Childhood Financial Socialization and Debt-Related Financial Well-Being Indicators in Adulthood

David Allen Ammerman[a] *and Cherie Stueve*[b]

The purpose of this study was to explore the potential influence of childhood financial socialization on financial well-being in adulthood. Using a sample (N = 2,213) from De Nederlandsche Bank Household Survey (DHS) we modeled the likelihood of household debt/asset ratio less than or equal to 40%, and the likelihood of a household reporting a current ratio (liquid asset /short-term debt ratio) greater than or equal to 100%. Consistent with predictions of social learning theory, being encouraged to save during childhood had a positive association with meeting the financial planning industry benchmarks for these financial ratios in adulthood. The key implication is that the path to financial well-being does not begin with financial knowledge attained in adulthood, but instead begins with experiential learning and socialization during childhood.

Keywords: childhood financial socialization, financial well-being, financial ratios

Research suggests that parent or guardians have a profound influence on the formation of financial attitudes and beliefs during childhood (Britt, 2016; Grusec & Davidov, 2008; Hira, 1997; Jorgensen & Savla, 2010; Rettig & Mortenson, 1986; Sohn, Joo, Grable, Lee, & Kim, 2012; Van Campenhout, 2015). Theoretically, these agents of social learning impart implicit and explicit lessons to their children (Bandura, 1971). Within the context of financial behavior, individuals begin to develop their financial habits during childhood as they observe their parents' handling of money, and experience managing their own money (Jorgensen & Savla, 2010; Rettig & Mortenson, 1985). Ward (1974) proposed childhood financial socialization as a critical area of study but experiences with money during childhood affect objective measures of financial well-being later in adulthood is an understudied phenomenon.

Childhood financial socialization has important implications for financial education and literacy efforts, given that both areas of research focus on the development of behaviors to enhance financial well-being. In the past several years, however, there has been considerable debate concerning the importance, prevalence, and effectiveness of financial literacy programs. Schuchardt et al. (2009) call for more research in this area, particularly with regard to the development of positive financial behaviors during childhood. We answer that call by exploring the potential influence of childhood financial socialization on objective financial well-being in adulthood. This is accomplished using data from *De Nederlandsche Bank* (DNB) Household Survey (DHS), which asks respondents specific questions related to their experiences with money during childhood, and collects detailed financial data allowing for the calculation of financial ratios commonly used in the financial planning industry. To our knowledge, this is the first study to analyze the potential influence of childhood financial socialization on the likelihood of reporting financial ratios that meet industry benchmarks for financial well-being in adulthood.

Literature Review

Socialization generally refers to the process by which individuals acquire the values, knowledge, and skills necessary to interact with others (Ward, 1974). By extension, financial socialization concerns the process by which individuals develop the attitudes, beliefs, knowledge, and skills necessary to manage financial resources (Kim & Chatterjee,

[a]*Assistant Professor, McDonough School of Business, Georgetown University, Washington, DC 20057. E-mail: daa84@georgetown.edu*
[b]*Private Practitioner, Institute for Personal Financial Planning, Kansas State University, Manhattan, KS 66506. E-mail: cheriestueve@ksu.edu*

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2013; Rettig & Mortenson, 1986). Research has shown that the socialization process has a profound influence on the endurance of developed behaviors, with many being "relatively constant over time" (Rettig & Mortenson, 1986, p. 137). Since the goal of financial counseling and literacy programs is to help clients enhance their financial well-being by adopting healthy financial behaviors, one would think that early intervention and socialization would be key components of these programs. However, many financial literacy programs are grounded in cognitive approaches to learning which emphasize the role of information-transmission and knowledge-attainment in changing behavior (Lusardi, Michaud, & Mitchell, 2015; Lusardi & Mitchell, 2007; White, 2017; Willis, 2009).

The cognitive learning paradigm generally assumes that if individuals have more financial knowledge, they will manage their financial resources better, resulting in enhanced financial well-being (Efland, 1995; Greenwald, 1968; Huston, 2010). Financial literacy programs where participants sit and listen to presentations are grounded in this theoretical perspective—the presenter imparts information to participants, and participants are expected to absorb and act upon this new information. Yet for all the intuitive appeal and advocacy of such programs, the question remains: do these programs actually result in long-term behavior change and improved financial well-being? Attempts to answer this question have been met with mixed results (Schuchardt et al., 2009). Some researchers have reported positive associations between financial literacy programs and financial well-being (Bernheim & Garrett; 2003; Lusardi, 2002) and others have failed to find support for the hypothesis that financial education programs result in "better" financial behavior and improved well-being (Schuchardt et al., 2009; Willis, 2009). Given these findings, Willis (2009) suggests that advocacy of financial literacy programs has more to do with ideology than program effectiveness.

In order to better understand the consensus in the literature, Fernandes, Lynch, and Netemeyer (2014) conducted a meta-analysis of studies which explored the relationship between financial literacy programs and financial behaviors. Their findings suggest that financial literacy programs account for such a small proportion of the variance in financial behavior as to be practically insignificant. Moreover, their findings highlight the likely decay in benefits from participating in a financial literacy program. But perhaps the most striking is the finding that "there is a marked disconnect between the conceptual definition of financial literacy as a skill and form of expertise and how it has been operationalized . . . [as] knowledge of financial facts like compound interest and financial product attributes" (Fernandes et al., 2014, p. 1873). The disconnect referenced by Fernandes et al. can be simply stated as follows: the concept of financial literacy includes elements of skill, but financial literacy programs and measures of financial literacy, grounded in the cognitive paradigm, tend to focus on knowledge-attainment and ignore experiential learning, such as skill-attainment through socialization. Although Schuchardt et al. (2009) do not give such an overt statement of the problem, it is certainly implied through their call for studies "exploring the nature of family influence in the process of consumer and financial socialization" (p. 87).

What seems to be needed, and what seems to be missing from many financial literacy efforts, is some means of helping individuals develop the attitudes, beliefs, and habits that will help them make decisions in their own best interests (LeBaron, Rosa-Holyoak, Bryce, Hill, & Marks, 2018; White, 2017). Research suggests that these things are commonly developed via socialization rather than purely through information-transmission. Socialization refers to the process of learning within the context of one's social environment, which begins very early in childhood (Bandura, 1971; Ward, 1974). Generally, the social learning process entails the development of beliefs and attitudes about behaviors, customs, and outcomes through implicit and explicit instruction by various agents of socialization (Grusec & Davidov, 2008; Hira, 1997). These agents of socialization may include friends, teachers, or popular figures in the news or on social media (Cao & Liu, 2017). Research has shown that parents and guardians generally exert the greatest influence on the socialization process through the generational transfer of subjective norms, values, and attitudes (Hira, 1997; Jorgensen & Savla, 2010; LeBaron, Hill, Rosa, & Marks, 2018; Rettig & Mortenson, 1986; Van Campenhout, 2015; Sohn et al., 2012). In a financial context, many money-beliefs and attitudes are transferred from one generation to the next through the socialization process, and that these attitudes and beliefs can positively or negatively influence financial behavior (Britt, 2016; Klontz & Britt, 2012).

