

Becoming self-sufficient: Financial identity and adult status during emerging adulthood

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Acknowledgement

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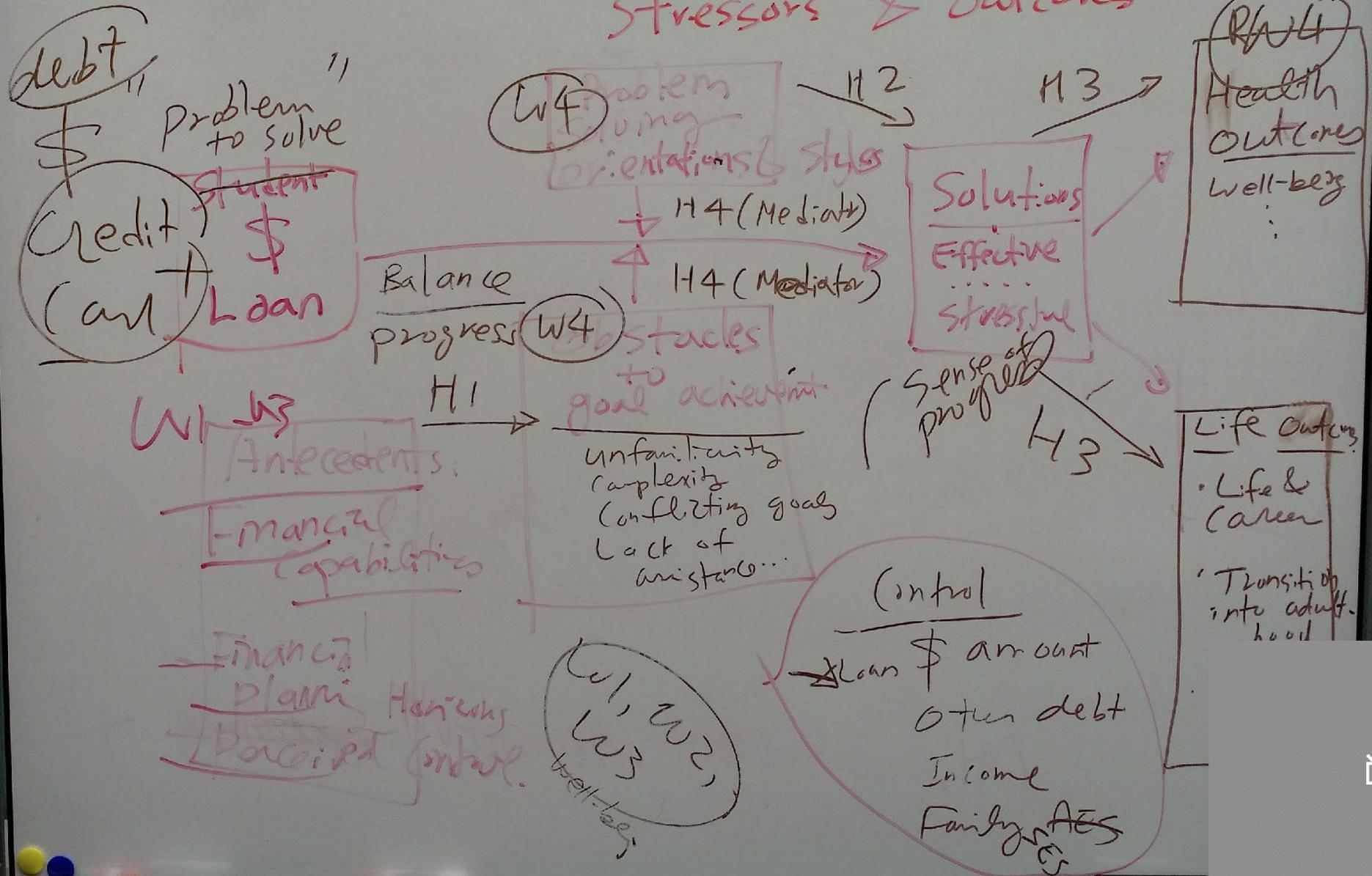




Emerging Adults and Finances

- Making choices with long-term financial consequences (e.g., college/career, relationship, residence);
- Accessing complex financial products/services (e.g., credit card, student loans) with limited financial experience;
- Facing global economic and social uncertainty.

