"I Think I Can Get Ahead!" Perceived Economic Mobility, Income, and Financial Behaviors of Young Adults

Julie Szendrey[a] and Laci Fiala[b]

This research examined how perceived economic mobility (PEM) relates to domain-specific behaviors of financial management, specifically cash management, credit management, and savings and investment, for a sample of 1,245 young adults age 18–34. Using data collected by an online survey administration organization, research results indicated a significant positive relationship between PEM and the financial behaviors of cash management and savings and investment. Control variables of income level, family of origin's perceived (FOP) income level, age, gender, education level, and employment also showed varying levels of significance across the three financial behaviors. Findings, to be considered in financial policy-making, indicated significant interactions between PEM and FOP income levels for cash management and between PEM and current income for credit management.

Keywords: cash management, credit management, economic mobility, financial behavior, income, savings

Young adults born between 1981 and 1997, often referred to as millennials (Fry, 2015), are frequently the topic of debate regarding their life expectations and financial management behaviors. When presuming that they act financially irresponsible, research has shown this is not necessarily the case. Research by Cho, Gutter, Kim, and Mauldin (2012) indicates those less than 35 years of age engage in financial planning, monitoring, and having written goals more so than those age 35 to 54. In research by Gallup (2016), millennials are noted for spending $13 less per day than the comparable age group in 2008. Additionally, millennials are more likely to participate in certain spending and savings behaviors than other generations, but this is contradicted by them partaking in more online comparison-shopping, less coupon usage, more generic and brand goods purchases, and more big-ticket purchases. Similar to previous generations, financial management behaviors vary significantly by individual; however, substantial research continues to be done to better understand the antecedents and consequences of their financial behaviors at both the micro- and macro-levels (Gallup, 2016).

Research shows that among young adults, positive financial behaviors are associated with financial satisfaction and subsequently financial satisfaction is associated with life satisfaction (Xiao, Tang, & Shim, 2009). Therefore, by determining and enhancing the precursors to positive financial behaviors, improved life satisfaction may result. While behaviors such as spending, budgeting, and investing may be emphasized in discussions relating to financial planning and counseling (Beutler, 2012; Beutler, Beutler, & McCoy, 2008; Choi, Gudmunson, Griesdorn, Hong, & Gong-Soog, 2016; Danes & Haberman, 2007; Friedline, 2014; Kim, Chatterjee, & Kim, 2012; O'Neill & Xiao, 2012; Prawitz & Cohart, 2014), the current study looks to analyze the possible impact of perception, specifically perceived economic mobility (PEM), as well as income levels, both current and that of family of origin, on these behaviors. Specifically, does an individual's perception of the degree to which society allows movement up or down the economic scale impact financial behavior? This is the focus of the current study.

Literature Review, Conceptual Model, and Hypotheses

Perception is defined as "the process by which an individual selects, organizes, and interprets stimuli into a meaningful and coherent picture of the world" (Schiffman, Kanuk, & Wisenblit, 2010, p. 157). Perception is important in the study of financial management behaviors as certain

[a]*Professor of Business, The DeVille School of Business, Walsh University, 2020 East Maple Street, North Canton, OH 44720. E-mail: jszendrey@walsh.edu*
[b]*Associate Professor of Sociology, School of Behavioral and Health Sciences, Walsh University, 2020 East Maple Street, North Canton, OH 44720. E-mail: lfiala@walsh.edu*

Journal of Financial Counseling and Planning, Volume 29, Number 2, 2018, 290-303

http://dx.doi.org/10.1891/1052-3073.29.2.290

perceptions may influence financial attitudes, knowledge, capabilities, and self-beliefs, each of which has been noted to influence financial management behaviors (Park, Heo, Ruiz-Menjivar, & Grable, 2017). This also includes the concept of perception in theoretical application, which is supported by two conceptual models: the "conceptual model of young adults' financial capability" (Serido, Shim, & Tang, 2013, p. 288) and the "conceptual model of family financial socialization processes and outcomes" (Gudmunson & Danes, 2011, p. 648). Both of these models are used to further develop the conceptual model for this research.

Financial Management Behaviors

Financial management behavior research has been extensive and varied; however, as research progresses, more pieces to the puzzle have been recognized and added to the body of knowledge. The conceptual model of young adults' financial capability developed by Serido et al. (2013) showed the relationships among financial knowledge, financial self-beliefs, financial behavior, financial well-being, and overall well-being. They proposed that cognitive development theories developed by Piaget (1972) and Sinnot (1998) paired with social cognitive theory (Bandura, 1989) explained how financial knowledge contributes to financial self-beliefs and, consequently, how financial self-beliefs contribute to financial behaviors. The model was tested and supported, indicating that antecedents can influence overall positive financial behaviors, financial well-being, and overall well-being. Changes in one domain influenced changes in another.

The "conceptual model of family financial socialization processes and outcomes" by Gudmunson and Danes (2011, p. 648) depicted how family socialization processes influence individual financial socialization outcomes. Family characteristics, interactions, relationships, and purposive financial socialization shape individual financial attitudes, beliefs, knowledge, and capabilities, which in turn influence financial management behaviors.

Research indicated that financial management behavior is influenced by several other factors as well. Financial knowledge has been shown to be a significant factor in predicting financial attitudes and, consequently, financial behaviors (Robb & Woodyard, 2011; Shim, Barber, Card, Xiao, & Serido, 2010; Xiao, Chen, & Chen, 2014). In addition, the financial wellness of young adults was evaluated using liquidity and asset-allocation ratios developed by Rutherford and Fox (2010). Credit management, spending behavior, and planning horizon, along with health-care coverage, financial satisfaction, and attitude toward financial risk, were significant contributors to financial wellness.

As previously noted, some research does exist linking attitudes, beliefs, and perceptions to financial behaviors. In related research, individuals who were highly conscientious had positive financial attitudes, a future orientation, and managed their money more than less conscientious people (Donnelly, Iyer, & Howell, 2012). Research has also shown that attitudes relating to greater financial achievement and financial power were related to less responsible spending behaviors within the emerging adult population (Jorgensen, Foster, Jensen, & Vieira, 2017).