For example, the development of one's attitude concerning their perceived economic mobility may influence their saving and cash management later in adulthood (Szendrey & Fiala, 2018).

The characterization of learning as implicit or explicit simply refers to the degree to which the agent's intentions are made clear. Implicit or vicarious learning occurs when attitudes, beliefs, and behaviors develop through observation of a social agent rather than from direct experience or instruction (Rettig & Mortenson, 1986). For example, a child may learn vicariously by observing the money management practices of their parents and take note of the household's financial outcomes and well-being. Explicit learning, by contrast, refers to the development of attitudes and beliefs through direct experience (e.g., a child receiving an allowance and managing their own money) or through intentional instruction (e.g., teaching a child how to create and follow a budget). In either case, however, it possible some beliefs developed in childhood are only partial truths given the limitations of humans as teachers and learners (Klontz & Klontz, 2009; White, 2017).

Over the past several years, there has been a growing interest in the relationships between childhood financial socialization and adult financial behavior (Garrison & Gutter, 2010). Generally, financial socialization during childhood has been shown to influence both borrowing and saving behaviors in adulthood. For example, Kim and Chatterjee (2013) found that young adults who, as children, had a savings account and monitored their spending were more likely to report being responsible for the managing their own finances and to own nonbank liquid assets (e.g., certificates of deposit). Henegar et al. (2013) examined borrowing behaviors and found that the likelihood of an individual revolving a credit card balance was positively associated with their mother's time preference. Whereas these and other studies have helped us understand how childhood financial socialization influences financial behavior, much of the research is limited by its reliance on samples of young-adult college students. Thus, many questions remain regarding the persistence of childhood financial socialization as an influence on adult financial behavior and well-being in middle and late adulthood.

The ultimate goal for financial researchers, educators, and practitioners is to help people enhance their financial well-being, ostensibly by engaging in certain behaviors (e.g., retirement preparedness, debt management, etc.) to achieve positive financial outcomes. To the extent that financial well-being is related to the concept of satisfaction or happiness with one's financial situation (Joo, 2008), financial well-being may be considered somewhat subjective in nature. However, financial well-being also refers to positive outcomes that are objective and readily observable (e.g., having sufficient funds to cover known obligations and unexpected expenses). It is not surprising, then, that researchers and practitioners use both subjective and objective indicators for measuring financial well-being (Xiao, 2015). One approach for objectively measuring financial well-being has been through the use of financial ratios (DeVaney, 1994).

The use of ratios in financial planning has its origins in corporate finance (DeVaney, 1994). Ratios are commonly used to assess the financial health of a company, to understand the relationships between various items on the income statement and balance sheet, and to make informed assumptions in the creation of pro forma financial statements (Goedhart, Koller, & Wessels, 2015). As the financial planning profession emerged out of the financial services industry, the tools and techniques which had been used to assess the value of corporate stock were applied to the household (Brandon & Welch, 2009; Grable, Klock, & Lytton, 2013).

There are several different types of financial ratios and it is not practical to model all of them in a single paper. This requires researchers to narrow their focus to one or very few areas of interest. We take special note of the findings of the CFP ® Board's 2015 Stress Awareness Month Survey Report, which found that debt was one of the primary stressors for most Americans (ORC International, 2015). Other researchers have found evidence to suggest that debt is a particular concern for households (Hunter & Heath, 2017; Kim, Wilmarth, & Henager, 2017), and so we focus our attention on the debt position of the households. Two common ratios used in practice to assess a household's financial well-being with regard to debt are the debt ratio and the current ratio (Grable et al., 2013). The debt ratio measures the percentage of assets that are financed by debt, with a benchmark of 40% or less. Households with debt ratios above 40% may experience strain due to the commitment of their cash flows to repay debt. The current ratio indicates the ability to pay short-term debts with liquid assets, with a

benchmark of 100% or greater. Households with a current ratio less than 100% have insufficient liquid assets to cover all of their short-term debt obligations.

Theoretical Framework and Hypotheses

Social learning theory has been used to explain the influence of financial socialization on financial behaviors and outcomes in adulthood, and posits that behavior is learned through a process of direct experience and observation (Bandura, 1971; Britt, 2016; Hira, 1997; Kim & Chatterjee, 2013; Van Campenhout, 2015). Within this framework, children learn experientially from the positive and negative consequences of their actions; and also learn vicariously by observing agents of socialization, particularly those role models who are perceived as being similar to themselves. Parents serve as the primary role models in the financial socialization of their children, regardless of any concerted efforts to teach financial skills or habits (Gudmunson & Danes, 2011; Hibbert, Beutler, & Martin, 2004; John, 1999). Through this process of familial socialization, children develop attitudes and beliefs with respect to saving and borrowing which influence their financial behavior and outcomes in adulthood. These attitudes and beliefs form the basis for positive money management habits (e.g., budgeting and saving) which can help individuals avoid excessive consumption and borrowing as adults (Ksendzova, Donnelly, & Howell, 2017). Since assets increase with saving and debt increases with borrowing by definition, the saving and borrowing choices of an individual are ultimately reflected on their personal balance sheet. Thus, one's degree of financial socialization is expected to affect their balance sheet accounts.

Of course, the socialization process is complex. Previous studies have suggested that the receipt of an allowance, having freedom to make financial decisions, being taught to budget or manage money, and being encouraged to save are all characteristics of a child's financial experience (Crites, Behal, Haldeman, & Bennett, 2001; Kim & Chatterjee, 2013; Koonce, Mimura, Mauldin, Rupured, & Jordan, 2008). To the extent that these experiences influence the development of positive financial behaviors (e.g., savings, limiting consumer debt), childhood financial socialization should have a positive influence on the likelihood of meeting industry benchmarks for financial well-being in adulthood (Grable et al., 2013). This results in the following hypotheses

> H1: Childhood financial socialization is positively associated with reporting a debt ratio that is less than or equal to the 40% benchmark.
> H2: Childhood financial socialization is positively associated with reporting a current ratio greater than or equal to the 100% benchmark.

