

### Abstract

Most financial socialization research focuses on two methods of learning: modeling and discussion. The purpose of this study is to qualitatively explore experiential learning as a third potential method of financial socialization used by parents. Specifically, we explored *what* children learned about finances through experiential learning and *why* parents used experiential learning as a financial socialization method. We used a multigenerational sample of emerging adults (ages 18-30) and their parents and grandparents ( $N = 115$ ). Analyses revealed three core *what* themes (Working Hard, Managing Money, and Spending Wisely) and three core *why* themes (Learning Financial Skills, Acquiring Financial Values, and Becoming Financially Independent) related to experiential learning. These findings have implications for parents, researchers, and educators. In sum, we propose that experiential learning should be regarded as a principal method of financial socialization and should be considered in theory-building, research, and pedagogy.

*Keywords:* financial socialization; experiential learning; financial education; parenting; family finance; emerging adults; qualitative

### Practice Makes Perfect: Experiential Learning as a Method for Financial Socialization

Most parents want to see their children learn the attitudes, behaviors, and skills necessary to succeed as a financially independent adult (Napolitano, Pacholok, & Furstenberg, 2014). The process through which parents help their children acquire this financial repertoire is known as *financial socialization* (Gudmunson & Danes, 2011). Thus far, research has primarily identified two methods in which parents teach their children about money: modeling and discussion (see Serido & Deenanath, 2016, for review). There are many ways parents can be an example of responsible financial attitudes, behaviors, and skill (i.e., modeling). Likewise, there are myriad conversations and overt teaching settings where parents can communicate with words about finances (i.e., discussion). However, there are other ways parents influence their children's financial learning that do not fit in either modeling or discussion. For example, another way for parents to make a difference in their children's future may be by providing hands-on experiences with money. These experiences are neither modeling nor discussion and currently fall off the map of financial socialization. However, perhaps a concept borrowed from the field of education may suggest another method of financial socialization: *experiential learning* (Kolb, 2014). The purpose of this study is to qualitatively explore experiential learning as a third potential method of financial socialization used by parents. We conjecture that parent-facilitated experiential learning is an understudied but critical component of financial socialization by which children develop their financial knowledge, attitudes, and behaviors. Based on qualitative interviews with emerging adults, their parents, and grandparents, we explore experiential learning as a promising method of family financial socialization.

### Literature Review

Recent research reveals that many Americans, particularly emerging adults, lack vital financial knowledge and abilities (Babiarz & Robb, 2014; Lusardi, Mitchell, & Curto, 2010), especially as the complexity of financial challenges has increased (Jorgensen & Savla, 2010; Xiao, Chatterjee, & Kim, 2014). As researchers, practitioners, educators, and policy makers seek to increase financial knowledge and improve financial behaviors, research suggests more attention should be focused on financial socialization in the home. *Family financial socialization* may be defined as “the process of acquiring and developing values, attitudes, standards, norms, knowledge, and behaviors that contribute to the financial viability and individual wellbeing” within a family context (Danes, 1994, p. 128). According to Gudmunson and Danes’ (2011) family financial socialization theory, family financial socialization processes predict children’s financial attitudes, knowledge, and capabilities, which subsequently predict financial behavior and well-being (Danes & Yang, 2014). Thus, the theory proposes that family financial socialization influences children’s financial outcomes in childhood (Webley & Nyhus, 2006) and beyond (Jorgensen & Savla, 2010). Indeed, studies have shown that children learn more about finances from their parents than from any other source (Jorgensen & Savla, 2010; Kim, LaTaillade, & Kim, 2011; Lusardi et al., 2010). Additionally, parents often pay—literally—for the financial incapability of their adult children (West, Lewis, Roberts, & Noden, 2016).

Most research regarding parents’ influence on children’s financial learning has focused on two teaching methods: modeling (or implicit teaching) and discussion (or explicit teaching) (see Serido & Deenanath, 2016, for review). Indeed, family financial socialization theory proposes that financial education takes place implicitly through family interaction and explicitly through parent-child conversations (Danes & Yang, 2014; Gudmunson & Danes, 2011). Social learning theory (Bandura, 1986) provides some explanation for why parental modeling has a

potent influence on children's financial learning by proposing that as children observe and interact with their parents in a social context, the children tend to adopt the attitudes and behaviors they observe. Research has shown that children whose parents model sound financial behaviors will likely imitate those behaviors not only in childhood but also into emerging adulthood and beyond (Jorgensen, Rappleyea, Schweichler, Fang, & Moran, 2017; Shim, Barber, Card, Xiao, & Serido, 2010). In addition to modeling, overt teaching (i.e., parent-child discussion) has been identified and explored as a method of parental financial socialization, with positive outcomes seen throughout the life course (Hira, Sabri, & Loibl, 2013; Jorgensen et al., 2017; Mimura, Koonce, Plunkett, & Pleskus, 2015). While modeling and discussion are principal methods for financial socialization, we propose that a third method has been largely overlooked in the literature: experiential learning.

*Experiential learning* is a term not commonly used in financial socialization literature, but it is a focal topic in the field of education. Kolb (2014) has theoretically defined experiential learning as the process of using life experience to internalize knowledge. Learning by experience works cyclically: one gains external experience, reflects on the observations of that experience, forms new abstract concepts from that reflection, and reapplies what is learned to new experiences. This process can also help children integrate their own knowledge with that of social groups, suggesting that experiential learning may be central to socialization in a family. In short, experiential learning theory (Kolb, 2014) would suggest that one of the key ways in which children may learn about money is through their own (parent-facilitated) experiences.

To our knowledge, only one study has applied Kolb's experiential learning theory directly to financial socialization research. Namely, Tang and Peter (2015) found that hands-on financial experience was an important element of children's financial education and significantly

contributed to children's financial knowledge. While other researchers have not explicitly used the term "experiential learning" in their work, many studies have examined the importance of obtaining personal experience to gain financial knowledge. For example, research has found that children's financial education is more effective when they have opportunities to practice financial principles within the home, and that in so doing they become better prepared for financial independence (Clarke, Heaton, Israelsen, & Eggett, 2005; Sherraden, Johnson, Guo, & Elliott, 2011). Specifically, when children are given the opportunity to handle money and make transactions in the marketplace, they seem to gain a deeper understanding of financial responsibility and develop confidence in their financial decisions (Jorgensen & Savla, 2010). Research also suggests that a lack of economic experience hinders financial literacy during adulthood (Chen & Volpe, 1998).