Perceived Economic Mobility

This study is distinct in that it focuses on the impact of perception, specifically perceived economic mobility (PEM), on financial management behaviors. Although the body of knowledge is extensive on contributors to financial management behaviors, limited work has been done to examine the link between perception, specifically one's beliefs, and outcomes in his/her life. The existing research on perception is more self-reflective in that researchers have asked study participants about their own perceived financial capability and subjective financial literacy (Xiao et al., 2014; Xiao, Chen, & Sun, 2015), financial attitudes (Serido et al., 2013; Jorgensen et al., 2017), financial knowledge (Danes & Haberman, 2007; O'Neill & Xiao, 2012; Robb & Woodyard, 2011; Serido, Shim, & Tang, 2013), financial self-beliefs (Serido et al., 2013), and financial locus of control (Jorgensen, Rappleyea, Schweichler, Fang, & Moran, 2017; Prawitz & Cohart, 2016). The current study seeks to expand past research on perception by looking at the impact of how an individual perceives what is possible in society as opposed to perceptions of one's own financial capabilities or knowledge. This is further supported by several authors stating the need for further work in this area (Gutter & Copur, 2011; Jorgensen et al., 2017; Prawitz & Cohart, 2016).

Individual perceptions of economic mobility can vary significantly within a single society because of different attitudes, experiences, and orientations (Fischer, 2009). This, in turn, can lead to differences in behavior (Yoon & Kim, 2016). Research by Perry and Morris (2005) concludes that

an individual's tendency to control spending, save, and budget, is partially influenced by their own perceived control over outcomes. Narratives used in research by Tach and Greene (2014) indicate that low-income families prioritize debts at a higher level when they perceive the payments as affirming upward economic mobility.

In marketing and consumer research, a Perceived Economic Mobility (PEM) scale has been developed and validated to test consumption decision-making and consumer well-being (Yoon & Wong, 2014; Yoon & Kim, 2016). The scale addressed the two perceptual dimensions looking at whether individual inputs relate to financial consequences in society and if the system operates fairly between advantaged and disadvantaged individuals. The authors predicted that individuals who had stronger views of PEM would be less influenced by materialism because they believe it is more likely for a person to achieve consumer well-being in society (Yoon & Wong, 2014; Yoon & Kim, 2016). In order to achieve consumer well-being, good financial management behaviors should be in place.

Hypothesis 1: PEM is positively associated with financial management behaviors.

Income

Extensive research indicates that income level is significantly related to various financial management behaviors. These include the following: savings behaviors (Gutter, Garrison, & Copur, 2010; Gutter et al., 2012; Henager & Mauldin, 2015; Mauldin, Henager, Bowen, & Cheang, 2016), credit card usage (Fisher, 2016; Henegar et al., 2013; Rutherford & DeVaney, 2009), credit card debt (Kim, Chatterjee, & Kim, 2012), and usage of alternative financial services (West & Friedline, 2016). In the majority of cases, higher income levels result in better financial management behaviors.

Characteristics relating to low-income households and populations have also been studied. Institutional variables, which included the number of institutions used, access to credit, and access to employer-sponsored retirement plans, had a significant positive impact on financial decisions in low-income households (Heckman & Hanna, 2015). Young adults who were "financially capable" were less likely to carry high amounts of debt, more likely to save for emergencies, and more likely to afford an unexpected expense than lower-income millennials (West & Friedline, 2016). Interestingly, research by Lyons, Chang, and Scherpf (2006) showed that the level of financial experience might be a stronger predictor of improved financial behaviors than increased financial education within low-income populations.

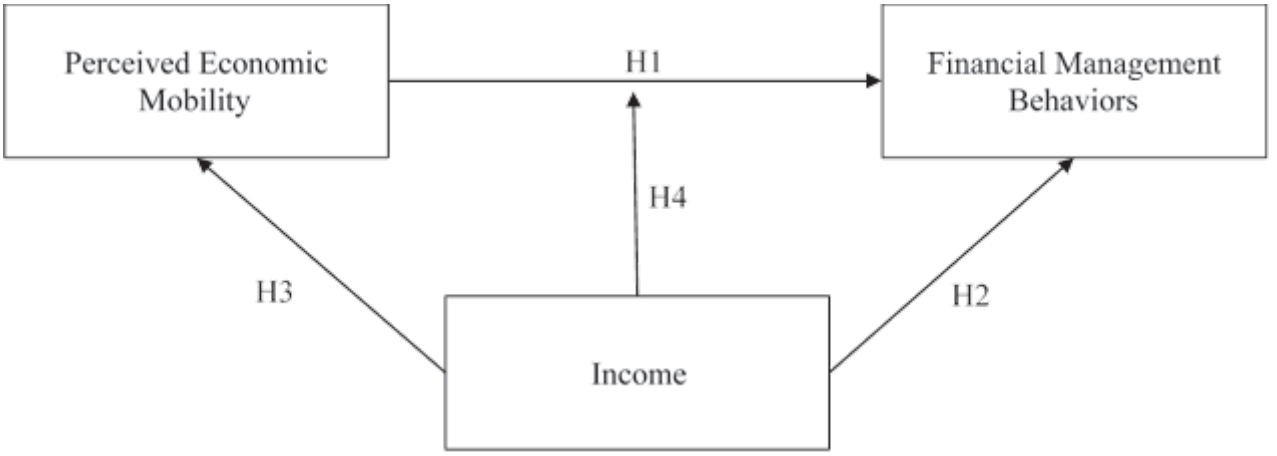
Hypothesis 2: Income is positively associated with financial management behaviors.

Research has also linked income to PEM, finding that lower income individuals believe there to be more mobility in society than upper class individuals (Davidai & Gilovich, 2015). The authors also assert that little research has been done to quantitatively assess perceptions of economic mobility, a gap that the current study hopes to help fill. In addition to evaluating current gross income level, the impact of family income level while growing up was also included in the current study to determine if this demographic relating to family socialization plays a factor in financial management behaviors and PEM as supported by family socialization theory (Moschis, 1985). As previously noted, the "conceptual model of family financial socialization processes and outcomes" in Gudmunson and Danes (2011, p. 648) outlines the logical flow of how personal and family characteristics may influence financial attitudes, which in turn may influence financial behavior and financial well-being.

Bullock and Limbert (2003) argued that most researchers treat social class as a stable demographic even though financials may fluctuate over the course of one's lifetime. As part of their study, the respondents' perceived social class while growing up, as well as perceived current and future (5 to 10 years) class, were measured. Also of particular importance to the current research, none of the poor and working poor women in their study believed that they would remain in those categories in the future, suggesting a belief in upward mobility.

Given the limited research findings connecting income and PEM, it is hypothesized that income will be associated with perceived economic mobility, but with no predictions relative to a positive or negative direction. The current study looks to contribute to the body of knowledge in this area. Given the variation in financial management behaviors across income levels, it is also hypothesized that the relationship between PEM and financial management behaviors varies at different levels of incomes (Figure 1).

