

## Financial Education and Communication Between Parents and Children

Angela C. Lyons, University of Illinois at Urbana-Champaign

Erik Scherpf, University of Illinois at Urbana-Champaign

Helen Roberts, University of Illinois at Chicago

For most young adults, college marks the beginning of greater financial independence from their parents and greater responsibility for making sound financial decisions. Once at college, many students are confronted for the first time with such financial challenges as paying bills, creating a budget, and using credit. The ability of students to cope with these challenges depends critically on the financial knowledge and behaviors they acquired prior to being on their own.

Parents typically assume the primary role in teaching their children about money management (ASEC, 1999; Lyons, 2003; Palmer et al., 2001). A study by the American Savings Education Council (1999) found that roughly 94% of students were likely to use their parents as a source of financial information, while another study by Lyons (2003) found that about 68% of students reported actually receiving financial information from their parents. Yet, in many cases, parents do not adequately prepare their children for financial independence (Norvilitis et al., 2002). In fact, several studies indicate that students are generally not well-informed about personal finance (ASEC, 1999; Markvich & DeVaney, 1997); two-thirds of students in one study admitted that they did not know enough about money management (ASEC, 1999).

Some parents may underestimate the importance of explicitly talking with their children about money management issues, believing instead that their children will pick up the necessary skills through observing their own habits and behaviors. In a study by Norvilitis et al. (2002), about 30% of students reported that their parents rarely or never discussed with them issues such as the importance of saving, investing, and setting financial goals.

In addition, students may not always be receptive to the lessons their parents are trying to teach them. Lyons (2003), for example, found that only 42% of students reported that they would like to receive financial information from their parents.

These and other studies have identified that a relationship exists between parents, children, and financial education. However, relatively little is still known about the details of this relationship. Data were collected from parents and students, who participated in the financial education workshop *Financial Fitness for Life*. We used this data to investigate whether financial education improved communication between parents and children who reported low levels of communication and financial knowledgeable prior to the workshop. The findings from this research provide insight into how future education can help to bridge the "financial communication" gap between parents and children. The results also shed light on whether the workshop is reaching those who are most in need of financial education.

### Methods and Sample

*Financial Fitness for Life* is an economic and financial education program developed by the National Council on Economic Education (NCEE). The curriculum includes an instructor resource manual, a student workbook, a parents' guide, and a CD-ROM with interactive activities. Topics covered in the curriculum materials include consumer decision-making, saving and investing, spending and credit, and basic money management. A unique aspect of the program is that it is one of the first to include a comprehensive parent guide. The guide includes materials and resources for family discussion on economic and financial issues. It also includes an assortment of recommended activities that parents can do with their children.

In 2004 and 2005, a series of *Financial Fitness for Life* parent workshops were conducted in the state of Illinois under a grant from NCEE. Over 90.0% of the parents attended the workshop with their child. However, we are unable to do a one-to-one

matching of parents to children, because some parents did not bring their children and a few children attended the workshop without their parent(s). Also, we were unable to match survey responses for the parents and children given the survey design.

In the end, data were collected from 135 parents and 132 students at seven select sites; two workshops were held in the Chicago area and five were held at other locations in Illinois. Each workshop lasted two to three hours. At the end of each workshop, participants were asked to complete a short evaluation related to their confidence levels and anticipated behavior changes. The survey asked both parents and students "How often do you talk with your children/parents about money management?" In addition, parents were asked how often they talked with their parents about money management when they were growing up. Information also was collected on individual characteristics such as age, gender, ethnicity, education, employment, prior level of financial knowledge, and previous sources of financial information.

Females comprised the majority of the parent and student samples (72.3% and 53.2%, respectively). Most participants were also white (parents: 59.1%; students: 68.5%). However, African-Americans accounted for a larger percentage of the parent sample (26.0% vs. 4.0%), and Asians and Hispanics accounted for a larger percentage of the student sample (8.1% vs. 4.7% and 17.7% vs. 8.7%, respectively). Nearly three-fourths of the parent sample was over the age of 40, with 54.5% of parents between the ages of 41 and 50. Over half of the parents had a college degree (52.0%). The majority of students were in high school (59.5% seniors, 15.9% juniors, 5.6% sophomores, 8.7% freshmen, and 10.3% other, which included college students or junior high students). With respect to employment, 84.0% of parents were working, with 69.6% working full-time. Most students reported working at least 5 hours per week (61.1%). Note that some of the differences in the composition of the two samples (i.e., race and ethnic differences) were due to the fact that in some cases only the parent or student attended the workshop and not both.

