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Family Financial Socialization: Theory and Critical Review

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Abstract Financial literacy research of the past 40 years (1970–2010) has largely ignored the *reasons* for sociodemographic differences in financial outcomes. The primary purpose of this paper is to initiate a theoretical discussion regarding family financial socialization—what it is; why it is important; and how its tenets could help advance understanding of individual differences in financial literacy. To this end, we propose a conceptual model that integrates family socialization theory and recent trends in financial literacy research. The study concludes with an interdisciplinary critical review of 100 articles which provide illustrations, highlight gaps, and present opportunities for further research with many practical guidelines for advancing deeper understanding of financial literacy from a socialization perspective.

Keywords Family relationships · Financial literacy · Financial socialization · Financial attitudes · Socialization theory

Introduction

In recent years there has been a growing interest among educators, policymakers, and families in improving financial behavior—partly as a result of necessity, due to contemporary concerns in the worldwide economy. At the same time, there has been a steadily expanding growth in financial literacy research from a variety of academic disciplines. This research has primarily been outcome-based. The most attention has been directed toward sociodemographic differences in financial knowledge, behavior, and well-being, but relatively little attention has been given to processes explaining these differences. In particular, research has discounted the importance of financial socialization processes occurring over time within the family social context.

In seeking to remedy this shortcoming, we have sought to investigate the role of family financial socialization in the existing literature, by theorizing and critically reviewing a cross-section of the personal financial literature. Furthermore, we have proposed a theory-based conceptual model of family financial socialization processes and outcomes as a practical tool for promoting future research and as a lens for assessing the role of family financial socialization in the personal finance literature of the last 40 years (1970–2010).

We have attempted to meet these goals in a particular sequence. First, we have followed this brief introductory section with a review of financial socialization definitions and family socialization theory. Second, we have proposed a conceptual model of family financial socialization. Third, we have presented our methods for conducting a critical review of personal finance literature in light of this theory. (Because this was a critical review, we have "oversampled" articles as a way of assessing gaps in the literature.) Fourth, we have reported findings regarding the quality of the literature. Finally, we have concluded with a general discussion of the implications from the theory and critical review.

A process-oriented definition of financial literacy has guided our critical literature review; that is, "the ability to

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interpret, communicate, compute, develop independent judgments, and take actions resulting from those processes in order to thrive in our complex financial world" (Danes and Haberman 2007, p. 49). The concept of financial literacy has been under revision among many scholars dedicated to this topic. Recognition of the importance of social processes and personal dispositions that interact with a person's knowledge base has spurred scholars to introduce terms such as *financial capability* (Sherraden 2010; Sherraden et al. 2010) to explain that more than cognitive awareness has been needed to improve financial behavior. In short, the notion that financial literacy is only about cognitive awareness has become outdated.

Financial Literacy Approaches

For decades, efforts to increase financial literacy have occurred through educational programs designed to enhance individual financial knowledge. Those educational efforts have reflected the assumption that knowledge naturally gives way to behavior that improves financial conditions at every level. Yet, more recently, concerns have emerged that cognitive financial knowledge alone may be a weak stimulus for producing financial behavior change (NEFE 2006). There have been concerns that our market culture may intentionally draw consumers into unsustainable financial lifestyles (Cross 2002; Goldstein 2000; Kramer 2006), and that effective financial education may require combating misperceptions and countering erroneous ideas about money. Further, the primary unit of analysis in financial literacy research has been the individual, without much recognition of the primary socialization unit in which the individual initially develops—family.

These trends have continued even though 30 years ago Moschis (1987) called for a better understanding of family influence in the socialization process. Recently, there has been a growing recognition that financial decision-making and financial behavior stem from deeply rooted individual characteristics that are impacted by social and psychological forces. Neoclassic economic rationality has helped to explain some variability but has lacked sufficiency for a complete explanation (Lunt 1996). Thus, there has been greater interest in recent decades on culturally relevant factors such as attitudes, beliefs, norms, roles, skills, standards, and values, and in the sources through which these factors have developed and evolved over time (Danes 1994). Especially for young children, family has endured as the primary socialization agent for learning about finances. Family has served as a filtering point for information from the outside world (Danes and Haberman 2007) and has been a foundation for continued financial socialization throughout one's lifetime. Yet, the disparate work done in this area has yet to be summarized in a compelling, integrated, theory-based and empirically-supported picture of family socialization. This has been our aim, and our focus on family theoretical ideas has distinguished this review from past reviews. These other reviews have provided perspectives on economic (Beutler and Dickson 2008) and consumer socialization (Hayta 2008; John 1999; Ward 1974) as well as family financial socialization (Xiao et al. 2011).

Family Financial Socialization

In this section we have placed family financial socialization in the context of related concepts through a look at definitions. Afterwards, we have explored aspects of general family socialization theory with the expectation of moving toward a conceptual model of family financial socialization.

Review of Definitions

Generally, consistent definitions of economic and financial socialization have been offered over the past 40 years. Most definitions have appropriately considered economic socialization to be a broad concept which "goes beyond the issue of competence, as narrowly defined in terms of social skills, to include orientation to consumer society" (Lunt 1996, p.10). Furthermore, we have agreed with Alhabeeb's (2002) contention that "consumer socialization and financial socialization are integral subcomponents of economic socialization" (p. 11).

Ward (1974) has spearheaded this topic with his definition of consumer socialization as "processes by which young people acquire skills, knowledge, and attitudes relevant to their functioning as consumers in the marketplace" (p. 2; see also Churchill and Moschis 1979; Moschis and Churchill 1978). Early definitions have emphasized that socialization was a process limited mainly to children, but later definitions have been more inclusive. For instance, Hayta (2008) has argued that "socialization of the consumer is the process in which the individual constantly harmonizes himself or herself with the environment by learning or changing new attitudes, values, and current norms" (p. 167). This definition has suggested a lifelong financial socialization process, especially in times of change.

Definitions of financial socialization have also been broad in scope. Danes (1994) has suggested that "financial socialization is much more inclusive than learning to effectively function in the marketplace. It is the process of acquiring and developing values, attitudes, standards, norms, knowledge, and behaviors that contribute to the financial viability and individual well-being" (p. 128).

Family Financial Socialization Theory

A number of theoretically important ideas regarding family financial socialization have been offered over the past 40 years. Moschis has described how communication plays a role in helping individuals learn the content, logic, and functioning of financial systems (1985; Moschis et al. 1984). Mugenda et al. (1990) have showed how family characteristics influence these communication patterns about finances leading to improved financial behaviors. Bandura (1977, 1997), has pointed out that although a person may have been aware that it is important to save, without self-efficacy, or the belief that they are capable of saving money, they have not been likely to do so. Thus, self-efficacy, a concept from Bandura's (2001) social cognitive theory, has become important in financial literacy work. John (1999) has provided an excellent review of consumer socialization research illustrating how children's cognitive capacity has proceeded through the perceptual, analytical, and reflective stages that were identified by Jean Piaget. Finally, Beutler and Dickson (2008) have provided a comprehensive view of how family members influence intermediate outcomes such as development of money attitudes (e.g. materialism, financial prudence) which have been linked to financial behaviors and well-being. Yet, despite these inroads, we along with others have asserted that more can be done to understand the unique socializing role of family in promoting financial literacy (Jorgensen and Savla 2010).

We have begun with a look at how family relationships are unique from other socialization contexts. Family socialization theories have focused foremost on the parent–child relationship because it is very influential. Grusec and Davidov (2007) have suggested five reasons parents are primary in socialization, (1) parents are "biologically prepared" not only to produce offspring, but to attend to multifaceted demands of their upbringing, (2) parents who are primed to protect and nurture children find opportunities play into a human need for interrelatedness, (3) there are strong cultural expectations in all societies for parents to be primary socializers of children, (4) because parents typically live in close proximity to their children, an incentive for parents exists to help establish prosocial behavior in children, and (5) parents control economic and material resources that children need to grow and develop. These ubiquitous ties have been used to set the stage for a social relational theory which "emphasizes that socialization and dynamics of parent–child interactions should be understood as occurring in the context of close personal relationships" (Kuczynski and Parkin 2007, p. 271). This perspective has also extended beyond parent–child relationships to include other types of close family relationships (Reis et al. 2000).

