

## **Can We Talk about Money?**

### **Financial Socialization Through Parent-Child Financial Discussion**

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## Abstract

This multigenerational, qualitative research study explores family financial discussion processes that may lead to better financial preparation for emerging adults. Interviews were conducted with 90 emerging adults from three universities as well as 17 of their parents and eight of their grandparents. Qualitative analyses revealed two major themes associated with family financial discussion processes. In *Parent-Initiated-Discussions*, principles were taught primarily through vertically-structured (top-down) delivery. Three concepts reported across all three generations of respondents included: (a) Sharing financial experiences; (b) Involving children in decisions; and (c) Engaging in age-appropriate conversations. In *Child-Initiated Discussions*, analyses revealed that financial principles were often taught in interactive, conversational, horizontal, and organic ways. Analyses identified two recurring concepts or contexts: (a) Children asking financial questions; and (b) Child-initiated, age-appropriate conversations. These results highlight healthy processes for family financial discussion that may better prepare emerging adults for financial adulthood and reduce financial instability.

*Keywords:* financial socialization theory, financial discussions, emerging adults, family finance, qualitative methods

Financial stability and independence in emerging adulthood influences numerous facets of wellbeing such as education and career trajectory (Terriquez & Gurantz, 2015) and identity formation (Bosch, Serido, Card, Shim, & Barber, 2016). However, emerging adults are struggling to find this stability and independence (Seiffge-Krenke, 2013), and they feel only “moderately prepared” for financial adulthood (Clarke, Heaton, Israelsen, & Eggett, 2005). This may be because they feel, at best, only “adequately taught” regarding finances (Clarke et al., 2005). This is unsurprising given that many parents believe family financial information such as income, savings, and debt should not be discussed with children (Solheim, Zuiker, & Levchenko, 2011). However, family financial discussion seems to be key to children’s development of healthy financial knowledge, attitudes, and behaviors (Serido & Deenanath, 2016).

As educators, clinicians, and policy makers seek to increase the financial independence and capability of emerging adults, it is important that family financial discussion be a focal point for study and intervention. While the importance of family financial discussion has been established (see Serido & Deenanath, 2016), the processes involved in these discussions have not been adequately explored (Gudmunson & Danes, 2011). Gudmunson and Danes (2011) called for process-level research on facets of family financial socialization, such as financial discussion. The purpose of the current study is to qualitatively explore family financial discussion processes using a diverse, multigenerational sample ( $N = 115$ ) of emerging adults, parents, and grandparents.

## **Literature Review**

## **The Importance of Parents to Financial Socialization**

Research on the effect of financial education efforts outside of families (e.g., financial literacy courses) has been inconclusive. While some have found institutional financial education to be effective in improving financial knowledge and behaviors (Batty, Collins, & Odders-White, 2015; Danes & Brewton, 2014), others have argued that these effects are at best minimal (Fernandes, Lynch, & Netemeyer, 2014). Indeed, Fernandes et al. (2014) found that “interventions to improve financial literacy explain only 0.1% of the variance in financial behaviors studied” (p. 1861). In contrast, research has repeatedly shown that parental financial socialization is impactful, even central, to children’s development of financial knowledge, attitudes, and behaviors (Serido & Deenanath, 2016). Several studies have compared the influence of parental socialization to other socialization sources (such as school, work, media, and peers) and have found that parents seem to be the primary source of financial learning (e.g., Grohman, Kouwenburg, & Menkhoff, 2015; Shim, Barber, Card, Xiao, & Serido, 2010). For example, Pinto, Parente, and Mansfield (2005) found that children learned more about credit from their parents than from school, media, or peers.

## **Family Financial Socialization Theory**

The theoretical foundation for this study is Gudmunson and Danes’ (2011) family financial socialization theory. According to the theory, children learn about money in a social context central to which is family, and this learning predicts their financial outcomes during childhood and even in adulthood. Specifically, Gudmunson and Danes propose that family socialization processes (i.e., personal and family characteristics;

family interaction and relationships; and purposive financial socialization) lead to financial socialization outcomes (i.e., financial attitudes, knowledge, and capabilities; financial behavior; and financial wellbeing).

The current study focuses specifically on purposive financial socialization, which Gudmunson and Danes define as “intentional efforts family members use to financially socialize each other” (p. 649). This is in contrast with implicit socialization methods such as parental role-modeling (see Serido & Deenanath, 2016, for review). Perhaps the most studied method of purposive financial socialization has been parent-child financial discussion (Serido & Deenanath, 2016).

### **Financial Discussion**

Research has found that parent-child financial discussion during childhood and adolescence positively predicts healthy financial behavior in emerging adulthood (Jorgensen, Rappleyea, Schweichler, Fang, & Moran, 2017), an association which may be mediated by financial knowledge and financial attitudes (Shim et al., 2010). Further, it seems that financial discussion with parents continues to be important in emerging adulthood (Carlson, 2014). Quality parent-child communication about finances during emerging adulthood predicts not only emerging adults’ positive financial behaviors but also their financial, psychological, and personal well-being (Serido, Shim, Mishra, & Tang, 2010). The impact of parent-child financial discussion on children’s financial outcomes extends into adulthood (Webley & Nyhus, 2006). For example, parent-child financial discussion during childhood predicted higher credit scores and lower credit card debt in adulthood (Grinstein-Weiss et al., 2011).