In addition to studies that have overtly explored the importance of financial learning via experience, other studies seem to have implicitly researched experiential learning. Some common topics explored include children saving or opening bank accounts (Kim & Chatterjee, 2013; Otto, 2013), investing (Hira et al., 2013), receiving an allowance (Kim et al., 2011), learning to spend wisely (John, 1999), using credit cards (Norvilitis & MacLean, 2010), and finding work experience (Hancock, Jorgensen, & Swanson, 2013). Each of these domains helps children to gain personal experience in an increasingly complex financial world, and many of the studies cited found that such experience led to financial knowledge and well-being later in life.

Several recent qualitative studies, all part of the [blinded] project (author cite), provide further evidence for the importance of hands-on experience to children's financial learning. Upon examining what participants wished they had taught and been taught about finances, author (cite) found that participants reportedly wished they had been given more "financial

stewardship” by their parents—while parents wished they had given more financial stewardship to their children. Another study (author cite) found that “opportunities for responsibility” was one of two main methods emerging adults mentioned they planned to use in teaching their future children about finances. Additionally, in a study on what and how financial teaching occurs in families (author cite), experiential learning emerged as a principal method of financial socialization, in addition to modeling and discussion.

Based on the previous research presented, experiential learning seems to be key to a child’s financial education. However, it remains relatively unexplored in financial socialization research and largely neglected in accompanying theoretical discussions. The purpose of the current study is to qualitatively explore experiential learning as a method of parental financial socialization. Specifically, we seek to explore *what* (i.e., topics) children learn about finances through experiential learning and *why* (i.e., motives) parents use experiential learning as a financial socialization method. Family financial socialization (Gudmunson & Danes, 2011) guided the current study in that (a) parents were assumed to be the primary source of children’s financial socialization, and (b) it was assumed that parental financial socialization influences financial behaviors and wellbeing. Additionally, experiential learning theory (Kolb, 2014) guided the current study in that (a) it was assumed that personal experience is one of the key ways by which knowledge, attitudes, and behaviors are learned and internalized, and (b) it was assumed that this experiential learning could be facilitated in and influenced by a family context and (c) applied to financial learning specifically. We hope this study can provide a deeper understanding of the impact personal experience has on children’s financial learning and give insight into the *whats* and *whys* behind experiential learning in this domain.

## **Method**

This study is part of a multigenerational, qualitative project called (blinded). The purpose of this specific study is to deeply examine *what* children learned about finances through experiential learning and *why* parents used experiential learning as a socialization method. As family scholars, we value data and perspectives that take us beyond the individual and inside family processes. Accordingly, family is the unit of analysis in this article.

### **Sample**

The convenience sample for this study was composed of 90 families with at least one emerging adult “child” who was an undergraduate student (age 18-30) enrolled in a collegiate family finance class. Student members of the 90 families were enrolled at one of three universities (i.e., a private university in the Intermountain West, a public university in the Midwest, or a state university in the Southwest). Student members of these 90 families were interviewed by undergraduate members of our research team. We concur with Handel’s (1996) observation that “No [single] member of any family is a sufficient source of information for that family” (p. 346). Accordingly, whenever possible, we also interviewed parents and grandparents from the students’ families as well. As a result, familial perspectives regarding financial experiential learning were gathered from two generations in 11 families, and three generations in five families (with 17 parents and eight grandparents interviewed).<sup>1</sup> The total sample ( $N = 115$  individuals) was 66% (76 of 115) female and 34% (39 of 115) male. The racial composition was 62% (71 of 115) White and 38% (44 of 115) ethnic and/or racial minority (including Black, Latino/Latina, Asian, and Pacific Islander participants).

### **Procedures**

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<sup>1</sup> More specifically, of the eleven two-generation families, six were White families, three were Latino families, and two were Black families; and of the five three-generation families, three were White families and two were Latino families.

Semi-structured interviews were conducted by trained, undergraduate team members either face-to-face or over-the-phone. All interviews began with variations of two open-ended questions: 1) “What did your parents teach you about money?” and 2) “How did they teach you those things?” Parent and grandparent interviews also focused on two additional questions: 3) “What did you teach your children about money?” and 4) “How did you teach them those things?” These four questions were designed to elicit retrospective data, and such data are limited by imperfect memory, revisionist history, and social desirability effects (Gilbert, 2006). Even so, retrospective approaches tend to garner information about what mattered most and may therefore be valuable in discerning best practices for teaching prudent financial behavior. Additionally, the triggers of first living on one’s own and first encountering a need for financial savvy during the undergraduate years may lend this stage of life as a particularly good time for recall of previous financial instruction. Of the 115 participants, 104 (90%) mentioned experiential learning as a method by which they taught and/or were taught about finances. Interviews were recorded and transcribed verbatim. Data were coded and analyzed using a team-based methodology, described in the next section.

### **Coding and Analyses**

A team-based approach to qualitative data collection, coding, and analysis was intentionally designed to produce “more valid, reliable, and rigorous qualitative research” than the solo researcher (or “diva soloist”) approach often employed in qualitative research (Marks, 2015, p. 494). Specifically, the four-phase, team-based (or “quad squad”) approach integrates several strategies for providing greater reliability, including: (a) developing a detailed audit trail for sampling, questionnaire usage, and qualitative coding that demonstrate and provide a “replicable method of inquiry” (Marks, 2015, p. 499); (b) building a diverse qualitative research



team; and (c) coding in pairs with a focus on inter-rater reliability that allows for multiple voices but “tempers the idiosyncrasies [and biases] of any single member” (p. 502).

The data were analyzed by ten research team members (undergraduate and graduate students) who were divided into five coding pairs. Then, consistent with the line-by-line, *open coding* technique recommended in grounded theory methodology (Strauss & Corbin, 1990, pp. 61-75), analysis began. Each member of the coding pair independently open coded each interview, identifying concepts in the data. Coders then met with their partner to review their open codes in a check and balance system, resolving discrepancies as they arose. The early going was laborious but recurring concepts were noted and used to identify emergent themes in the data. Coded excerpts were cataloged employing NVivo 11 qualitative software. For the central, recurring themes reported in this article, composite inter-rater reliability was very high, approximately .90. In our final analyses, only emergent themes documented by all team members and pairs were “designated with the carefully reserved appellation of *core theme*” and presented as such in peer-reviewed work (Marks, 2015, p. 503, emphasis in original).