Liable and Thompson (2007) have defined a family relationship "as an integrated network of enduring emotional ties, mental representations, and behaviors that connect one person to another over time and across space" (p. 181). Family relationships have continuously involved human *agency* because family members actively interpret message meanings, and respond in innovative ways, indicating their willingness to resist influence or to internalize values that underlie specific requests (Kuczynski and Parkin 2007). Furthermore, evidence from family socialization research has supported the premise that relationships are *bidirectional*. Not only have parents influenced children's financial attitudes and behavior (Beutler and Dickson 2008), but children have influenced parent's decision making and practice (John 1999). Longevity in quality family relationships has enabled successful family routines to become habitual and automatic, freeing up mental and physical energy to focus on increasingly higher levels of teaching and training. Furthermore, Liable and Thompson have pointed out that, "sensitive responding to children's behavior contributes to their perception that their actions make a difference" (p. 191) thereby enhancing the individual's sense of agency.

Quality family relationships have been characterized by warmth, trust, mutual reciprocity (Grusec et al. 2000), and longevity. Warmth in family relationships has proven to enhance mutual attentiveness (Dix 1992) and, because it is intrinsically rewarding, has increased "motivation to comply and cooperate with relational partners" (Liable and Thompson 2007, p. 184). Many adults have rated trust as an essential value in intimate relationships. Trust in young children has often first developed as positive child-caregiver attachment leading to greater trust in relationships with individuals outside the family (Thompson 2006). As children age, a trusting relationship has enabled trusting individuals to engage in appropriate financial risk taking and to be accepting of financial opportunities. Mutual reciprocity has entailed the recognition of mutual obligations in relationships and has provided the foundations of moral conduct as individuals have been affected by and influenced by reciprocated actions in relationships. In reoccurring family routines and rituals, children have often witnessed how the overt and implied norms of the family affect behavior, and how they may be appropriately modified in the evolving context of the family. These family relationship features have continued to underlie a key premise of family financial socialization theory; the success of an explicit attempt to financially socialize another family member is conditioned on the quality of the interpersonal family relationship. Thus, for example, parents who try to teach children about money have been more successful when they have had a quality relationship with the child and the same may have been true for all types of family relationships.

Behavior modeling has also existed as an important mechanism of socialization. For example, parents who have offered children a regular allowance have provided their children the ability to model consumer behaviors (Barnet-Verzat and Wolff 2002). As individuals model financial behavior, they will have gained experience with internal and external motivations (Peng et al. 2007; Rettig et al. 1999). Those motivators have included social sanctioning, approval, tangible rewards, and offers for further interaction. Positive and negative reinforcements have helped to channel development of internalized beliefs, social norms, role schemas, and personal values.

A great deal of the financial socialization that occurs in families has come via observation and through other indirect influences. Observation has proven an efficient way of learning in social systems such as the family (Grusec and Davidov 2007). In a family setting, where there has been a great deal of day-to-day contextualized awareness, individuals have been able to pick up subtle clues even when financial matters may not have been discussed directly. This has emerged as a second key premise of family financial socialization theory; most of the financial socialization that takes place in the family has resulted from day-to-day family interaction and relationships and implicit financial training (Jorgensen and Savla 2010). Purposeful efforts that families have used to financially socialize each other have proven less common than implicit forms of financial socialization, and were often intermingled with other family matters. This has been expected, not only because there is so much that must be learned in one's family of origin, but also because parents have had multifaceted values that they wish to teach their children. For example, while a parent may have wished to instruct a child about how to get the "most for the money", they may also have desired their children to learn to share and to be generous to others. Much of this teaching has come by participating in everyday economic events such as acquiring and using resources.

Family relationships have long held the potential to be the most enduring relationships in life. Although family socialization theories have focused mostly on the parent–child relationship, we have contended that changing family contexts, such as moving away from home, finishing an educational degree, initiating an adult romantic relationship, the birth of a child, leaving work upon retirement, and so forth are examples of events throughout a life course that have continually demanded renewed attention to financial matters and have been intimately tied to family contexts. Thorne (2010), for example, has provided one gripping illustration of how gender differences in performing unpleasant financial tasks emerged when couples faced extreme financial difficulties. Thus, it has been important not to have lost sight of the fact that family socialization theory should also have drawn on life course perspectives. Future expansions of family socialization theory should also draw on the idea that family members have enacted their socializing roles in conjunction with larger environments including media, schools, neighborhoods, and workplaces (Shim et al. 2010).

A Conceptual Model of Family Financial Socialization

With this theoretical grounding, we introduce a conceptual model which embeds family financial socialization processes within the context of personal finance (Fig. 1). The proposed conceptual model is multidisciplinary in nature because it draws together family studies and financial literacy perspectives. Rather than depicting what currently exists in the literature, the proposed conceptual model depicts the main thesis of this critical literature review. That thesis stipulates that personal finance research has discounted the importance of financial socialization processes occurring over time within the family social context. The proposed model highlights research emphases and discrepancies from a family socialization lens and reviews the literature through this proposed lens. So, for example, rather than identifying direct relationships between demographic differences and financial outcomes that are currently prevalent in the literature, the proposed conceptual model depicts indirect relationships through family socialization processes as a possible explanation of the effects of demographic differences on financial outcomes. In this section, we define conceptual categories within our model, describe theoretical linkages, and illustrate with examples.

Personal and Family Demographic Characteristics

Demographic characteristics are of two types, personal and familial. Some, like gender and age, tend to be most important on the individual level. Household size, or family developmental stage, and socioeconomic status tend to be measured at the family level.[1]

Our conceptual model poses demographic variables as predictors rather than as control variables (Fig. 1). Our model implicitly and empirically poses the question about *why* variables such as gender, age, race/ethnicity, marital status, socioeconomic status, household size, and other

[1] Across generations, economic and financial variables have an impact on certain demographic variables such as marital status, the age at which major life events take place, and a person's socioeconomic status, but these types of life course studies are beyond the scope of this review.

