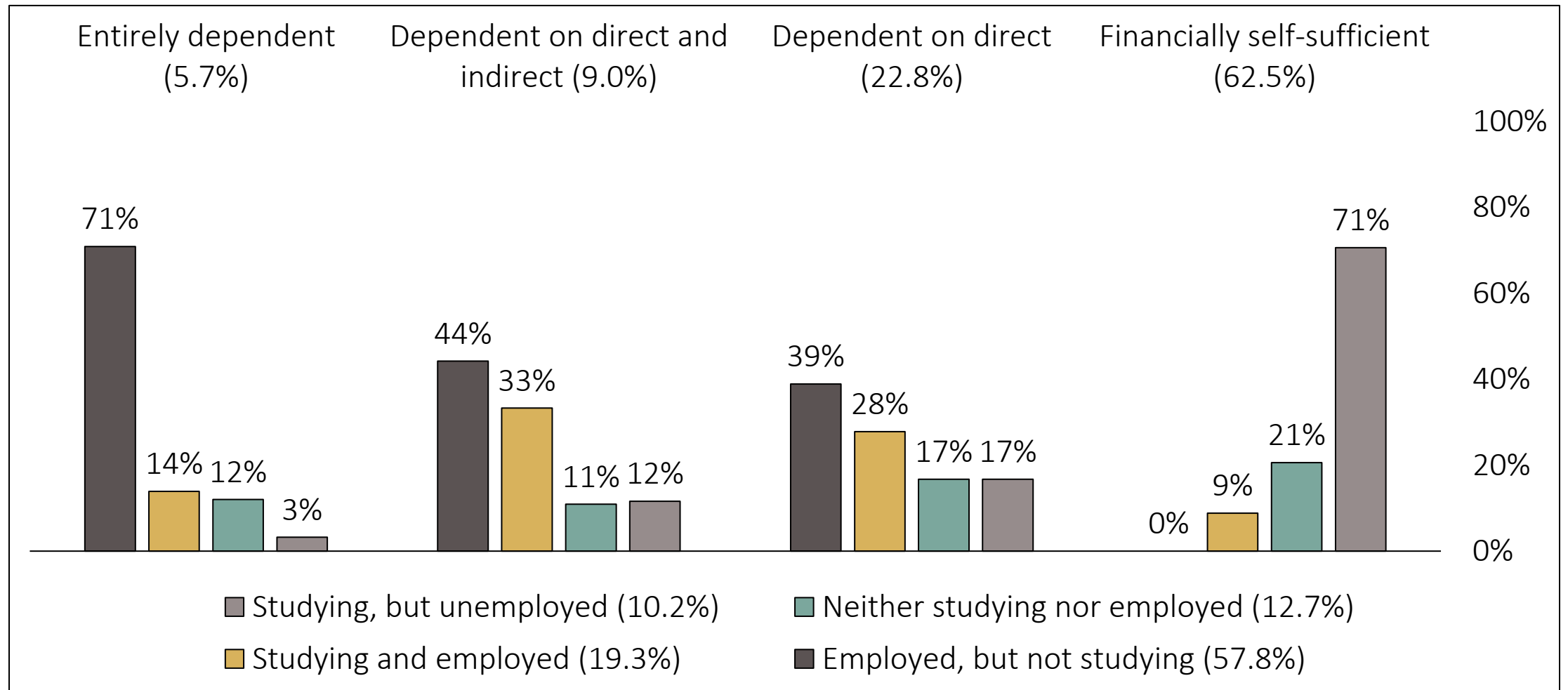
MODEL:	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6	Model 7	Model 8	Model 9
	<i>1 Profile</i>	<i>2 Profiles</i>	<i>3 Profiles</i>	<i>4 Profiles</i>	<i>5 Profiles</i>	<i>6 Profiles</i>	<i>7 Profiles</i>	<i>8 Profiles</i>	<i>9 Profiles</i>
#parameters	8	13	18	23	28	33	38	43	48
Log-likelihood	-11054,92	-10524,00	-10284,35	-10128,88	-9986,10	-9901,396	-9834,77	-9703,01	-9690,02
Scaling factor	1,99	1,93	2,02	2,25	2,37	2,79	2,41	2,18	2,31
BIC	22161	21131	20684	20405	20151	20014	19913	19681	19687
AWE	22236	21253	20853	20621	20414	20324	20270	20085	20138
CAIC	22169	21144	20702	20428	20179	20047	19951	19724	19735
Entropy	1,000	0,984	0,987	0,99	0,998	0,997	0,995	0,98	1,00
LMR-LRT		1029,648	464,776	301,509	276,895	160,632	129,217	126,545	25,611
p		0	0,000	0,031	0,205	0,677	0,031	0,129	0,590