FIGURE 1. Conceptual model illustrating how the perceptions of economic mobility and the influence of income level are associated with financial management behaviors.



Hypothesis 3: Income is associated with PEM.

Hypothesis 4: The association between PEM and financial management behaviors varies by income.

Methods

Data

Data for the current study originated from a nationally representative sample of young adults born between 1981 and 1997 often referred to as millennials (Fry, 2015). Unlike many studies that only sample traditional college students who are typically younger than age 24, this study extended the sampling to a larger age range from age 18–34 (i.e., millennials) to fully encompass those born during this timeframe. These 18 to 34 year olds were recruited by an online survey administration organization to complete an IRB-approved survey. In total, 1,245 people completed the survey in the spring of 2016. The survey consisted of a series of questions that included both demographics and several scales, with proven reliability and validity, relating to individual beliefs and behaviors. Funding for the online survey data collection was sponsored by the Acton Institute.

The sample of respondents was mostly female (60%), with just over one-third having at least a 4-year college degree, and approximately half employed full-time (47%). As part of the original data collection design, the 1,245 respondents were evenly spread across three young adult categories: younger millennials (18–23 years old), middle millennials (24–29 years old), and older millennials (30–34 years old). The average age of the respondents was 26.3 years. While not included in the current study's analysis, the sample was overwhelmingly white (81%) and never married (47%). It should also be noted that 27% were currently enrolled in college, and the majority rented their current residence (47%).

Measures

Financial management behaviors. The outcome of interest in the current study was financial management behavior. Dew and Xiao's (2011) 15-item Financial Management Behavior Scale (FMBS) was utilized. The scale was shown to be highly reliable (α = .81) and valid, as the authors noted that the scale could be used as a whole in future research or as individual subscales. Respondents were asked to respond to the 15-item Likert-type scale by identifying how often they engaged in different financial behaviors such as paying all their bills on time and saving money from every paycheck (1 = never to 5 = always). Although data were collected on each of the four subscales, only the subscales of cash management, credit management, and savings and investment were used in the current study, as deemed permissible by the previously mentioned scale developers. Insurance-related behaviors were not utilized, as they are often required (as is the case with health and car insurance) or less applicable to the young adult population (such as life insurance). Table 1 shows descriptive statistics, including alpha reliabilities, for the three subscales of cash management (α = .59), credit management (α = .64), and savings and investment (α = .79). The final variables used in the analyses were

TABLE 1. Descriptive Statistics for Study Variables (*n* = 1,245)

	M	*SD*	Min	Max	α
Financial Management Behaviors					
Cash Management Subscale	3.86	0.66	1.00	5.00	0.594
Credit Management Subscale	2.29	1.06	1.00	5.00	0.635
Savings & Investment Subscale	3.12	0.88	1.00	5.00	0.785
PEM	4.48	1.11	1.00	7.00	0.828
FOP Income	2.76	0.91	1.00	5.00	NA
	F	***%***	**Min**	**Max**	**α**
Current Income *(n* = 1,108*)*					
Lower Income	376	34%	0.00	1.00	NA
Middle Income	587	53%	0.00	1.00	NA
Upper Income	133	12%	0.00	1.00	NA
Other Demographics					
Female	747	60%	0.00	1.00	NA
4-year Degree or higher	448	36%	0.00	1.00	NA
Working Full-Time	585	47%	0.00	1.00	NA

averages of the items in each subscale in which a higher value indicates that a person engages in more positive financial management behaviors.

Perceived Economic Mobility. The focal independent variable for the current study is the individual perception of the extent to which society allows people to move up the economic ladder in a relative standing. The Perceived Economic Mobility (PEM) scale is an eight-item, seven-point Likert-type scale originally developed by Yoon and Wong (2014) that asks respondents how strongly they agree or disagree on ideas such as having a fair chance to move up the economic ladder and the ability to achieve great wealth regardless of the circumstances of one's birth. The eight items were averaged together to create the final variable that was used in analyses (α = .83), as shown in Table 1. A higher value indicates that a person more strongly perceives upward social mobility as possible, regardless of circumstances (Yoon & Wong, 2014).

Income. The moderating variable of income was measured in two ways: the family of origin's perceived (FOP) income and current income. The FOP income was included because of the potential relationship with PEM. FOP income was measured by asking participants to compare themselves to other kids they knew in tenth grade with regard to what their family seemed to have. Ordinal data selections ranged from 1 (a lot less income than average) to 5 (a lot more income than average). The sample average was 2.76 with a standard deviation of 0.91 as can be seen in Table 1. This approach of specifying family status at a particular grade level was similar to that of research by Richins and Chaplin (2015), which referenced a similar methodology used by others (Ahuvia & Wong, 2002; Griskevicius, Tybur, Delton, & Robertson, 2011).

Current income was measured during data collection using the ordinal answer categories previously mentioned. Income ranges started at less than $20,000 and increased by increments of $10,000 up to a final category of $150,000 and over. This variable measurement approach was utilized in the survey to reduce the likelihood of survey mortality/dropout (Moore, Stinson, & Welniak, 2000). This resulted in 15 categories—too many for regression analysis, which were further reduced to three categories that consisted of lower, middle, and upper income categories, a similar methodology as used in Cho et al. (2012) and Gutter et al. (2012). According to Pew Research Center (2016) analysis of the 2014 American Community Survey, approximately $24,000 and $72,000 are the general cut-points to be considered middle income. Based on this, for the current study, anyone reporting that they fell into the category for less than $20,000 in income was categorized as lower income, middle income reflected those in the categories encompassing

$20,000–$69,999, and upper income was designated for those falling into the range of $70,000 and above. Category frequencies are noted in Table 2. For regression analyses, lower income is omitted as the comparison group.

Data Analysis

The relationships between both PEM and income with financial management behaviors were first tested on the bivariate level using Pearson's *r* correlations and independent samples *t*-tests to provide a baseline. Variations in the independent variables were also evaluated. Ordinary least squares regression analysis was then used for evaluating each of the financial management behavior subscales—cash management, credit management, and savings and investment. For each regression, the first model included only PEM. The second model included both income variables and all other demographic controls while the interaction terms between income levels and PEM were entered in the third model.