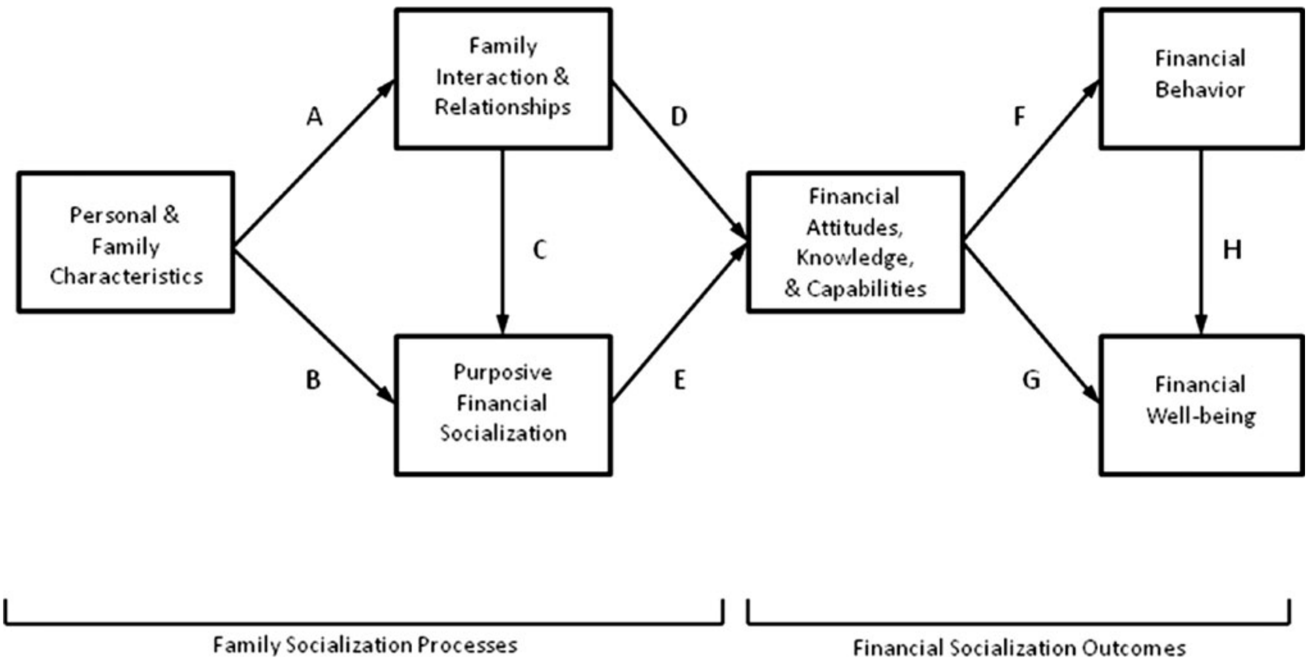

Fig. 1 Conceptual model of family financial socialization processes and outcomes

sociodemographics are linked to financial outcomes (also see Xiao et al. 2011). Studies that use demographic characteristics as predictors seek to explain why effects do or do not exist, and the best examples show this empirically. On the other hand, when demographic variables are used as controls, they are assumed to be markers for "unknown factors" that help to reduce potential spuriousness in scientific models. Personal financial literacy can be advanced by turning greater attention towards understanding why these variables predict financial outcomes.

In the personal finance literature, socialization processes are often theoretically invoked to explain the effects of demographic differences but seldom tested empirically. In our conceptual model, we propose that demographic variables are tied to financial socialization via family socialization processes. This proposition in no way concludes that family socialization is a total explanation, or always even the most prominent, because the relative effect of family socialization varies over the life course with respect to other agents of socialization.

In our literature review, we discover that many studies, even those classifying demographic variables as predictors, do not include socializing variables, or other types of intermediate variables that could be used to explain processes leading to financial outcomes. Thus, there is a broad gap in our understanding of reasons why variables such as gender, age, and socioeconomic status are found to be significant financial outcome predictors. Variables that measure socialization processes could help explain some of these linkages.

Moschis (1985) and Alhabeeb (1996) suggest that parents not only impact children's socialization via purposive, overt teaching, modeling, and practice, but implicitly play a role in financial attitude, knowledge, and capability development through everyday family interaction and relationships. Specifically, Moschis identifies three ways learning occurs in families: (a) conscious or unconscious communication of norms and expectations resulting from observations or imitation of behaviors, (b) family members' positive and negative reinforcement, and (c) overt communication. In response, we draw a distinction between levels of intention (implicit and purposive). Furthermore, we contend that most family financial socialization occurs implicitly via family interaction and relationships.

We draw a line between these levels of intention for two reasons. First, we wish to encourage inclusion of a wider range of family interaction and relationship variables in personal financial research. Measures of family interaction such as time use, relationship quality, and communication patterns are often viewed as beyond the personal finance domain. However, we feel it is important to branch further into the behavioral sciences to get a richer understanding of socialization forces. The second reason is to emphasize the importance of the linkage between implicit and explicit family socialization (Fig. 1, Pathway C; see Jorgensen and Savla 2010).

For example, many allowance-granting families give money to children with the purpose of promoting fiscal responsibility and for teaching children to save, share, and budget money prudently. Yet, the success parents have in promoting these values via allowance experience could be dependent on parent–child relationship quality. Children who feel that parents are loving and warm, who routinely spend time with parents, or have positive communication with parents are more likely to share parents' prosocial values about money (Kim et al. 2011). Likewise, good relationship quality enables parents to engage in instrumental teaching and training of children rather than spending time dealing with conflict. This distinction helps strengthen the bridge between family studies and personal finance literature.

Family Interactions and Relationships

A holistic view of financial socialization recognizes that interaction patterns among family members influence financial attitude development, knowledge transfer, and financial capability development even when financial socialization is implicit. For instance, Flouri (2004) found that mother's parenting involvement, measured by items such as spending time together and setting rules was negatively related to development of children' materialistic attitudes. Kirchler (1988) found that marital quality influenced ways spouses made purchase decisions, with spouses in good relationships having more persuasive power.

The place of the family in the financial socialization realm is multifaceted and complex due to the nature of families themselves. Families thrive by ensuring that the comprehensive needs of individuals are met by successfully orchestrating the care coming from inside and outside the family. The demand set may be larger and more multidimensional for family roles, such as spouse, parent, sibling, or child, than the more singular pursuits of schools, community organizations, and workplaces. Families are also highly systemic, meaning that individual behavior carries a great deal of feedback affecting subsequent interactions. By merely interacting with others in family roles, family members are financially socialized. For instance, children learn the value that parents accord to particular material objects, learn family financial norms, and begin to anticipate future financial roles as they mature.

With all this complexity, there are practical bounds for what can be reliably measured as family interaction. We suggest beginning broadly by incorporating constructs such as family interpersonal communication, relationship quality, and parenting style. It is important to remember that family members behave in ways to accomplish a variety of goals at any given time. As John (1999) observed, "family influences on socialization seem to proceed more through subtle social interaction than purposive educational efforts by parents[;] parents appear to have few educational goals in mind and make limited attempts to teach consumer skills" (p. 206).

Purposive Financial Socialization

By purposive family financial socialization, we mean intentional efforts family members use to financially socialize each other. Most interest in the literature is directed at parental efforts in socializing children (Beutler and Dickson 2008; Clarke et al. 2005). However, purposive financial socialization occurs bi-directionally and among many family relationships, not solely from parents to children. Our model indicates these efforts vary by race/ethnicity and nationality reflecting cultural differences that impact purposive financial practices family members use to influence each other (Danes et al. 2008). Characteristics such as gender, age, family structure, and family relationship type highlight family roles tied to cultural values and norms that underlie financial practices. Income, education levels, and occupation underlie a family's ability to enact desirable financial practices. For instance, parents with higher status occupations and higher income levels are more likely to offer a regular and larger allowance (Barnet-Verzat and Wolff 2002). Furnham (1999) found savings rates are higher among adolescents from higher income families.

Financial Attitudes, Knowledge, and Capabilities

These concepts in our model are intermediary financial socialization outcomes. Most of the literature on these variables does not consider how they emerge. We assume they are socially imbued individual characteristics adapted over time. Accordingly, individuals carry certain attitudes, knowledge, and capabilities with them from context to context although they are variously expressed in each circumstance. Although Ward's (1974) view of socialization focuses on attitudes, knowledge, and *skills*, we focus on attitudes, knowledge, and *capabilities*. In our view, capability is a more expansive concept than skills. Capabilities better capture what developing individuals, especially children, are able to do, rather than skills which emphasize what is done proficiently. The notion of capabilities also better captures a sense of a person within societal structures that variously provide opportunities and constraints to individuals (Johnson and Sherraden 2007; Sherraden 2010). However, even when external conditions are similar, there will be variations in what individuals are capable of achieving—thus the term also refers to internal motivational sources such as self-efficacy, values, perceived needs, and living standards. Financial attitudes, knowledge, and capabilities interact in important ways. For instance, self-efficacy may be a necessary condition before knowledge leads to financial behavior change. Without confidence in one's own ability to accomplish a financial action, knowledge is not likely to give way to behavior (Bandura 1977, 1997). Ultimately, we propose that the important financial end products of these intermediate variables are financial behavior and financial well-being.