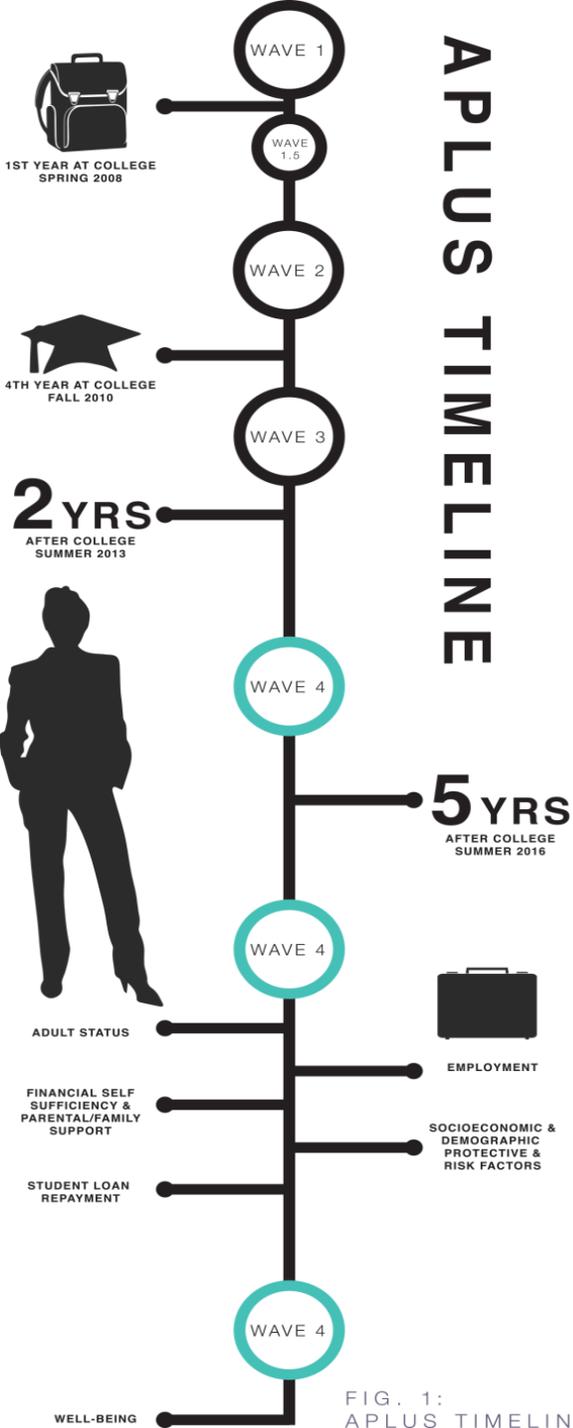
A Problem Solving Model of Student Loan Stressors & Outcomes



Longitudinal Study Design

- Single cohort, single university, first year students
- Multi-disciplinary survey
- Baseline survey second semester / first-year
- Longitudinal follow-up
 - Resurvey periodically (e.g., 2-3 year intervals)





Wave 1 Spring 2008: What contributes to college students' financial attitudes and behaviors? (N=2,098; Ages 18-21)

Wave 1.5 Spring 2009: How does an economic recession impact college students' financial behaviors? (N=748; Ages 19-22)

Wave 2 Fall 2011: Are young adults prepared for the world of full-time adult responsibility? (N=1,511; Ages 21-24)

Wave 3 Spring 2013: How do life choices and opportunities impact young adults' personal, financial, and career well-being? (N=1,010; Ages 23-26)

Wave 4 Summer 2016: How are changing economic and social conditions related to young adults' achievements and happiness? (N=855; Ages 26-29)

Adult Status

- ▶ Accepting responsibility for one's self
- ▶ Making independent decisions
- ▶ Becoming financially independent

(Arnett, 1998; 2000)

Financial Parenting

Individual ability to make – and assume personal responsibility for – everyday life choices and the increasing demands of more complex social roles.

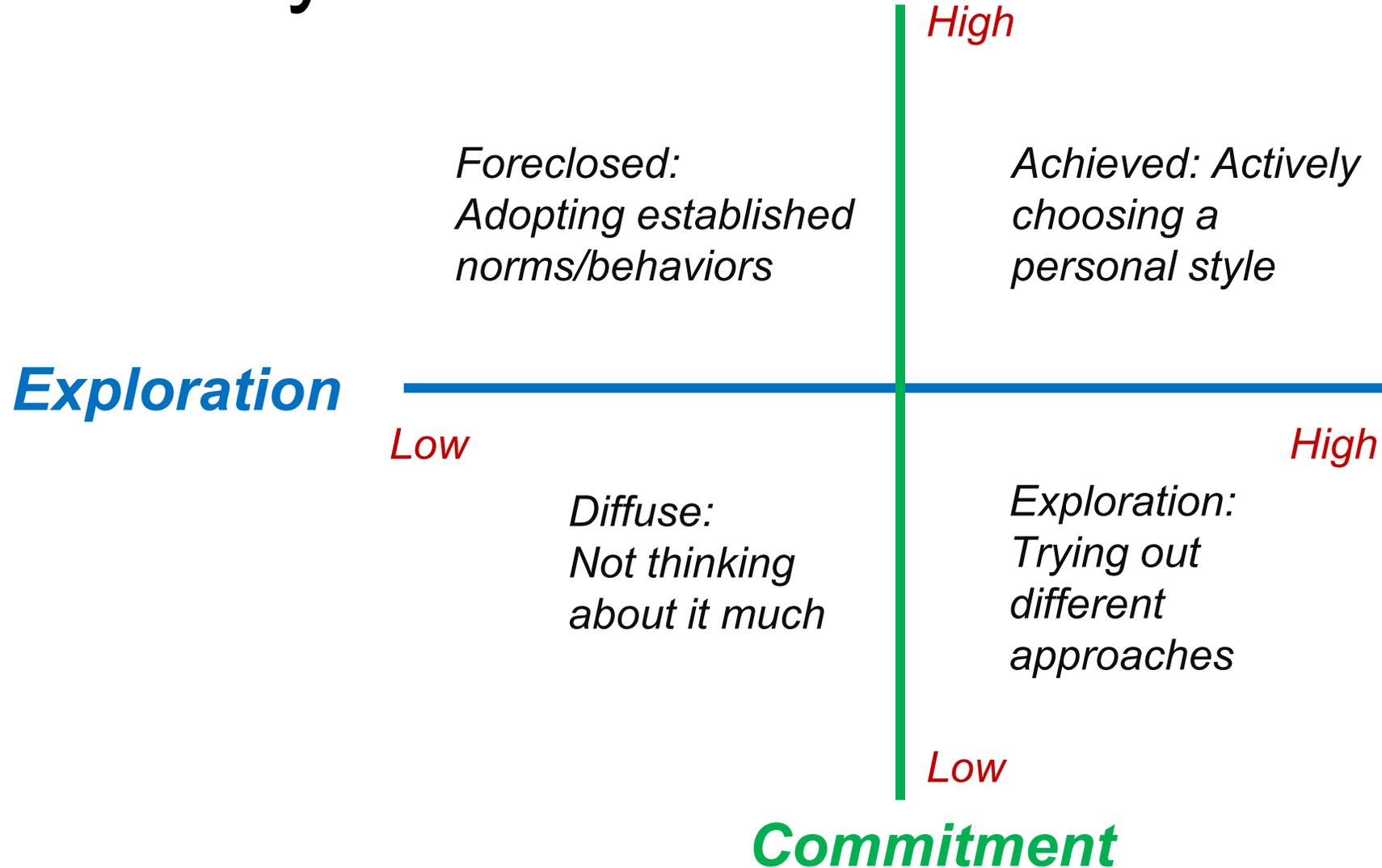
Otto & Serido (2017)



