Purpose

The purpose of this study is to investigate the simultaneous association of both internal and external values and expectations on young adults’ financial behavior, and in turn how these internal and external factors affect young adults’ financial well-being.

For college graduates after the Great Recession, employment was especially challenging. Thus, the study also considers whether employment status moderates the relationship between financial behaviors and one’s perception of financial well-being.

Research Questions & Hypotheses:

RQ1. Do both early parental (external) and personal (internal) expectations and values influence later financial behavior?

Hypothesis 1: Both early parental (parental) and internal (personal) expectations and values will have a direct effect on young adults’ later financial behaviors (H1a). Personal expectations and actualized values will have a direct positive effect on young adults’ later financial behaviors (H1b). Whereas hedonic values will have a direct negative effect on young adults’ financial behaviors (H1c).

RQ2. Do financial behaviors concurrently predict financial well-being and mediate the influence of both parental (external) and personal (internal) expectations and values?

Hypothesis 2: Financial behaviors will mediate the association between both early parental and personal expectations and values and later financial behavior. Concurrent financial behavior will have a positive direct effect on young adult’s financial well-being (H2a).

RQ3. Does employment status moderate the association between financial behavior and financial well-being? Given the developmental salience of employment during the transition to adulthood, employment status may interact with financial behavior and modify the association between financial behavior and financial well-being.

Based on the empirical literature, there is evidence that employment is associated with financial well-being but the empirical and theoretical support for moderation is unclear.

Results

Sample (n=754)

The study used data from the Arizona Pathways to Life Success (APLUS) project collected at two time points five years apart.

- Wave 1: 18-21 yr., Wave 2: 22-27 yr. 88.7% graduated from college
- 62.5% females and 37.5% males. About 68% were white, 15.5% Hispanic, 9% Asian/Pacific Islander, 2.9% African-American, 1.6% Native American, and 3% other/missing. About 16.4% were first generation, lower SES: 33.5%, ~ annual income < $50,000, middle SES: 25.1%, ~ annual income between $50,000 and 200,000, and higher SES families: 41.4%, ~ annual income > $200,000.

Method

A series of hierarchical linear multiple ordinary least squares (OLS) regressions were conducted to further evaluate the separate and combined effects of early and internal expectations and values, along with later financial behaviors in predicting later financial well-being, and whether employment had a moderating effect on financial behavior.

Discussion

- Early personal expectations significantly predicted later financial behavior and financial well-being (F(15,799) = 21.841, p < .000, adjusted R² = .306).
- Parental expectations remained important for financial well-being, but not for financial behavior.
- Although a significant predictor, employment status did not have a moderating effect on the association.
- Partial support was found for mediating effects of financial behavior as a mediator of parental expectation.
- Although not fully mediating, there is evidence of an indirect effect on personal expectations.

Key References