Table 1 presents information on the knowledge and behaviors of participants prior to the workshop. We used t-tests to determine if there were statistical differences in the mean values between the parent and student samples; p-values are reported. According to Table 1, parents tended to rate their level of pre-workshop financial knowledge higher than students. About 70.1% of parents reported being financially knowledgeable or very knowledgeable, compared to just over 30.7% of students. Although it is unclear how well this subjective measure of financial knowledge accurately reflects a participant's actual level of knowledge, it does at least serve as a good measure of a participant's level of confidence in their financial skills.

Students and parents were also asked about where they had gone to find financial information in the past. The majority of students indicated that they had gone to their parents for financial information (76.7%). A formal course was the next most cited source (32.6%), followed by the Internet (26.4%), and friends (15.5%). Parents were most likely to turn to the media for financial information (38.5%), followed closely by a formal course (37.0%), family (34.8%), and the Internet (33.3%).

On average, parents reported talking to their children more frequently than students reported talking to their parents, with the biggest discrepancy in the percentage of participants who reported *never* talking to their children/parents (7.7% for parents vs. 20.6% for students). Interestingly, parent participants reported talking to their own parents about money management rather infrequently when they were growing up. In fact, over half (50.4%) reported that money management was never discussed. However, these results may have been affected by recall bias or by intergenerational differences in parents' willingness to talk with their children about the family's finances.

## Results

Table 2 summarizes the reported impacts of the workshop for parents and students. Participants were asked to report on a

Table 1  
Knowledge and Behavior Characteristics Prior to Workshop

	Parents (N=135)	Students (N=132)	P> t
<i>How would you rate your level of financial knowledge prior to this workshop? (%)</i>			
Not very knowledgeable	(n=134) <sup>a</sup> 7.5	(n=130) 27.7	0.00***
Somewhat knowledgeable	22.4	41.5	0.00***
Knowledgeable	41.0	21.5	0.00***
Very knowledgeable	29.1	9.2	0.00***
<i>What sources have you used to acquire financial information? (%)</i>			
Parents	(n=135) n/a <sup>b</sup>	(n=129) 76.7	--
Friends	n/a	15.5	--
Family	34.8	n/a	--
Media	38.5	7.0	0.00***
Workshop	31.9	n/a	--
Financial professional	26.7	n/a	--
Formal course	37.0	32.6	0.00***
Internet	33.3	26.4	0.22
<i>How often do you talk with your children/parents about money management? (%)</i>			
Daily	(n=104) 12.5	(n=126) 8.7	0.36
Weekly	28.8	28.6	0.96
Monthly	35.6	31.0	0.46
Yearly	15.4	11.1	0.35
Never	7.7	20.6	0.00***
<i>When you were growing up, how often did your parents talk with you about money management? (%)</i>			
Daily	(n=111) 7.2	n/a	--
Weekly	5.4	n/a	--
Monthly	21.6	n/a	--
Yearly	15.3	n/a	--
Never	50.4	n/a	--

Notes. <sup>a</sup>A few participants did not respond to some survey questions so the number of observations for each characteristic may vary. The observations for each question are in parentheses. <sup>b</sup>n/a indicates that a participant was not asked to report this information.

\* p < 0.05, \*\* p < 0.01, \*\*\* p < 0.001

4-point scale the extent to which they agreed with the following three statements: "As a result of participating in this workshop: 1) I am more comfortable talking about finances with my

children/parents; 2) I will talk about finances more often with my children/parents; and 3) I will use the information to better manage my own finances." Since very few participants strongly disagreed with any of the statements, the two levels of disagreement ("strongly disagree" and "disagree") were collapsed into one category, while the two levels of agreement ("strongly agree" and "agree") were retained.