Although they are the minority, several studies have explored financial discussion about specific financial topics. For example, Pinto et al. (2005) found that parent-child discussion about credit was associated with less credit use in college. There is some evidence that parent-child financial discussion of one particular topic may have positive effects on other aspects of finances as well. Kim, LaTaillade, and Kim (2011) found that parents talking with their adolescent children about charitable donations was positively associated with not only adolescents' charitable donations but also their saving.

If topic-specific financial discussion research is rare, process-specific financial discussion research is almost non-existent. Solheim and colleagues (2011) qualitatively examined both positive and negative family financial discussion (e.g., open discussion versus finances as taboo) and identified principles or attitudes that some participants internalized, such as “money is a source of stress and conflict” and “money is a secret, private matter.” These parental attitudes seemed to be influencing emerging adults' financial attitudes and behaviors. Romo (2011; 2014) qualitatively examined financial disclosure and found that both parents and children were aware of family “rules” about when to share and when to conceal financial information; parents were hesitant to disclose personal financial information with their children, and common reasons for concealing included perception that disclosing was culturally unacceptable and perception that risk of disclosing outweighed reward.

In their hallmark paper on family financial socialization theory, Gudmunson and Danes (2011) noted that “relatively little attention has been given to processes . . . In particular, research has discounted the importance of financial socialization processes

occurring over time within the family social context” (p. 644). There is a need for exploration of how family financial discussions take place. What processes are involved? Who initiates the discussions? Where? When? This gap in the literature is hindering our understanding of family financial socialization, given that “Communication plays a key role in relationships and in financial socialization and is an important link to financial behaviors” (Gudmunson & Danes, 2011, pp. 661-662). Identifying how parent-child financial discussion occurs (i.e., discussion processes) is necessary for furthering research on family financial socialization and its impact on children’s immediate and future financial outcomes. The current paper seeks to address this gap by qualitatively exploring family financial discussion processes using multigenerational perspectives.

### **Method**

This study is part of a multigenerational, qualitative project called *Whats and Hows of Family Financial Socialization* (LeBaron, Hill, Rosa, & Marks, 2018a). The purpose of the study is to explore what and how children learn about money from their parents. A featured strength of the methodology is that principles and socialization methods were qualitatively reported by three generations (i.e., college students, parents, and grandparents).

### **Participants**

The convenience sample for this study ( $N = 115$ ) was drawn with some elements of intentional sampling to enhance diversity in terms of both gender and race. The sample was composed of 90 undergraduate students (ages 18-30) enrolled in family finance classes at three different universities (a private university in the Intermountain West, a

public university in the Midwest, and a state university in the Southwest). All student participants were asked whether or not their parents and/or grandparents might be willing to be interviewed. For those willing, contact information was recorded and invitations were sent via email and phone (see Marks, Rosa, LeBaron, & Hill, 2019 for more information on sampling and method). A small number of students' parents ( $n = 17$ ) and grandparents ( $n = 8$ ) participated in the study, providing unique perspectives from three generations (college student, her/his parent, her/his grandparent). The sample 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/a, Asian, and Pacific Islander participants).

### **Procedures**

Qualitative, semi-structured interviews (lasting between 15 and 60 minutes) were conducted by trained research assistants either face-to-face or over-the-phone. The interviews with the 90 students began with two open-ended questions: 1) "What did your parents teach you about money?" and 2) "How did they teach you those things?" In addition to being asked the two previous questions (regarding their own upbringing), parents and grandparents were also asked 3) "What did you teach your children about money?" and 4) "How did you teach them those things?" Based on participants' responses, follow-up questions were asked to help the participants share past experiences. The semi-structured nature of the interviews allowed the interviewer to adapt to the interview participant by asking clarifying follow-up questions that were individually tailored. Although exploratory, the interviews were influenced by family financial

socialization theory (Gudmunson & Danes, 2011), so follow-up questions often sought to identify whether socialization methods used were implicit or purposive, etc. Interviews were recorded and transcribed verbatim.

### **Coding and Analyses**

**General project procedures.** A systematic, team-based approach to qualitative data collection, coding, and analysis was employed 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 approach to qualitative coding and analysis (described in detail in Marks, 2015) integrates several strategies for providing greater reliability. Our team’s process included: (a) developing a detailed audit trail for sampling, questionnaire usage, and qualitative coding (e.g., Table 1, NVivo files) that demonstrated and provided 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 allowed for multiple voices but “temper[ed] the idiosyncrasies [and biases] of any single member” (p. 502).