Identity Formation

- A central psychosocial developmental task (Arnett, 2014; Erikson, 1950, 1968)
- **Process** – how content becomes part of one's identity (Galliher et al., 2017; Meca et al., 2015)
 - Exploration
 - Commitment
- **Content** – within specific life domain (Meca et al., 2015)

Identity Dimensions



Financial Identity

- May play an influential role in understanding how emerging adults become financially independent (Bosch et al., 2016; Shim et al., 2013).
- ***What is the association between financial identity and adult status during the transition to adulthood?***

The Present Study

Serido, Sorgente, Lanz, & Shim (2022).



The Present Study

- ▶ RQ1: Are there *distinguishable* financial identity profiles?
- ▶ RQ2: Are the profiles *consistent across time*?
- ▶ RQ3: Are there *movements (transition) between profiles* over time?
- ▶ RQ4: What is the association between *financial identity profile and adult status*?

Method

- ▶ Arizona Pathways to Life Success for University Students (APLUS)
- ▶ 4 waves from 2008-2016 (N=672)
 - ▶ 18-22 years old at Wave 1
 - ▶ 26-30 years old at Wave 4
- ▶ Women (64.2%)
- ▶ Family Socioeconomic Status (SES)
 - ▶ Lower SES (32.1%)
 - ▶ Middle SES (24.4%)
 - ▶ Higher SES (43.5%)

Measures

Scale	# of items	α across waves	
Financial Identity Status (Barber et al., 2011; adapted from Marcia, 1966); 4 subscales			
<i>Achieved</i>	4	.72 -.77	Based on past experiences, I've chosen the type of money management style I want for now
<i>Foreclosed</i>	4	.74-.79	My parents know what's best for me in terms of how I should take care of my finance
<i>Diffuse</i>	4	.63-.76	I don't think about money much. I just kind of take it as it comes
<i>Moratorium</i>	4	.67-.73	There are so many different ways to manage money. I haven't decided which to follow but I'm trying to figure it out
Adult Status (Arnett, 2000)	1		Do you think you have reached adulthood? (1=No; 2=Not really; 3=In some ways; 4=In most ways; 5=Yes)

Control Measures

Scale	# of items	
Student Loan (yes/no)	1	<ul style="list-style-type: none"> - W1-W3: Do you owe any undergraduate educational loans? (1=yes) - W4: Did you take out student loans to pay for your undergraduate degree? (1=yes)
W1 Family SES (Coleman, 1983) (Sum)	3	<ul style="list-style-type: none"> - Mother Education, Father Education: (1 = less than high school to 5 = advanced degree) - Parental Income (1 = less than US\$50,000 to 4 = more than US\$200,000) (range 3-14, recoded into lower <9; middle 10-11; higher >12)
W1 Parental Financial Socialization	6	While growing up at home, my parents spoke to me of the importance saving (1=Strongly disagree; 5=Strongly agree; $\alpha = .84$)
Gender (male/female)	1	0=male;1=female

