

Propensity to Plan, Financial Knowledge, and Credit Card Management Behaviors of Millennials

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The credit card management behaviors of millennials require considerable attention because these individuals would comprise a large part of the labor force in the near future. Inappropriate use of credit cards, which could endanger the future financial stability of millennials, needs to be examined explicitly. In this study, we regard propensity to plan and financial knowledge as salient factors to explain the credit card management behaviors of millennials. The dataset used for analyses was the 2015 National Financial Capability Study (NFCS), and separate logistic regression analyses were conducted for six credit card behaviors: (1) always paying credit cards in full, (2) carrying balances over, (3) paying minimum due, (4) paying late fees, (5) paying over-limit fees, and (6) using cards for cash advances. In this study, apart from making full payments, all behaviors are considered inappropriate. The first of the two applied empirical models includes propensity to plan and objective and subjective financial knowledge as key independent variables. The second model includes overconfidence in financial knowledge in place of the two financial knowledge variables. Results showed that propensity to plan was correlated positively with appropriate credit card management behaviors and negatively with costly management behaviors. Furthermore, objective financial knowledge generally had a similar relationship with management behaviors as did propensity to plan, while respondents with more subjective financial knowledge were more likely to manage their credit cards inappropriately. Financial knowledge overconfidence was positively correlated to making full, minimum, late, and over-limit fee payments and use of credit cards for cash advances. The relations were mostly robust across different specifications of overconfidence. We therefore conclude that propensity to plan and consistency of objective and subjective financial knowledge (i.e., realistic assessment of one's knowledge) are the key factors that need increased attention in the future.

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