Effects of demographic characteristics, parental SES, and parental financial stress on profile (of parental financial support) membership

Multinomial logistic regression results: The form (profiles) of parental financial support was not significantly related to parental SES and parental financial stress

Covariates	Likelihood Ratio Tests		
	χ^2	<i>df</i>	<i>p</i>
Age	18.69	3	<.001
Gender	5.10	3	0.164
Parental SES	2.03	3	0.565
Parental financial stress	2.24	3	0.524
Enrolled in education	20.04	3	<.001
Currently employed	50.75	3	<.001
Lives with parents	42.21	3	<.001

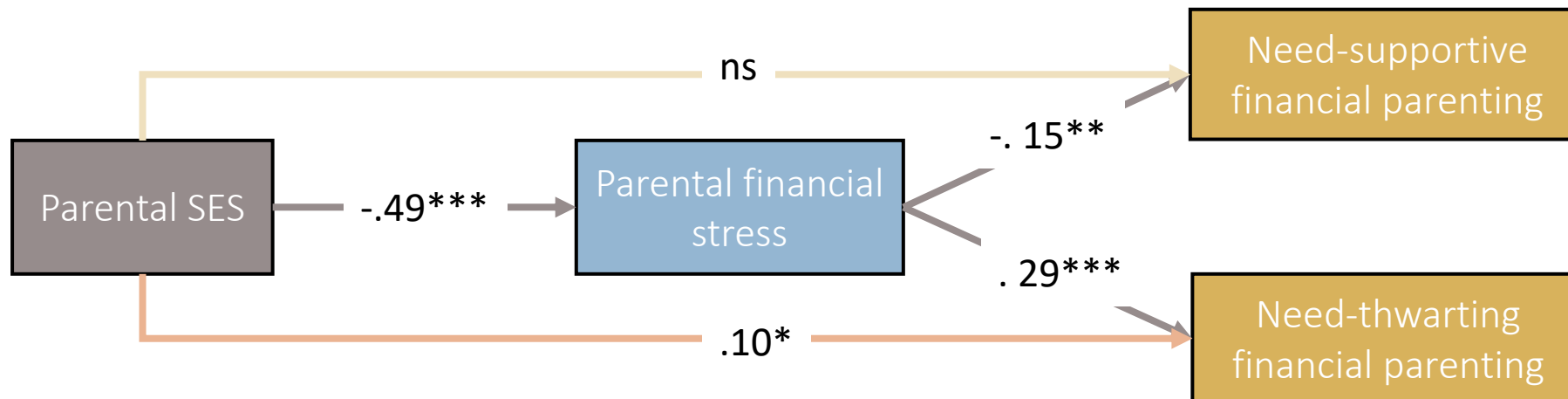
Associations with occupational status

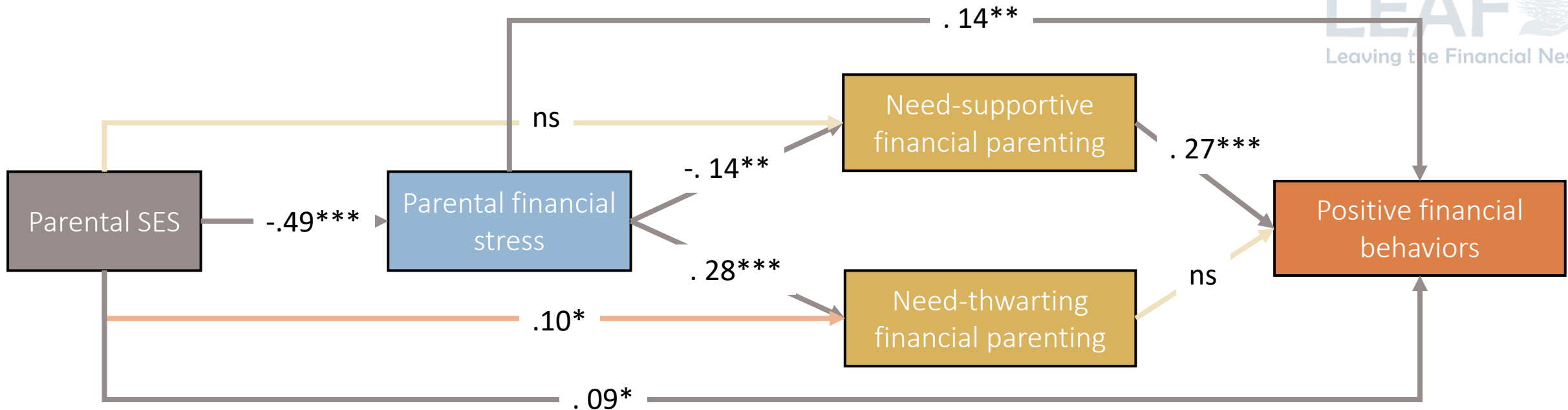


H2: Parental SES will be negatively related to parental experiences of financial stress
H3: Parental financial stress will be associated with financial parenting style: positively with need-thwarting financial parenting and negatively with need supportive financial parenting

Key finding:

Findings provide support for both, H2 and H3. More so, findings suggest that parental financial stress accounts for almost all effect that parental SES has on financial parenting style. That is, parental SES effect on financial parenting is primarily indirect leading through parental financial stress





Direct, indirect, and total effects linking parental SES with positive financial behaviors:

Indirect: Parental SES -> Parental financial stress -> need-supportive FP -> financial behaviors = .02*

Parental SES -> Parental financial stress -> financial behaviors = -.07**

Direct: Parental SES -> financial behaviors = .09*

Total effect: ns

Direct, indirect, and total effects linking parental financial stress with positive financial behaviors:

Indirect: Parental financial stress -> need-supportive FP -> financial behaviors = -.04*