Data Analysis

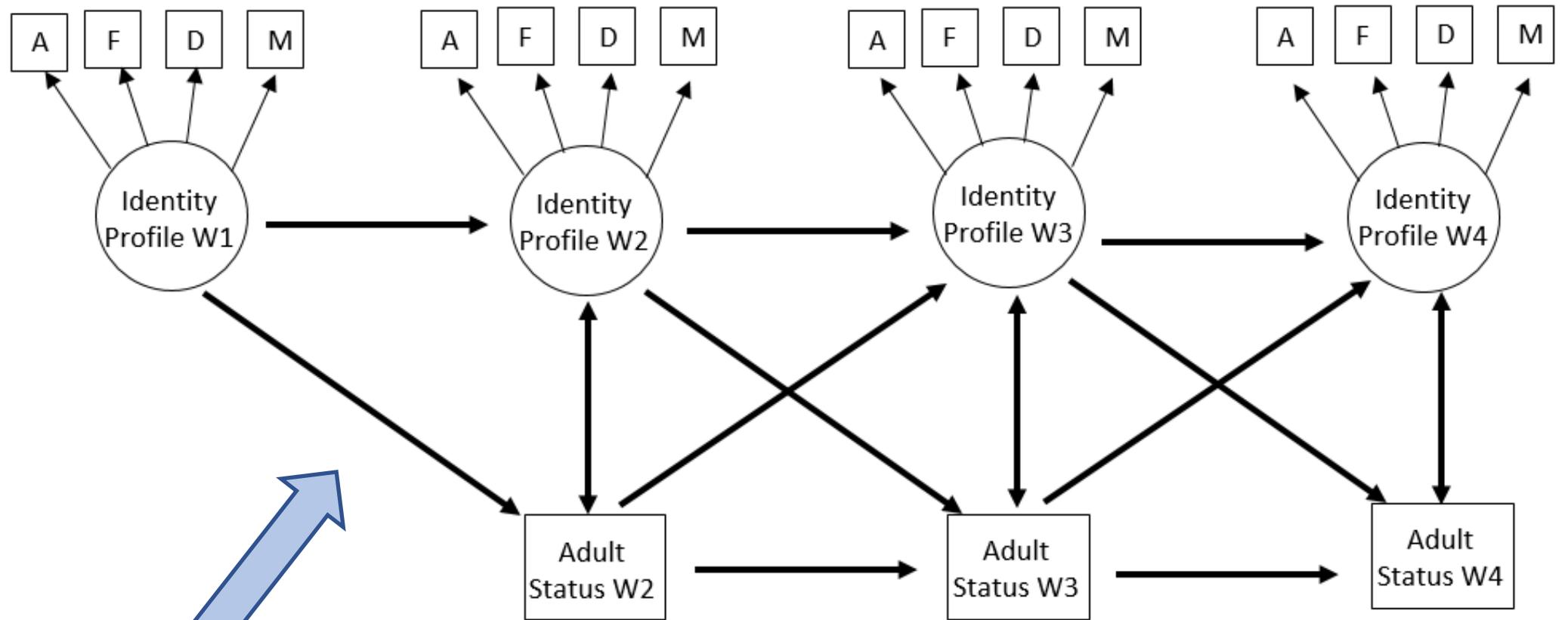
- ▶ Four-Step Analysis (Nylund, 2007; Sorgente et al., 2019)
 1. Latent **Profile** Analysis (LPA) to estimate profiles based on the 4 Identity Statuses at each time point
 2. **Longitudinal** LPA to test for measurement invariance (profile similarity over time)
 3. Latent **Transition** Analysis (LTA) to estimate transition probabilities
 4. LTA with covariates (**cross-lagged model**) to test reciprocal effects of adult status and financial identity [this model also includes some control variables]

Data Analysis

- ▶ Four-Step Analysis (Nylund, 2007; Sorgente, Lanz, Serido, Tagliabue, & Shim, 2019)

Financial
identity

1. Latent Profile Analysis (LPA) to estimate profiles based on the 4 Identity Statuses at each time point
2. Longitudinal LPA to test for measurement invariance (profile similarity over time)
3. Latent Transition Analysis (LTA) to estimate transition probabilities
4. LTA with covariates (cross-lagged model) to test reciprocal effects of adult status and financial identity [this model also including some control variables]



Control variables:

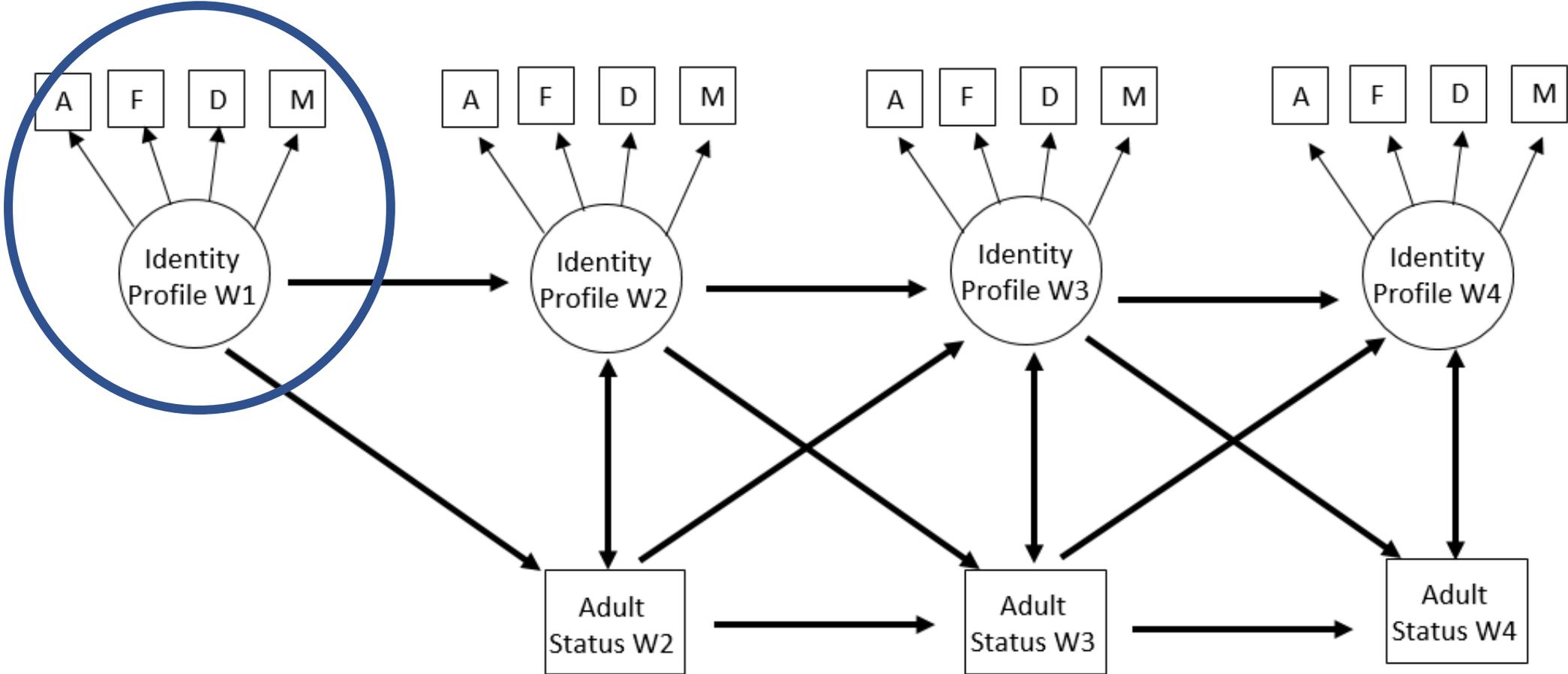
- Gender
- Family SES
- Family Financial Socialization
- Student Loan

Legend:

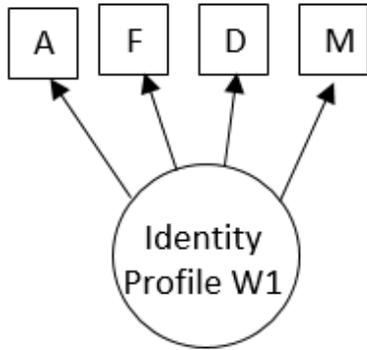
- A = Achievement
- F = Foreclosure
- D = Diffused
- M = Moratorium

Results

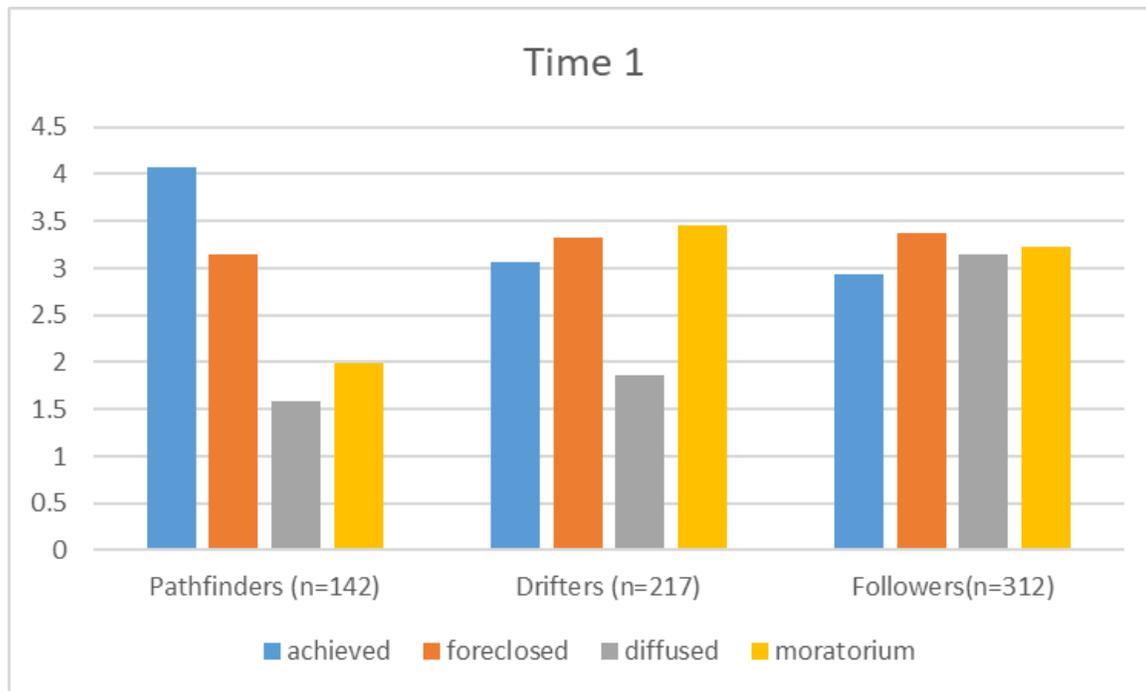
Step 1: LPA for each wave



RQ1: Are there distinguishable financial identity profiles?