Following initial coding, the core theme of “Experiential Learning” was further coded for subthemes by team members divided into three coding pairs. Inter-rater reliability for this second wave of coding was, again, approximately .90. Upon coding, we discovered three *what* themes (Working Hard, Managing Money, and Spending Wisely) and three *why* themes (Learning Financial Skills, Acquiring Financial Values, and Becoming Independent) related to experiential learning (see Table 1). These themes will be presented in the following section. [Insert Table 1 here]

## Findings

To integrate core findings, the three *why* themes will be presented in the context of the three *what* themes (see Figure 1). [Insert Figure 1 here] Across all three *what* themes, Becoming Independent was the most frequently-referenced motive (Working Hard: 117 references; Managing Money: 120; Spending Wisely: 94), followed by Acquiring Financial Values (Working Hard: 72; Managing Money: 67; Spending Wisely: 76) and Learning Financial Skills (Working Hard: 41; Managing Money: 64; Spending Wisely: 49). Before presenting the *what* themes, we will briefly introduce the three *why* themes. The first reason parents gave their children financial experiences was so that their children would learn financial skills. For example, a White mother (interview #115) said,

We decided . . . that [our children] were never going to learn how to manage money if they didn't have any money . . . [so] we would pay an allowance for the kids to do their work. The allowance was . . . so they would learn how to pay tithing, [and so that] they would learn how to . . . save up for some things.

Another reason parents facilitated financial experiences for their children was to help the children acquire sound financial values. A Latina grandmother (#155) remembered,

When I was 15, I wanted a 10-speed bike . . . it just became popular, and I really wanted one. For whatever reason, I thought my parents would just buy me one, and they were like, "No, you gotta save up money." . . . I saved up and bought it, and it felt so good to know that [I] worked for what [I] bought.

Finally, parents also gave their children financial experiences so that their children could gradually become independent. A Black mother (#154) explained, "My children knew how to go grocery shopping at an early age. . . . I made sure that they could live on their own . . . [and that] they could depend on themselves." These three *why* themes (Learning Financial Skills, Acquiring Financial Values, and Becoming Independent) will be used to categorize illustrative data in our presentation of the three *what* themes, the first of which is "Working Hard."

### ***What* Theme 1: Working Hard**

Many emerging adult participants reported that during childhood they learned about hard work by working hard themselves. Similarly, many parents and grandparents reported that they taught their children to work hard by giving them opportunities to work, but the work varied considerably. Some participants focused on traditional paid work outside the home. Other children's parents, such as those of this White, male emerging adult (#11), encouraged them in entrepreneurial pursuits:

My brother and I . . . printed off about 200 fliers and took them around the neighborhood and put them around on people's doors. Then the next week we had 12 lawns to mow. They supported us. . . . My dad was like, "Ya know, there's not many people who mow lawns around here, that's something you could consider."

Another emerging adult (White female, #27) remembered, "I taught piano lessons when I was in high school . . . I had 17 to 20 students usually."

For other children, paid work was not as important as academic success. As one White father (#103) reportedly told his child, "Your job is to get your education." One White, male emerging adult (#3) said, "I focused more on school and trying to do well there. [I got] a 4.0 [GPA] throughout high school." Some participants' parents even paid their children for getting good grades. Other participants learned to work hard via involvement in extracurricular activities such as sports or music. Still others recalled doing chores. Some parents gave their children an allowance in exchange for doing chores, while others expected their children to do unpaid chores as a contributing member of the family. Some parents merged these two methods by giving optional "extra" chores for pay in addition to their unpaid chores, as described by a White, male emerging adult (#52): "[My parents] would occasionally provide opportunities to do extra work beyond [the] regular chores [to] earn some money. . . . If I wanted to spend a couple hours in the garden, they would compensate for that."

Several parents explained that “hard work” looked different for each of their children. A White mother (#106) said, “If our kids were busy with a lot of activities and sports, they had a different criterion for getting their spending money for the month. . . . [As] situations came up, my husband and I would talk together and decide on what was fair and reasonable.” It seemed as though these parents cared more about “ends” than “means.” However, even the “ends” differed, typically aligning with the three *why* themes previously introduced.

**Why theme 1: learning financial skills.** Many parents gave their children opportunities to work so that their children could learn occupational and financial skills. As illustrated by these two accounts, some parents wanted their children to earn money so their children could learn how much things cost:

*White, female emerging adult (#152):* I started working when I was 15 because [my parents] told me [to pay for things myself]. . . . I think they just wanted me to realize how much . . . things actually [cost] and how much [we were] actually spending on different little things that I didn’t really need.

*White, male emerging adult (#70):* [It was] a wise decision [for] me get a job when I was in high school. . . . [It helped me see] how much things actually cost [and to learn how] to deal with banks and manage my money and make sure I had enough to deal with my expenses.

Several participants, such as this White mother (#106), learned marketable skills from working: “I worked at a bank. . . . I learned a lot about ways people save money. . . . Most teenagers don’t get [that]. [I also learned] what it [takes] to get a home loan.” A White, female emerging adult (#13) said, “I’ve been a gymnastics coach, a choreographer, [and an] acting and dancing teacher. So because . . . I have experience . . . I can get better jobs in that area.” One White mother (#104) explained:

[We tell our children to not] work when you’re in high school at a minimum wage job and get bad grades. Get really good grades, get a full scholarship to a great university, and . . . we’ll support you through high school. . . . [That way] you’ll be further ahead. . . . [We do that so] they can see there are different ways of earning money and they aren’t

all equally valuable, so that when they go to [make] a resume, what are they putting on there? . . . What are you working towards . . . [and] how can you get . . . to the next level?

In addition to marketable skills, some participants reported that household chores turned into useful habits. A White, female emerging adult (#1) said, “I got into such a habit of doing [my chores] that I eventually started doing [them] . . . because it was just a habit for me, and I truly enjoyed working. . . . [It is now] part of my lifestyle [to] work.”