Financial Behavior

This construct refers to individual financial outcomes that are observable, even if most studies rely on self-reports. To further highlight processes leading to financial behavior, we recognize two interrelated financial behavior types. First and most common, financial behavior is a pattern of action over time such as earning, saving, spending, and gifting.

A second type of behavior, one which is no less critical for financial success, is related to financial turning points and decision making. This type of behavior is more "event-like" and certainly includes initiation and termination of passive financial processes; like setting up a 401 k account or developing an automatic "pay-yourself-first" savings plan. Behavioral economics research is revealing powerful lessons about how practitioners may grapple with human misperceptions, preference for the status quo, and behavior that can seem irrational, to set up structures for better choice-making and maintenance of successful behavior patterns (Thaler and Sunstein 2008). Although review of behavioral economics literature goes beyond what could be accomplished in the present investigation, the theoretical ideas that underlie this rapidly growing discipline are often consistent with socialization ideas.

Financial behavior is often viewed as the cornerstone of financial well-being. Recent financial literacy discussions call for measuring behavioral outcomes as a result of socialization—especially in relation to financial education and knowledge application (Fox et al. 2005; McCormick 2009). In an illustration of how family socialization impacts financial behavior, Pinto et al. (2005) show that college students received more information about credit from parents than from peers, media or school and that the more information they receive from parents, the lower are their credit card balances. Likewise, a parent's savings habits and children' experiences owning investments at a young age are associated with higher savings rates several years after college (Peng et al. 2007).

Financial Well-Being

This construct includes objective and subjective indicators. Examples of objective indicators include income and savings levels, ownership of goods, financial ratios, and credit reports which are measures that can be reliably assessed through multiple sources. Subjective indicators are based on individual perspectives and opinions and include examples such as financial satisfaction, low economic pressure, income adequacy, and so forth. Family members may have varying levels of agreement.

Although objective and subjective measures are often correlated, they should be treated as distinct constructs. For example, per-capita income is conceptually related to perceived income adequacy but they may not have the same predictors. Furthermore, there may be mediated processes that need to be discovered. For example, Sumarwan and Hira (1993) find that income has its largest effect on financial satisfaction by indirectly boosting perceptions of income adequacy. We advocate for examining objective and subjective indicators as separate constructs and for examining how they are interrelated. Gutter and Copur (2011) call for a similar approach.

Our conceptual model contains paths from financial behavior to financial well-being and from attitudes, knowledge, and capabilities to financial well-being. Future research might investigate which of these are the best proximal predictors of objective and subjective financial well-being. From our review of the literature, we generally observe that behaviors are likely to be stronger predictors of objective well-being while attitudes, knowledge, and capabilities tend to best predict subjective financial well-being. Valid questions remain, however, about method variance biases that can contribute to these differences. Unfortunately, too often, subjective well-being measures are not conceptually or empirically distinct from attitudes, knowledge, or capabilities. The ways in which they are measured is also important. Often measures are positioned adjacent to each other in surveys, have the same response formats (i.e. Likert scales), or are answered by the same respondents. These methodological issues can artificially inflate associations. Thus, there is need for greater understanding of existing scales and survey construction. Too often investigators consider only reliability and not validity. More conceptual rigor is needed in future research. In the following sections we describe our methods for sampling for the critical review and present basic information about research quality and content.

Research Overview

Ward's (1974) influential review seemed to have sparked consumer socialization research with comparatively little occurring prior to the 1970s. Thus, we considered research published from 1970 to 2010. To keep our project manageable, we used review articles in the areas of consumer and economic socialization (Beutler and Dickson 2008; Hayta 2008; John 1999; Ward 1974) to identify journals that were well positioned to publish personal financial and family-related content. The six journals we selected were: *Family and Consumer Sciences Research Journal*, *The Journal of Financial Counseling and Planning*, *Journal of Economic Psychology*, *Journal of Family and Economic Issues*, *The Journal of Consumer Affairs*, and *The Journal of Consumer Research*. These journals regularly include content that bridges family issues, personal finance, and financial literacy and were prominently represented in the reviews that guided our selection.

We began with keyword searches within journals related to personal finance, families, and economic/consumer socialization. Since this method of searching left out articles that seemed promising for subject matter coverage, we systematically browsed all article titles in these journals within the 40-year time span. Due to our initial hypothesis that socialization perspectives in the literature were limited, we focused on locating studies related to personal finance that by face-value looked promising for potential information related to family financial socialization, whether or not that was the intention of the authors. This critical review approach allowed us to focus on gaps as well as strengths in the literature via an over-selection of articles and not merely select those studies that seemed to promise support for our theoretical perspective. Our first pass through the literature netted nearly 90 articles matching these criteria. Our final pass updated the review with the most recent publications, and we intentionally sought to bring the number in our sample up to 100, thereby making summary counts equivalent to percentages.

Our systematic sampling approach had strengths and weaknesses. Limiting our search to these journals made the task manageable but undoubtedly excluded relevant articles on family financial socialization from other sources. Our approach was, however, in keeping with our overall goal to assess the degree to which a socialization perspective existed in the personal finance literature. Some articles in our selection have this perspective and others do not. In our study overview, we excluded articles that were non-empirical or that were primarily designed to introduce new measures without examining relationships between constructs. When there was more than one study within an article, we focused on the main study or the one with the largest sample size.

We had two aims for the review of these 100 studies. First, we wanted to assess the nature and quality of these studies. This was done by summarizing authorship and content, noting dedicated use of theory, and key aspects of the methodology. Second, we wanted to estimate the amount of attention that was paid to linkages between the broad concepts in the literature that have been incorporated into our conceptual model (Pathways A–H).

Nature and Quality of the Research

Table 1 presents an overview of 100 selected empirical studies from six journals on the topic of personal finance from the past 40 years. The research originated from at least 11 different disciplines, with major contributions from family and consumer sciences (23%), family studies (20%), marketing (18%), and psychology (17%). While most studies made at least some mention of theory, usually in the context of findings from previous research, only 36% seemed to seriously be dedicated to a particular theoretical perspective. The behavioral life cycle, family life cycle, resource management, role theory, supply and demand, and systems theories were the most often used. College student samples and large public-use data sets were commonly used, and the median sample size of 342 was encouraging (mean = 999). However, 86% of studies were cross-sectional and most longitudinal studies were based on just two waves of information. About half (49%) of the samples were drawn through randomized procedures, 43% were convenience samples, with a remaining 8% that examined entire populations (usually all the participants in an educational program). There was heavy use of multivariate statistics (74%), and a few that relied on bivariate statistics (18%). Eight percent were qualitative studies. It was encouraging to see that multiple disciplines were interested in personal finance and that sample sizes were large overall. It is, however, unfortunate that there were few longitudinal studies.

Research Content

The "links" column in Table 1 identifies emphasized relationships in the literature that corresponded with relationships proposed in our conceptual model (Fig. 1). It was clear from results that the traditional province of personal financial literature was on outcomes. The connections between financial attitudes, knowledge, and capabilities and financial behavior (Pathway F) were investigated in 56% of studies. Connections between financial attitudes, knowledge, and capabilities and financial well-being (Pathway G) were investigated in 27% of the studies and connections between financial behavior and financial well-being (Pathway H) were investigated in 23% of the studies. Perhaps most importantly, virtually every study in our sample used demographics variables in association with one or more outcomes. However, there was much less attention paid to relationships associated with implicit and purposive socialization processes. For further examination, we turned attention to pathways A–E.

