



The Association Between Parental Income and Financial Well-Being in Adulthood

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Introduction

- **Parental Income and Financial Stability:** Adults from higher-income families report greater financial well-being, characterized by enhanced stability and reduced economic stress (Pak, Fan, & Chatterjee, 2024; Roll et al., 2021).
- **Complex Role of Parental Education:** While higher parental education is linked to improved financial outcomes, many adults with low financial well-being scores come from families with educated parents, highlighting the influence of other factors (Serido et al., 2010; Kandel & Chen, 2000).
- **Economic Hardships for Lower-Income Households:** Adults from lower-income families are more likely to experience financial hardships, such as food insecurity and difficulties managing unexpected expenses (Federal Reserve Board, 2023).
- **Expanding the research:** Beyond income, factors like parental education and adverse household experiences are critical to understanding financial well-being in adulthood (Roll et al., 2021; Federal Reserve Board, 2023).

Methods

Sample

- The study utilizes the Consumer Financial Protection Bureau's (CFPB) National Financial Well-Being Survey Public Use File (PUF), a dataset incorporating survey responses, pre-survey data from GfK KnowledgePanel members, and county-level poverty statistics.
- The dataset includes responses from 6,394 adults and features 217 variables, providing insights into financial well-being, financial capability, and socio-economic factors.

Measures

- Financial well-being was measured using a continuous IRT scale (0–100). Household income was reported in nine categories and grouped into four percentile-based groups for analysis.
- Parental education was assessed as a categorical variable with five levels, ranging from less than high school (1) to graduate or professional education (5).

Research Questions

- Is there a relationship between parental income and financial well-being in adulthood?
- Does the association between parental income and financial well-being in adulthood differ based on gender?

Results

Univariate

- The household income distribution showed that 28.76% of participants were in the 25th percentile ($\leq \$39,999$), 25.38% in the 50th percentile ($\$40,000 - \$74,999$), 14.94% in the 75th percentile ($\$75,000 - \$99,999$), and 30.92% in the top 25th percentile ($> \$99,999$).

Bivariate

- Adults in the 50th, 75th, and top 25th parental income percentiles have, on average, financial well-being scores that are 6.72, 9.84, and 13.11 points higher, respectively, compared to those in the 25th percentile.
- All coefficients are statistically significant ($p < 0.001$), indicating that higher household income percentiles are associated with higher financial well-being scores.

Multivariate

- After controlling for parental education, household income is still significantly associated with financial well-being. Adults in the 50th, 75th, and top 25th income percentiles score, on average, 6.78, 9.77, and 12.92 points higher, respectively, compared to those in the 25th income percentile.
- Controlling for parental income, adults whose parents have an associate's degree, or some college education have a financial well-being score that is, on average, 1.72 points lower than those whose parents only have a high school diploma. This difference is statistically significant.
- Adults whose parents have a graduate or professional degree score, on average, 1.07 points higher in financial well-being than those whose parents only have a high school education. This difference is statistically significant.