Methodology

Data

This study utilized a sample extracted from the 24th wave of DNB DHS. The DHS is an annually administered panel survey designed to be nationally representative of the Dutch-speaking population in the Netherlands. Data for the 24th wave was collected from 2,213 households between April and October 2016. All members of each participating household over the age of 16 were surveyed. The present study sample was limited to only household financial respondents (i.e., the person most involved in managing the finances of their household).

Missing responses are a well-known problem in survey-based research, and the present study is no exception. For financial variables, most households reported values for some assets, debt, and income accounts and left others blank. This suggests that respondents skipped the items which did not apply to them rather than taking the time to report €0 for those accounts. As such, missing values for financial variables were treated as an observation of €0. Table 1 reports sample characteristics and the percentage of observations missing for each variable. Acock (2005) provides an accessible overview of different analytical techniques for working with missing data, particularly in family oriented research. Multiple imputation has emerged as a favored approach for dealing with missing data in personal finance research, and that is the approach adopted in the present study for handling missing observations on nonfinancial variables. We followed the general process outlined by the University of California Los Angeles, Institute for Digital Research and Education (UCLA: Statistical Consulting Group, 2018). Forty data sets with imputed values for missing observations were created and used for the present analyses.

TABLE 1. Sample Characteristics and Percentage With Missing Observations (*N* = 2,213)

	Mean	*SD*	% Missing
Debt ratio ≤ 40%	.55	.50	0.00
Current ratio ≥ 100%	.74	.44	0.00
Future orientation	49.97	8.80	7.74
Risk tolerance	2.38	.86	18.09
Age	52.79	16.51	0.00
Male	.52	.50	0.00
Subjective financial knowledge	2.19	.73	7.74
Education			
Secondary education	.34	.47	0.00
Vocational education	.49	.50	0.00
University degree	.17	.38	0.00
Employed	.47	.50	0.00
Marital status			
Single	.31	.46	19.69
Cohabitating	.12	.33	19.69
Married	.57	.50	19.69
Household size	2.38	1.25	0.00
Children in household	.22	.41	0.00
Own home	.48	.50	0.00
Household net income			
€0–€10,000	.44	.50	0.00
€10,001–€30,000	.30	.46	0.00
€30,001–€50,000	.18	.39	0.00
Over €50,000	.07	.25	0.00
Asset tangibility ratio			
0%–25%	.16	.36	0.00
25%–50%	.06	.23	0.00
50%–75%	.10	.31	0.00
75%–100%	.68	.47	0.00
Childhood financial socialization			
Received allowance	2.75	1.35	7.74
Had financial freedom	2.73	1.34	7.74
Was taught to budget	2.59	1.08	7.74
Was encouraged to save	2.71	1.02	7.74

Dependent Variables

Given that debt is a common financial stressor for many individuals, we modeled whether or not the household met the industry benchmark for the debt ratio and the current ratio. The household debt ratio was calculated by dividing total household liabilities by total household assets. The value of total household assets was measured continuously as the sum of 25 asset categories. The value of total household liabilities was measured continuously as the sum of eight liability categories. Overdrawn balances in checking accounts were considered liabilities. Meeting the industry debt ratio benchmark was coded as 1 if the household reported a debt ratio less than or equal to 40%, and coded as 0 otherwise.

The current ratio was calculated by dividing total household monetary assets by total household nonmortgage and noneducational debt. It is not appropriate to include mortgage debt and student loans in the calculation of the current ratio because they are long-term in nature. The value of household monetary assets was measured continuously as the sum of cash held in checking and savings accounts, and the value of certificates of deposit. The value of household nonmortgage and noneducational debt was measured continuously as the sum of payables (i.e., overdrawn checking accounts), credit cards, credit lines, and loans from family members. Meeting the industry current ratio benchmark was coded 1 if the household reported a current ratio greater than or equal to 100%, and was coded 0 otherwise.

Independent Variables

Childhood Financial Socialization. The DHS includes several items related to respondents' childhood financial experience. The present study analyzed the influence of four of these experiences on household financial well-being, controlling for the other factors discussed earlier (a) receiving an allowance as a child, (b) freedom to make financial decisions as a child, (c) being taught to use a budget as a child, and (d) being encouraged to save as a child. Receiving an allowance was measured by a single item which asked respondents to report the degree to which they received a regular allowance as a child between the ages of 8 and 12. Possible responses included:

- Yes.
- Yes, but it was sometimes forgotten.
- Occasionally.
- No.

Responses to this item were used to create a scale from 4 (*yes*) to 1 (*no*) with higher values indicating greater consistency in receiving an allowance during childhood.

The freedom to make financial decisions as a child was measured by a single item which asked respondents to indicate on a scale from 1 (*my parents decided on how I spent all my money*) to 5 (*I could decide on all my expenditures*) the degree to which they were able to spend their money as they pleased during their childhood. The experience of being taught to use a budget was measured by a single item which asked respondents to indicate on a scale from 1 (*yes, they gave me advice and practical help*) to 4 (*no*) the degree to which their parents or grandparents taught them how to make and use a budget. Responses to this item were reverse coded so that higher values indicated greater involvement by the parent or guardian in teaching budgeting to the respondent during childhood. Finally, the experience of being encouraged to save was measured by a single item which asked respondents to indicate on a scale from 1 (*yes, they emphasized the necessity of saving*) to 4 (*no, not at all)* the degree to which parents or grandparents encouraged them to save between the ages of 12 and 16. Responses to this item were reverse coded so that higher values indicated greater parental encouragement to save during late childhood.

Personal Factors. Research suggests that household financial decisions—particularly the kind that affect the debt ratio and current ratio—may be influenced by an individual's degree of future orientation and risk tolerance (Ammerman, 2017). Future orientation refers to one's propensity to think about the future when making decisions and was measured using an adaptation of the Consideration of Future Consequences (CFC) scale found in the DHS (Webley & Nyhus, 2006). Respondents were asked to indicate their agreement with 12 statements regarding their disposition toward thinking about future consequences on a scale from 1 (*extremely uncharacteristic*) to 7 (*extremely characteristic*). The statements consider one's general orientation to the future and are not domain specific. Examples of the statements posed to respondents include "I think about how things can change in the future and try to influence those things in my everyday life," and "I often work on things that will only pay off in a couple of years." Items were reverse coded as necessary so that higher scores indicated a higher level of future orientation. Responses to the 12 items ($\alpha = .73$) were then added to form a continuously measured summative scale with a range from 12 to 84.