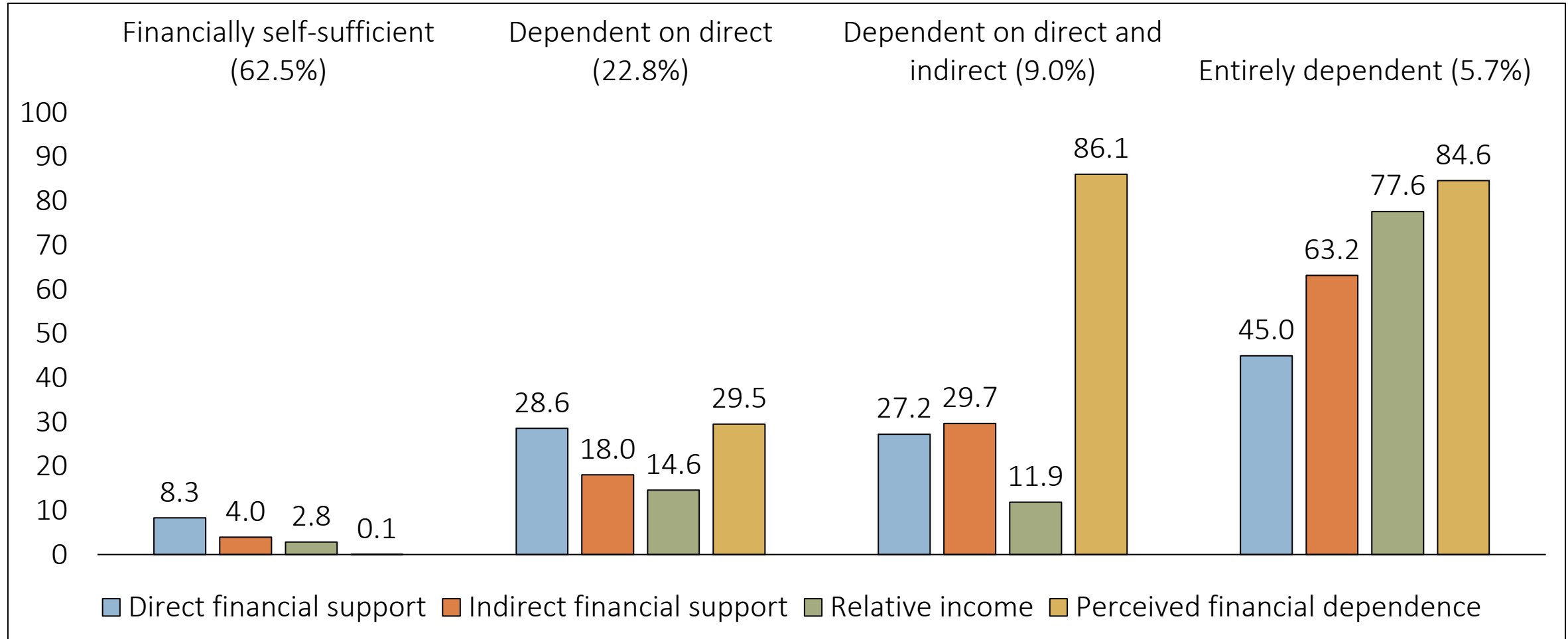
Direct: Parental financial stress -> financial behaviors = .14**

Total effect: ns

Correlations between parental SES and aspects of parental financial support

Study variables	1	2	3	4
1 Parental SES	.18***	.07	.11**	.09*
2 Direct financial support		.31***	.44***	.40***
3 Indirect financial support			.58***	.62***
4 Relative income				.58***
5 Perceived financial dependence				

Latent profiles of (dependence on) parental financial support



Effects of parental SES, and parental financial stress on profile of parental financial support membership

Multinomial logistic regression results

Covariates as predictors of profile membership	Likelihood Ratio Tests		
	χ^2	<i>df</i>	<i>p</i>
Parental SES	2.03	3	0.565
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Key finding:

Findings provide little support for H6. Parental SES did not significantly differentiate between profiles of parental financial support.