The first two impact statements address the improvement in parent-child communication attributed to the workshop. An important prerequisite to behavior change is achieving a sufficient level of comfort discussing financial topics with family members. This is captured by the first impact statement. The second statement captures the intention to talk about finances more often (i.e., *intended* behavior change). Measuring actual behavior change is beyond the scope of this study.

According to Table 2, parents were significantly more likely than students to strongly agree with both of the impact statements on family communication. Over half of all parents (54.0%) strongly agreed that they were more comfortable talking about finances with their children as a result of the program, compared to only 37.3% of students. Moreover, only 4.8% of parents disagreed with this statement, compared to 10.3% of students. This discrepancy between parents and students was slightly larger for the statement on intending to talk with parents/children (strongly agree: 56.6% vs. 36.2%; disagree: 1.6% vs. 12.6%). Students were slightly more likely, however, to strongly agree that they would use the information from the workshop (55.4% vs. 49.2%). However, this difference was not statistically significant.

Probit models were estimated separately for parents and students to shed light on the following questions. First, were less financially knowledgeable participants more likely than more knowledgeable participants to report significant improvement after attending the workshop? Second, were participants who rarely discussed finances with their family more likely to report improvement than those who regularly spoke with their family?

Table 2  
Summary of Impact Findings

As a result of participating in this workshop....	Parents (N=135)	Students (N=132)	P> t
<i>I am more comfortable talking about finances with my children/parents.</i>			
	(n=126) <sup>a</sup>	(n=126)	
Strongly Agree	54.0	37.3	0.01***
Agree	41.3	52.4	0.08**
Disagree	4.8	10.3	0.10*
<i>I will talk about finances more often with my children/parents.</i>			
	(n=129)	(n=127)	
Strongly Agree	56.6	36.2	0.00***
Agree	41.9	51.2	0.14
Disagree	1.6	12.6	0.00***
<i>I will use the information to better manage my own finances.</i>			
	(n=128)	(n=130)	
Strongly Agree	49.2	55.4	0.32
Agree	47.7	43.1	0.46
Disagree	3.1	1.5	0.40

Notes. <sup>a</sup>A few participants did not respond to some survey questions so the number of observations for each characteristic may vary. The observations for each characteristic are reported in parentheses. Also, the "disagree" category includes participants who either "disagreed" or "strongly disagreed" to each impact statement.

\* p < 0.05, \*\* p < 0.01, \*\*\* p < 0.001

Or, did the workshop serve mainly to reinforce existing behaviors and knowledge? Finally, how did the impacts differ for parents and students?"

The dependent variables in our models were constructed using the three impact statements: (1) more comfortable talking about finances with parents/child; (2) will talk about finance more often with parents/child; and (3) will use the workshop information to better manage my own finances. Each dependent variable was set equal to one if a participant *strongly agreed* with the statement and zero if the participant merely agreed or disagreed. The key independent variables in each model were prior levels of family communication, prior levels of financial knowledge, and prior sources of financial information. The models also controlled for gender, race, education, age or year in school, age of other

children, employment status, and location of training.<sup>1</sup>

Table 3 presents the marginal effects for the probit models. With respect to the students, the findings showed that the workshop had a greater impact on those who were already talking to their parents frequently about financial management issues. Specifically, those who reported that they talked to their parents on a daily, weekly, or monthly basis about financial issues were significantly more likely to strongly agree that the workshop had a positive effect on their comfort level and willingness to continue talking with their parents than those who never talked to their parents. Students who reported talking to their parents weekly about finances were also more likely to strongly agree that they would use the workshop information.

We also found that students who had previously participated in a finance education course were significantly more likely to strongly agree to all three impact statements.<sup>2</sup> Students who used the Internet to find financial information also were more likely to strongly agree that they were more comfortable talking to their parents about financial issues and more likely to use the workshop information. Finally, students who were more financially knowledgeable prior to the workshop were significantly more likely to report improved communication with their parents. Those who were less financially knowledgeable were more likely to use the information they received in the workshop.

The probit models for the parents revealed that few variables were significant. However, parents who reported talking only once a year with their child about finances prior to the workshop were significantly less likely to report feeling more comfortable talking

<sup>1</sup> Ordered probits were also estimated using three categories—strongly agreed, agreed, and disagreed. However, goodness-of-fit measures (e.g., pseudo R-squared, log pseudo likelihood, and Wald statistic) indicated that the binary probit specification fit the data better.)