Risk tolerance generally refers to the degree of uncertainty an individual is willing to endure. Risk tolerance was measured by six items ($\alpha = .61$) which asked respondents to rate their agreement with statements regarding their attitude toward financial risk on a scale from 1 (*totally disagree*) to 7 (*totally agree*). Examples of the statements posed to respondents include "I do not invest in shares, because I find this too risky" and "I want to be certain that my investments are safe." Responses to each item were averaged following the approach of Kapteyn and Teppa (2011) to form a composite measure of risk tolerance. A post hoc principal component analysis was conducted to explore the reasons for the scale's relatively low reliability. Results suggested that the six items which comprise the scale measured two different factors of risk tolerance. Additional analyses were conducted to test the empirical models shown in Equations 1 and 2 using a modified version of the scale which included only four items ($\alpha = .68$). The results were consistent with those of our primary analyses using the six-item scale. We report the results using the six-item scale in this paper.

Borrowing and saving behaviors which affect the household debt ratio and current ratio may be influenced by various personal factors such as age and employment status (Winter, Schlafmann, & Rodepeter, 2012). Respondent age was measured continuously by subtracting their reported birth year from 2016 (the year the 24th wave of the survey was conducted). Categories for age groups were created using 10-year increments. Respondents between the ages of 16 and 34 were grouped into a single category due to the low number of observations in this range. Employment status was measured dichotomously by a single item which asked respondents to indicate whether or not they held a paid job. Being employed was coded as 1, and being unemployed was coded as 0. Sex was measured dichotomously by a single item which asked respondents to indicate their sex as either male or female. Males were coded as 1 and females were coded as 0.

Subjective financial knowledge was measured continuously by a single item which asked respondents to rate their knowledge of financial matters on a scale from 1 (*not knowledgeable*) to 4 (*very knowledgeable*). Educational attainment was measured using three categories: completed up to secondary education, completed up to senior vocational

training, and completed a university degree. These categories generally correspond to the different levels and areas of education available to students in the Netherlands. Dutch students are required to complete up to a secondary education, analogous to a high school diploma in the United States. At the tertiary level, Dutch students can choose a vocational track or an academic track at university.

Household Characteristics. Marital status was measured categorically by a single item with three categories: *married, cohabiting*, and *single* (which included respondents who indicated that they were divorced, widowed, or never married). The number of individuals in the household was measured continuously by a single item which asked respondents to report how many people lived in the household. The presence of children in the household was measured dichotomously by a single item. Having children in the home was coded as 1, and not having children in the home was coded as 0. Homeownership was measured by a single item which asked respondents whether they were a tenant, subtenant, or owner of their current accommodation. Responses to this item were used to create a dichotomous variable coded as 1 if respondents reported that they owned their accommodation, and 0 otherwise.

The DHS calculates the net income of each individual within a participating household as gross income, less calculated taxes, plus nontaxable income. Household net income was calculated as the sum of net incomes for each individual within the household. Due to the skewness of observations, household net income was measured categorically by four categories: households with income from €0 to €10,000; those with income from €10,001 to €30,000; those with income from €30,001 to €50,000; and households with income greater than €50,000. Asset tangibility should be controlled when modeling the relationship between assets and liabilities (i.e., the debt ratio and current ratio) because household asset allocation may influence household financing decisions. For example, a decision to invest in real estate may be jointly determined with the decision to finance the investment with a mortgage, which could have a profound influence on the household financial ratios. Household asset tangibility was measured by dividing the value of fixed assets by total household assets. The resulting ratio, which took values from 0 to 1, was then used to create a categorical measure of asset tangibility with four groups: ratio was less than 25%, ratio range from 25% to 50%, from 50% to 75%, and ratio was greater than 75%.

Analytical Methods

Logistic regression was used to model the binary outcomes of the dependent variables. The first analyses modeled the likelihood of respondent *i* reporting a debt ratio less than or equal to 40% as a function of childhood financial socialization λ and a vector of other factors $\boldsymbol{X}$ using the empirical model shown in Equation 1. The term α represents the intercept and the term ε represents estimation error.

$$\Pr(D_i = 1) = \alpha + \beta_n \lambda_i + \boldsymbol{X}\beta + \varepsilon \quad (1)$$

Where $\boldsymbol{X}$ = (*future orientation, risk tolerance, age, sex, marital status, household size, presence of children, subjective financial knowledge, educational attainment, household net income, household asset tangibility*)

The empirical model shown in Equation 1 was first tested by including each childhood financial socialization variable individually. Finally, the model was tested with the inclusion of all socialization variables. The second set of analyses modeled the likelihood of respondent *i* reporting a current ratio greater than or equal to 100% as a function of childhood financial socialization λ and the vector $\boldsymbol{X}$ using the empirical model shown in Equation 2.

$$\Pr(C_i = 1) = \alpha + \beta_n \lambda_i + \boldsymbol{X}\beta + \varepsilon \quad (2)$$

Following the same procedure used for the first set of analyses, the empirical model shown in Equation 2 was first tested by including each childhood financial socialization variable individually before including all socialization variables together.

Results

Sample Characteristics

Univariate results with imputed data are shown in Table 2. Approximately 55% of respondents reported a debt ratio that is considered acceptable by the industry benchmark; and about 74% of respondents reported a current ratio that met the industry benchmark. The average age of respondents was 52.79 years old (*SD* = 16.51), and

TABLE 2. Sample Characteristics With Imputed Observations (*N* = 2,213)

	Mean	*SD*
Debt ratio ≤ 40%	.55	.50
Current ratio ≥ 100%	.74	.44
Future orientation	50.02	8.78
Risk tolerance	2.38	0.86
Age	52.79	16.51
Male	.52	.50
Subjective financial knowledge	2.19	.73
Education		
Secondary education	.34	.47
Vocational education	.49	.50
University degree	.17	.38
Employed	.47	.50
Marital status		
Single	.31	.47
Cohabitating	.13	.33
Married	.56	.49
Household size	2.38	1.25
Children in household	.22	.41
Own home	.48	.50
Household net income		
€0–€10,000	.44	.50
€10,001–€30,000	.30	.46
€30,001–€50,000	.18	.39
Over €50,000	.07	.25
Asset tangibility ratio		
0%–25%	.16	.36
25%–50%	.06	.23
50%–75%	.10	.31
75%–100%	.68	.47
Childhood financial socialization		
Received allowance	2.79	1.35
Had financial freedom	2.76	1.33
Was taught to budget	2.58	1.09
Was encouraged to save	2.68	1.03

a majority (66%) of respondents reported completing tertiary education. Approximately 52% of respondents were male. On average, respondents were slightly future-oriented (M = 50.02, SD = 8.78), risk averse (M = 2.38, SD = 0.86), and more or less knowledgeable about financial matters (M = 2.19, SD = 0.73). On average, respondents occasionally received an allowance as a child (M = 2.79, SD = 1.35); had limited financial freedom in deciding how to spend their money (M = 2.76, SD = 1.33); received some guidance from a parent or guardian regarding budgeting (M = 2.58 SD = 1.09); and were encouraged by a parent or guardian to save their money (M = 2.68, SD = 1.03).