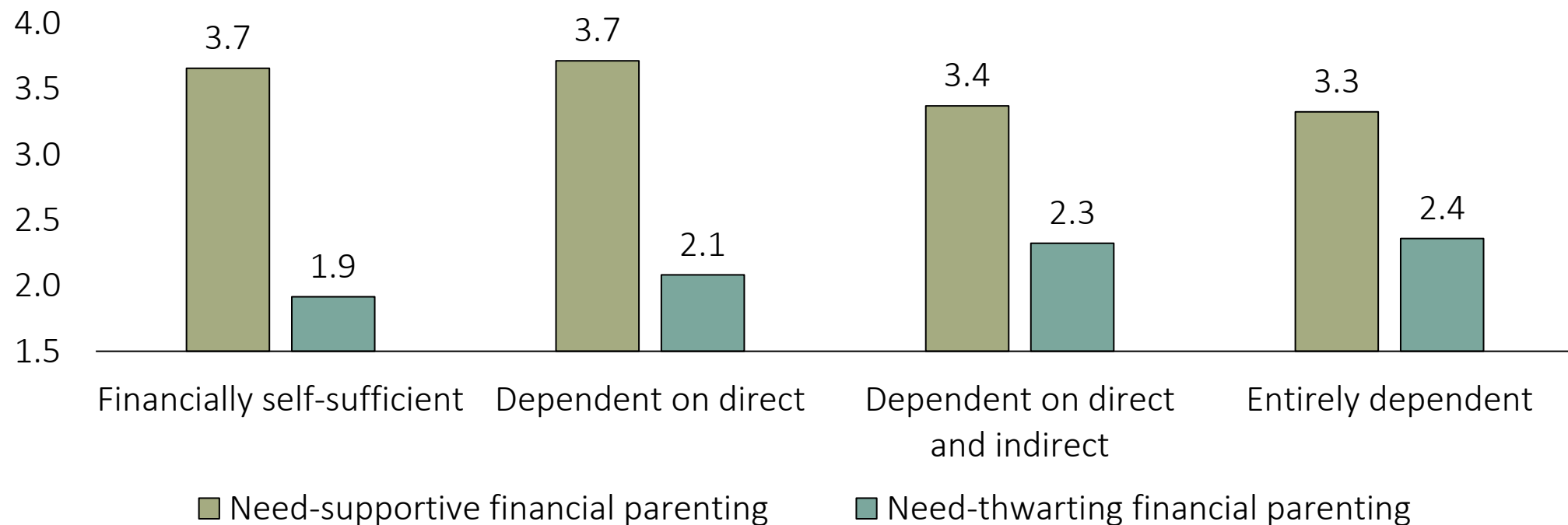
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ANCOVA results	Outcome variables	Need-supportive financial parenting		Need-thwarting financial parenting	
		<i>Partial η^2</i>	<i>p</i>	<i>Partial η^2</i>	<i>p</i>
Predictors					
Parental SES		.006	.066	.004	.128
Parental financial stress		.015	.003	.064	<.001
Profiles of parental financial support		.015	.029	.018	.016
		Adjusted R ² = .054		Adjusted R ² = .107	

Interactions between profiles of financial support and parental SES and financial stress were not significant

Levels of need-supportive and need-thwarting financial parenting across four profiles of parental financial support

Key findings: ANCOVA results provide support for H4: In comparison to those that were entirely dependent on parental financial support and those that were dependent on direct and indirect support, emerging adults that were financially self-sufficient and dependent on direct reported higher levels of need-supportive financial parenting. The opposite was evident for need-thwarting financial parenting