The fact that only 6% of studies examined relationships between personal and family demographic characteristics and family interaction and relationships (Pathway A)

Table 1 Overview of selected personal financial literature; authorship, topics, linkages, samples, and methods

Study	Disc.	Topics	Links	Theory	Sample	Methods
Alhabeeb (1996)	CS	Demographics linked to adolescent spending and saving behavior	–	Neoclassic economic demand	423 from Massachusetts public schools	Randomized Cross-sectional Multivariate
Baek and Hong (2004)	FCS	Demographics, life stage, and attitudes linked to consumer debt	F, G, H	Family life-cycle theory	3,974 from the Survey of Consumer Finances	Randomized Cross-sectional Multivariate
Barnet-Verzat and Wolff (2002)	Ec	Demographics linked to parents allowance motives and amounts given	B, C	Altruism, exchange, preference shaping	5,300 French households with a child	Randomized Cross-sectional Multivariate
Belk (1985)	M	Age linked to levels of materialism based on subscales of possessiveness, non-generosity, and envy	F	Life span perspective	338 students or workers from several different organizations	Convenience Cross-sectional Bivariate
Beutler et al. (2008)	FS	Adolescent money aspirations linked to intrinsic and extrinsic values	–	–	187 middle school students	Convenience Cross-sectional Qualitative
Borden et al. (2008)	FCS	Financial knowledge and attitudes toward credit linked to financial behavior	F	–	93 from a financial education seminar	Population Longitudinal Multivariate
Bowen (2002)	FCS	Parent financial knowledge linked to children's financial knowledge	D, E	–	64 students from a science program and their parents	Population Cross-sectional Bivariate
Braun and Wicklund (1989)	P	Commitment to an identity linked to conspicuous consumption attitudes for individuals of lower expertise	D	Conspicuous consumption and Self-completion theories	85 university students, professionals, and athletes	Convenience Cross-sectional Bivariate
Brown et al. (2005)	Ec	Consumer, but not mortgage debt, linked to psychological well-being	H	–	2,193 from British Household Panel Study	Randomized Longitudinal Multivariate
Burgoyne et al. (2007)	P	Perceived ownership and ideology linked to development of money management systems in early marriage	B, F	–	42 heterosexual couples from the United Kingdom	Convenience Longitudinal Qualitative
Carlson and Grossbart (1988)	M	Parenting style linked to financial communication with child	C	Parenting style theories	451 mothers of elementary school children	Convenience Cross-sectional Multivariate

Table 1 continued

Study	Disc.	Topics	Links	Theory	Sample	Methods
Chaulk et al. (2003)	FS	Demographics linked to financial risk tolerance	–	Family development and Prospect theory	4,305 from the U.S. Survey of Consumer Finances	Randomized Cross-sectional Multivariate
Childers and Rao (1992)	M	Family type linked to product and brand purchase decisions	–	–	345 U.S. or Thai MBA alumni	Randomized Cross-sectional Multivariate
Churchill and Moschis (1979)	M	Demographics linked to family communication and financial attitudes	B, E	Social learning theory	806 adolescents	Randomized Cross-sectional Multivariate
Clarke et al. (2005)	FCS	Financial role transfer linked most strongly to parents, with differences for fathers and mothers	D, E, F	Role theory	256 college students	Convenience Cross-sectional Multivariate
Danes (1994)	FS	Parents perceptions of best ages to share financial information with children	B	Family systems	182 parents from outreach programs	Convenience Cross-sectional Bivariate
Danes and Haberman (2007)	FS	Gender and program participation linked to differences in financial knowledge, self-efficacy, and behavior	F	–	5,329 students who studied a personal finance curriculum	Population Longitudinal Bivariate
Danes et al. (1999)	FS	Impact of high school financial planning curriculum on knowledge, behavior, and self-efficacy	F	Jacobs' five-tiered evaluation theory	188 teachers and 4,107 students using the NEFE curriculum	Population Longitudinal Bivariate
Danes and Morris (1989)	FS	Demographics linked to financial satisfaction and plans to change the family financial situation	F, G, H	–	485 household heads from the U.S. Midwest	Randomized Cross-sectional Multivariate
Davies and Lea (1995)	P	Religion, age, number of credit cards, and attitudes linked to student debt	F, G	–	140 English undergraduate students	Convenience Cross-sectional Multivariate
Dean et al. (2007)	FS	Materialism linked to perceived financial problems and marital satisfaction	G	–	600 married couples	Randomized Cross-sectional Multivariate
Devaney et al. (2007)	CS	Demographics linked to changes in savings motives	G	–	4,442 from the U.S. Survey of Consumer Finances	Randomized Cross-sectional Multivariate
Dilworth et al. (2000)	FCS	Family life cycle linked to individual money goals	–	–	75 college student–parent pairs	Convenience Cross-sectional Qualitative

Table 1 continued

Study	Disc.	Topics	Links	Theory	Sample	Methods
Doss et al. (1995)	CS	Demographics linked to children's spending, saving, and giving	B, E, F	–	409 middle school students	Convenience Cross-sectional Multivariate
Dowling et al. (2009)	P	Financial behaviors and attitudes linked to financial problems and satisfaction	F, G, H	–	400 male construction apprentices	Convenience Cross-sectional Multivariate
Eldar-Avidan et al. (2008)	SW	Parental divorce linked to economic hardships	A, D, G	–	22 Israeli young adults of childhood parental divorce	Convenience Cross-sectional Qualitative
Fan (2000)	FCS	Consumer debt linked to spending for social display and more that is considered non-luxury	H	Neoclassical consumer demand	5,174 from the Consumer Expenditure Survey	Randomized Cross-sectional Multivariate
Fan and Burton (2002)	FCS	Demographics linked to beliefs about status-conveying goods	–	Status consumption theories	371 college students	Randomized Cross-sectional Multivariate
Fisher and Montalto (2010)	FCS	Savings motives, goals, horizons, and health status linked to savings behavior	F	Prospect theory	3,823 workers from the Survey of Consumer Finances	Randomized Cross-sectional Multivariate
Flouri (2004)	CS	Mother's involvement and inter-parental conflict linked to children's materialism	D	–	2,218 British school-aged children	Convenience Cross-sectional Multivariate
Foxman et al. (1989)	M	Demographics linked perceptions of adolescent children's influence on purchase decisions	B, E	–	161 fathers, mothers, and adolescent children	Convenience Cross-sectional Multivariate
Fry et al. (1998)	Ec	Matched savings plan linked to savings behavior change mediating the role of prior attitudes and behavior	F	–	Families in an Australian savings program	Population Longitudinal Multivariate
Furnham (1999)	P	Demographics linked to allowance and savings practices	B, E	–	280 English adolescents	Convenience Cross-sectional Multivariate
Furnham (2001)	P	Demographics linked to parent's beliefs about children's economic socialization	B, E	–	305 British parents	Randomized Cross-sectional Multivariate
Gouskova et al. (2010)	Ec	Parent–child patterns in pension participation suggest intergenerational transmission of time preference	A, D	–	2,001 participants in the Panel Study of Income Dynamics	Randomized Cross-sectional Multivariate

Table 1 continued

Study	Disc.	Topics	Links	Theory	Sample	Methods
Grable et al. (2009)	FS	Locus of control, financial knowledge, and income linked to financial management behavior	F	Cultural "cushion hypothesis"	62 native-born Americans and 91 Koreans living in U.S.	Convenience Cross-sectional Multivariate
Han and Sherraden (2009)	SW	Demographics and attitudes linked to savings amounts in Individual Development Accounts	F	Institutional saving theory	306 IDA participants and 231 non-participants	Population Longitudinal Multivariate
Hanley and Wilhelm (1992)	FCS	Compulsive buying linked to self-esteem and money attitudes	F, G, H	–	143 adults referred as compulsive spenders	Convenience Cross-sectional Bivariate
Hawks and Ackerman (1990)	FCS	Family life cycle linked to shopping styles, information use, and decision making	A	Family life cycle	378 adults who had purchased a mattress	Convenience Cross-sectional Bivariate
Hayhoe et al. (1999)	FS	Money attitudes linked to number of credit cards	F	–	426 college students	Randomized Cross-sectional Multivariate
Hayhoe et al. (2000)	FS	Gender, money attitudes, and financial behavior linked to number of credit cards and financial stress	F, G, H	–	480 college students	Randomized Cross-sectional Multivariate
Hibbert et al. (2004)	FS	Parent's financial prudence linked to children's debt avoidance, credit card use, and financial strain	D, F, G, H	–	537 college students	Convenience Cross-sectional Multivariate
Hira et al. (1989)	FCS	Financial satisfaction linked to perceived changes in financial situation	F, G, H	–	123 managers of family finances	Randomized Longitudinal Bivariate
Hira et al. (1993)	FCS	Demographics linked to perceived changes and expectations of future financial conditions	–	–	2,510 household financial managers	Randomized Cross-sectional Multivariate
Hong et al. (2002)	FCS	Financial resources and plans for the future linked to savings	F	Family life cycle	2,345 from the Korean Household Panel Study	Randomized Cross-sectional Multivariate
Howlett et al. (2008)	M	Self-regulation, future orientation, and knowledge linked to long-term financial decisions	F, G	–	89 graduating college seniors	Convenience Cross-sectional Multivariate
Jones (2005)	FS	Demographics linked to knowledge and use of credit	–	–	216 college freshman	Convenience Cross-sectional Multivariate