- **LPA:** Moving from observed variables (A = Achievement; F = Foreclosure; D = Diffused; M = Moratorium) to latent variables (financial identity profiles).



*We expected to find **three latent profiles**, based on Shim et al., 2013).*

- **Confirmatory** approach (Sorgente et al., 2019): comparing the 3-profile solution with the 2- and 4-profile solutions.
- The 3-profile solution resulted in the best (relative fit indices and classification diagnostics) at **each time point**.

RQ1: Are there distinguishable financial identity profiles?



Pathfinder



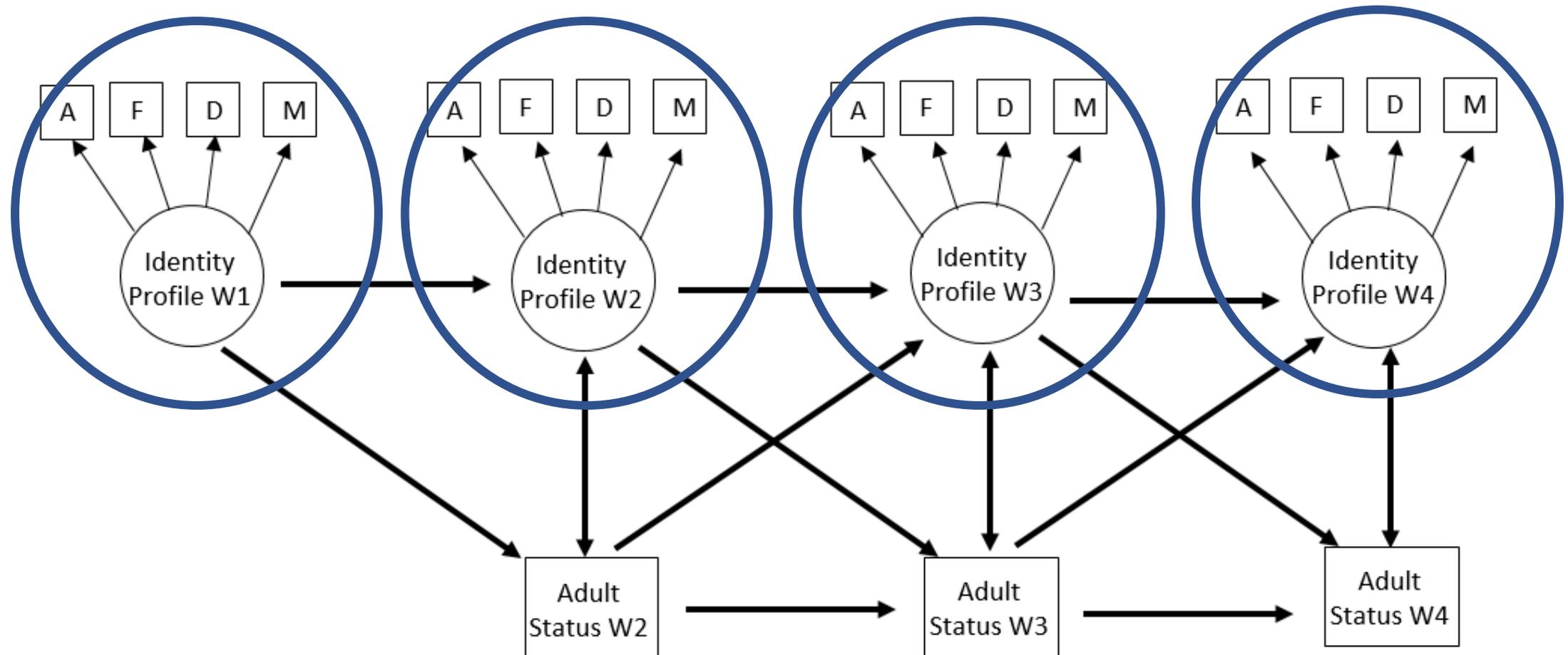
Drifter



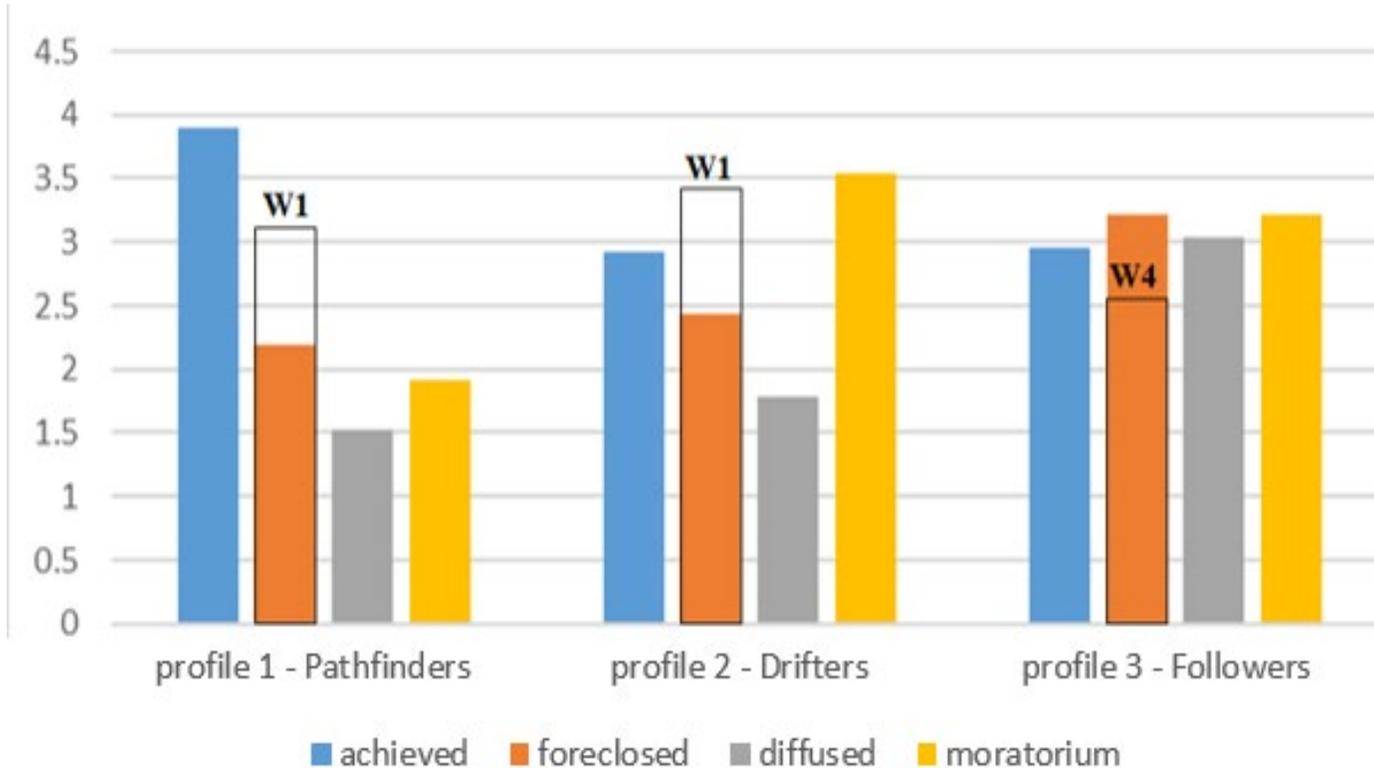
Follower

Yes, there are three different financial identity profiles at each time point.

Step 2: Longitudinal LPA



RQ2: Are the profiles consistent across time?



- **Partial invariance**: the average level of the foreclosure score is different in one wave for each of the three profiles.
- **Pathfinders and Drifters**: higher level of foreclosure at time 1.
- **Followers**: lower level of foreclosure at time 4.

RQ2: Are the profiles consistent across time?