**Why theme 2: acquiring financial values.** One reason parents facilitated their children’s work experience was in order for their children to acquire values. A Latina emerging adult (#126) said, “I was required to have a job. . . . The intention was to teach us . . . values.” Many reported that working hard taught them to value money. One White, female emerging adult (#22) shared,

I am grateful [that] my parents were always really good at teaching me to work [and about] the importance of work. . . . If you want something, you have to work for it and save for it, and do it for yourself, so it means more.

A White father (#105) recalled,

Every bit of money that I got, I earned myself. I had my first job shining shoes when I was 10 on the weekends at a barber shop. . . . I learned that money is hard to come by and you’ve got to take care of the money that you have.

A White, male emerging adult (#70) reported that work can also teach children to value the work itself:

I think when you . . . work hard, you . . . value the fruits of your labors. So, [my siblings and I] would be told to clean our room, and we would say “OK, I like having my room clean. I’ll keep it clean.”

Another reported value was to work for what they want. A White, female emerging adult (#7) said,

I remember thinking, “I just want my Pokémon cards now!” I had to fold all the baskets [of laundry], and every basket was [worth one] quarter. It definitely helped me learn patience and that I needed to wait and get . . . money [before buying] things that I wanted, which was good.

A White, male emerging adult (#20) summed up this principle: “What having a task connected to an allowance showed me is that if you work, if you provide a service or a product, you'll get money. That is how this world works.”

Many participants also learned through experience that sometimes work is just about doing your part to help out as a member of the family. One Latina mother (#102) described,

We never paid our kids any allowance. . . . They had to do chores in the house [because it is] their obligation as . . . part of the family. You help in the kitchen, you do dishes, you vacuum, you clean your room, you make your bed.

A White father (#105) explained similar reasoning:

We didn't give [our children] money for chores. We told them that the chores they had to do were the price they paid for . . . a roof over their heads and clothes on their backs. That was just the responsibility that we all had.

A value some participants described was to not just tolerate but to value and even enjoy hard work. A White father (#110) reflected,

[T]he greatest [principles my parents] taught me [were] to work hard and find joy in work. The day I turned 12 I had a paper route. The day I turned 16 I got hired at Taco Bell. I worked hard through high school. . . . That's just how we roll: we just go get it.

**Why theme 3: becoming independent.** Many parents wanted their children to work hard so that their children could learn to be independent and self-reliant. One White mother (#104) told her children, “[W]e want you to work towards being independent.” Sometimes participants reported working so that they could pay their own way. A White, female emerging adult (#137) explained, “[M]y mom wanted me to make some extra money . . . so I could go to the movies or go shopping [and] she didn't have to pay for me. . . . [It] gave me responsibility.” Another (#145) said, “[I]f I wanted to buy . . . [anything] that wasn't a necessity, I had to . . . work for it to buy it for myself.”

Several participants explained that their parents required them to work and pay their own way out of necessity—the parents couldn't afford to. A Latina emerging adult (#119) said,

My parents divorced when I was 5, and . . . we were kind of poor. . . . I started working full-time when I was 16 . . . so I could buy . . . what I needed to buy, because I knew that my parents . . . wouldn't be able to buy me anything.

A White grandmother (#111) remembered,

We were dirt poor . . . because there were ten children and . . . [my] dad got [cancer and passed away]. . . . I knew if I wanted something I had to work for it. So I . . . babysat and cleaned houses and did ironing for people.

In addition to paying for immediate expenses, some parents encouraged their children to work in preparation for adulthood. The same grandmother (#111) spoke of work as a means for children to begin to move toward their own goals:

[Our children] worked when they were in high school . . . to work and meet their goals. . . . We talked about having good goals. We wanted them to think about where they would be in five years or ten years.

For some, these goals included college. One White mother (#113) explained how work, both paid work and scholastic success, helped her children financially prepare for college:

[B]oth my daughters taught piano lessons . . . [and] the boys did potato harvest . . . to help saving for college. . . . So far, our kids have completely financed their college education. . . . [We also] really emphasized good grades so they could get scholarships to pay for college. We told them it's like a job, working for good grades.

Some parents encouraged their children to prepare for adulthood in hopes that their children would be more financially successful than they were. A Black mother (#154) told her child,

I don't want [your] life to be hard like mine was. . . . I want you to get your education . . . so that . . . you are prepared. . . . I wasn't [prepared]. . . . [W]hen I became a mother, I was still living with my momma. But . . . I want you to depend on yourself, not me, because I'm not going to always be around for you . . . when you need something.

According to participants' reports, work can indeed teach children responsibility in preparation for adulthood, as discussed by this White, female emerging adult (#16):

Work experience . . . taught me to be responsible with my money because I was being paid. So, it taught me a lot of responsibility, both financially as well as personally. I think working out of the home prepares you for [adulthood and] college life. . . . Having work experience in high school definitely helps . . . once you get into college.

A Pacific Islander, female emerging adult (#57) remembered,

I would always play sports, and a lot of the sports competitions [cost money]. . . . I would make brownies and cinnamon rolls, and I would sell them [to pay for it]. . . . [That experience] helped me to realize that I can do stuff on my own [and] be self-reliant.

A White, male emerging adult (#69) expressed his view that:

It's important to get money in children's hands early on, even if it's just small amounts to start out. . . . Paying your own way for things. Getting the experience yourself . . . managing . . . those finances. Then when you [grow up], the rules will roll over.

According to this participant's experience, giving children opportunities not only to earn money but also to manage it can help prepare them for adulthood, as discussed in the next theme.

### ***What Theme 2: Managing Money***

The second facet of finances that participants learned through experience was how to manage money. Parents and grandparents also reported facilitating money management experiences for their children. This theme serves as an umbrella for various aspects of money management experiences such as budgeting, saving, investing, and avoiding debt. Children's budgeting experiences often began at a young age, as described by this White, male emerging adult (#3):

[I] started [budgeting] when I was a little kid. [My parents gave my siblings and me] . . . little cardboard bank accounts. There was a slot for savings, one for tithing, and then one for [spending].

These experiences were often intentionally facilitated by parents. Regarding his experience saving, another White, male emerging adult (#52) remembered,

I remember when [my parents] took me to the bank for the first time to help me set up a bank account. . . . my parents [made] a point to physically take us to the bank . . . instead of just . . . doing it for us.