Results

Bivariate Analyses

Table 2 shows the Pearson's *r* correlations among the three financial management behavior subscales, PEM, and FOP income. As can be seen, the relationships varied across the different subscales in both strength and significance. For both cash management ($r = .118$, $p < .01$) and savings and investment ($r = .137$, $p < .01$), an increase in PEM is associated with more positive financial management behaviors. Similarly, as FOP income increases, so do positive savings and investment behaviors ($r = .151$, $p < .01$). The bivariate relationships between FOP income and the other two financial management behavior subscales were not significant. Exploration of the bivariate relationship between FOP income and PEM was significant and positive, but weak ($r = .095$, $p < .01$), justifying the inclusion of FOP income in multivariate models. The individual financial management behavior subscales were used as opposed to one overarching measure of financial management behavior, as suggested by Dew and Xiao (2011).

ANOVA tests were also conducted to provide an initial look at the bivariate relationships between current income and the three financial management behavior subscales as well as PEM as noted in Table 3. There was a significant association for cash management, F (2, 1105) = 10.67, $p < .001$, credit management, F (2, 1105) = 9.84, $p < .001$, and savings and investment, F (2, 1105) = 70.50, $p < .001$. Upon exploration of post hoc tests for both cash management and credit management, the means were significantly lower when comparing lower income to both middle and upper income, but middle income was not significantly different from upper income. For savings and investment, all three groups were significantly different from one another. Additionally, PEM did not vary across current income, F (2, 1105) = 1.39, $p > .05$.

Cash Management Regression Analysis

Increases in PEM were associated with increases in positive cash management behaviors ($b = .09$, $p < .01$) as noted in Table 4. The comparison between current income status, upper income compared to lower income, was statistically significant ($b = .14$, $p < .05$). Those in the upper income level reported more positive cash management behaviors than those in the lower income level. Males had fewer positive cash management behaviors and individuals with bachelor's degrees or higher had more positive cash management behaviors.

There was not a significant association between FOP income and current cash management behaviors. The effect of PEM on cash management, however, does vary by FOP income, as the interaction term was significant ($b = .04$, $p < .05$). As shown in Figure 2, the positive relationship between PEM and cash management is greater for those with lower FOP income. Note that low and high PEM, as well as lower and upper FOP income, reflect one standard deviation below and one standard deviation above the mean.

Credit Management Regression Analysis

The association between current income and credit management behaviors was statistically significant for both middle to lower income ($b = .25$, $p < .01$) and upper to lower income ($b = .35$, $p < .01$). Middle and upper income individuals reported more positive credit management behaviors than those in the lower income level. However, neither PEM nor FOP income, nor the other demographic variables were significantly associated with credit management behaviors (Table 5).

While PEM was not significantly associated with credit management, the interaction with current income level was

TABLE 2. Bivariate Correlations Financial Management Behaviors and PEM with FOP Income

	Cash Management	Credit Management	Savings & Investment	PEM
Cash Management	–			
Credit Management	−0.023	–		
Savings & Investment	0.442**	0.116**	–	
PEM	0.118**	0.019	0.137**	–
FOP Income	0.021	−0.017	0.151**	0.095**

*$p < .05$. **$p < .01$.

significant when comparing middle income to lower income. This indicates the effect is explained by the variables in combination as opposed to individually. Results indicate the impact of PEM on credit management is opposite depending on income level, as shown in Figure 3. For those who are lower income (making less than $20,000 a year), greater PEM is associated with worse credit management behaviors. For those classified as middle income (making between $20,000 and $70,000), greater PEM appears to result in better credit management behaviors.

Savings and Investment Regression Analysis

The results for the savings and investment subscale is shown in Table 6. While there were no significant interactions in model 3, several key variables and demographic variables did impact savings and investment behaviors. An increase in PEM was associated with an increase in positive savings and investment behaviors ($b = .09$, $p < .01$). While the impact of FOP income was not significant, both those who are currently middle income ($b = .35$, $p < .01$) and those who are currently upper income ($b = .64$, $p < .01$) reported more positive savings and investment behaviors in comparison to those who are lower income. Those who were working full-time and those with a bachelor's degree or higher also reported more positive savings and investment behaviors. While not central to the study, it should also be noted that, while very weak, an increase in age seemed to be associated with a slight decrease in reported positive savings and investment behaviors.

Discussion

The results of the study indicate that some financial management behaviors are significantly related to PEM and income, lending partial support to the first and second hypotheses. For a young adult, the belief that economic mobility is a possibility in his/her life creates hope and, consequently, motivates them to practice appropriate financial behaviors. This relationship was significant for both cash management and savings- and investment-related behaviors, even after other demographic variables were introduced. The results of this research support the work of Yoon and Kim (2016), which showed that high PEM by materialistic consumers regulates behaviors directed towards achieving long-term success. Applying these results to the financial management behavior models of Gudmunson and Danes (2011) and Serido et al. (2013), an increase in an individual's PEM may help improve overall financial behavior and well-being. This may be achieved by increasing financial management knowledge through the promotion of opportunity and education (Gutter & Copur, 2011; Serido et al., 2013).

The third hypothesis in the current study looked at the relationships between the independent variables. While the emphasis for this research was placed on the relationship

TABLE 3. ANOVA Tests for PEM and Financial Management Behaviors Across Current Income

	Lower Income		Middle Income		Upper Income			
	M	*SD*	*M*	*SD*	*M*	*SD*	*F*	*p*
Cash Management	3.77	0.68	3.92	0.64	4.04	0.58	10.674	0.000
Credit Management	2.14	1.04	2.42	1.05	2.50	1.16	9.844	0.000
Savings & Investments	2.79	0.86	3.27	0.84	3.66	0.69	70.504	0.000
PEM	4.46	1.14	4.48	1.08	4.63	1.11	1.391	0.249

