What Do We Know About Financial Socialization?

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The research on children's understanding of family finance can be described within the context of a consumer socialization model. Consumer socialization is defined as "the process by which young people acquire skills, knowledge, and attitudes relevant to their functioning in the marketplace" (Ward, 1980, p.380). Consumer socialization models describe the learning process as the outcome of socialization processes, which are structured by antecedent variables. Socialization processes include the collection of life events and personal interactions giving children the opportunity to develop financial skills and knowledge.

The antecedent variables in financial learning typically include descriptions of social structural, demographic, and life cycle events characterizing the natural endowments of the student. Common antecedents include: parents' income, highest level of parents' education, student educational, occupational and income aspirations and expectations, gender, and race. Research on consumer socialization also identifies several other antecedents to socialization processes including; age or life cycle stage, age or life cycle stage of the parent, birth order, household structure, student ability and aptitude, and adolescent values and beliefs.

Socialization processes are those opportunities that a child engages in that contribute to their acquisition of financial skills and knowledge. Socialization opportunities come from individual, organization, or institutional agents that children come into contact with or maintain a relationship with. Typical socialization agents are peers, school, family, and the media, identified in empirical studies as sources of financial information, self perception of financial knowledge relative to others, and experiences with financial institutions through credit, banking, insurance, and investments. Socialization agents found to impact financial learning and understanding include families, schools, employers, peers, and the media. The economic role of adolescents has changed with changes in family structure. Dual-income earner families, single parent families, and families facing economic hardship offer new challenges and opportunities for adolescents (Doss, Marlowe, & Godwin, 1995; Rabow & Rodriguez, 1993). Schools are potential agents through the offering of formal programs in consumer and financial education. Employment and earnings outside of the home have been linked to better financial understanding. Peers and the media have been shown to be some of the most influential factors in adolescent consumer socialization.

The majority of studies on learning about economic concepts focus on the impact of age and movement through developmental stages. While age variation is an active variable in many studies, there is little variance in the typical classroom setting and age variation is not usually a factor that needs to be considered when designing a program. However, many of the antecedent and socialization agents relate to what may have happened to students while passing through critical developmental stages. As children pass through the stages of economic understanding, their experiences are marked by differences in opportunities and endowments. It is within these opportunities, defined by a combination of events and personal characteristics, where the child has a chance to learn about consumer finance.

References

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Endnotes

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