Sometimes children gained experience investing in the stock market. For example, a White father and White mother (#105) described an experience they facilitated for their children. The mother said, "[A]s a family we decided [to invest in] Krispy Kreme donuts." The father added,



That was a fun thing to do together. [We made] the decision to buy it together [as a family], how much to buy, . . . and we watched it go up and down and ultimately decide when to sell it, and everybody got their distribution.

Other times children “invested” in a family bank run by the parents or participated in investment simulators, as this White, male emerging adult (#5) did:

When I was nine, my dad found an online fantasy stock market website. He was like, “Hey, you should play around with this.” . . . So I threw \$100,000 of fake money into a stock, and I made like \$3,000 in two days. So [I thought], “This is great. I love this game.” So I knew when I was young I wanted to be a stock broker.

Again, parents seemed to facilitate these money management experiences for three main reasons.

**Why theme 1: learning financial skills.** One such reason was so that their children would learn certain skills related to how to manage their money. One skill participants learned firsthand was to organize and budget money. A White, female emerging adult (#138) described,

[My dad] told me to always save my receipts. At the end of the month [he would get] his receipts and I [would] get mine, and we [would] write down everything we spent . . . [I had a monthly budget], so if I exceed[ed] that amount we [would] talk about why I shouldn’t do that . . . now, my roommates are like, “Wow, you’re so organized!”

Other skills involved credit and debt. This White mother (#108) let her children learn how to make payments—and the associated consequences—in a safe home environment:

I wanted [my children] to understand . . . how debt works. So . . . if they wanted something, I allowed them to purchase it [from me] on credit. They would go ahead and buy it and then they would make me payments, and . . . if they didn’t have the payments, I would do repossession.

Similarly, a Black mother (#146) explained,

Anytime [my daughter] borrows money from me, I write down what she borrows and give her the time when [she has] to pay it back. She’s learned a hard lesson, but . . . now . . . she understands . . . [that if] you borrow, you have to pay back.

This idea of “hard” lessons learned was found throughout the experiential learning references but particularly when learning money management skills. A Latina mother (#102) said,

[My husband and I] don’t go saving [our children] from their problems right away. One of them . . . bounced [a check], and they [got charged] 30 dollar[s]. [We told that child,] “You’re gonna pay it.” “But it only cost 5 bucks!” I said, “. . . You have to learn. . . .”

Sometimes it was a hard lesson to learn, but we had to let them suffer [and] go through those things [so they would] learn [that] there's consequences.

An Asian, male emerging adult (#86) remembered being on the receiving end of those lessons:

I made [a bad] investment . . . and my dad was like, "Yeah, you made an investment in a company that's this, this, this, and therefore it's going downhill, . . . [that's] why you lost money in the end." So [my parents] teach after the mistake. They let us fall off the bike before putting us back on it.

These hard lessons learned by managing money, and even making mistakes along the way, reportedly taught these children skills as well as values.

**Why theme 2: acquiring financial values.** A White, male emerging adult (#20) reflected on the importance of avoiding debt: "[I]f there was something I couldn't afford and I wanted it . . . then I would borrow money from my parents. . . . That made me more accountable . . . [and taught me] that debt is not a good thing to have." As children were not just taught about but actually practiced money management, they often realized the importance of what they were doing. A White, male emerging adult (#74) described,

[When my parents] started paying me an allowance, they made sure I put . . . half [of it] into savings . . . I wouldn't say it turned out to be a huge contribution to anything, but the principle of learning that saving is important was definitely taught through that. And then when I got a job when I was 16, I put that into practice as well, . . . putting . . . half of my money into savings.

A Black, female emerging adult (#120) learned a similar lesson about the importance of budgeting:

[M]y mom told us that they were . . . trying to get out of debt. They told us, "We are going to be on a strict budget." . . . [We] eliminate[d] eating out . . . not going to the movies as much, those little things, [we] only [bought] things [that] we need[ed]. . . . I think [they involved us for two] reasons: definitely to help them [cut back], but [also] to help me and my brother understand . . . why it is so important to be on [a] budget [and] stick with it.

A White grandfather (#116) learned the importance of saving almost a century ago:

My folks . . . and I [were] living during the Great Depression. I was born in 1928. By the time I [was] ten, my dad taught me that you ought to save money. . . . We got tin cans and made a slot [in] them, and that was our piggy bank. We put our coins in there.

**Why theme 3: becoming independent.** Many parents gave their children opportunities to manage money so that the children might become independent. For many, this was a gradual process throughout childhood. One White father (#105) shared,

When [my children] were about high school age I bought a universal life insurance policy for them. . . . [I] made sure they understood what it was, why it was important, what it meant for them and for their future, and that once they got to be grown, I would eventually pass the responsibility for paying those premiums over to them.

A Latina emerging adult (#133) said,

I would do chores from the time I can remember and get a little allowance. . . . When I was in middle school my dad helped me open up a savings account at the bank. When I was in high school, he encouraged me to get a credit card so I could start building credit. . . . And then when I was in college he took me to start a Roth IRA.

These parents seemed to be scaffolding their children, gradually helping them reach financial independence.

Money management experience seemed to prepare children for adulthood, as demonstrated by this Latina emerging adult (#83):

[My parents] took care of [my] needs, but whenever there were things that [I] wanted to buy, . . . [I] had to pay for that. . . . Then when I came to college . . . I [have been] independent . . . because they've taught me to . . . budget out my money so I have enough for everything.

A Latino emerging adult (#124) participant gave his own testimonial of this reason for first-hand financial experience:

[My parents] gave me the freedom to make my own decisions. . . . There were times where I made some pretty [bad] decisions, [but] . . . I think [parents] need to give [their children] some freedom [to] learn from their mistakes. I think that if [parents] are too strict [with their children, when the children are] on their own as adults, they may [overspend] because they haven't had the freedom to [practice].

A White grandfather (#116) gave the following advice to his children:

[S]ave your money, 'cause you're gonna need . . . money to go to college. . . . Spend your money on what you want, but you don't wanna spend it all because you wanna get some worthy things going in your life.

Based on this participant's report, it is important for children to not only manage their money wisely by saving but also to spend their money wisely, as discussed next.