To identify consensus themes, team members independently read through the transcriptions of 5-10 initial interviews and then presented themes to the rest of the team that were most apparent to them. Upon deliberation, the collective team identified eight core themes. Only emergent themes documented by all team members were “designated with the carefully reserved appellation of *core theme*” (Marks 2015 p. 503, emphasis in original). After further analyses and deliberation, the team moved from an eight theme

model to a seven theme model. From there, ten research team members split into five coding pairs. The data were further analyzed and cataloged using NVivo 11 software. First, an interview was assigned to a coding pair. Next, each member of the coding pair independently open coded the interview. Then, coding partners met to review their open codes line-by-line in a check and balance system, resolving discrepancies as they arose.

This dataset and these general project procedures for coding and analysis have been used in several papers from the *Whats and Hows of Family Financial Socialization* project (Jorgensen et al., 2019; LeBaron, 2019; LeBaron et al., 2018a, 2018b; LeBaron, Rosa-Holyoak, Bryce, Hill, & Marks, 2018c; LeBaron et al., 2019; Rosa, Marks, LeBaron, & Hill, 2018). The following procedures are specific to the current paper.

**Discussion-specific procedures.** One of the seven main themes of the project was the emergent core theme of “Financial Discussion” (i.e., the topic of this paper). After initial coding, this theme was further analyzed by team members (who were divided into three coding pairs). Upon further analysis, we identified two related forms of financial conversations: Parent-Initiated Discussions and Child-Initiated Discussions. The prevalence of both Parent-Initiated and Child-Initiated Discussions was sufficient that these categories were designated as themes in their own right for this paper (see Table 1). Composite inter-rater reliability for the themes and subthemes presented in this paper was very high (.90), with discrepancies as incidents in which coding partners had varying independent coding and could not agree on a resolution.

## **Findings**

Under the two major thematic headings, Parent-Initiated Discussions and Child-

Initiated Discussions, our team-based analyses identified a total of five different processes (see Figure 1).

### **Theme 1 – Parent-Initiated Discussions**

**Concept 1a—Sharing financial experiences: “My parents are open.”** Several participants reported that one vital element in parent-child discussions about money is parents being open with children about their own financial experiences. Often, these experiences included financial instability and even significant financial mistakes. One White, female young woman (123) said:

My dad was bad with money at first and filed for bankruptcy. [That] was why he told me to be careful, because he was bad with money and spending it on unnecessary things. I think that’s why he’s been stressing it a lot. I learned . . . to spend [money] carefully based on [his warning] and his experience of . . . bankruptcy.

Not all participant reports of poor financial decisions were from children “confessing their parents’ sins.” Several parents were candid about their own mistakes—and some discussed trying to turn their own foibles into learning opportunities for their children. A Latino father (141) explained, “I have tried to teach my kids that it is so very, very easy to follow my example and max out my credit cards and be enslaved to credit card companies.” In this father’s view, however, his teaching may have stimulated an overcorrection. He went on to report:

[N]ow my daughters are very, very afraid to use credit, and [I am] having to backtrack and tell them, “Ya know, sometimes credit is good. You have to use

credit to establish financial accountability or responsibility.” [Now, I’m trying to teach them] the importance of maintaining a good credit score and what can impact a good credit rating.

A Black mother (154) discussed her financial experiences and “hard” early life repeatedly with her own children, desperately wanting a more stable financial future for them. She said:

I told them [to] at least make sure if they didn’t have no bank account, at least get a piggy bank and put what you can . . . inside, so when you get older, you will have something. [I’d tell them], “I don’t want you to have the life that I had.” Because me growing up as a mother, it was hard. It was real hard. I don’t want their life to be hard like mine was.

This same mother discussed not only savings but also education and home ownership:

[I told my kids], “A high school diploma is . . . going to get you nowhere these days. You are going to need . . . more than just a high school diploma. Get an education, so that when you become a mom . . . [you can] get a house . . . you are prepared. . . . I was not.”

Some of the financial experiences parents shared were positive. A White, female emerging adult (121) said, “I felt like I was pretty educated when it came to finances because of . . . [my parents’] past stories and the advice they had to share. . . . It’s also good having my brothers who have gone through it, and they have advice and experiences and stories that helped.” The positive financial experiences shared by both her parents and older siblings were reportedly beneficial to this emerging adult’s

financial learning.

Sharing experiences, including those of financial instability, both successes and challenges, was one way parents taught their children about finances. Another approach was more “hands on,” as discussed in the next section.