<sup>2</sup> The Illinois State Board of Education requires all high school students to complete a personal finance course prior to graduation. While we control for year in school, the variable that controls for course could still be picking up the mandated requirement.

Table 3  
*Probit Results (Marginal Effects)*

	Dependent Variable: More comfortable talking about finances with my (parents/child)		Will talk about finances with my (parents/child)		Will use information to better manage my own finances	
	Students	Parents	Students	Parents	Students	Parents
<i>How often talk to (parents/child) about finances:</i>						
Daily	0.60*** (0.11)	-- (--)	0.63** (0.09)	-- (--)	0.17 (0.18)	-- (--)
Weekly	0.35** (0.14)	-- (--)	0.27* (0.15)	-- (--)	0.28** (0.13)	-- (--)
Monthly	0.22 (0.15)	-0.13 (0.15)	0.33** (0.15)	-0.01 (0.13)	0.09 (0.15)	-0.02 (0.35)
Yearly	0.14 (0.20)	-0.31* (0.18)	0.20 (0.20)	-0.02 (0.17)	0.24 (0.15)	-0.08 (0.44)
Never	-- (--)	0.25 (0.15)	-- (--)	-0.12 (0.22)	-- (--)	-0.29 (0.22)
<i>Sources of financial information:</i>						
Friends	0.18 (0.17)	-- (--)	0.08 (0.15)	-- (--)	0.08 (0.14)	-- (--)
Parents	-0.20* (0.12)	-- (--)	-0.14 (0.11)	-- (--)	0.02 (0.12)	-- (--)
Family	-- (--)	0.25* (0.13)	-- (--)	0.18 (0.12)	-- (--)	0.12 (0.14)
Media	-0.23 (0.13)	0.09 (0.13)	-0.07 (0.19)	-0.04 (0.12)	0.17 (0.20)	0.13 (0.13)
Workshop	-- (--)	0.26* (0.13)	-- (--)	0.09 (0.11)	-- (--)	-0.05 (0.12)
Financial professional	-- (--)	-0.13 (0.13)	-- (--)	-0.16 (0.13)	-- (--)	-0.27* (0.14)
Course(s)	0.19* (0.12)	-0.39* (0.20)	0.23** (0.11)	-0.21 (0.19)	0.31*** (0.11)	-0.15 (0.19)
Internet	0.20* (0.12)	-0.08 (0.15)	0.19 (0.12)	0.05 (0.13)	0.22* (0.11)	0.12 (0.14)
<i>Pre-workshop financial knowledge:</i>						
Very knowledgeable	0.30* (0.17)	0.27 (0.15)	0.48*** (0.15)	0.20 (0.14)	-0.01 (0.19)	0.23 (0.16)
Knowledgeable	0.00 (0.13)	-0.13 (0.15)	0.11 (0.13)	0.06 (0.14)	-0.35** (0.13)	0.02 (0.16)
Total Observations	117	98	118	102	121	98
$\chi^2$	36.49	43.88	30.05	21.95	28.08	33.19
Pseudo R <sup>2</sup>	0.20	0.32	0.18	0.15	0.19	0.22
Log Likelihood	-63.33	-45.11	-62.74	-57.55	-67.80	-52.71

Notes. Omitted categories are not very knowledgeable and somewhat knowledgeable (pre-workshop financial knowledge). Controls were included for gender, race, year in school (students), age (parents), education (parents), age of children (parents), employment status, and training location.  
 \* p < 0.05, \*\* p < 0.01, \*\*\* p < 0.001

to their child following the workshop than parents who talked to their child daily or weekly. We also observed a significant and

positive impact for those parents who cited family members and workshops as prior sources of financial information. A significantly negative impact was found for those who reported attending a formal course to gain financial information. This negative effect may suggest that those who were more likely to enroll in a course were also less likely to be financially knowledgeable or to feel confident in their level of financial skill.

There are plausible explanations for why significant effects were not found for parents. First, it may have been that the workshop did not have as much to offer parents, who were presumably starting from a much higher level of knowledge than students. Second, there may have been less variation in parents' responses. Parents were considerably more likely than students to strongly agree that the workshop improved communication outcomes—responses that they, as parents, may have felt were 'socially desirable.'