### ***What Theme 3: Spending Wisely***

Sometimes spending occurred with children's own money, as reported by a Latina emerging adult (#80): "Whenever we would go to the store and I would ask for something, [my parents] would . . . require me to spend my money to pay for it." Other parents gave children a budget and let them spend it how they deemed fit, as described by this male emerging adult (#5):

[M]y brother and sister [wanted to bring] their [own] lunches to school . . . [so] my mom took them over to the supermarket and said, "OK, here's \$20. . . . Buy enough food to last for two weeks for your . . . lunches.

Having the opportunity to spend money in childhood reportedly helped participants to learn skills associated with wise spending, to acquire values that guided spending behavior, and to become capable of making spending decisions independently.

***Why theme 1: learning financial skills.*** One reported skill related to wise spending was self-regulation. Some participants, such as this White, female emerging adult (#128), described how their parents taught them to pause and consider their purchase: "If [I] were [about] to spend money on junk food or whatever, they would be like, 'Are you sure you want that?'" A White father (#110) described,

From the time [our children] could understand [the concept of] money, if they would ask for something at the store, we would ask them, . . . "How much is it?" so they had to identify price. So we're helping them identify what value supposedly it holds according to the company who's selling it. And then we would say, ". . . what did we come to the store to get?" . . . [W]e were trying to teach them very young to avoid impulse buying.

Some children learned to eventually do this without any prompting. An Asian, male emerging adult (#67) reported the following experience with learning to self-regulate:

[I learned to only buy] what [I] really need. . . . I would always point out things in the store that I wanted and my mom would say, "Well, feel free to get it 'cause you have your own money." There was a lot of second guessing after that. So rarely was I told . . .

that I couldn't get something. I think [that helped me make good money decisions] because I always had something I was trying to save up for, like a skateboard. . . . I [would] remember that "Oh, I can't spend money on these baseball cards because I need every dollar."

Another way children learned self-regulation was by delaying purchases. A White, female emerging adult (#27) said, "My mom . . . had a rule that if there was something that we wanted, we would take two days to think about . . . it . . . before we would buy it, not just buy it in the store."

As children made purchases, they learned that some purchases are better than others. As previously discussed, sometimes experiential learning was painful. A White grandmother (#111) said,

I ordered a cowgirl suit out of a Sears catalogue . . . a little skirt and a vest and a cowgirl hat. . . . [M]y sister tried to talk me out of it, [but] my mother said, "She can buy it if she wants to." . . . [W]hen it came, [the vest] was paper, not . . . cloth . . . and I was so disappointed! I was grateful to my mother [for letting] me learn . . . to be careful . . . what [I] spend [my] money on.

A White, female emerging adult (#147) described how she learned to comparison shop:

[My siblings and I] would always go grocery shopping with [my dad] and . . . hunt for the best deals. . . . We would compare price per ounce . . . to see if the big container was actually a better price than three small containers, and . . . [we] would [check] the ground beef for the [best] price with the lowest percentage of fat. . . . [it was] a game for us.

Sometimes comparison shopping was more extensive. A White, female emerging adult (#1) recalled,

I [went] to [my parents] and [said], "Hey, I want a dog." . . . They said, "Earn the money, and then we'll get the dog." I thought, "Oh, how much do dogs cost?" So I did all the research and learned that dogs are really expensive! . . . [W]e discussed and decided what kind of dog I needed, what aspects would be good for me. Having that kind of experience of doing my research before a purchase was very valuable to me.

Many other skills were learned in spending. For example, a Latina emerging adult (#139) learned about taxes first-hand as a child:

[W]hen I got my allowance one week I went to the dollar store [and] I thought I could get 5 items with 5 dollars, but I remember my dad taught me about taxes that day. So I only got to get 4 items.

In addition to learning skills, children who practiced spending wisely also acquired values.

**Why theme 2: acquiring financial values.** What constituted “wise” spending varied with participants’ differing values. For example, a White grandfather (#116) who was raised in a religious home said, “[My family] gave money to the church. . . . [T]hey passed the plate around and you put the money in . . . we didn’t have a lot of money. [My dad only made] \$9 a week. But we [still gave].” Several participants described similar experiences and mentioned how they learned to value their religion as they donated financially to the religious organization. A Black, female emerging adult (#120) said:

[My family] always gave ten percent of what [we] made to our church . . . [or to] the homeless. . . . I think [my parents] were trying to teach [my siblings and I that] it’s not all about us. . . . [We believe that] God will always provide for us, but it is our responsibility to give to the church, give to Him. . . . [E]ven if I don’t believe that or am not so much into going to church now, I still believe in giving.

Other participants acquired similar values from other methods of giving, such as this experience shared by a White, male emerging adult (#60):

We used to make Christmas boxes and give them to [neighbors] who were struggling . . . [I learned that] you should help people. And even if you may not feel like you have enough, you should always be willing to serve others, even if it’s not in a financial way.

Another value many participants acquired by spending their money was to appreciate what they had. A Latina mother (#102) described this motive for requiring her children to pay for part of summer camp: “We paid half of the money, [and] they had to pay for the other half . . . [because] it gives them more meaning when they pay for it.” Also in reference to paying for summer activities, a White father (#110) said, “[Children] feel more connected to the experience by contributing.” A White, female emerging adult (#4) shared how these lessons were successfully learned:

When I wanted to go to camps . . . I had to pay for half of it . . . because they knew that I would put more effort into it and it would have more meaning . . . because I [spent my own money], I understood the value [of what I was spending on] and then it meant a lot more to me.

The parents' hope for what their children would learn by spending their own money and the emerging adult's report of what was learned is remarkably similar. This suggests that parents' motivations for giving their children financial experiences may be realized in at least some cases.

Many parents taught children what to value by encouraging them to spend money on those things. For example, a White, male emerging adult (#60) learned to value education: "It was expected that the money [I] made during high school would be used . . . to go to college." On the other hand, by giving children the opportunity to practice frugality in other expenditures, parents taught children what doesn't matter. A White, female emerging adult (#137) remembered, "Whenever [my mom and I went shopping] my limit was \$20 . . . so I would end up going to the clearance rack . . . [and I learned that] clothes [on sale] are still just as good as the other ones." As they spent wisely according to their values, many children also learned to be independent.