**Concept 1b — Involving children in decisions: “In our [family financial] planning meetings . . .”** Many of our student participants discussed learning how to make wise financial decisions with the help of their parents in a family context. Some described specific family-level decision-making processes that facilitated sound decisions while also instilling helpful principles and practices in the children. A White, female student (122) shared the following:

We all got used cars. [We] would go . . . look at what we *needed* in a car and what was a want. [We would consider] . . . the price of the car—what was reasonable . . . and what was crazy. . . . [Our parents asked what] we did not need and [said] we were not paying for [wants]. [T]hey . . . mentioned the interest rates [and] . . . taught us about that and the price compared to how many miles w[ere] on it, how old it was, what was actually in this car compared to how much you are paying for it

This student participant learned that the wise purchase of a vehicle is a process, not an event—a process that involved discerning between needs and wants; considering interest rates, price, mileage, model year, and value; and making an informed composite choice. Many other students also discussed family meetings and/or family decision making surrounding finances. For example, a White, male emerging adult (52) reported:

Within the last five years, [my parents have] started having family [meetings], and my dad has made some of these family [meetings] . . . based around our family budget, actually sharing with us their numbers that they use. When we first saw those numbers we were really surprised because for most of our childhood we did [not] know how much they were spending, but when we saw . . . how much is actually going to the house payment every month we were pretty shocked. We had no idea. And they told us how much they were saving, how much was going towards piano [lessons] every month and even as far down as like trash pick-up. . . . [They explained the] real cost[s] that you have to pay for and that really opened some of our eyes. We didn't make a ton of decisions with them, but we talked about ways that maybe we could cut back: making sure you turn off the lights when you leave the house, just simple things [like that].

It seems that both parental disclosure and child involvement in family financial decision making were central to this emerging adult's financial learning. A Pacific Islander, female emerging adult (57) discussed family-level financial decisions and accountability as follows:

[A]t the end of every year . . . my parents . . . [would] tell us how much they received every year so that everyone knew what they were receiving and where the money was going to. And whenever they made decisions in regard to the money, they involved us in those discussions. I thought it was nice because then I knew what was happening. . . . [A]t first I wondered why they were doing it, but I think . . . they're trying to teach us to be accountable to others for the money.

[They taught us that] it was a family thing and not just the two of them.

A White, female emerging adult (21) said of her parents:

[M]y dad would sit us down sometimes and show us the mortgage and show us savings and decisions that he and my mom were considering making together financially. [They] would ask us if we thought they were good decisions and we would go through them and see if they would save money in the long run.

The preceding four accounts reflect students' perspectives. The final two interview excerpts we will share in connection with *involving children in decisions* are drawn from a parent and grandparent. One White mother (104) shared a narrative from the previous day (involving the younger sister of the college-aged participant we interviewed) to convey their family's approach to discussing wise financial decision making. She told us:

[Y]esterday I took my youngest daughter to a meeting for the mountain bike team to see if she wants to be on that. We came out [of the meeting] like, "What do you think?" And she [said], "Well, it [is] really expensive" and I [said], "Well, yes, because [the fee is] all in a bunch. \$700 seems like a lot of money, but tomorrow . . . you [are] going to your voice lesson, which is \$70 [per lesson]. [So], to go to 10 of those [lessons], that [is] the same as . . . a season of mountain biking." . . . So, it helped her see [that, yes, \$700] . . . is a lot of money, but [you need to] compare. . . . [A]s we're going along, [we] help them see what things cost [and how to decide what to do].

A closing narrative reflecting the concept of *involving children in decisions* came from a

White grandmother (111) who reportedly discussed both financial and educational goals in her family’s “planning meetings”:

[I]n our [family financial] planning meetings, we would talk about “What do you want to do and how are you going to get the money to do that?” We would talk that through. We expected [all our children] to go to college and [we] talked about that [too].

This “child as decision participant” approach reportedly benefitted the (now college-aged) emerging adults.

**Concept 1c – Parent-initiated, age-appropriate conversations: “Dad got down on my eye level.”** Many of our emerging adult participants shared financial lessons they learned from their parents—when they were ready. In such families, financial discussions were not a “one and done” proposition. These age-appropriate conversations involved meeting children where they were at developmentally and talking to them about concepts (and promoting experiences) that seemed tailored to the child’s age. Indeed, some participants remembered and shared fundamental financial discussions they had with their parents when they were younger than 10—knowledge and principles from which have apparently remained with them through adolescence and into emerging adulthood. A White, male emerging adult (81) reflected:

I had a checking account where up until I [was in college] it was a joint account with one of my parents. [T]hat was [started] really early on, around . . . 8 or 9 [years old]. [It was the] kind of thing where [they would ask], “What are you going to do with this birthday check?” [and I would say], “I just want to save . . .

as much as I can.”

Another White, male emerging adult (60) explained that, even from a young age:

My mom had us track everything that we paid for. Me and my brother are pretty close in age, so she used to sit us down and show us one of those pocket spiral-bound notebooks. She [would] open it to the first page and say, “Alright. Top line: write how much allowance you got yesterday.” So we [would] write it down, and then she [would] say, “Take out 10 percent for tithing.” So we [would] write that down, and then she’d say, “So for the rest of the month . . . keep track of what you spend.”