Table 1 continued

Study	Disc.	Topics	Links	Theory	Sample	Methods
Joo and Grable (2004)	FCS	Financial knowledge, attitudes, behavior, and demographics linked to financial satisfaction	F, G, H	–	220 clerical workers from Texas, mostly women	Randomized Cross-sectional Multivariate
Karlsson et al. (2004)	P	Economic situation, social comparison, aspirations, and consumption linked to satisfaction with consumption	F, G, H	–	411 Swedish from a metropolitan area	Randomized Cross-sectional Multivariate
Kidwell and Turrisi (2004)	M	Prior behavior, attitudes, affect, and perceived control linked to money management tendencies	D, F	Theory of planned behavior and Theory of social behavior	189 college students from a large eastern university	Convenience Cross-sectional Multivariate
Kirchler (1988)	P	Marital quality linked to types of spousal influences that affected purchase decisions	D	Gender role theory	21 Austrian couples	Convenience Cross-sectional Multivariate
Kivett and Schwenk (1994)	FS	Demographics linked to economic well-being	–	–	3,205 women of the Consumer Expenditure Survey	Randomized Cross-sectional Multivariate
Koonce et al. (2008)	FCS	Spending plans, financial goals, and saving practices linked to sources used for financial information	E, F	–	253 teenagers who attended a 4-H event	Population Cross-sectional Multivariate
Kourilsky and Murray (1981)	Ed	Classroom instruction linked to economic reasoning and decision-making satisfaction	E, G	–	27 parents of a fifth/sixth-grade child	Convenience Longitudinal Bivariate
Lea et al. (1993)	P	Economic resources, needs, social support for debt, demographics, and attitudes linked to debt level	D, G	–	420 English individuals grouped by level of debt	Randomized Cross-sectional Multivariate
Lea et al. (1995)	P	Demographics, money management skills, time horizons, and consumer behavior linked to debt	F, G, H	–	583 English individuals grouped by level of debt	Randomized Cross-sectional Multivariate
Lee et al. (2000)	FCS	Television shopping related to binge eating and compulsive consumption	D, F	Social comparison theory	334 women	Randomized Cross-sectional Multivariate
Leiser et al. (1990)	P	Age linked to economic understanding, reasoning, and attitudes	–	–	Children from ten countries	Randomized Cross-sectional Bivariate

Table 1 continued

Study	Disc.	Topics	Links	Theory	Sample	Methods
Livingstone and Lunt (1992)	Ec	Social, economic, and psychological factors linked to indebtedness, debt amounts and debt repaid	F	–	279 middle-to-upper class adults from the U.K.	Convenience Cross-sectional Multivariate
Loibl et al. (2009)	CS	Demographics, anticipated personal/social outcomes, and persuasion linked to consumer search strategies	D, E, F	Theories of self-esteem	787 Ohio residents	Randomized Cross-sectional Multivariate
Loibl and Hira (2005)	FCS	Self-directed financial learning and financial management practices linked to financial and career satisfaction	E, F, G, H	–	1,089 lower-level, white-collar workers for an insurance agency	Convenience Cross-sectional Multivariate
Lowrey et al. (2004)	M	Relationships within a social network linked to gift giving at Christmas time	D, F	–	Five female informants	Convenience Longitudinal Qualitative
Lunt (1996)	P	Individual perceptions of the economy and views of risk linked to attitudes about saving	F	Social perception of the economy	47 participants of focus group discussions	Convenience Cross-sectional Qualitative
Lyons (2004)	CS	Demographics, financial independence from parents, and debt holdings linked to financial risks in college	H	Life-cycle theory	835 college students	Randomized Cross-sectional Multivariate
Malone et al. (2010)	S	Family structure linked to differences in financial concerns and priorities	F, G, H	–	368 women from diverse family structures	Randomized Cross-sectional Multivariate
Mandell and Klein (2009)	B	Financial literacy classes linked to financial behavior	F	–	79 high school students	Population Longitudinal Multivariate
Mangleburg et al. (1997)	M	Gender linked to parent–child communication and product label use	B, E	Consumer socialization theories	353 high school students	Convenience Cross-sectional Multivariate
Medina et al. (1996)	M	Ethnicity linked to savings intentions, standards for quality of goods, and money attitudes	–	–	1,132 Mexican- and Anglo-American graduates	Convenience Cross-sectional Multivariate
Meeks (1998)	FCS	Demographics linked to sources and amounts of adolescent income and spending	B,E,F	–	1,165 from the National Survey of Families and Households	Randomized Cross-sectional Multivariate
Moore and Stephens (1975)	C	Demographics linked to information seeking, spending behavior, and consumer skills	B, E, F	Piaget's developmental theory	132 middle school and 180 high school students	Convenience Cross-sectional Multivariate

Table 1 continued

Study	Disc.	Topics	Links	Theory	Sample	Methods
Moschis and Moore (1979)	M	Gender linked to decision-making patterns	B, E	Social learning theory	734 school children from a Southern state	Convenience Cross-sectional Multivariate
Mugenda et al. (1990)	FCS	Demographics linked to evaluation, communication, money management practices and satisfaction	A, B, C, D, E, F, G, H	Family systems and resource management theories	123 family financial managers	Randomized Cross-sectional Multivariate
Norvilitis and MacLean (2010)	P	Parental influences, knowledge, behavior, and delay of gratification linked to credit card debt	D, E, F, H	–	173 college students	Convenience Cross-sectional Multivariate
Palan and Wilkes (1997)	M	Adolescent influence strategy style linked to parental response in consumer purchasing	D, E, F	–	100 families with a mother, father, and child age 12–15	Convenience Cross-sectional Qualitative
Parrotta and Johnson (1998)	SW	Financial attitudes and knowledge linked to financial management and satisfaction	F, G, H	–	194 recently married household managers	Convenience Cross-sectional Multivariate
Pasley et al. (1994)	FS	Demographics linked to type of resource pooling and quality of life	H	–	91 remarried couples	Convenience Cross-sectional Multivariate
Peng et al. (2007)	FCS	Financial education, experience, income, and demographics linked to investment knowledge and savings	D, F	–	1,039 college alumni of a Midwestern university	Randomized Cross-sectional Multivariate
Perry and Morris (2005)	M	Financial resources, locus of control, and knowledge linked to financial behavior	F	–	10,997 from the Freddie Mac Consumer Credit Survey	Randomized Cross-sectional Multivariate
Pinto et al. (2005)	FCS	Parent teaching linked to credit knowledge and credit use	E, F	–	589 traditional college students holding at least one credit card	Convenience Cross-sectional Bivariate
Polegato and Zaichkowsky (1994)	B	Gender linked to food shopping strategies	A	Role theory and family systems theory	50 husbands and wives	Convenience Cross-sectional Bivariate
Prince (1993)	P	Self-concept linked to money attitudes	D	Self-concept theories	103 young metropolitan adults	Convenience Cross-sectional Bivariate