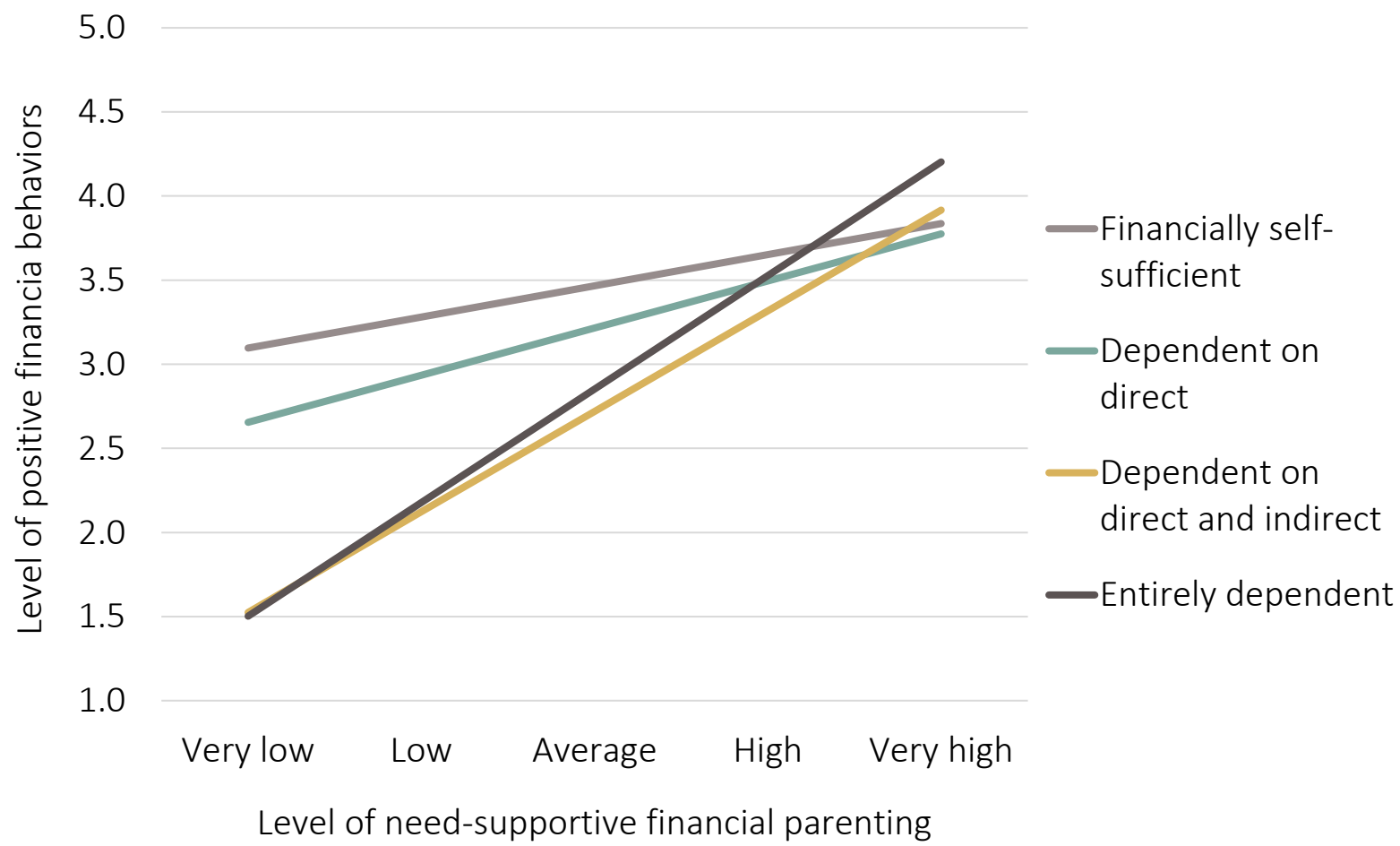


How parental SES, financial stress, financial support, and need-supportive and –thwarting financial parenting shape emerging adults’ positive financial behaviors?

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Parental SES		.006	.063
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	Dependent on direct		
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Interaction: financial support * need-thwarting financial parenting		.015	.036
		Adjusted R ² = .101	

Note: Age and gender are also included in the model, but not shown for clarity.

The predictive effect of need-supportive financial parenting on positive financial behaviors across four parental financial support profile groups