A Black, female student (120) explained a concrete, envelope-based financial allocation and saving system that her parents introduced during middle-childhood. She explained:

We would get paid for doing chores. We had three envelopes, one was “spend,” one was “save,” and . . . the third one was . . . “give back to the church” or . . . “giving.” So, we did that. [They] encouraged [me to do that] since I was like eight. So, they instilled that into me [and] I was able to save a lot from when I was really young.

In the three preceding participant accounts, participants offered reports of parent-initiated discussion regarding the following: establishing and utilizing a checking account, financial tracking of income and expenditures, charitable and faith-based giving, financial allocation, and saving. Notably, each of these reports hailed from experiences before children turned 10 years old. In the following narrative from a Latina emerging adult (133), we see several financial principles (e.g., savings, establishing and

contributing to a savings account, budgeting, faith-based giving, and discretionary spending) all being discussed, literally and figuratively, on the child's "eye level" by intentional parents.

My dad always reminds me that [saving is] so important. He got down on my eye level when I was younger and [said], "It's so important to . . . save your money in case you [really] need it." And so from that time forward, I was putting money in my savings account. Whenever I would get birthday money, I would make a budget for myself. . . . [B]udgeting I . . . learned from [watching] my mom . . . budget at the breakfast table. I would make a budget: "This is how much money I got, this is how much I got for my birthday. I [am going to] put 10% into a tithe, I [am] going to put 50% into savings, and then the rest of it I [am] going to spend on something I like."

For many of the participants, "eye level" or age-appropriate financial discussion was adapted during their teenage years as more advanced principles were discussed. One White, female emerging adult (152) reported that formal work began in the mid-teens:

I started working when I was 15, because [my parents] told me, "What if you get a job? You have to start paying for your own clothes." [At that point] anything that I would want to buy . . . that would be [from] my money now. . . . [T]hey wanted me to realize how much money different things actually [cost], and how much we [were] actually spending on different little things that I did [not] really need.

For the parents of this teenager, age-appropriate principles for their mid-adolescent

included instilling a work ethic and engagement in formal employment—as well as a first-hand, real world opportunity to appreciate the value of money. For parents in another family, age-appropriate principles for their teens included saving for retirement, compound interest, and the time value of money. One White mother (108) reported:

Once [the kids] got old enough to start making money, they all started their Roth IRA . . . when they were in their teenage years. [T]hat [was] when we taught them [about] time value [of money]. So, when they were in high school they were already paying whatever they could into an IRA and seeing the logistics and . . . it was easy for them to comprehend that “If I am 16, 17, 18 building these accounts, then in 20 years I [will] be ahead of everyone else my age.”

In connection with *Theme 1: Parent-Initiated Discussions*, we have heard reports across three generations and across time regarding three concepts, including: (a) Sharing financial experiences: “My parents are open”; (b) Involving children in decisions: “In our [family financial] planning meetings . . .,” and (c) Engaging in age-appropriate conversations: “Dad got down on my eye level.” Several financial principles were reportedly conveyed from parents to children, including but not limited to budgeting, living within your means, avoiding bankruptcy, discerning between needs and wants, avoiding credit card debt, pursuing college-level education, establishing home ownership early, saving, shopping for “real” value (e.g., reliable used cars), awareness of resource allocation, careful decision making, using money as a tool, establishing checking/savings accounts, contributing to the family through doing chores, charitable/faith-based giving, beginning a retirement plan (even in the teen years), making consistent IRA

contributions, understanding compound interest, grasping the time value of money, developing sound work ethic, and learning to pay one's own way. Parents stressed both avoiding financial instability and striving for financial stability. This impressive list of financial principles were discussed primarily through vertically structured (top-down) delivery. As we move to *Theme 2: Child-Initiated Discussions*, we will see that financial principles were often discussed in interactive, conversational, horizontal, and organic ways as well.

## **Theme 2 – Child-Initiated Discussions**

**Concept 2a – Children asking financial questions: “I went . . . and asked them.”** One White, male emerging adult (10) recalled:

They [have] sat me down several times just because I requested it. I went into them and asked them about certain things. . . . [M]y dad knows everything and anything about how to run family finances and so he [is] a source of information, but he never really will go out of his way to teach you unless you ask [for] it. So that [is] how I [have] sat down with him in recent years. Just, “How does this work?”

For the following White, female student (132), her first fulltime job raised retirement program-related questions that she took to her mother. The daughter recalled:

I got a fulltime job and I asked [my mom] about [401-K programs] and she said, “You have to participate in it . . . [even though] I never did it.” But she talked to me when I asked her . . . , “How much should I put in?” [She said], “It’s good to put money in when you’re young, [shoot for] 10 percent ideally . . .”

The above narrative report from a daughter offers both strengths and weaknesses for our consideration as financial advisors/counselors and parents. From a strengths-focused vantage, we have a young adult who has the wisdom to ask—and we have a parent-child relationship with sufficient trust and respect that the child goes first to her parent. We also have the encouraging response from the mother that retirement programs are an absolute necessity (“you *have* to”) and that the time to start is “when you’re young.” From a negative vantage, we have a daughter reaching emerging adulthood without learning the answers to these questions previously; we have a mother who failed to model the behavior she is endorsing; and we see a parent offer a recommended retirement contribution figure (“10 percent ideally”) that is *not* ideal, but well below the minimum that prudent advisors would recommend. The importance of informed financial instruction is powerfully, if implicitly, underscored.

