



# Parent Financial Socialization Scale: A Step Forward for the Field

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An exciting advancement is afoot in the financial well-being field, specifically centered on family financial socialization. With funding from the National Endowment for Financial Education® (NEFE®), researchers at the University of Arizona and Brigham Young University developed three new scales that measure the three primary methods of parent financial socialization, or how values, attitudes, and behaviors around money are passed on to children from caregivers. These scales are the first of their kind to be theoretically grounded (i.e., based on family financial socialization theory<sup>1</sup>) and psychometrically validated (i.e., demonstrated to measure what they are designed to measure). With consistent use they have the potential to improve research and financial education interventions targeting various mediators of financial well-being. **The process by which the researchers developed and tested these scales is detailed in NEFE's Research in Review brief.**

## THE PARENT FINANCIAL SOCIALIZATION SCALE AND SUBSCALES

Family financial socialization is defined as the process of acquiring and developing values, attitudes, standards, norms, knowledge and behaviors [within families] that contribute to the financial viability and individual well-being<sup>2</sup>. This growing field of study assesses how children learn financial lessons from their parents/guardians and how those processes impact outcomes later in life. Until now, existing measures for family socialization have been limited and inconsistently used.

To meet the need for more robust measures, researchers rigorously developed three scales of parent socialization, each of which is also a subscale of a multidimensional construct: The Parent Financial Socialization Scale<sup>3</sup>. The three scales represent three main methods of financial socialization and are intended to measure how emerging adults (ages 18-30) recall their early financial experiences. This includes the first scale to measure experiential learning of finances.

- **Parent financial modeling** is the process of learning through child observation of parental financial behaviors.
- **Parent-child financial discussion** is learning conducted through verbal communication between parent(s) and children about finances.
- **Experiential learning of finances** is the process of acquiring financial knowledge through life experiences.

All three scales are highly generalizable across U.S. emerging adults regardless of sex, race, and parental education level.

<sup>1</sup>Gudmunson, C. G., & Danes, S. M. (2011). Family financial socialization: Theory and critical review. *Journal of Family and Economic Issues*, 32(4), 644-667.

<sup>2</sup>Danes, S.M. (1994). Parental perceptions of children's financial socialization. *Financial Counseling and Planning*, 5(10), 127-149 at p. 128.

<sup>3</sup>Access the full scale [here](#).

## USE AND POTENTIAL IMPACT

The generalizable nature of these scales allows practitioners and researchers to confidently understand family socialization in a nuanced way, which in turn allows for research across different segments of the population. These insights can inform program evaluation efforts and targeted interventions among younger populations whose recent experiences with family financial socialization will impact other facets of their current financial well-being and related outcomes.

Similarly, by breaking parent financial socialization into subscales, researchers and practitioners will be able to examine what specific socialization methods are associated with different outcomes under different circumstances, and for which demographics. These insights can inform programming and practice in a variety of settings, ultimately allowing future financial education interventions to be more tailored.

## FUTURE RESEARCH

The Parent Financial Socialization Scale will allow the field to start answering complex questions about financial socialization, which could then improve financial education in families, schools and universities, and other community settings.

A new study uses these scales to examine associations between the three methods of family financial socialization (i.e., parent financial modeling, parent-child financial discussion and experiential learning of finances) and various outcomes related to financial well-being. It also explores whether financial self-efficacy and financial management behaviors mediate these associations. With this more robust scale, we can see that parent-child financial discussion is less important for influencing future behaviors than previously thought. In fact, of the three methods, only parent-child financial discussions had no direct or indirect associations. Simply discussing finances with youth is not enough: Children and adolescents need their parents and guardians to engage in overt modeling behaviors and to provide experiential learning opportunities. Considering this, educators, parents and guardians should consider more hands-on, collaborative learning opportunities.

NEFE's hope is that future studies using these scales will continue to demonstrate the importance of measuring the various methods of socialization separately to better understand how financial socialization predicts outcomes.

**NEFE's Personal Finance Ecosystem provides a roadmap for understanding the various elements that comprise and influence an individual's financial well-being. Family socialization is an important component of foundational factors, which influence every part of the framework and are present for every individual.**

Practitioners and educators can apply the same principles and concepts found from studies using these scales to their own financial teaching, even though the scales are designed to specifically capture financial socialization from parents or caregivers. Additionally, practitioners may choose to involve parents more fully in their financial education programming so that socialization in the home goes hand-in-hand with socialization in school and in the broader community.

<sup>4</sup>LeBaron-Black, A. B., Curran, M. A., Hill, E. J., Freeh, M. E., Toomey, R. B., & Speirs, K. E. (2022). Talk is cheap: Parent financial socialization and emerging adult financial wellbeing. *Family Relations*. <https://doi.org/10.1111/fare.12751>

## SCALE USE IN PRACTICE

Use of the Parent Financial Socialization Scale can help researchers understand financial socialization's lasting impact more precisely, therefore enhancing the understanding of the current demographic. But practitioners can use the scale in their programming as well.

In practice, this could look like using the scale at the beginning of a financial education program to understand the group's experiences with family financial socialization. This gives educators a view into the multitude of experiences across the group. In smaller settings, such as one-on-one coaching, the socialization experienced by individuals could be unpacked. Through open dialog, individuals might embrace past learnings from caregivers, contextualize those learnings, and understand the different ways their peers have been socialized.

For example, practitioners might work with small groups to ask scaled financial socialization questions and then ask open-ended questions, such as, "What stands out to you about how your families modeled financial behaviors and actions to you? How does that impact your current behaviors?" In this way, the scale can be a starting point for discussion about past family financial socialization experiences.



## About the Study

The National Endowment for Financial Education® (NEFE®) created this research brief to highlight aspects of the following published journal article: LeBaron-Black, A. B., Curran, M. A., Hill, E. J., Freeh, M. E., Toomey, R. B., & Speirs, K. E. (2021). Parent Financial Socialization Scale: Development and preliminary validation. *Journal of Family Psychology*. Advance online publication. <https://doi.org/10.1037/fam0000927>

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