Table 1 continued

Study	Disc.	Topics	Links	Theory	Sample	Methods
Rabinovich and Webley (2007)	P	Savings intentions, time horizon and self-control linked to savings behavior	F	Behavioral life cycle	1,869 Dutch or Belarusian individuals	Randomized Longitudinal Bivariate
Rettig et al. (1999)	FS	Financial and emotional resources linked to decision making, implementation, and family well-being	D, F, G, H	Management theories and human ecology	323 farm men and women who attended mandatory farm credit mediation	Randomized Longitudinal Multivariate
Richins (1994)	M	Possessions linked to public and private meanings	D	Semiotic theories	192 mail-survey respondents	Randomized Cross-sectional Qualitative
Richins and Dawson (1992)	M	Materialism linked to valued life goals and planned spending within categories	F	–	250 from a large city	Randomized Cross-sectional Bivariate
Rindfleisch et al. (1997)	M	Family structure linked to materialism and conspicuous consumption	A, D, F	–	135 young adults from a Midwestern city	Randomized Cross-sectional Multivariate
Roberts (1998)	M	Demographics, psychological resources, parent behaviors, and credit card use linked to compulsive buying	D, F	–	300 college students from the Baby Bust generation	Randomized Cross-sectional Multivariate
Roberts and Jones (2001)	M	Financial attitudes and credit card use linked to compulsive buying	F	–	406 college students	Convenience Cross-sectional Multivariate
Sanders and Porterfield (2010)	SW	Family structure linked to assets and economic well-being for women	–	–	6,131 of Survey of Income and Program Participation	Randomized Longitudinal Multivariate
Sumarwan and Hira (1992)	FS	Financial management practices and income linked to satisfaction with preparation for emergencies	H	Family resource management	297 money managers from the U.S. Midwest	Randomized Cross-sectional Multivariate
Sumarwan and Hira (1993)	FS	Demographics linked to locus of control, income adequacy, and financial satisfaction	G	–	2,510 rural household financial managers	Randomized Cross-sectional Multivariate
Titus et al. (1989)	FCS	Knowledge linked to planning behavior, and financial satisfaction	F, G, H	Systems theory	123 Iowan household money mangers	Randomized Cross-sectional Multivariate
Walker (1996)	P	Debt linked to coping and financial management; materialism linked to strategies and budgeting	F, G, H	–	100 mothers with infants recruited from postnatal clinics	Convenience Cross-sectional Multivariate

Table 1 continued

Study	Disc.	Topics	Links	Theory	Sample	Methods
Watson (2003)	B	Materialism linked to borrowing, spending, credit use, and saving	F, G	–	322 adults from Pennsylvania	Randomized Cross-sectional Bivariate
Webley and Nyhus (2006)	P	Relationship quality, future orientation, and economic socialization linked future orientation and savings	C, D, E, F	–	308 Dutch families with a child age 16–21 living at home	Randomized Cross-sectional Bivariate
Wilhelm et al. (1993)	FS	Financial assets and money beliefs linked to financial satisfaction and financial progress	G	–	559 rural household financial managers	Randomized Cross-sectional Multivariate
Wood (1998)	S	Demographics linked to impulsive buying	–	–	594 adults from the U.S.	Randomized Cross-sectional Multivariate
Worthy et al. (2010)	FS	Parental receipt of public assistance, adulthood status, and risky behavior linked to financial problem behaviors	D, F	–	450 college students from Mississippi universities	Convenience Cross-sectional Multivariate
Xiao and Fan (2002)	FCS	Demographics and culture linked to savings motives	D	Maslow's human needs theory	500 Chinese and 2,671 American workers	Randomized Cross-sectional Multivariate
Yurchisin and Johnson (2004)	FS	Perceived social status associated with buying, materialism, and self-esteem linked to compulsive buying	D, F	Theory of symbolic self-completion	305 undergraduate students	Convenience Cross-sectional Multivariate

Notes Discipline codes are *B* Business, *C* Communication, *CS* Consumer Science, *Ec* Economics, *Ed* Education, *FS* Family Studies, *FCS* Family and Consumer Science, *M* Marketing, *P* Psychology, *S* Sociology, *SW* Social Work. Links refer to emphases in studies that correspond with pathways in Fig. 1. Methods refer respectively to (1) how samples were drawn, (2) study design, and (3) empirical methodology should not be alarming since this relationship in our model technically did not relate to personal finance; a type of relationship which was more the province of family studies. Twenty-six percent of studies in our sample examined associations between family interaction and relationships and financial attitudes, knowledge, or capabilities (Pathway D). Only 4% of studies examined ways in which family interaction and relationships impacted purposive financial socialization (Pathway C). Purposive financial socialization was linked to demographic characteristics (Pathway B) in 13% of studies and to financial attitudes, knowledge, or capabilities in 20% of studies (Pathway E).

So, what was the point being made with these somewhat banal statistics? After all, it was not incumbent on any personal finance study to address financial socialization. We did not criticize research because it did not fit with our notions of financial socialization. Rather, we drew two general conclusions. The first was that, although virtually every study included demographic variables, only a few studies offered empirical evidence for *why* these variables predicted financial outcomes. Xiao et al. (2011) have likewise held this as a central issue in family financial socialization research. Like others before (John 1999; Moschis 1987; Ward 1974), we have reiterated a remaining gap in understanding of the role that socialization plays as a mediating process. As we reviewed literature, we searched for other ways the effects of demographics were explained, but these were even rarer than socialization explanations. The second conclusion was simply that focus continued to be on outcomes. In contrast, we have been encouraging a research focus on family financial socialization, recognizing that these undiscovered processes should not be viewed as ends in themselves.

Lessons Learned from the Critical Review

In this section, we attempt to enlarge the discussion leading to family financial socialization theory and its practical implications. We argue that *effects of demographic characteristics on financial outcomes may be transmitted through socialization processes.* If family financial socialization explains effects of demographic variables on financial outcomes, examples of this should exist in the literature. Ideally, this issue is best demonstrated with statistical analyses that can test for mediation including hierarchical regressions, path analysis, and structural equation modeling. Another way to accomplish this goal is by locating sets of studies that identify these processes by linking together series of outcomes. These methods can provide empirical support for socialization as a mediating process in place of the more common practice of merely invoking a socialization explanation in discussion of findings related to demographic variables, or offering no explanation at all. For instance, Bajtelsmit and Bernasek (1996) review literature on gender differences in investing and suggest that a reason that women are disadvantaged is because of differences in gender socialization. They propose that women are socialized to make more conservative investment choices. We agree that this is likely, but it is not clear how this socialization takes place. In the personal finance literature there are many such mysteries.

Yet some studies provide more acute examples of financial socialization. Baek and Hong (2004) investigated family debt outcomes using family life cycle (family demographic characteristics) as well as several other factors which we could identify as financial capability (ability, willingness, and need to borrow). Family life cycle stages were more predictive of installment debt than credit card debt. This type of study could easily be adapted into an investigation of financial socialization through hierarchical analysis of the variables to see if the effects of the family life cycle change when introducing “intermediate” socialization variables such as prudence and willingness to borrow, thereby revealing socialization processes rather than simply the most proximal outcomes. Mangleburg et al. (1997) use a socialization perspective explaining gender differences in teen consumer habits. They find differences in reading rates of product labels entirely attributable to differences in communication levels that girls have with parents and peers about products in the marketplace. This study provides strong evidence of socialization processes as mediators of the relationship between demographic variables (gender) and consumer behavior.