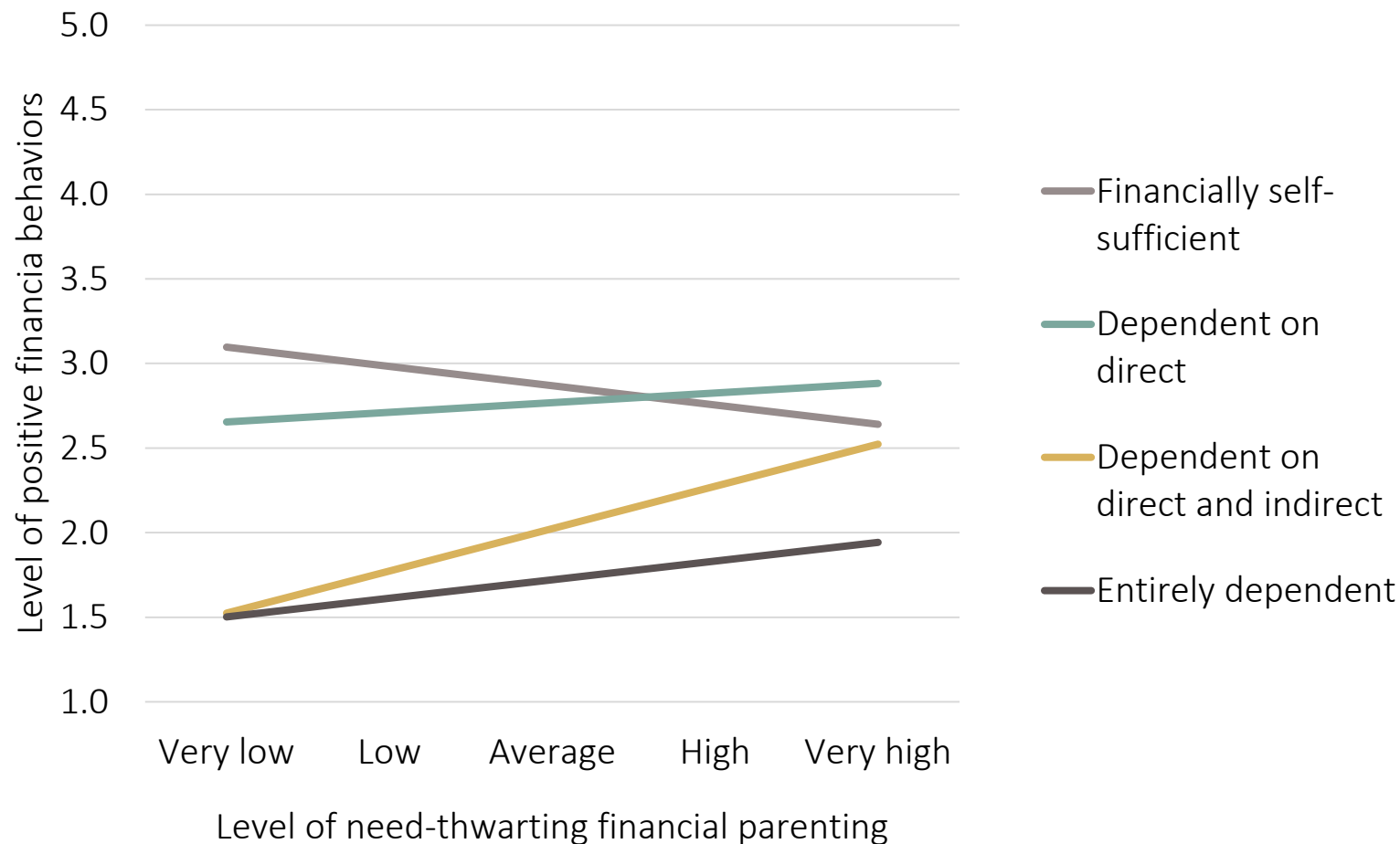


Estimated values of financial behaviors are conditional upon these covariate values:

- sample mean of age, parental SES, and parental financial stress;
- gender equals 0 (men);
- very low (minimal observed value in the sample (0)) of need-thwarting financial parenting

Key finding:
Need-supportive parenting has a stronger positive effect on positive financial behaviors for emerging adults that are either entirely dependent on parental financial support or semi-dependent yet receiving both direct and indirect support. The effect is weaker for those who are financial self-sufficient

The predictive effect of need-thwarting financial parenting on positive financial behaviors across four parental financial support profile groups



Estimated values of financial behaviors are conditional upon these covariate values: sample mean of age, parental SES and parental financial stress; gender equals 0 (men); very low (minimal observed value in the sample (0)) of need-supportive financial parenting

Key finding:
The effect of need-thwarting financial parenting seems to be stronger for those that are dependent on direct and indirect, but in general, the findings are inconclusive