A majority (56%) of respondents were married, and households were comprised of 2.38 individuals (SD = 1.25) on average. About 22% of respondents reported having children, and about 48% of households reported owning their current accommodation. Average household net income was €18,709.17 (SD = 25,445.10). The household balance sheet is constructed in Table 3 showing minimum, mean, and maximum values reported. On average, the value of total household assets was €229,881.20 (SD = 298,652.05) and household total debt was €72,465.85 (SD = 135,543.43).

Regression Results

Multivariate results for the analyses testing the potential influence of childhood financial socialization on the likelihood of reporting a debt ratio less than or equal to 40% are shown in Tables 4 and 5. Models 1 through 4 tested the empirical model shown in Equation 1 using only one childhood financial socialization variable at a time. Model 5 is the complete model with all four socialization variables. Results suggest that parental encouragement to save money during childhood was the most significant aspect of the childhood financial experience (with regard to impacting one's debt ratio in adulthood) and had a positive influence on reporting a debt ratio that met the industry standard. Results from Model 5 suggest that a one-unit increase in the encouragement to save during childhood was associated with a 17% increase in the odds of reporting a debt ratio less than or equal to the benchmark of 40%, controlling for all other factors and aspects of childhood financial socialization.

Multivariate results for the analyses testing the potential influence of childhood financial socialization on the likelihood of reporting a current ratio greater than or equal to 100% are shown in Tables 6 and 7. Models 6 through 9 tested the empirical mode shown in Equation 2 using only one childhood financial socialization variable at a time. Model 10 is the complete model which includes all four socialization variables. Similar to the results discussed earlier, the results of Model 10 suggest that parental encouragement to

TABLE 3. Constructed Household Balance Sheet (*N* = 2,213)

	Min	Mean	Max	*SD*
Cash	€0.00	€25, 323.11	€2, 874, 770.75	€8, 1354.84
Certificates of deposit	0.00	451.81	147, 505.00	4, 597.40
Financial securities	0.00	15, 273.29	2, 868, 054.88	99, 389.12
Receivables	0.00	1, 428.20	300, 000.00	11, 465.33
Business equity	0.00	3, 752.20	3, 750, 000.00	83, 187.56
Fixed assets	0.00	183, 582.59	3, 907, 500.00	222, 333.80
Total assets	0.00	229, 811.20	4, 143, 755.25	298, 652.05
Payables	0.00	197.98	71, 700.00	2, 666.02
Consumer debt	0.00	701.21	119, 999.99	4, 827.36
Other debt	0.00	71, 566.67	2175, 000.00	135, 198.32
Total debt	0.00	72, 465.85	2175, 000.00	135, 543.43
Equity	−1, 280, 006.50	157, 345.35	3930, 629.80	270, 927.68
Total debt and equity	0.00	229, 811.20	4, 143, 755.25	298, 652.05

save was the most important aspect of the childhood financial experience with regard to the current ratio. Parental encouragement to save had a positive influence on reporting a current ratio greater than or equal to 100%. Specifically, a one-unit increase in the encouragement to save during childhood was associated with a 34% increase in the odds of reporting a current ratio that met the industry benchmark, all else equal.

Discussion, Limitations, and Implications

Discussion

Social learning theory suggests that the childhood financial experience influences the development of one's financial beliefs and behaviors, which are ultimately carried into adulthood and affect financial well-being. Theoretically, parents encourage their children to save, and this translates into positive attitudes and beliefs about saving. As an adult, an individual who was encouraged to save as a child carries with them these positive attitudes and beliefs which motivates saving behaviors. Such an individual may be expected to save more and consequently have a better likelihood of reporting financial ratios that meet current industry benchmarks, all else equal. The present results support this theoretical prediction and complement other studies which have found positive associations between financial attitudes, behaviors, and subjective measures of financial well-being (Aboagye & Jung, 2018).

Several studies which have explored the issue of childhood financial socialization have focused on the financial behaviors or outcomes of young adults—individuals who are relatively proximate to their childhood experiences (Kim & Chatterjee, 2013; LeBaron, Hill, et al., 2018). By contrast, the present study sample is not limited to only young adults, but also includes middle-aged and older adults. Controlling for age, being encouraged to save during childhood had a positive association with reporting financial ratios that met industry benchmarks. This suggests that some of the financial lessons learned during childhood have a persistent influence the way individuals manage their money as adults. This is a particularly interesting and important finding when considered juxtapose those related to subjective financial knowledge.

Subjective financial knowledge did not have a statistically significant association with the dependent variables in any of our analyses. These findings lend additional support for the critics of financial literacy efforts which are directed mostly (or even solely) at increasing knowledge (Fernandes et al., 2014; Schuchardt et al., 2009; Willis, 2009). Simply stated, the present results suggest that experiential learning during childhood had more impact on financial behavior than did self-assessed financial knowledge. Thus, the present results yield several important implications for practice. First, financial educators and those who are interested in improving the financial literacy of their clients should not ignore the importance of experiential learning, particularly within a social context. Second, the path to financial literacy and well-being begins in childhood, not in adulthood. At present, many financial education and

TABLE 4. Results of Logistic Regressions Predicting Debt Ratio Less Than or Equal to 40% (*N* = 2,213)