TABLE 4. Regression Results for Cash Management Behaviors

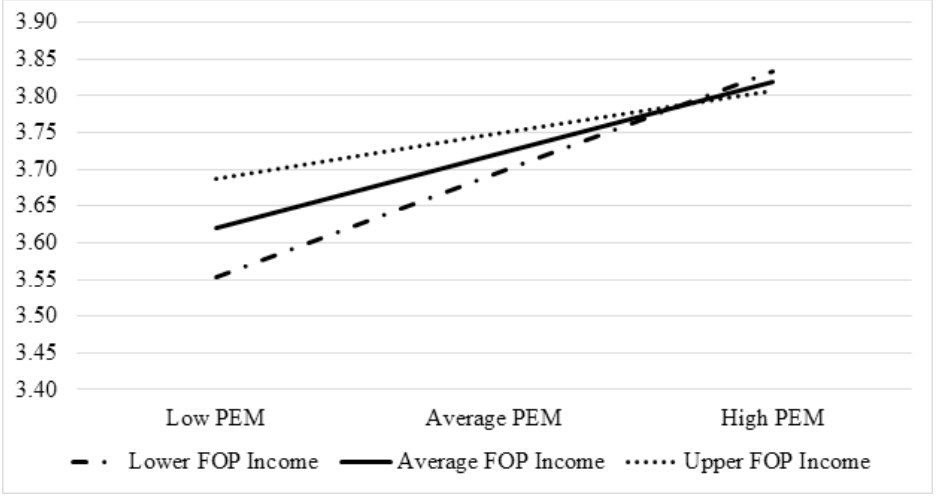
	Model 1		Model 2		Model 3	
Variable	***b***	***SE***	***b***	***SE***	***b***	***SE***
Intercept	3.886	.019	3.723	.110	3.720	.110
PEM	.080	.018**	.090	.017**	.089	.029**
Middle Income			.068	.049	.068	.049
Upper Income			.152	.069*	.140	.069*
FOP Income			−.031	.021	−.028	.021
Age			.004	.004	.004	.004
Male			−.230	.039**	−.234	.039**
Bachelor's Degree			.157	.044**	.158	.044**
Employed Full-Time			.067	.047	.062	.047
Middle Income-PEM Interaction					−.004	.037
Upper Income-PEM Interaction					.054	.055
FOP Income-PEM Interaction					.037	.018*
R^2		0.018		0.078		.081

*$p < .05$. **$p < .01$.

between PEM and financial management behaviors, while taking into consideration the role of income, a possible relationship between PEM and income needed to be considered. The bivariate analyses revealed no variation in PEM across current income categories, and FOP income was statistically significant but weakly correlated with PEM. The latter relationship was positive, which is consistent with past research as previously discussed. A continuous measure of current income in dollars, or more than three categories, may result in significant findings.

In partial support of hypothesis four, the interaction between FOP income and PEM was significant, suggesting that the two depend on one another when it comes to

FIGURE 2. FOP income and PEM interaction for cash management.



Note. This figure illustrates how the effect of perceived economic mobility on cash management varies by the FOP income. While trending in a positive direction for all income levels, the impact appears to be greatest for those who grew up in lower FOP income families.

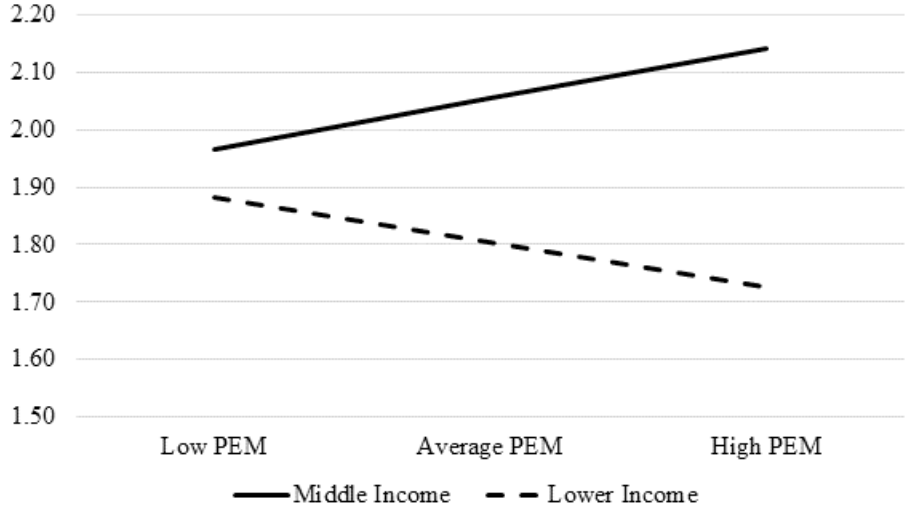
TABLE 5. Regression Results for Credit Management Behaviors

	Model 1		Model 2		Model 3	
Variable	***b***	***SE***	***b***	***SE***	***b***	***SE***
Intercept	2.334	.032	1.826	.186	1.804	.186
PEM	.021	.029	.013	.029	−.071	.049
Middle Income			.255	.083**	.251	.083**
Upper Income			.358	.117**	.351	.117**
FOP Income			−.062	.036	−.064	.036
Age			.012	.007	.012	.007
Male			.065	.066	.065	.066
Bachelor's Degree			−.109	.075	−.103	.075
Employed Full Time			.058	.079	.062	.079
Middle Income-PEM Interaction					.146	.063*
Upper Income-PEM Interaction					.088	.093
FOP Income-PEM Interaction					.010	.030
R^2		.000		.020		.022

*$p < .05$. **$p < .01$.

influencing cash management behaviors. The perception of the ability to get ahead, regardless of the circumstances of one's birth, seemed to matter more for those who saw themselves as growing up in a family that had less than average FOP income. The impact of PEM on cash management behaviors was more limited for those who identified as being from families with above average FOP income growing up. It could be argued that the desire to get ahead, or the belief that it is possible, is important and needs to be encouraged for those from lower-income backgrounds. This desire could be explained by Lerner and Miller's (1978) just-world hypothesis, which argues that from early

FIGURE 3. Current income and PEM interaction for credit management.



Note. This figure illustrates how the effect of perceived economic mobility on credit management varies by an individual's current income. The relationship is positive for middle income individuals and negative for lower income individuals.

TABLE 6. Regression Results for Savings and Investment Behaviors

	Model 1		Model 2		Model 3	
Variable	***b***	***SE***	***b***	***SE***	***b***	***SE***
Intercept	3.162	.026	3.151	.141	3.150	.141
PEM	.101	.024**	.106	.022**	.088	.037*
Middle Income			.348	.062**	.353	.063**
Upper Income			.650	.089**	.640	.089**
FOP Income			.050	.027	.048	.027
Age			−.016	.005**	−.016	.005**
Male			−.066	.050	−.067	.050
Bachelor's Degree			.276	.056**	.277	.056**
Employed Full Time			.165	.060**	.157	.060**
Middle Income-PEM Interaction					.004	.048
Upper Income-PEM Interaction					.121	.070
FOP Income-PEM Interaction					−.001	.023
R^2		0.015		0.161	.162	

*$p < .05$. **$p < .01$.

socialization in childhood, people may believe that their actions in the present can affect their future. Tied to financial management behaviors, this may explain why someone who comes from a lower income background experiences a great impact of PEM on cash management. While testing multiple theories, Ng and Allen (2005) found that greater belief in a just-world was significantly related to greater economic distributive justice. They also noted, however, that higher income individuals perceived greater economic distributive justice. While not directly related to financial management behaviors, the link between income and perception does appear to be important when it comes to understanding an individual's economic outlook.