**Why theme 3: becoming independent.** As previously discussed, many parents had systems where children paid for wants so that their children could transition to financial independence. As a White, male emerging adult (#20) said, "[I] was encouraged to be self-sufficient. Whatever I needed or wanted I pretty much bought on my own." Another White, male emerging adult (#59) explained,

[When] I wanted [something, my parents] made me save up to pay [for] at least a part of [it]. [For example], [we] moved to America when I was 16. When I wanted to go back to England in the summer, I had to pay for at least a part of my ticket. . . . They made sure that I knew that this . . . was my responsibility . . .

Similarly, a White mother (#113) explained her and her husband's efforts to prepare their children for adulthood: "We taught them that parents aren't gonna buy everything for them."

Many parents wanted their children to learn to spend on their own, unsupervised. A White mother (#106) said,

We [gave them] enough spending money [so] that they could spend what they wanted to without us determining every penny that they spend. We didn't want them to come to us and ask us, "Can we have money to go to the movie?" or this and that. . . . And then once [their spending money] was gone, it was gone.

A White, female emerging adult (#19) described a similar process:

[My family] had an allowance system. . . . [My] parents used it to give [my siblings and I] some responsibility. . . . [You don't learn responsibility by] relying on your parents for everything, so they would give us a set amount every week to use [for] going out with friends or . . . new clothes or . . . the book fair, [whatever] wasn't a need.

As children practiced wise spending, they became independent in preparation for adulthood.

### Discussion

Financial capability and independence influence many aspects of life including individual and relational wellbeing (Britt & Huston, 2012; Dew, 2007). This study, as part of the (blinded) project (author cite), explored experiential learning as a method (or *how*) of parental financial socialization. Specifically, the purpose of this study was to explore *what* children learn about finances through experiential learning and *why* parents use experiential learning as a financial socialization method. Thematic content coding of interviews of emerging adults ( $N = 90$ ) and their parents ( $N = 17$ ) and grandparents ( $N = 8$ ) revealed three core *what* themes (Working Hard, Managing Money, and Spending Wisely) and three core *why* themes (Learning Financial Skills, Acquiring Financial Values, and Becoming Independent) related to experiential learning (see Table 1).

Our study found that one aspect of financial socialization children may learn through experience is "Working Hard." Perhaps an effective way to teach children that "you get what you work for" (i.e., the connection between working and earning) is to facilitate experiences in which they will come to that conclusion themselves. The narratives from this study suggest that



children can learn hard work through a variety of experiences such as doing their chores, engaging in entrepreneurial activities, striving in academic and extracurricular pursuits, and working outside the home. Considering work is the main mechanism for obtaining money, hard work (as a skill, value, and means for independence) has been largely overlooked in financial socialization research (cf. Hancock et al., 2013) and should be more integral in future studies.

Our study also suggests that managing money (including actions such as budgeting, saving, avoiding debt, and investing) may be best learned through hands-on practice. Of the three *what* themes discovered in our study, “Managing Money” via experiential learning has been examined the most thoroughly in financial socialization research. For example, several studies have identified positive outcomes of children opening bank accounts and saving (Kim & Chatterjee, 2013; Otto, 2013), investing (Hira et al., 2013), and using credit cards (Norvilitis & MacLean, 2010). However, these experiences are rarely categorized as experiential learning and discussed as a key element of the financial socialization process. As a result, the potentially substantial effects of money management experience have perhaps been understudied and undersold in the literature.

The third element of financial socialization that our study identified as being learned through experience is “Spending Wisely.” What constituted as “wise spending” varied by participant (e.g., charitable donations), which seems rational given that spending is closely tied to subjective value orientations (Brown & Kasser, 2005; Hill & Howell, 2014; Shim & Eastlick, 1998). However, the experience of spending (no matter what the purchase or donation) seemed to be an important ingredient in participants’ financial learning. While substantial research has explored how children’s spending socializes them as consumers (see John, 1999), little research

has been conducted on how spending experiences contribute to financial learning, with notable exceptions (e.g., Kim & Chatterjee, 2013).

In addition to the three previously discussed *what* themes, three *why* themes also emerged from our data. Based on these themes, parents may use experiential learning as a method for financial socialization so that their children will learn skills, acquire values, and gradually become independent. These reasons behind children's financial experiences were identified within all three *what* themes (see Figure 1). While the mechanisms of family financial socialization are a critical area of study, we propose that it is also important to examine the motivations behind parents' use of various socialization methods. To our knowledge, no study has yet explored predictors and outcomes of parents' choice of method in teaching a specific facet of finances. For example, while many parents may wish their children to learn to work hard, independence may be the primary motivation for many low-income parents, which could uniquely impact their children. While these are conjectures at present, we believe these motivations are worth exploring in future research.

### **Implications and Future Research**

The findings reported here have important implications for future research. Chief among these is adding experiential learning to the financial socialization dialogue, a dialogue that tends to focus on modeling and discussion as methods of financial socialization. Although experiential learning can occur by following another's example or while being taught a financial lesson, we believe experiential learning is unique and should be incorporated into future theoretical frameworks and research as one of the key methods of socialization. The six themes found in this qualitative study could also be explored in future quantitative and longitudinal studies.

Parents and families can also benefit from the findings. Experiential learning experiences may best be provided by parents and within families. As parents facilitate financial experiences for their children, financial capability and independence may be improved. We believe that modeling good financial behavior, explicitly teaching children about money, *and* providing opportunities for children to experience and practice managing their money is the best way to create financially capable emerging adults.

Financial education has become more of a focus in schools, and with family life educators and Extension professionals. Educators may be able to play a key role in taking financial socialization research and helping parents and youth apply the principles. Educators in schools or those working with 4-H or other youth groups can focus on creating experiential exercises for their students that focus on real-world needs. Family life educators and Extension specialists can focus on helping parents provide these experiences for their children as well as model appropriate behaviors and teach key financial principles. Extension professionals could do field-based research on diverse populations (i.e., non-college and younger participants) to formulate and evaluate new measures. Research on more diverse populations could lead to interventions at the family level that help families be more intentional about creating experiential opportunities for their children.