	Model 1		Model 2		Model 3		Model 4		Model 5	
	b	***SE***	***b***	***SE***	***b***	***SE***	***b***	***SE***	***b***	***SE***
Future orientation	0.003	0.006	0.002	0.006	0.001	0.006	0.000	0.006	0.000	0.006
Risk tolerance	0.013	0.067	0.012	0.067	0.021	0.067	0.016	0.067	0.020	0.068
Age (vs. 16–34)										
35–44	0.034	0.180	0.037	0.180	0.042	0.180	0.037	0.180	0.053	0.181
45–54	0.812***	0.180	0.822***	0.180	0.860***	0.181	0.835***	0.180	0.847***	0.182
55–64	1.323***	0.184	1.349***	0.184	1.404***	0.186	1.380***	0.184	1.391***	0.188
65–74	2.062***	0.215	2.099***	0.215	2.161***	0.216	2.121***	0.214	2.132***	0.220
75 and over	2.188***	0.261	2.244***	0.261	2.320***	0.260	2.281***	0.258	2.295***	0.268
Male	−0.210	0.109	−0.211	0.109	−0.204	0.109	−0.210	0.109	−0.211	0.109
Subjective financial knowledge	−0.128	0.075	−0.126	0.075	−0.136	0.075	−0.136	0.075	−0.141	0.075
Education										
Vocational education	−0.182	0.124	−0.184	0.124	−0.186	0.124	−0.190	0.124	−0.188	0.124
University degree	−0.858***	0.171	−0.866***	0.171	−0.858***	0.171	−0.869***	0.171	−0.858***	0.172
Employed	0.205	0.128	0.200	0.128	0.202	0.128	0.191	0.128	0.196	0.128
Marital status (vs. single)										
Cohabitating	0.282	0.210	0.282	0.210	0.281	0.210	0.293	0.210	0.298	0.210
Married	0.402*	0.165	0.408*	0.165	0.415*	0.165	0.398*	0.165	0.397*	0.166
Household size	−0.035	0.094	−0.034	0.094	−0.038	0.094	−0.034	0.094	−0.033	0.095
Children in household	0.091	0.244	0.090	0.244	0.089	0.243	0.075	0.244	0.079	0.244
Own home	1.016***	0.126	1.019***	0.126	1.010***	0.126	0.992***	0.126	0.993***	0.126
Household net income (vs. < €10,001)										
€10,001–€30,000	0.194	0.124	0.199	0.124	0.200	0.124	0.207	0.124	0.199	0.125
€30,001–€50,000	−0.503**	0.167	−0.508**	0.167	−0.516**	0.167	−0.514**	0.168	−0.504**	0.168
Over €50,000	−0.353	0.273	−0.360	0.273	−0.384	0.274	−0.374	0.275	−0.354	0.276
Asset tangibility ratio (vs. ≤ 25%)										
25% ≤ 50%	0.604	0.333	0.600	0.332	0.623	0.333	0.609	0.333	0.632	0.334
50% ≤ 75%	−0.991***	0.237	−0.987***	0.237	−0.995***	0.237	−0.999***	0.237	−1.002***	0.238
75% ≤ 100%	−2.401***	0.180	−2.401***	0.180	−2.404***	0.180	−2.403***	0.180	−2.402***	0.180
Childhood financial socialization										
Received allowance	−0.026	0.043							−0.065	0.048
Had financial freedom			0.017	0.042					0.048	0.046
Was taught to budget					0.119*	0.052			0.047	0.063
Was encouraged to save							0.170**	0.054	0.155*	0.065
χ^2	482.718***		482.350***		482.193***		483.775***		484.677***	
Percent concordant	81.778		81.775		81.813		81.895		81.953	

*$p < .05$. **$p < .01$. ***$p < .001$.

TABLE 5. Odds Ratios From Logistic Regressions Predicting Debt Ratio Less Than or Equal to 40% (*N* = 2,213)

	Model 1	Model 2	Model 3	Model 4	Model 5
Future orientation	1.00	1.00	1.00	1.00	1.00
Risk tolerance	1.01	1.01	1.01	1.01	1.01
Age (vs. 16–34)					
35–44	1.03	1.03	1.04	1.04	1.05
45–54	2.25***	2.27***	2.36***	2.30***	2.32***
55–64	3.75***	3.84***	4.05***	3.97***	4.00***
65–74	7.88***	8.15***	8.66***	8.33***	8.40***
75 and over	8.92***	9.40***	10.12***	9.74***	9.85***
Male	0.81	0.81	0.82	0.81	0.81
Subjective financial knowledge	0.88	0.89	0.88	0.88	0.87
Education					
Vocational education	0.83	0.83	0.83	0.83	0.83
University degree	0.43**	0.42**	0.43**	0.42**	0.43**
Employed	1.23	1.22	1.23	1.21	1.22
Marital status (vs. single)					
Cohabitating	1.31	1.31	1.31	1.33	1.33
Married	1.48*	1.49*	1.50*	1.48*	1.48*
Household size	0.97	0.97	0.97	0.97	0.97
Children in household	1.09	1.09	1.09	1.07	1.08
Own home	2.77***	2.78***	2.75***	2.70***	2.70***
Household net income (vs. < €10,001)					
€10,001–€30,000	1.21	1.22	1.22	1.23	1.22
€30,001–€50,000	0.60**	0.60**	0.60**	0.60**	0.60**
Over €50,000	0.70	0.70	0.68	0.69	0.70
Asset tangibility ratio (vs. ≤ 25%)					
25% ≤ 50%	1.83	1.82	1.86	1.84	1.87
50% ≤ 75%	0.37***	0.37***	0.37***	0.37***	0.37***
75% ≤ 100%	0.09***	0.09***	0.09***	0.09***	0.09***
Childhood financial socialization					
Received allowance	0.98				0.94
Had financial freedom		1.02			1.05
Was taught to budget			1.12*		1.04
Was encouraged to save				1.18**	1.17*

*$p < .05$. **$p < .01$. ***$p < .001$.

literacy programs have been instituted in the public school systems, and these tend to target adolescents and young adults (National Council on Economic Education, 2018). This may be a good start, if they incorporate elements of social learning and involve students' guardians and role models. However, our results suggest that financial literacy efforts might be even more effective if they target children and their families. Financial literacy and the path to financial well-being should not be thought of as just an individual matter, but as a whole family affair. Along these lines, financial counselors and other practitioners should consider this when working with adult clients—the children

TABLE 6. Results of Logistic Regressions Predicting Current Ratio Greater Than or Equal to 100% (*N* = 2,213)