Of particular importance in the current study is the fact that many variables, including current income, PEM, education, and employment status, were significantly related to savings and investment behaviors. Saving for and investing in the future by putting money into a retirement account or investing in stocks are behaviors that become an intentional commitment that not all young adults may choose or deem necessary. However, cash management and credit management behaviors are seen as normal aspects of life for a typical young adult (millennial). Understanding what factors influence these behaviors may be important for financial planners and counselors to consider when working with clients.

A striking difference regarding the findings for savings and investment behaviors were the findings for credit management, as none of the demographic control variables had a significant impact. Even the significant associations with current income accounted for only a small amount of variance. The interaction between PEM and current income was significantly related to credit management, but only for middle income compared to lower income. This also lends partial support to hypothesis four. Greater PEM can positively impact credit behaviors, but only for those who are middle income. For those who are lower income, the impact seems to be negative. The plotted interaction in Figure 3 suggests that, for individuals of lower income, increases in beliefs about the possibility of upward mobility results in fewer positive credit-related behaviors. It is possible that those who are lower income have higher credit card and loan debt and lack the income to pay credit card balances in full every month. Accruing debt through the acquisition of student loans could be seen as an investment in the future. The current study does not explore this, but it is an avenue for further research on the relationship between PEM and credit management behaviors.

Limitations and Future Directions

The current research focused on PEM and its relationship with financial management behaviors. More specifically, this measure asked participants how they felt about what was possible in society in general, not whether they

themselves had a chance at upward mobility. This current study does not examine other domains of perception such as financial knowledge, financial well-being, and overall well-being. Further studies should consider these factors in order to understand the contributions and possible interplay of self-perceptions as well as perceptions of what is possible in society. It is possible that the perception of what is possible in society combined with perceived knowledge could affect behaviors or that perception moderates the relationship between knowledge and behavior. Additionally, consumer behaviors or traits, such as materialism, impulsive spending, or frugality, similar to the research completed by Yoon and Kim (2016), may be considered, as relationships exist between consumer and financial behaviors.

Research has also shown that family background influences the outcomes of young adults when income inequality exists, consequently making it less likely for hard-working individuals to be rewarded (Corak, 2013). Although the variable of FOP income was included in this research, additional financial and consumer socialization factors may be tested in conjunction with financial management behavior-related findings. Other familial influences or perceptions of family spending and saving behaviors could also be incorporated into future analyses to further explore the impact of family on both perceptions of society and mobility as well as individual financial behaviors.

The current research was conducted with a specific focus on young adults. This generation has received much attention in both research and the news media. While the current study found that age had no effect, the age range was only 18 to 34 year olds at the time the survey data were collected. It is possible that other generations may practice different financial management behaviors and may have different perceptions of economic mobility. Future research could compare multiple generations to see if variations exist.

The influence of the level of perception of whether or not economic mobility is possible in society on financial management behaviors may serve as a starting point for better understanding related changes in well-being. More specifically, future research could include a measure of whether or not an individual actually achieves upward mobility. Additionally, other outcome measures could be considered in future research. While the results of the cash management and savings and investment behaviors analyses showed various significant effects, as noted previously, the credit management results were more limited. It is possible that the questions on credit management were difficult to answer or not applicable for an individual with no loans or credit cards.

Implications

A major implication of the current study's findings is for financial planners, counselors, and policy makers. The results support the effect of a person's perception on their behaviors, specifically with regard to their beliefs about the ability to be socially mobile in our society. Having an understanding of one's own beliefs could help a person to prioritize and better address their personal financial goals. This knowledge can also help give insight to planners and counselors as they prepare to work with clients of different backgrounds. Policy makers should consider the factors associated with financial management behaviors, specifically the finding that low-income individuals with high levels of PEM exhibit strong cash management behaviors but lower credit management behaviors. Policy should focus on encouraging the perception that upward mobility is possible while also educating about credit management.

Additionally, PEM and financial management behaviors are dynamic in nature as individuals change due to education attainment, employment levels, and other life experiences. This study supports the belief in educating young adults, particularly those who are first in their families to obtain college degrees or who come from low-income families, in order to influence their perceptions and improve their financial behaviors, financial well-being, and overall well-being. Results of the study did show that those with a bachelor's degree or higher engaged in more positive financial management behaviors, but that work still needs to be done in order to better understand the young adult generation and their financial behaviors. As more individuals in this generation reach adulthood by entering the workforce and having families of their own, a focus on financial management and planning in the present will become key to their future financial success. Understanding the roles that PEM and income play will be key to both these young adults and the planners and counselors who will help them to shape their financial futures.

References

Ahuvia, A. C., & Wong, N. Y. (2002). Personality and values based materialism: Their relationship and origins.

Journal of Consumer Psychology, *12*(4), 389–402. http://dx.doi.org/10.1207/15327660260382414

Bandura, A. (1989). Social cognitive theory. In R. Vasta (Ed.), *Annals of child development* (pp. 1–60). Greenwich, CT: JAI Press.

Beutler, I. (2012). Connections to economic prosperity: Money aspirations from adolescence to emerging adulthood. *Journal of Financial Counseling & Planning*, *23*(1), 17–32. http://www.afcpe.org/news-and-publications/journal-of-financial-counseling-and-planning.

Beutler, I., Beutler, L., & McCoy, J. K. (2008). Money aspirations about living well: Middle school student perceptions. *Journal of Financial Counseling & Planning*, *19*(1), 44–60. http://www.afcpe.org/news-and-publications/journal-of-financial-counseling-and-planning.