Educators and parents should have confidence that even when children make financial mistakes, financial knowledge and capability can improve as a result. Because of this, educators and parents should not fear giving children age-appropriate financial experiences. Author (cite) recently stated that,

Valuable financial lessons can be learned through making financial mistakes. By giving children opportunities to manage finances early on, children can learn these lessons with minimal risk. Relatively, a 10 year-old makes \$50 mistakes, a 20 year-old makes \$5,000 mistakes, and a 30 year-old makes \$50,000 mistakes. Therefore, allowing children the

freedom to make and learn from financial mistakes at a young age protects them from making mistakes later on that could have more severe repercussions. Emerging adults who were not given those opportunities earlier on are recognizing this and reaping the consequences. Financial responsibility may prepare children for financial capability and independence in emerging adulthood. (p. 28)

Withholding financial experiences from children because of fear of mistakes could inhibit learning and growth. Fernandes, Lynch, and Netemeyer (2014) explained, “[T]here must be some immediate opportunity to enact and put to use knowledge or it will decay.” It is important for a child to gain hands-on experiences with finances because experiential opportunities allow children to explore the mistakes and successes of their own financial decisions (Otto, 2013).

### **Limitations**

Although the current study adds to the literature in important ways, it also has several limitations. First, this study used a convenience sample, and all emerging adult participants were enrolled in a family finance class. Although students were interviewed from multiple universities, those taking a family finance class could be similar in their need or interest in this topic. Although there was apparent economic diversity among our sample, we did not ask for financial specifics.<sup>2</sup> However, even the low-SES college students in our sample likely enjoyed some level of privilege (e.g., social capital, connections, educational opportunity) that made them different in salient ways from emerging adults not attending college. For example, parents of college students may be more likely to teach their children about educational and financial opportunities and experiences than parents of emerging adults who do not attend college. The population of non-attending emerging adults needs additional attention.

Second, the qualitative interviews were based on subjective, retrospective reports.

Participants may have remembered experiences differently than they really happened. That being

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<sup>2</sup> Qualitative researchers conducting personal interviews often find that specific questions regarding income can have a high cost in terms of rapport and therefore avoid them.

said, researchers have found that with retrospective reporting, perceptions are reality. In other words, how we believe life happened has much greater influence on our behaviors and attitudes than what actually happened (Hill, Allsop, LeBaron, & Bean, 2017). Finally, there was a relatively small sample of parents and grandparents. Although we seemed to have enough multigenerational qualitative data, interviewing additional parents and/or grandparents may have provided additional insights.

### **Conclusion**

Renowned historian and philosopher Will Durrant said, “We are what we repeatedly do. Excellence, then, is not an act, but a habit” (Durrant, 1965, p. 98). Sometimes we learn best not by watching others from the sidelines, nor by simply being told what to do, but by engaging in behaviors and practicing and perfecting those behaviors over time. In so doing, acts become habits and habits become integral to our being. Perhaps, then, healthy financial behaviors reflect years of practice working hard, managing money, and spending wisely. As parents facilitate hands-on financial experiences for their children, children may better learn skills, acquire values, and become independent in preparation for financial adulthood.

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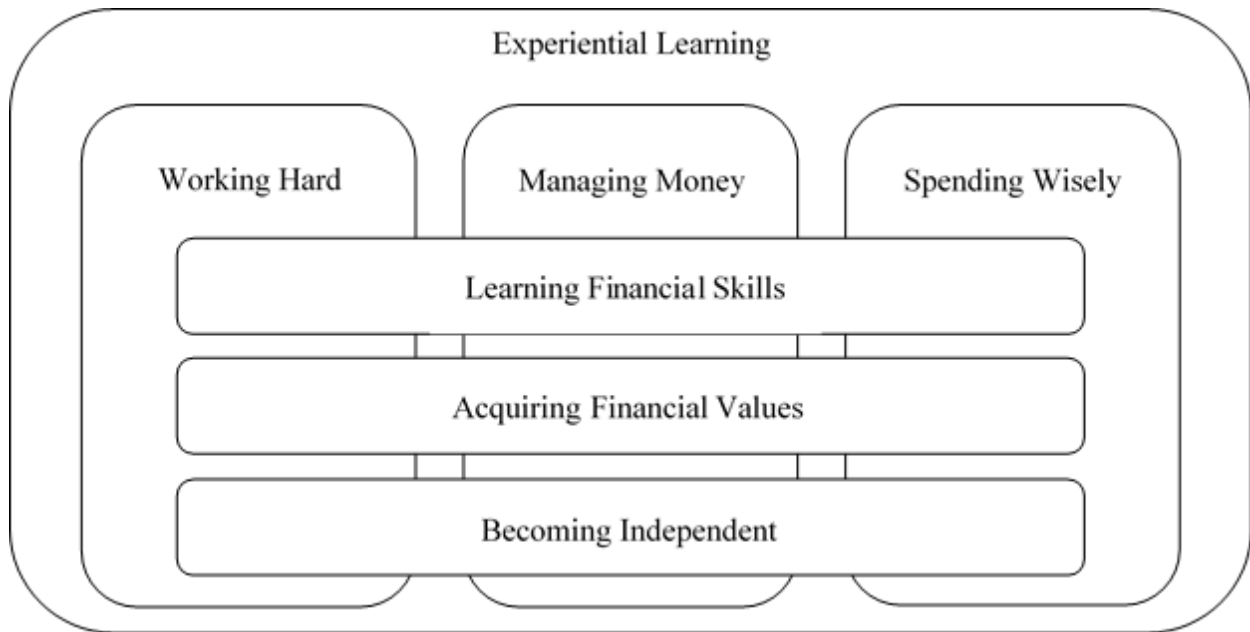
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Table 1.

*Numerical Content Analyses*

<b>Theme</b>	<b># References</b>	<b># Sources</b>	<b>% Interviews</b>	<b>Average # Ref. per Int.</b>
<b>Working Hard</b>	238	94	90.4	2.3
<b>Managing Money</b>	251	95	91.3	2.4
<b>Spending Wisely</b>	188	86	82.7	1.8
<b>Learning Financial Skills</b>	81	55	52.9	0.8
<b>Acquiring Financial Values</b>	121	70	67.3	1.2
<b>Becoming Independent</b>	186	81	77.9	1.8
<b>Grand Total</b>	1065	104	100	10.2

*Note.* Calculations were made based on the 104 interviews that mentioned “Experiential Learning,” not the 115 total interviews conducted in the larger study.



*Figure 1.* Experiential learning of finances model. The columns represent *what* themes, while the rows represent *why* themes.