Karlsson et al. (2004) show that a household’s socio-economic status has an effect on financial satisfaction mediated by aspirations, social comparison (both proximal socialization outcomes) and consumption behaviors (a more distal socialization outcome). A particularly interesting study aspect is that increased aspirations, although they boosted satisfaction via increased consumption, also depress satisfaction directly. This study highlights multiple ways socialization can impact outcomes including simultaneous positive and negative effects. Families regularly face these kinds of dilemmas. Taking a child along on a shopping visit could teach important lessons about economic functions, but could also boost materialistic desires.

Another key finding is that *poor family relationships lead to financial behaviors that do not improve financial well-being.* Studies that measure financial socialization processes reveal more than just financial processes; they provide clues about influences of family functioning and family relationship quality (Skogrand et al. 2011). These studies often reveal that financial difficulties are tied to poor family functioning. Communication plays a key role in relationships and in financial socialization and is an important link to financial behaviors. Mugenda et al. (1990) find that spousal communication about money mediates the relationship between family variables such as age and household size in predicting money management practices. Financial knowledge is also tied to communication and behavior. Thus, the nature of family social context appears not only to present the opportunity to express financial knowledge, but also the frequency with which communication takes place leads to better money management practices.

Other examples show that family relationship quality influences financial attitudes. Maternal parental involvement is associated with less materialistic attitudes in children, and children from families experiencing inter-parental conflict have more materialistic attitudes (Flouri 2004). Marriages ending in divorce are linked to more materialistic attitudes in children (Rindfleisch et al. 1997). Kirchler (1988) found that marital quality had an impact on couple financial decision making. When there is a happy marriage, spouses influence each other in making a purchase when the commodity need is greater; furthermore, marital partners use a more 'objective' style of reasoning to explain a purchase. Times of family change represent windows of opportunity for educators and practitioners who work with families to influence financial practices. Times of family change are also a fruitful research focus for financial trajectory changes.

A parent's example is an important socializing influence. Parents who were more prudent money managers better socialize their adult children to avoid unnecessary debt (Hibbert et al. 2004). Like many of the prosaic family life functions, financial practices become interwoven with social and psychological meaning. In a retrospective qualitative study of divorce, Eldar-Avidan et al. (2008) note that adult children recall feeling that "economic consequences mean not only less money, but also a sense of abandonment, a perception of parental, especially paternal, responsibility, yet, for some, an empowering opportunity" (p. 82).

Finally, although research on financial socialization is concentrated on children's development, *financial socialization occurs throughout life*. Children learn their first lessons observationally, even before they can speak, watching their parents shop and manage tangible family resources. In families, this learning takes place as part of family social interactions, whether or not parents intend to teach (Danes 1994). Yet, formal learning is needed for abstract concepts (i.e. interest) that are difficult to comprehend through everyday observation (Bowen 2002). Webley and Nyhus (2006) find that parents who are conscientious about money and are oriented toward the future influence the economic behavior of their adult children for the better. They also show that parent's purposive efforts to financially socialize their children are associated with children's economic behavior. Likewise, children also influence their parents. For instance, adolescents who emulate adult strategies for influencing financial decision-making are more successful at influencing their parents (Palan and Wilkes 1997).

As adult children move away from home, their financial attitudes interact with new financial opportunities that produce behavior changes. Credit card use among college students is a good example. Roberts (1998) finds that credit card use is dramatically associated with compulsive buying and that factors such as self-esteem and social status associated with buying are also important. Financial socialization continues in adulthood evolving with changing adult roles and resource levels (Dew and Price 2011).

Throughout life, individuals take on new family roles and identities (i.e. spouse, grandparent), and work to meet new financial needs and develop the characteristics that they perceive pertain to those roles and identities. These changes are often accompanied by changing financial attitudes. For instance, Braun and Wicklund (1989) note that conspicuous consumption is higher for individuals who are committed to a particular identity (lawyer, business person) and are inexperienced in these roles. Those with more experience rely less on outward indicators of success. Thus, financial practices are one way that individuals fashion new identities. New identities can shift personal resource access and introduce change in ways money is used in families. For instance, egalitarian dual-income couples entering marriage often turn to pooling resources when it becomes evident that having a child will reduce one partner's ability to earn a similar income (Burgoyne et al. 2007). Although financial management is an important predictor of debt status, Walker (1996) observes that improvements in financial management are a result of being in debt *and* the birth of a child. Thus, major family events may be natural times when families reconsider financial practices and break through barriers leading to changed financial behavior. Yet, the presence of life course investigations of personal finance are rare in personal finance literature.

A family financial socialization approach can enrich our understanding of financial literacy. An uncomfortable conundrum in this field is simply how often financial knowledge proves ineffective as a predictor of financial behavior or change in behavior. Many questions rise about the effectiveness of knowledge change as a precursor to financial behavior change (Fox et al. 2005; McCormick 2009; Robb 2011). Among college students, financial knowledge is sometimes associated with financial attitudes which, in turn, are associated with financial behavior (Borden et al. 2008; Jorgensen and Savla 2010). However, it is also not uncommon to find that financial knowledge alone is not directly associated with financial behavior (Borden et al. 2008; Mandell and Klein 2009; Peng et al. 2007). This point is illustrated in recent work by Norvilitis and MacLean (2010) who find that the capability to delay gratification while using a credit card is associated with fewer problematic credit card practices, but financial knowledge is not associated with credit card use. Whether or not delayed gratification and other capabilities can be taught in formal educational settings is a separate question, but issues such as these naturally work themselves into the fabric of family lives. Yet, most of the research is discounting the importance of financial socialization processes that occur over time within the family social context. Furthermore, many seem to have ignored the idea that these forces are present both in a person's family of origin and in their families of formation as their life course progresses.

Family socialization theory can guide future research by highlighting concepts that need further investigation and by explaining possible mechanisms underlying their effectiveness as predictors of financial behavior and financial well-being. There is ample opportunity. Relatively little is known about how family socialization as exemplified in personal family history, experience, skills, beliefs and values affect patterns of action over time and the initiation and termination of financial behavior patterns. We know little about children and financial issues as they transition to adulthood, create new families, their perceptions about finances, and how their normative conceptions of attitudes and activities are reinforced or are redirected to facilitate or create behavior change. Research streams are needed in all these arenas; they need to be longitudinal and both qualitative and quantitative in nature. All of these research streams would need to recognize that financial behavior is first grounded in family socialization and that the continued effect of family socialization occurs over the life course.

In this critical review, we present a theoretical lens and a conceptual model to guide such research. It provides a roadmap for future research that will initiate more theoretical dialogue about the meaning of individual differences. The study's conceptual model proposes the function of family financial socialization in creating healthy financial behavior and in motivating future financial behavior change. We suggest that the creation of healthy financial behavior and motivation for future financial behavior change emanates from family interaction and relationships and from purposive financial socialization.

Results from these new research streams would provide educators and policy makers with insights into ways to affect the financial socialization process. As an example, those findings might inform the most effective entry points for educators to influence financial socialization. For instance, research on young people's patterns of financial behavior over time and what affects initiation and termination of "healthy" financial behavior patterns would inform the most effective entry points for educators to motivate behavior change. That research would also assist policy makers in developing policies that reinforce these "healthy" financial behavior pattern changes at the critical entry points. The research would further inform the content and pedagogy of financial curricula. The curricula would need to be capability-based so that students are assessed on behaviors performed along with knowledge learned. Based on the Family Financial Socialization conceptual model introduced in this study along with the critical review of the current financial literacy literature, family values and norms, attitudes, and beliefs would need to be an essential component of this capacity-based learning.

One point to note is that we do not suggest that family financial socialization is the only factor or even the most intense socializing context affecting financial behavior throughout a person's life. Rather, what we state is that it is a largely ignored process empirically in personal finance literature. Continuing to ignore family socialization processes is like attempting to tie one's shoe lace with only one hand—an essential element is missing. Inclusion of family financial socialization processes in future personal finance research will address the "whole person", not just a person's work and consumer life with an emphasis on financial outcomes devoid of the socialization processes that are essential in obtaining those outcomes.

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* Studies included in Table 1

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