Bullock, H. E., & Limbert, W. M. (2003). Scaling the socioeconomic ladder: Low-income women's perceptions of class status and opportunity. *Journal of Social Issues*, *59*(4), 693–709. http://dx.doi.org/10.1046/j.0022-4537.2003.00085.x

Cho, S. H., Gutter, M., Kim, J., & Mauldin, T. (2012). The effect of socialization and information source on financial management behaviors among low- and moderate-income adults. *Family and Consumer Sciences Research Journal*, *40*(4), 417–430. http://dx.doi.org/10.1111/j.1552-3934.2012.02120.x

Choi, S., Gudmunson, C., Griesdorn, T., & Hong, G. -S, Gong-Soog, H. (2016). Assessing college student needs for comprehensive financial counseling. *Journal of Financial Counseling and Planning*, *27*(2), 158–171. http://dx.doi.org/10.1891/1052-3073.27.2.158

Corak, M. (2013). Income inequality, equality of opportunity, and intergenerational mobility. *Journal of Economic Perspectives*, *27*(3), 79–102. http://dx.doi.org/10.1257/jep.27.3.79

Danes, S. M., & Haberman, H. R. (2007). Teen financial knowledge, self-efficacy, and behavior: A gendered view. *Journal of Financial Counseling & Planning*, *18*(2), 48–60. http://www.afcpe.org/news-and-publications/journal-of-financial-counseling-and-planning.

Davidai, S., & Gilovich, T. (2015). Building a more mobile America-one income quintile at a time. *Perspectives on Psychological Science*, *10*(1), 60–71. http://dx.doi.org/10.1177/1745691614562005

Dew, J., & Xiao, J. J. (2011). The financial management behavior scale: Development and validation. *Journal of Financial Counseling and Planning*, *22*(1), 43–59. http://www.afcpe.org/news-and-publications/journal-of-financial-counseling-and-planning.

Donnelly, G., Iyer, R., & Howell, R. T. (2012). The big five personality traits, material values, and financial well-being of self-described money managers. *Journal of Economic Psychology*, *33*(6), 1129–1142. http://dx.doi.org/10.1016/j.joep.2012.08.001

Fischer, J. A. V. (2009). The welfare effects of social mobility: An analysis for OECD countries. *Munich Personal RePEc Archives* (Paper No. 17070). Retrieved from https://mpra.ub.uni-muenchen.de/id/eprint/17070

Fisher, P. (2016). Differences in credit card use between white and Hispanic households. *Journal of Financial Counseling and Planning*, *27*(2), 199–214. http://dx.doi.org/10.1891/1052-3073.27.2.199

Friedline, T. (2014). The independent effects of savings accounts in children's names on their savings outcomes in young adulthood. *Journal of Financial Counseling & Planning*, *25*(1), 69–89. http://www.afcpe.org/news-and-publications/journal-of-financial-counseling-and-planning.

Fry, P. (2015). *This year, millennials will take over baby boomers.* Pew Research Center. Retrieved from http://www.pewresearch.org/fact-tank/2015/01/16/this-year-millennials-will-overtake-baby-boomers/

Gallup. (2016). How millennials want to work and live. Retrieved from http://www.gallup.com/reports/189830/millennials-work-live.aspx

Griskevicius, V., Tybur, J. M., Delton, A. W., & Robertson, T. E. (2011). The influence of mortality and socioeconomic status on risk and delayed rewards: A life history theory approach. *Journal of Personality and Social Psychology*, *100*(6), 1015–1026. http://dx.doi.org/10.1037/a0022403

Gudmunson, C. G., & Danes, S. M. (2011). Family financial socialization: Theory and critical review. *Journal of Family and Economic Issues*, *32*(4), 644–667. http://dx.doi.org/10.1007/s10834-011-9275-y

Gutter, M., & Copur, Z. (2011). Financial behaviors and financial well-being of college students: Evidence from a national survey. *Journal of Family and Economic Issues*, *32*(4), 699–714. http://dx.doi.org/10.1007/s10834-011-9255-2

Gutter, M. S., Garrison, S., & Copur, Z. (2010). Social learning opportunities and the financial behaviors of college students. *Family and Consumer Sciences Re-*

search Journal, *38*(4), 387–404. http://dx.doi.org/10.1111/j.1552-3934.2010.00034.x

Gutter, M. S., Hayhoe, C. R., DeVaney, S. A., Kim, J., Bowen, C. F., Cheang, M., . . . Dorman, R. (2012). Exploring the relationship of economic, sociological, and psychological factors to the savings behavior of low- to moderate-income households. *Family and Consumer Sciences Research Journal*, *41*(1), 86–101. http://dx.doi.org/10.1111/j.1552-3934.2012.02130.x

Heckman, S. J., & Hanna, S. D. (2015). Individual and institutional factors related to low-income household saving behavior. *Journal of Financial Counseling and Planning*, *26*(2), 187–199. http://www.afcpe.org/news-and-publications/journal-of-financial-counseling-and-planning.

Henager, R., & Mauldin, T. (2015). Financial literacy: The relationship to saving behavior in low- to moderate-income households. *Family and Consumer Sciences Research Journal*, *44*(1), 73–87. http://dx.doi.org/10.1111/fcsr.12120

Henegar, J. M., Archuleta, K., Grable, J., Britt, S., Anderson, N., & Dale, A. (2013). Credit card behavior as a function of impulsivity and mother's socialization factors. *Journal of Financial Counseling and Planning*, *24*(2), 37–49.

Jorgensen, B. L., Foster, D., Jensen, J. F., & Vieira, E. (2017). Financial attitudes and responsible spending behavior of emerging adults: Does geographic location matter? *Journal of Family and Economic Issues*, *38*(1), 70–83. http://dx.doi.org/10.1007/s10834-016-9512-5

Jorgensen, B. L., Rappleyea, D. L., Schweichler, J. T., Fang, X., & Moran, M. E. (2017). The financial behavior of emerging adults: A family financial socialization approach. *Journal of Family and Economic Issues*, *38*(1), 57–69. http://dx.doi.org/10.1007/s10834-015-9481-0

Kim, J., & Chatterjee, S. (2013). Childhood financial socialization and young adults' financial management. *Journal of Financial Counseling and Planning*, *24*(1), 61–79. http://www.afcpe.org/news-and-publications/journal-of-financial-counseling-and-planning.

Kim, J., Chatterjee, S., & Kim, J. E. (2012). Outstanding AFCPE[R] conference paper: Debt burden of young adults in the United States. *Journal of Financial Counseling and Planning*, *23*(2), 55–67. http://www.afcpe.org/news-and-publications/journal-of-financial-counseling-and-planning.

Lerner, M. J., & Miller, D. T. (1978). Just world research and the attribution process: Looking back and ahead. *Psychological Bulletin*, *85*(5), 1030–1051. http://dx.doi.org/10.1037/0033-2909.85.5.1030

Lyons, A. C., Chang, Y., & Scherpf, E. M. (2006). Translating financial education into behavior change for low-income populations. *Journal of Financial Counseling and Planning*, *17*(2), 27–45. http://www.afcpe.org/news-and-publications/journal-of-financial-counseling-and-planning.