### Discussion and Implications

Overall, the findings from this study have several implications for financial educators. First, the workshops appear to have reinforced the behavior of students with strong communication habits and demonstrated that even these students feel they have room to improve in this area. However, the workshops did not appear to encourage students with poor communication habits to talk more often with their parents. This finding suggests that a one-shot workshop may not be sufficient to improve communication outcomes for students, who already have limited communication with their parents. These students would perhaps benefit from more sustained parent-student training. It also may be that factors beyond the scope of the workshop prevented students from talking more often with their parents about money. Students may have felt, for instance, that their parents were poor financial managers and thus may not have viewed them as viable sources of information. Familial conflict or even parents'

reticence on financial matters also may have contributed to students not feeling more comfortable talking with their parents.

Perhaps the most encouraging finding was that students with low levels of financial knowledge prior to the workshop were more likely to strongly agree that they would use the information from the workshop to better manage their own finances. This finding suggests that the workshop was of some practical benefit for students most in need of financial education. There is additional evidence that the workshop also benefited students with high levels of financial knowledge prior to the workshop, as these students reported a stronger intention to improve communication with their parents following the workshop. These findings seem to support the conjecture that improvement in communication may have been constrained by factors the workshop was unlikely to affect, such as parents' inability or unwillingness to discuss financial matters.

Another key finding was that students who had previously taken a course in a subject related to personal finance were significantly more likely to report strong improvement for each of the three impact measures. Thus, our study points to the potential benefits of exposing students to more than a one-shot workshop on financial education, which could be accomplished by mandating more financial education at the high school level. According to the National Council on Economic Education, 38 states now have personal finance standards built into their state education systems. However, only seven states, including Illinois, explicitly require personal finance for high school graduation.

It should be emphasized that the absence of significant impacts for participants with certain background characteristics, most noticeably the parents, does not necessarily imply that the workshop was of no value to these participants. Recall that our dependent variables were primarily capturing the marginal difference in improvement from "agree" to "strongly agree." The overwhelming majority of participants at least agreed with each of the impact statements. Moreover, to the extent that the workshop highlights deficiencies in participants' financial knowledge and

encourages them to seek out more information to address these deficiencies, the true value of the workshop may not be directly measurable.

Recall also that there was a discrepancy between how often parents claimed they were talking to their children and how often students claimed they were talking to their parents. This result potentially points to a communication gap between parents and children on financial matters—parents believe they are talking to their children about financial issues but their children may not be "hearing" them. Part of this gap may be due to differences in what parents and children regard as important financial information. For example, children may disregard much of what their parents may be saying about money as unhelpful platitudes (e.g., "money doesn't grow on trees"), while the parents may believe they are conveying valuable lessons to their children.

Finally, financial educators need to be aware of the role that parents play in the financial socialization of their children. How can educators put this information to good use? First, they may want to provide students with discussion topics, activities, and educational handouts and brochures that will help them begin a dialogue with their parents about financial management issues. High school instructors and guidance counselors may want to consider mailing these materials directly to the parents or distributing them during open houses or parent-teacher conferences. These types of efforts can provide a starting place for opening up the lines of "financial communication" between parents and children.

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**Angela C. Lyons** is Assistant Professor, Department of Agricultural and Consumer Economics, University of Illinois at Urbana-Champaign, 421 Mumford Hall, 1301 W. Gregory Drive, Urbana, IL 61801; (217)244-2612; FAX: (217)333-5538; E-mail: [anglyons@uiuc.edu](mailto:anglyons@uiuc.edu)

**Erik Scherpf** is Research Associate, Department of Economics, University of Illinois at Urbana-Champaign, 330 Wohlers Hall, 1206 S. Sixth Street, Champaign, IL 61820; (217)333-0120; FAX: (217)333-5538; E-mail: [scherpf@uiuc.edu](mailto:scherpf@uiuc.edu)

**Helen Roberts** is Assistant Professor, Department of Economics, University of Illinois at Chicago, 601 S. Morgan Street, Chicago, IL 60607; (312)355-0378; FAX: (312)996-3344; E-mail: [hroberts@uic.edu](mailto:hroberts@uic.edu)

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