Perceived Financial Independence of Young Adults in Transition

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Financial independence has been perceived to be one of the major criteria in attaining adulthood. The purpose of this study is to identify factors associated with perceived financial independence among a national sample of young adults aged 18-23 who are in the life cycle stage of transitioning from financial dependence to financial independence. Data used were from the 2007 Transition to Adulthood and its parental companion data set, Panel Studies of Income Dynamics. Results show that, on a 5-point scale of financial independence, the mean scores of perceived financial independence based on the weighted sample progressed from 3.71 at age 18 to 4.36 at age 23, implying that financial development for this group of young adults increased with age. Both OLS and ordered logit regressions were conducted for the purpose of the study. The ordered logit results indicate that age, full time or part time employment, income, perceived problem solving skills, economic self-efficacy, stock ownership, ability to carry credit card balance, and parental stock ownership are positively associated with the perceived financial independence of transitioning adults. Conversely, being in college, women, parental income and wealth are negatively associated with the perceived financial independence of the transitioning adults. Additionally, separate ordered logit regressions were conducted for the subsample of young adults who were in college and for the subsample of young adults who never attended college. The common factors for both subsamples include positive associations of their employment and parental income. For those who were in college, perceived financial independence was positively associated with age, economic efficacy, and childhood math score and negatively associated with parental warmth during the childhood. In addition, females were less likely than males to perceive financial independence. Among the group of young adults that never attended college, perceived financial independence was positively associated with personal income and problem solving ability but negatively associated with parental wealth.

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