Mauldin, T., Henager, R., Bowen, C. F., & Cheang, M. (2016). Barriers and facilitators to saving behavior in low- to moderate-income households. *Journal of Financial Counseling and Planning*, *27*(2), 231–251. http://dx.doi.org/10.1891/1052-3073.27.2.231

Moore, J. C., Stinson, L. L., & Welniak, E. J. (2000). Income measurement error in surveys: A review. *Journal of Official Statistics*, *16*(4), 331–361. https://www.degruyter.com/view/j/jos.

Moschis, G. P. (1985). The role of family communication in consumer socialization of children and adolescents. *Journal of Consumer Research*, *11*(4), 898. http://dx.doi.org/10.1086/209025

Ng, S. H., & Allen, M. W. (2005). Perception of economic distributive justice: Exploring leading theories. *Social Behavior and Personality: An International Journal*, *33*(5), 435–454. http://dx.doi.org/10.2224/sbp.2005.33.5.435

O'Neill, B., & Xiao, J. J. (2012). Financial behaviors before and after the financial crisis: Evidence from an online survey. *Journal of Financial Counseling & Planning*, *23*(1), 33–46.

Park, N., Heo, W., Ruiz-Menjivar, J., & Grable, J. E. (2017). Financial hardship, social support, and perceived stress. *Journal of Financial Counseling and Planning*, *28*(2), 322–332. http://dx.doi.org/10.1891/1052-3073.28.2.322

Perry, V. G., & Morris, M. D. (2005). Who is in control? The role of self-perception, knowledge, and income in explaining consumer financial behavior. *Journal of Consumer Affairs*, *39*(2), 299–313. http://dx.doi.org/10.1111/j.1745-6606.2005.00016.x

Pew Research Center. (2016). *Who is 'middle income' and 'upper income'* in 2014? [Figure]. Retrieved from http://www.pewsocialtrends.org/2016/05/11/americas-shrinking-middle-class-a-close-look-at-changes-within-metropolitan-areas/st_2016-05-12_middle-class-geo-03/

Piaget, J. (1972). Intellectual evolution from adolescence to adulthood. *Human Development*, *15*(1), 1–12. http://dx.doi.org/10.1159/000271225

Prawitz, A. D., & Cohart, J. (2014). Workplace financial education facilitates improvement in personal financial behaviors. *Journal of Financial Counseling & Planning*, *25*(1), 5–26. http://www.afcpe.org/news-and-publications/journal-of-financial-counseling-and-planning.

Prawitz, A., & Cohart, J. (2016). Financial management competency, financial resources, locus of control, and financial wellness. *Journal of Financial Counseling and Planning*, *27*(2), 142–157. http://dx.doi.org/10.1891/1052-3073.27.2.142

Richins, M. L., & Chaplin, L. N. (2015). Material parenting: How the use of goods in parenting fosters materialism in the next generation. *Journal of Consumer Research*, *41*(6), 1333–1357. http://dx.doi.org/10.1086/680087

Robb, C. A., & Woodyard, A. S. (2011). Financial knowledge and best practice behavior. *Journal of Financial Counseling and Planning*, *22*(1), 60–70. http://www.afcpe.org/news-and-publications/journal-of-financial-counseling-and-planning.

Rutherford, L. G., & DeVaney, S. A. (2009). Utilizing the theory of planned behavior to understand convenience use of credit cards. *Journal of Financial Counseling and Planning*, *20*(2), 48–63. http://www.afcpe.org/news-and-publications/journal-of-financial-counseling-and-planning.

Rutherford, L. G., & Fox, W. S. (2010). Financial wellness of young adults age 18-30. *Family and Consumer Sciences Research Journal*, *38*(4), 468–484. http://dx.doi.org/10.1111/j.1552-3934.2010.00039.x

Schiffman, L. G., Kanuk, L. L., & Wisenblit, J. (2010). *Consumer behavior* (10th ed.). Upper Saddle River, New Jersey: Prentice Hall.

Serido, J., Shim, S., & Tang, C. (2013). A developmental model of financial capability: A framework for promoting a successful transition to adulthood. *International Journal of Behavioral Development*, *37*(4), 287–297.

Shim, S., Barber, B., Card, N., Xiao, J., & Serido, J. (2010). Financial socialization of young adults: The role of family, work, and education. *Journal of Youth and Adolescence*, *39*(12), 1457–1470.

Sinnot, J. (1998). *The development of logic in adulthood: Postformal thought and its applications*. New York, NY: Plenum.

Tach, L. M., & Greene, S. S. (2014). "Robbing Peter to pay Paul": Economic and cultural explanations for how lower-income families manage debt. *Social Problems*, *61*(1), 1–21.

West, S., & Friedline, T. (2016). Coming of age on a shoestring budget: Financial capability and financial behaviors of lower-income millennials. *Social Work*, *61*(4), 305–312. http://dx.doi.org/10.1093/sw/sww057

Xiao, J. J., Ahn, S. Y., Serido, J., & Shim, S. (2014). Earlier financial literacy and later financial behaviour of college students. *International Journal of Consumer Studies*, *38*(6), 593–601. http://dx.doi.org/10.1111/ijcs.12122

Xiao, J. J., Chen, C., & Chen, F. (2014). Consumer financial capability and financial satisfaction. *Social Indicators Research*, *118*(1), 415–432. http://dx.doi.org/10.1007/s11205-013-0414-8

Xiao, J. J., Chen, C., & Sun, L. (2015). Age differences in consumer financial capability. *International Journal of Consumer Studies*, *39*(4), 387–395. http://dx.doi.org/10.1111/ijcs.12205

Xiao, J. J., Tang, C., & Shim, S. (2009). Acting for happiness: Financial behavior and life satisfaction of college students. *Social Indicators Research*, *92*(1), 53–68. http://dx.doi.org/10.1007/s11205-008-9288-6

Yoon, S., & Kim, H. C. (2016). Keeping the American dream alive: The interactive effect of perceived economic mobility and materialism on impulsive spending. *Journal of Marketing Research*, *53*(5), 759–772. http://dx.doi.org/10.1509/jmr.15.0053

Yoon, S., & Wong, N. (2014). Perceived economic mobility: Measurement, validation, and implication for consumer wellbeing and materialism. *Advances in Consumer Research*, *42*, 762–763. https://www.acrwebsite.org/search/search-acr-conference-proceedings.aspx.

Acknowledgments. This article has not been previously published in any form. This research was supported in part by a mini-grant from the Acton Institute.