Money management models: how important is the family

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Introduction

These notes accompany the results of the sample research "Parents and children: how important is the family in the approach to the use of money by the new generations" carried out between September and October 2022 on 311 families representative of the Italian population. A total of 824 people were interviewed: 444 parents and 380 children, of which 224 boys and 156 girls aged between 14 and 20[2]. In the survey[3] parents were asked 42 questions and children 45.

The aim of the research was to understand whether money management models are part of the educational content offered by parents, how they transfer across generations and how they are adopted by children.

Many aspects of relationships within the family and with third parties were investigated. In addition to the socio-demographic component, the questions in the survey concerned: different ways to comunicate between parents and children; the activities and their frequency carried out by the family; the educational models related to money and its social representation; self-reported money management behaviors; the role of study and school for the new generations.

The picture that emerges is that families can effectively dialogue. However, educational and cultural levels (more specifically books read), income and geographical location play an important role in transmitting behaviors and values related to money. Children consider their parents as models to follow even if they don't have a particularly high level of economic-financial knowledge. But more than words, they follow the concrete examples they are given. In a family, the transfer of value models related to risk management, savings and the social representation of money appears quite evident, while the perception of anxiety and unease is less

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[2] It is a sub-sample of a Telepanel owned by CSA research, conceived and designed by NIELSEN research to represent the Italian population by age, gender, area, educational level and profession. They choose families with children between 14 and 20, who could respond without their parents help. The survey technique is called Computer Assisted Web Interview (CAWI). The geographical distribution sees 25.7% of families living in the North-West, 13.8% in the North-East, 18% in the Center and 42.4% in the South and in the Islands. Almost 53% of them live in medium-small cities (10-100,000 inhabitants), 26% in cities with more than 100,000 inhabitants and 21.5% in villages with less than 10,000 people. On request, individual data are available for disclosure. Any use of this information, for communication purposes, must refer to this note or to the Museum of Saving research - CSA Research "Parents and children: how important is the family in money management for new generations", December 2022.

[3] The survey was written by Giovanna Paladino with the valuable comments of Daniela del Boca.

transferable. Youngsters are less involved by the stress of money management and have a less pessimistic view of the future.

While the family (in particular the mother) appears to be the solid point of reference regarding money, school does not seem to play a significant role in this area for either children or adults.

Regarding gender, the main differences are between mothers and fathers while among young people the gap is less notable, even if the educational models remain at least partially misaligned for daughters and sons.

Relational dynamics within the family

The relationship within the family shows, on average, good communication skills (probably reinforced by the isolation during the Covid-19 lockdown). This is confirmed by children and parents with a high degree of consistency in the family[4].

Face-to-face communication occurs several times a day for 86% of children and 82% of parents, communication via sms, whatsapp and e-mail occurs several times a day for 50% of parents and 49% of children. Both ways show a greater tendency to intra-family communication between mothers and daughters.

Like their mothers, girls are confirmed to be better readers and use social media more than boys. This matches the results of the survey on generation Z of April 2021[5], they are also less interested in playing video games than boys.

Relationships in the family are strengthened by common recreational activities (concerts, walks, museums, etc.) which take place at least twice a month for 69% of parents and 67% of children, with higher percentages for female respondents, both mothers and daughters. These are behaviors that are set differently depending on the age of the children[6], but are surprising if we consider that we are dealing with adolescents who should be allergic to their parents' presence. The consistency of the answers within the same family is 75%, i.e. in 75% of the cases the parents' statements are confirmed by the children's answers.

Educational models linked to risk and adventure appear to appertain more to fathers, while encouragement towards innovation would seem closer to a feminine sensibility, typical of mothers. On this point, however,

[4] Consistency means checking the truthfulness of the answers of the same family, and if what the parents have declared is consistent with what was declared by the children.

[5] https://www.museodelrisparmio.it/wp-content/uploads/2021/04/R.21.101-Museo-del-Risparmio_Report_REV05-002.pdf

6 73% for children between 14-15, 64% for children between 16-17 and 62% for adult children

boys express a different opinion to that of their parents, halving the percentage of those who believe that their father taught them to swim or ride a bicycle, compared to what their parents declared. Probably the parent believes he has taught something while the boy or girl does not perceive it as being taught. There are gender differences, but their values are not particularly significant and are below 3-4 percentage points. Managing a risky activity does not appear to be part of an effectively implemented educational model.

Even the question related to encouragement towards novelties shows some misalignment of parents/child vision, mothers are more encouraging and daughters perceive greater encouragement, but the level of consistency of the answers in the family shows that 27-30% of the answers don't match.

If the activity towards risk and novelty highlights a lower harmony of vision between parents and children, the role of parents in difficult moments remains a secure point of reference for 63% of the sample (62% males 65% females) with 6% who, however, think they cannot find comfort in their parents (more boys than girls). Percentages around 6% also characterize those (more girls than boys) who never feel encouraged to ask questions and participate in family discussions.