One Latina grandmother (156), like other parents and grandparents in our sample, used children’s questions as a forum and opportunity to discuss and model wise financial management. This grandmother shared her recollection that:

When I would get my bank check, [they] would start with . . . “Oh okay, can we go to the movies this weekend?” and I would [respond], “Okay, hold on, let me check and see what needs to be saved [and] what needs to be done and then we’ll talk about a movie or going out to eat or anything like that.” So . . . every paycheck they knew what was coming: “. . . we need to pay the phone bill, . . . we gotta pay cable, we gotta pay the rent, the car payment, the insurance payment.” [And then], “Uh oh, guess what, we only have like \$200, so what should we do?”

Should we go to the movies or should we go out to eat? You guys have to choose.” So they started seeing that at an early age [that you have to make wise choices]. [T]hey did.

Our final participant excerpt that we will share to illustrate the concept of *children asking financial questions* is from a White, female emerging adult (7):

I [have] always been able to ask [my parents] questions. I [have] always been able to trust them. Because, when I did come and ask them questions, they were very kind and willing to help me understand. I trusted that they knew the answer, and I trusted that they had some experience with [finances].

As our data confirmed, the same kind of “trust” that allowed emerging adults to “come and ask questions” about finances also seemed to promote and foster *child-initiated, age-appropriate conversations* about finances. This concept will serve as our last sub-theme of the Findings section.

**Concept 2b – Child-initiated, age-appropriate conversations: “I went to my parents and . . .”** Early in the Findings section (Theme 1), we addressed the important and multi-faceted financial discussion concept of age-appropriate conversations. In the first theme, however, these conversations were parent-initiated and parent-directed (e.g., parents pro-actively establishing and explaining an IRA for their teenage child). Here we turn our focal lens to retrospective accounts of discussions initiated by a child (often a teen or emerging adult)—conversations where parents seemed to discern and capture an instructional opportunity. One participant, a Latina grandmother, recalled an experience

from her mid-teens where her parents recognized and promoted their daughter's desire for a bike into an opportunity to discuss the principle of working and saving towards an identified goal. She (155) explained:

At 15, I specifically remember . . . wan[ting a] 10-speed bike . . . [they] just became popular, and I really wanted one. . . . I thought my parents would just buy me one, [but] they were like, "No, you gotta save up money." [I]t was \$100, which was a lot of money back then, so I saved up and bought it, and it felt so good to know that [I] worked [and saved] for what [I] bought.

A White, college-aged daughter (14) explained how her experience of getting a Roth IRA started at a young age (in her teens) after she initiated a discussion with her parents. She recalled:

I remember I went to my parents . . . I had [been to an] activity [at our church] about saving money, and I learned about Roth accounts. . . . So I told my parents, "I want to put away some of this money into this Roth account." And so they took me to a financial guy, and he helped me put it into a Roth account. I still have it today.

Another White, female emerging adult (122) also shared experiences and related discussions from her teens that her parents parlayed into memorable learning opportunities:

When I started working, I wanted a checking account right away because I wanted my debit card and I wanted to be able to be cool and write checks. [My parents] were definitely like, "No, you don't need to do that yet." And [then] they

started explaining . . . interest rate[s] . . . and the whole getting a car thing and [auto] interest rates and getting a loan and all that kind of thing. And then when I was 17 . . . we started looking into . . . college [and] . . . school loans and financial aid.

The narratives in this section to this point reference pre-18 experiences, discussions, and instruction. While 18 years may be legal adulthood, it was clear from our qualitative data on financial discussion that 18 was *not* where needed guidance from parents ended—financial socialization continues into emerging adulthood. We now shift and conclude our findings with two narratives from post-18 “college life.” One Latina emerging adult (127) recalled:

I was going to college my first year, [and] I didn’t have a car, and I was taking the bus [or] my mom would take me sometimes. I was depending on people [for rides]. . . . and then, it was my idea, I wanted a car. I told my parents I wanted a car, and then my dad told me to start saving my paychecks, take half of it and start saving to buy the car.

Again, a participant’s wants led to a socialization opportunity—a discussion of work and goal-oriented saving. In this family, however, the aim was not a 10-speed bike but a car. While the above recollection was drawn from a participant’s “first year” at college, other participants discussed lessons learned from deeper in the college years. A Black, female emerging adult (140) confessed:

Recently, I was having financial problems, and I [am] always so used to calling my mom and dad: “Mom and Dad I need this, I need that.” But the last time I

called, [my mom said] . . . “Just . . . figure it out, I [cannot] keep helping you. If you need something, you [cannot] just keep calling me thinking I can help.” So, I feel like that has definitely taught me to budget my money better. I mean, of course in a desperate situation they would be there, but you can’t always depend on your parents. You have to declare some kind of independence. . . . [T]hat . . . call . . . gave me a wake-up call because she told me she [cannot] help me no more. It was like, “Wow...okay, [time to grow up].”