	Model 6		Model 7		Model 8		Model 9		Model 10	
	b	***SE***	***b***	***SE***	***b***	***SE***	***b***	***SE***	***b***	***SE***
Future orientation	0.001	0.008	0.001	0.008	−0.002	0.008	−0.004	0.008	−0.004	0.008
Risk tolerance	−0.270***	0.079	−0.269***	0.079	−0.258**	0.079	−0.270***	0.080	−0.266***	0.080
Age (vs. 16–34)										
35–44	0.296	0.194	0.277	0.194	0.294	0.195	0.282	0.195	0.270	0.196
45–54	0.629**	0.212	0.617**	0.212	0.683**	0.213	0.635**	0.213	0.633**	0.214
55–64	0.441*	0.211	0.405	0.210	0.557**	0.212	0.507*	0.210	0.477*	0.214
65–74	1.272***	0.241	1.222***	0.239	1.424***	0.242	1.350***	0.240	1.305***	0.247
75 and over	1.334***	0.289	1.242***	0.287	1.543***	0.288	1.460***	0.286	1.367***	0.298
Male	−0.071	0.124	−0.070	0.124	−0.060	0.124	−0.073	0.125	−0.068	0.125
Subjective financial knowledge	−0.146	0.088	−0.147	0.088	−0.170	0.088	−0.167	0.089	−0.175	0.089
Education										
Vocational education	−0.206	0.147	−0.209	0.147	−0.221	0.148	−0.242	0.150	−0.243	0.150
University degree	−0.345	0.197	−0.331	0.197	−0.334	0.197	−0.333	0.198	−0.314	0.198
Employed	0.760***	0.144	0.759***	0.144	0.761***	0.145	0.719***	0.146	0.731***	0.146
Marital status (vs. single)										
Cohabitating	0.224	0.246	0.223	0.246	0.224	0.248	0.227	0.250	0.230	0.251
Married	0.447*	0.190	0.443*	0.190	0.452	0.191	0.415	0.191	0.407*	0.192
Household size	0.123	0.111	0.120	0.111	0.126	0.111	0.138	0.111	0.135	0.111
Children in household	−0.157	0.285	−0.162	0.285	−0.190	0.285	−0.237	0.287	−0.241	0.287
Own home	1.546***	0.134	1.547***	0.134	1.546***	0.135	1.545***	0.136	1.545***	0.136
Household net income (vs. < €10,001)										
€10,001–€30,000	0.768***	0.150	0.772***	0.150	0.780***	0.150	0.800***	0.151	0.794***	0.152
€30,001–€50,000	0.586**	0.201	0.588**	0.201	0.578**	0.202	0.607**	0.203	0.614**	0.204
over €50,000	0.942**	0.362	0.925*	0.362	0.918*	0.364	0.961**	0.365	0.946**	0.366
Asset tangibility ratio (vs. ≤ 25%)										
25% ≤ 50%	0.191	0.515	0.183	0.515	0.245	0.518	0.221	0.516	0.234	0.518
50% ≤ 75%	1.081	0.750	1.074	0.750	1.110	0.752	1.189	0.755	1.161	0.754
75% ≤ 100%	−3.163***	0.241	−3.179***	0.242	−3.158***	0.241	−3.167***	0.242	−3.180***	0.243
Childhood financial socialization										
Received allowance	−0.027*	0.052							−0.026	0.057
Had financial freedom			−0.098*	0.049					−0.076	0.054
Was taught to budget					0.214***	0.061			0.057	0.074
Was encouraged to save							0.331***	0.063	0.297***	0.076
χ^2	437.724***		438.115***		440.174***		444.367***		444.384***	
Percent concordant	84.865		84.945		85.080		85.468		85.568	

*$p < .05$. **$p < .01$. ***$p < .001$.

TABLE 7. Odds Ratios From Logistic Regressions Predicting Current Ratio Greater Than or Equal to 100% (*N* = 2,213)

	Model 6	Model 7	Model 8	Model 9	Model 10
Future orientation	1.00	1.00	1.00	1.00	1.00
Risk tolerance	0.76***	0.76***	0.77***	0.76***	0.76***
Age (vs. 16–34)					
35–44	1.34	1.32	1.34	1.32	1.30
45–54	1.86**	1.84**	1.97***	1.87**	1.87**
55–64	1.55*	1.49	1.74**	1.65*	1.60*
65–74	3.57***	3.39***	4.15***	3.84***	3.69***
75 and over	3.79***	3.43***	4.65***	4.24***	3.89***
Male	0.93	0.93	0.94	0.93	0.93
Subjective financial knowledge	0.88	0.88	0.85	0.86	0.85
Education					
Vocational education	0.81	0.81	0.80	0.78	0.78
University degree	0.71	0.72	0.72	0.72	0.73
Employed	2.14***	2.14***	2.14***	2.05***	2.07***
Marital status (vs. single)					
Cohabitating	1.20	1.20	1.21	1.20	1.21
Married	1.53*	1.52*	1.54	1.48	1.48*
Household size	1.14	1.14	1.14	1.15	1.15
Children in household	0.84	0.84	0.82	0.78	0.78
Own home	4.71***	4.71***	4.70***	4.69***	4.69***
Household net income (vs. < €10,001)					
€10,001–€30,000	2.14***	2.14***	2.16***	2.21***	2.20***
€30,001–€50,000	1.78**	1.79**	1.77**	1.82**	1.83**
Over €50,000	2.55**	2.50*	2.49*	2.60**	2.55*
Asset tangibility ratio (vs. ≤ 25%)					
25% ≤ 50%	1.21	1.19	1.27	1.24	1.25
50% ≤ 75%	2.96	2.93	3.05	3.31	3.21
75% ≤ 100%	0.04***	0.04***	0.04***	0.04***	0.04***
Childhood financial socialization					
Received allowance	0.98				0.98
Had financial freedom		0.91*			0.92
Was taught to budget			1.24***		1.06
Was encouraged to save				1.39***	1.34***

*$p < .05$. **$p < .01$. ***$p < .001$.

of adult clients would be well-served later in life if they are included in the discussions and interventions meant to enhance the family's financial well-being.

As noted, the first key contribution of this study makes to the literature is the use of a sample that includes representation from several different age groups. The second important contribution originates with the use of financial ratios as the basis for our dependent variables. A financial ratio expresses a relationship between two numbers. In the case of the debt ratio, the relationship is between the total assets and the total debt that has been

accumulated as of a certain point in time. Similarly, the current ratio expresses the relationship between current (i.e., relatively liquid) assets and current (i.e., short-term) debt. The subtle implication by having any debt ratio or current ratio that is a positive number (i.e., not zero and not undefined) is that the household has engaged in some degree of concurrent borrowing and saving. Consider, for example, the debt ratio that would be reported by a household that can save, borrow, or consume in some combination over two periods. If the household is a pure saver, then in the first period it would save a portion of wealth to be consumed in the next period. The household would borrow nothing, so its debt account would be zero and it would report a debt ratio of zero. By contrast, a pure borrowing household would consume all its wealth in the first period, plus borrow some additional resources to be consumed. In the second period it would then payback the loan with interest. For the borrowing household, the debt ratio would be undefined in the first period and then zero in the next. A positive debt ratio can only arise if, in the first period, the household engages in some borrowing while concurrently saving a portion of its total resources. As such, the debt ratio and the current ratio convey information related to the concurrent borrowing and saving behaviors of households.