Money management education

The parental role as a reference model has already been shown in the sample survey dedicated to Generation Z[7]. In this survey, however, we can understand how the parent perceives his or her role, especially regarding money management education. In this case too there are differences related to gender, the parental role model is felt more by daughters (92%) than by sons (88%) and there is a certain over-confidence of fathers (95%) compared to mothers (92%).

In 60% of cases the social value of work is important in strengthening the parental model (in particular for daughters 63% vs 57% of sons, where the monthly net family income is over 3000 euros and the average age of the parents is over 55). Many parents, without significant gender differences, talk to their children frequently (86% always or often) about their work, evidently transfering the idea of usefulness to society as a whole and not just to the family unit.

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[7] See note 5

At a verbal level, education in money management also involves sharing daily choices with children (supermarket, cost of leisure activities, etc.) and important economic decisions (inheritance, buying a house, car, etc.) that mothers, more than fathers, say is a frequent practice. The average percentages associated with "*often*" + "*always*" responses are 91% for day-to-day costs and 88% for major expenditures.

The dialectic of young people on economic issues with third parties (school, friends, relatives, etc.) has been reduced to a minimum. 52% of the sample talks about money with their mother (62% daughters vs 46% sons), 38% with the father (44% sons vs 29% daughters). Outside the family, friends play an important role (52% males vs 47% females). Teachers are a reference for only 6% of the sample while 44% do not talk about money with anyone outside the family (42% boys vs 47% girls). On money related issues, the family reference seems to be more relevant for females than for males.

Regarding the role of the school, only 6.5% of parents believe that the school can be the place to talk about money and its management. On the contrary, 88% believe it is their job to do so (more mothers than fathers). About 42% believe that school is not the best place to teach basic concepts such as family budgeting (more mothers than fathers). Only 4.5% of the sample of children declares that they have dedicated some school hours to financial education.

Educating to consciously manage money, from a practical point of view, goes through the attribution of fixed periodic sums that must be managed independently. The so-called "pocket money" which can be weekly or monthly. The question about pocket money addressed to parents and children reveals some inconsistencies within the family, with parents more likely to claim that they use it as a teaching tool and children less willing to confirm its actual availability. The discrepancy mainly concerns females. A lower percentage believe that they get pocket money than that declared by their parents. Approximately 60% of parents state that they give a periodic sum to be managed independently to male and female children, in a more or less equivalent way. Those who don't do it say they don't because it's not appropriate or, in the majority of cases, because they prefer to decide themselves on each specific request.

Girls claim to have a periodic sum available in 40% of cases while boys in 46% of cases[8]. But only 23% declare themselves totally autonomous (25% males vs 20% females). It is quite clear that the concept of autonomy is

[8] The percentages relating to females and males for pocket money are slightly higher than in the April 2021 survey, but children between 18-20 are included here and this is a sample collected differently

not shared within the family and it would seem likely that parents want to appear - at least in words - more modern than they actually are.

From the point of view of economic/financial knowledge, the parents declare an average knowledge equivalent to a vote of 6.6 out of 10, with fathers rating themselves higher with rates between 8 and 10. Mothers with more rates between 1 and 5 confirm a substantial tendency to undervalue themselves.

For children, the average self-assessment stands at 5.9 out of 10 with less dispersion between boys and girls than in the parents. There is also a low correlation between the self-assessment of parents and their children: declared knowledge is not transferred in words within the family.

Families look at the school with divergent perspectives. For young people, education remains a key tool to cultivate the skills that will allow them to find the job they like in the future (80% of the sample answered "*yes, it is very important*", with a prevalence of girls)[9]. In the sample of parents, on the contrary, 40% of parents believe that the school is not in keeping with our times and that teachers are ill-prepared (28% of the sample), and that their children's training is inadequate to find employment in the present and future context.

Transferring skills and attitudes about money

The survey contains several questions by which it is possible to perceive behavior and attitudes related to the use of money. This is the focal point of the survey which aims to understand how much is transferred from parents to their children.

When they talk about control of expenditure, parents declare that they have it under control (*a lot* + *enough*) in 93% of cases, with more women choosing *a lot.* Equally among the 47% of youngsters who consider themselves good at controlling expenditure, more girls selected the option *always*.

On savings, mothers and fathers declare that they regularly think about the division of income between consumption and savings in 94% of cases (options *sometimes* + *always*) in almost equal fashion. There is a slight prevalence of fathers who answered *always*. The attitude towards saving is also felt by 46% of children who, if they have money at their disposal, prefer to save something for the future, with a prevalence of females (49% vs 44% of males); these youngsters get greater satisfaction by saving and buying what they desire later.

[9] However, 48% of teenagers do not know what they want to do when they grow up (boys are more undecided than girls).