In age-appropriate financial discussion there is, it seems, also a time for tough love; when emerging adult children asked for financial help, some parents said “no” and instead encouraged their children to be financially independent.

In our participants’ reported experiences involving child-initiated, age-appropriate discussions, we see the children’s foci move from bikes to cars, from having a little cash to starting a Roth IRA, from “being cool” to paying for college, and from shifting from the parental dole to paying their own significant expenses. Each of these shifts in focus seemed to provide additional wants, needs, and requests from children to parents, with wise parents recognizing these requests as prime financial discussion opportunities for their children—opportunities to steer their children toward financial stability and independence.

### **Discussion**

The importance of family financial discussions to future financial well-being in emerging adulthood has been well-established (see Serido & Deenanath, 2016).

However, studies have yet to explore the processes involved in these discussions. This study does so. Using a diverse, multigenerational sample of emerging adults, parents, and grandparents, this study identifies processes involved in parent-child financial discussions. What we learn is applicable to parents and children of all ages, including emerging adults.

### **Applying the Findings to Emerging Adults**

This study identified two major themes associated with family financial discussion processes. In the first, *Parent-Initiated-Discussions*, principles were discussed primarily through vertically structured (top-down) delivery. Three concepts reported across all three generations of respondents included: (a) *Sharing financial experiences*. Parents tend to lecture too much, and this often does not go well, especially with emerging adults. Telling stories of their own financial mistakes and what they learned from these mistakes might be a productive way for parents to influence their emerging adults. (b) *Involving children in decisions*. This is very applicable to emerging adults who often have important financial decisions to make. For example, emerging adults often come to parents to request help with the down payment for a home. This would be the perfect opportunity for the emerging adults and their parents to be jointly involved in the home-buying decision. (c) *Engaging in age-appropriate conversations*. Emerging adults have the mental capacity and interest to understand and apply more advanced financial opportunities. When parents find ways to engage in financial conversations, healthy outcomes may result.

In the second theme *Child-Initiated Discussions*, analyses revealed the

perception that financial principles were often discussed in interactive, conversational, horizontal, and organic ways. In this theme analyses identified two recurring concepts: *(a) Children asking financial questions*: It is likely that emerging adults will approach their parents with financial questions. At this point it is important for parents to listen, clarify, and ask their own questions before responding. When talking with emerging adults, many parents tend to talk and lecture too much. This study points to the importance of a dialogic approach involving really listening (see Dollahite & Thatcher, 2008). Emerging adults will learn more when they feel understood and when the conversation is interactive, instead of when it evolves into a lecture *(b) Child-initiated, age-appropriate conversations*: Many of today's emerging adults who struggle financially might be overlooking their parents as a source of financial education. They might do well to engage in "child-initiated discussion" and be open to learning from their parents' experience and knowledge.

In these prime financial discussion opportunities parents have the opportunity to steer their emerging adult children toward financial stability and independence. These results also highlight healthy processes for earlier family financial discussion that may better prepare emerging adults for financial stability and independence.

### **Applying the Findings to Family Financial Socialization Theory**

Gudmunson and Danes (2011) identified parent-child discussion as a primary way in which children are financially socialized. They also identified a gap in the literature: little research has explored processes involved in family financial socialization generally and parent-child financial discussion specifically. Thus, our findings both provide

support for and build on family financial socialization theory. The findings support the theoretical propositions that parents are primary financial socialization agents and that parent-child discussion is a key method by which financial socialization occurs.

Additionally, the findings provide further evidence that parent-child financial discussions continue to occur and be impactful into emerging adulthood (Serido et al., 2010).

The findings build on the theory by identifying various processes by which parent-child financial discussion occurs. First, it distinguishes between parent-initiated discussion and child-initiated discussion. It seems that who initiates financial discussions impacts the discussion itself. It is of note, however, that “age-appropriate conversations” was a concept found in both types of discussion. It seems that children tend to ask certain questions and trigger certain conversations at corresponding developmental markers. For example, a person may be more likely to ask about student loan debt during their transition to college than during childhood. Additionally, parent-child financial discussion seems to be effective when parents are cognizant of their child’s developmental stage and talk about money on the child’s level.

It seems that children most often initiate financial discussions by “asking questions.” Parents can capitalize on these as opportunities to impart financial knowledge and values. Our findings align with previous research indicating that parent-child attachment influences parent-child financial discussion (Jorgensen et al., 2017); it seems that children may be more likely to go to parents with financial questions when the parent-child relationship is healthy and attachment is secure. Research suggests that children may internalize knowledge and values more when discussions are child-centered

(Dollahite & Thatcher, 2008), or better yet child-initiated. For parents whose children do not initiate many financial discussions, “involving children in decisions” is a way in which parents can make financial discussions child-centered even when they are parent-initiated. This “involving children in decisions” adds to the theory in that it is a unique blend of two main methods of financial socialization: discussion and experiential learning (LeBaron et al., 2019). Parents can use financial discussion as a means by which to facilitate children’s hands-on practice with money management and decision making.