While the act of borrowing and saving concurrently is a common financial behavior, some economists classify the practice as a behavioral anomaly (Basu, 2016; Morduch, 2010; Spencer & Fan, 2002). Within the standard framework, a household should use its liquid assets to pay-off debt rather than revolving balances and incurring interest costs, especially considering that the interest rate on debt is likely to be higher than the return on a savings account. It is not surprising, then, that some economists tend to conceptualize households as either borrowers or savers and often explore these behaviors in isolation (e.g., Kim & Chatterjee, 2013). But within a financing paradigm, concurrent borrowing and saving is not anomalous because debt is recognized simply as a source of financing for assets (Ammerman, 2017). That is, an individual may wish to accumulate assets (i.e., save) but then they must decide how to finance those assets using either equity (i.e., retained earnings), debt, or some combination. Financial ratios are grounded in this financing paradigm (DeVaney, 1994), and by using the debt ratio and current ratio as the bases of our dependent variables, our results can be interpreted in terms of concurrent borrowing and saving.

Industry benchmarks for the debt ratio and current ratio are supposed to provide some indication of a healthy relationship between concurrent borrowing and saving. As discussed earlier, a debt ratio of 40% or less is commonly considered healthy (Grable et al., 2013). The present results suggest that being encouraged to save during childhood has a positive influence on meeting this benchmark during adulthood. Certainly, it would seem that individuals who were encouraged to save as children are more motivated to accumulate assets. But the more interesting implication of this finding is that these individuals must be more likely to finance their assets with equity rather than debt, resulting in a lower debt ratio—at least one that is less than 40%. It may be that encouragement to save comes with implicit or overt cautions against excessive borrowing (LeBaron, Rosa-Holyoak, et al., 2018). As such, encouragement to save not only motivates saving behavior in adulthood, but also contributes to a preference for equity rather than debt financing which ultimately helps individuals make choices in adulthood that enhance their financial well-being.

Similar interpretations may be made with regard to the current ratio. Unlike the debt ratio, the current ratio includes only current (i.e., short-term) accounts. As such, the current ratio is meant to provide a measure of financial well-being related to the household's ability to meet its more immediate obligations (Grable et al., 2013). A current ratio of 100% indicates that sufficient liquid assets are held to completely cover short-term obligations. The present results suggest that encouragement to save during childhood had a positive association with reporting a current ratio greater than or equal to 100%. Again, the implication is that encouragement to save during childhood helps individuals make the short-term financial decisions in adulthood that will enhance their financial well-being.

Limitations

As with any research project, the present study has some notable limitations. One obvious limitation is that respondents may not have accurately remembered their financial experiences during childhood. A possible way to address this limitation in the future may be through longitudinal studies of families so that elements of the childhood financial experience could be observed at a point of time rather than relying on respondents' memories. An additional limitation arises from our implicit assumption that the industry debt ratio and current ratio benchmarks

are valid measures of household financial well-being. In the present study, we created dichotomous independent variables to indicate whether or not respondents met current industry benchmarks, primarily for the purpose of relating our findings directly to current practice. But it must be remembered that the use of ratios in financial planning originated in corporate finance (DeVaney, 1994).

Corporations differ markedly from households, especially along dimensions that influence the use of debt. Corporations are considered to be going concerns with an infinite life span, and corporate managers may desire to maintain a target debt ratio in order to maximize firm value (Myers, 1984). Consequently, financial analysts may observe some long-run average debt ratio among firms in a given industry, and this average debt ratio may serve as a sort of benchmark in assessing the financial health of a particular firm in that industry (Koller, Goedhart, & Wessels, 2015). Contrastingly, households have finite life spans and their financial decisions may be greatly influenced by their position in the life cycle (Winter et al., 2012). It seems reasonable to suppose that a young household with a heavy debt burden probably has a much different level of financial well-being than a household nearing retirement with a similarly heavy debt burden. Thus, the use of a single debt ratio benchmark as an indicator of household financial well-being irrespective of life cycle status seems inappropriate. Accordingly, this is an area that warrants further research.

Future research should explore the ability of the household debt ratio to predict other measures of financial well-being and financial outcomes at different points in the life cycle. It may be, for example, that having a debt ratio over 40% is not predictive of financial distress or bankruptcy for young households, but is significant in predicting the likelihood of declaring bankruptcy for older households. Another approach to this issue is to include dummy variable categories for different levels of the household debt ratio and use these to predict financial well-being or financial distress in subsamples stratified by age. We suspect that the results of such an analysis would show that young households can tolerate much higher debt ratios than older households. If so, then such analyses and results would suggest that the current debt ratio benchmark used in financial planning should be set aside in favor of a range of benchmarks based on household life cycle status. Whatever approach researchers take, the goal should be to improve the use of the debt ratio as a measure of financial well-being in the household context.

Implications for Practitioners

The present study lends additional evidence to suggest that childhood financial socialization is an important determinant of financial well-being in adulthood. Important implications for practice arise when the present results are considered juxtapose those which call into question the effectiveness of many current financial literacy efforts grounded in a cognitive learning paradigm (Lusardi, Michaud, & Mitchell, 2015; Lusardi & Mitchell, 2007; Willis, 2009). In particular, the present results suggest that educators and practitioners should not discount the importance of experiential learning during childhood (Rettig & Mortenson, 1986). Additionally, whereas previous studies have explored the nature of childhood financial socialization (LeBaron, Hill et al., 2018) and the influence of socialization on borrowing or saving in isolation (Kim & Chatterjee, 2013), the present study adopted a household finance paradigm within which individuals may borrow and save concurrently, consistent with actual household financial behavior (Spencer & Fan, 2002). The present results complement those of previous studies in suggesting that budgeting during childhood had a positive influence on financial well-being in adulthood. The fundamental implication of this research is that the path to financial well-being does not begin in the classroom as an adult, but rather begins with experiential learning and socialization in the home during childhood.

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