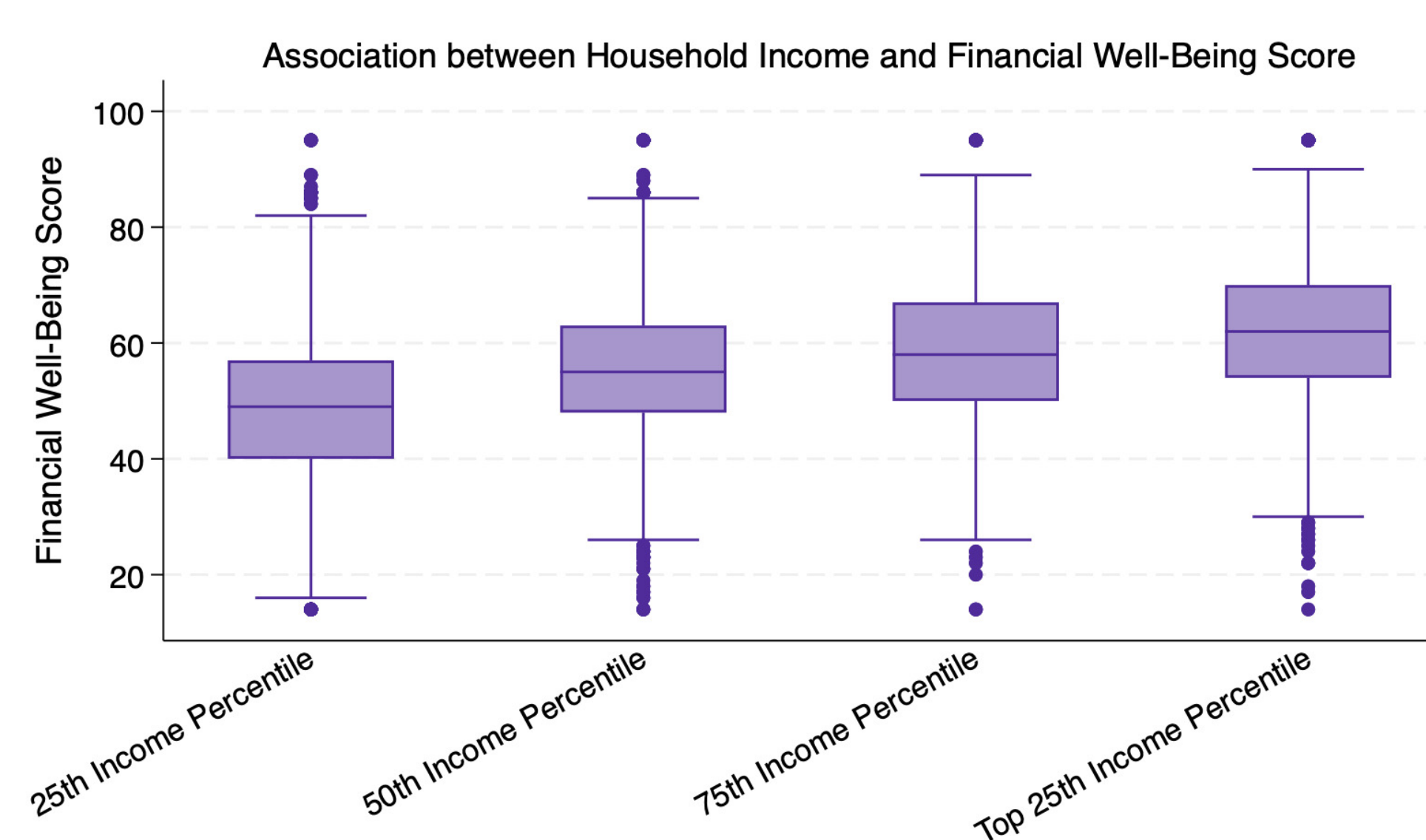


Figure 1. Financial Well-Being Scores By Parental Income Percentiles

Multivariate (cont.)

- Gender does not significantly moderate the relationship between parental income and financial well-being. The interaction terms between parental income groups (50th, 75th, and top 25th percentiles) and gender are all statistically insignificant, with p-values of 0.700, 0.182, and 0.323, respectively (Figure 2).