Finally, “experiences and stories” also blends two main methods of financial socialization: discussion and modeling. When parents disclose their own financial experiences, they initiate *discussion* about their own *modeling*. Children can learn important lessons from their parents’ positive and negative modeling (Rosa et al., 2018), and parent-child discussion may be an optimal time for parents to 1) acknowledge both their financial successes and shortcomings that they have modeled, 2) discuss these experiences, including what they wish they had done differently, and 3) relate these experiences to their children and what their children can learn from them.

### **Limitations and Future Research**

There are several limitations to the current study. The number of parents ( $n = 17$ ) and grandparents ( $n = 8$ ) in the sample was relatively small, and future research may benefit from utilizing a larger sample of these generations. Additionally, all emerging adult participants were enrolled in a family finance class at a university. Thus, the experiences of our participants may be different from other emerging adults (e.g., higher SES) and even other college students (e.g., greater exposure to finance). Future research

could investigate potential differences in parent-child financial discussions by SES or other demographic factors. The retrospective nature of the interviews may be a limitation in that some financial discussions may be forgotten or misremembered. Future research could explore parent-child financial discussions as they happen in the present, not the past. These explorations could focus on key developmental time points in distinguishing what is particularly “age-appropriate” for financial discussion at different developmental stages. Finally, future research could explore these qualitative findings in quantitative research in order to better understand how various parent-child financial discussion processes are associated with various financial and relational outcomes.

### **Conclusion**

“Continuing to ignore family socialization processes is like attempting to tie one’s shoe lace with only one hand—an essential element is missing” (Gudmunson & Danes, 2011, p. 663). The current study began to address this gap by qualitatively exploring family financial discussion processes using multigenerational perspectives. We found that both parent-initiated and child-initiated discussions occur. Regardless of who initiates, conversations often focus on age-appropriate (or developmentally-opportune) financial concepts. Parents often initiate conversations by sharing their own financial experiences and stories, while children often initiate conversations by asking questions about money. Parents can capitalize on child-initiated conversations to impart financial knowledge and values, and even when discussions are parent-initiated, parents can involve children in financial decisions to promote internalization of financial knowledge and values. This study makes the case that parents and children of all ages (including

emerging adults) should more frequently ask the question: “Can we talk about money?”

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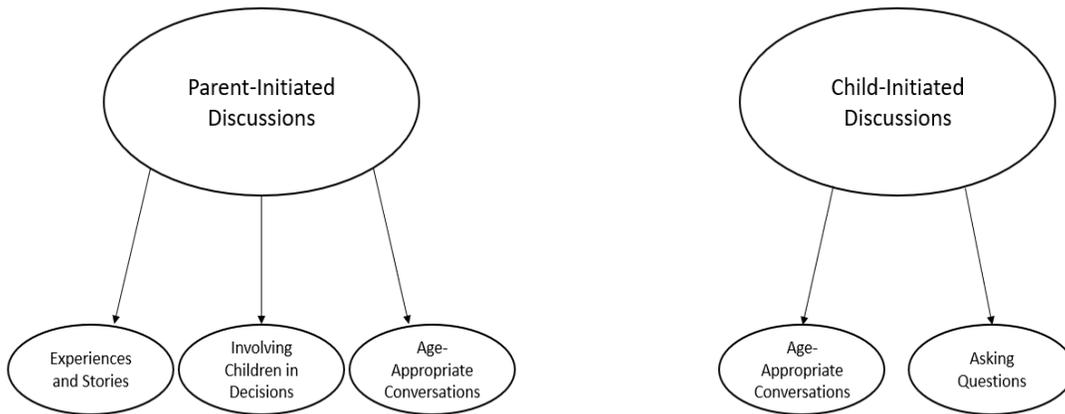
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Table 1

*Numeric Content Analysis (NCA)*

<b>Theme</b>	<b># References</b>	<b># Sources</b>	<b>% Interviews</b>	<b>Average # Ref. per Int.</b>
<b>Parent-Initiated Discussions</b>	299	87	96.67	3.32
Experiences and Stories	46	32	35.56	0.51
Involving Children in Decisions	31	27	30.00	0.34
Age-Appropriate Conversations	121	53	58.89	1.34
<b>Child-Initiated Discussions</b>	65	36	40.00	0.72
Age-Appropriate Conversations	27	15	16.67	0.30
Asking Questions	38	30	33.33	0.42
<b>Total</b>	364	90	100	4.04

*Note.* Calculations were made based on the 90 interviews that mentioned “Formal Instruction,” not the 115 total interviews conducted in the larger study.



*Figure 1. Thematic map.*