On planning, 96% of parents do plans, with a prevalence of mothers answering *always*. For children this habit occurs in 70% of cases and there are more males responding *always*. Within the family, however, there doesn't seem to be a high level of consistency of behavior. In other words, parents who plan do not correspond to children inclined to economic planning.

The propensity for planning is also measured by an additional question on the tendency to finish what one begins, 32% of children answer *always,* with a preponderance of girls (38% vs 28%). This percentage corresponds to 53% of parents, with no gender differences.

Risk aversion is measured through a question that translates in numbers the proverb "a bird in the hand is worth two in the bush" and which measures the time preference for the present, linked to the risk size of an uncertain future yield. There is a preference for the "bird in the hand" option in both groups. Mothers have a greater risk aversion than fathers (there is a gap of 10 percentage points) which is not reflected in the children, who, while preferring the less risky option, do not show significant differences related to gender.

Risk aversion for adults not only depends on gender but also on the level of education (the less the education, the greater the aversion) and geographical residence (who is in the south is more averse) and among children belonging to low-income families with less educated parents. Vice versa, a lower risk aversion (preference for "two birds in the bush") is the main answer for fathers over 55, living in the North and with university education.

If, as a whole, Italian families appear to be aware of the value of savings, controlling costs and planning, their strong aversion to risk and poor financial knowledge strongly affects their investment choices.

About investments, a now well-known picture emerges: 65% of mothers who save have no money invested while the percentage drops to 50% of fathers. Investors are typically male, living in the North, educated, with a medium-high level of self-assessment of economic/financial knowledge and opt for traditional investment solutions.

We asked the children if they use their parents' money to play online. The answers show a stronger mistrust towards gambling among girls than boys (75% of girls answer never, and 44% of boys). This result is also confirmed by the purchase of cryptocurrencies, which takes the form of an unaware speculative activity. Although remaining on smaller percentages, the answer highlights a prevalence of male operators (10% responded that they bought them and operate on trading platforms) compared to females (3%). A picture that corresponds to the behavior towards cryptocurrencies and online trading platforms of adults, with 23% of the sample declaring that they have them or use them. An average that hides, however, a difference of 10 percentage points between fathers (28%) and mothers (18%)[10].

The value of money is measured by answers to questions about the relationship between money and mood, the link between money and satisfaction, and money as a measure of personal success.

On the mood generated by money, parents are more sensitive to negative feelings than children who, having fewer responsibilities, tend to look to the future with a more positive attitude. 53% do not have a negative feeling associated with money compared to 22% of parents, and 50% of children expect more good things to happen than bad ones, a percentage that drops to 40% in parents.

The assonance between parents and children regarding the assertion that "you can never have too much money" is high and is influenced by family income. The higher the income level the greater the accord. Male parents under the age of 44 are more inclined to agree with this assertion. A belief which is questionable for its ethical content, consistent with an idea of wealth as a goal in itself and not a means to achieve other objectives.

On the statement that links salary to a person's value, opinions are less defined and more distributed in the intermediate range of agreement. This is true for both children and parents. The level of cohesion within the family unit is also very high. This demonstrates that the message transferred is that work is not tied to its mere economic value and is important as a tool for personal and social growth. In particular, women of between 45 and 54 in the north of Italy with a high level of instruction are more inclined to consider this statement as not being acceptable. Gender differences are minimal among adolescents.

Conclusion

The articulated survey on families, briefly exposed here, shows a society strongly anchored to the nucleus of origin which in 89% of cases consists only of parents and children. On economic/financial issues, the family does not find external dialectical spaces, not even with the school, and believes that it is its duty to teach the children how to manage money.

[10] This aspect could also be affected by a different access to digital media detected by other surveys promoted by the Museum of Saving www.museodelrisparmio.it/wp-content/uploads/2020/03/20_178_RICERCA_DIGIT_CONSAP_2.pdf

In this context, the mother assumes an important role as a point of reference for children and feels it is "her" role, despite declaring that she knows less than the father and takes less evolved attitudes in money management (i.e. more aversion to risk and lower inclination to invest).

Educational messages seem to transfer generationally more effectively when they are put into practice. Parents, while suffering from a slight over-representation of the effectiveness of their actions, still remain the point of reference for adolescents and in particular for daughters.

However, family continuity highlights elements of hysteresis which cause the approach to money management to be strongly anchored to the past. This produces a repetition of schemes which can limit the children's future plans and autonomy, even if the intentions expressed by educators may be different.

The indications which arise from this survey suggest that families are more involved in financial education activities, both to help adults to begin an upskill process that leads Italian families (and mothers in particular) to better seize the economic opportunities of investing savings, even in contexts of uncertainty, and to help adolescents to face the future thanks to the acquisition of skills that are essential to face potential difficulties with calm and self-confidence.