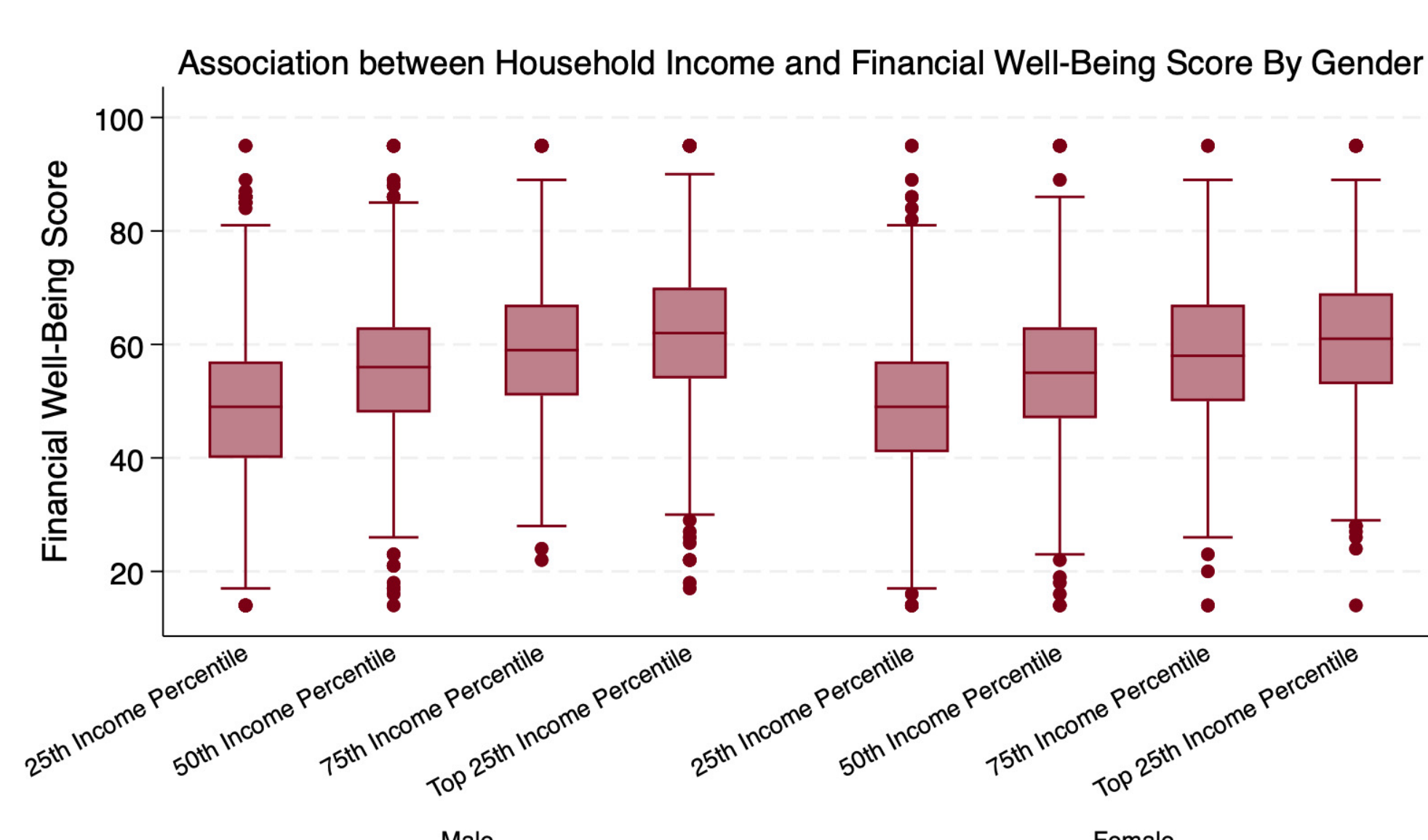


Figure 2. Financial Well-Being Scores By Parental Income and Gender

Discussion

- Adults from higher income households exhibit higher financial well-being scores compared to those from lower income households.
- The positive relationship between parental income and financial well-being persists even after controlling for parental education. Additionally, this relationship does not differ based on gender.
- The current findings are based on survey data, which may not fully capture financial details reflected in family tax records, potentially limiting the accuracy of the results.
- Future research should incorporate a broader range of demographic and socio-economic factors related to adults from different parental income backgrounds, such as the type of schooling they received, neighborhood characteristics, family structure, employment history, and access to financial resources, to gain a more comprehensive understanding of financial well-being.

Works Cited

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