Pathfinder



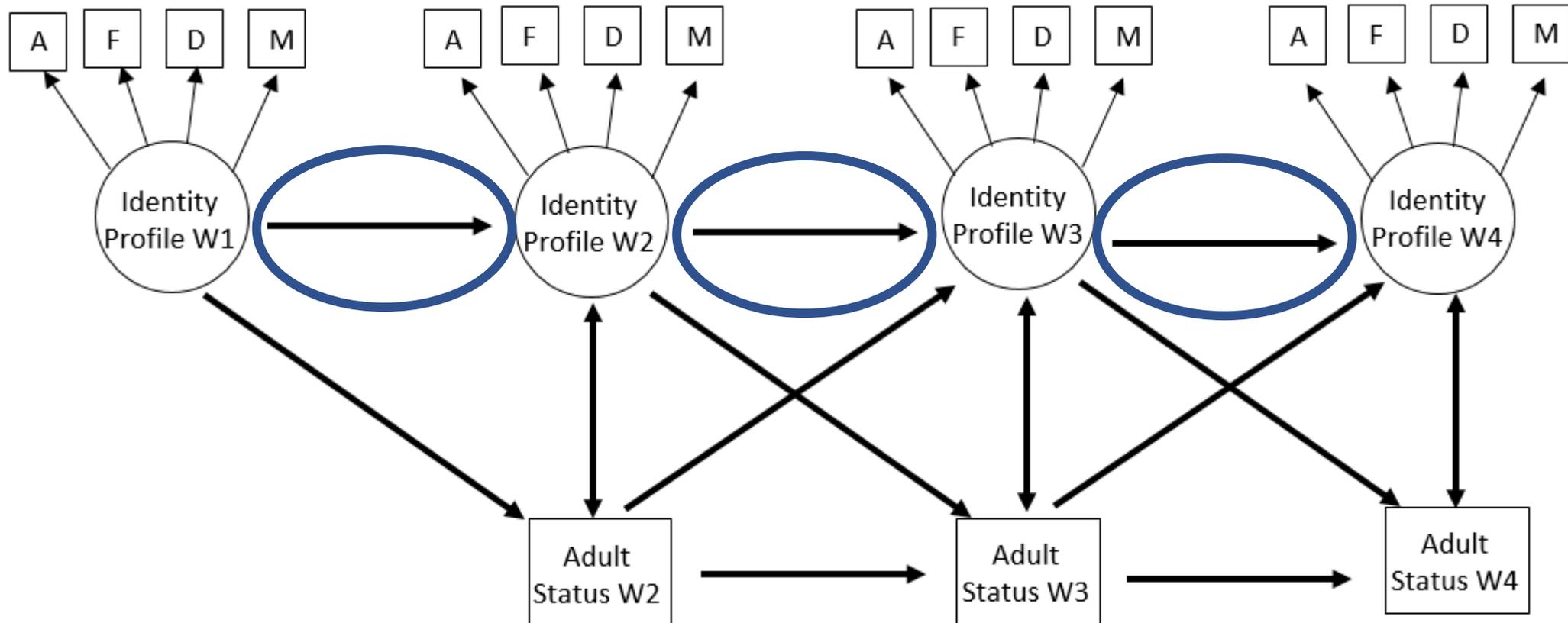
Drifter



Follower

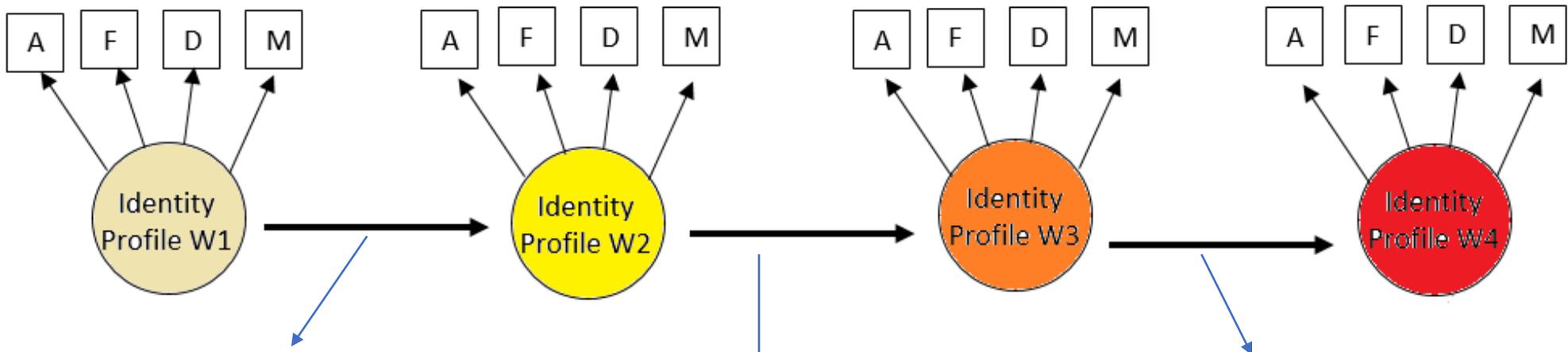
**Partially,
but the interpretation of profiles
remains stable**

Step 3: Latent Transition Analysis





RQ3: Is there movement (transition) between profiles over time?



		T2		
		Pathfinders (n=203)	Drifters (n=190)	Followers (n=271)
T1	Pathfinders (n=154)	59%	20.4%	20.6%
	Drifters (n=172)	20.9%	49.1%	30%
	Followers (n=345)	19.3%	26.7%	54%

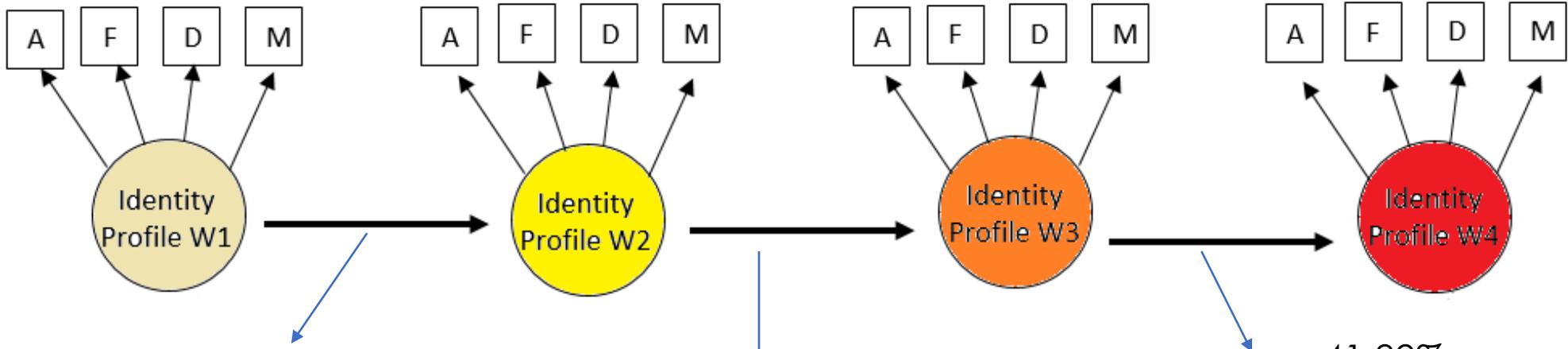
		T4		
		Pathfinders (n=279)	Drifters (n=260)	Followers (n=127)
T3	Pathfinders (n=241)	67.8%	22.9%	9.3%
	Drifters (n=215)	25.8%	58.8%	15.5%
	Followers (n=205)	27.6%	35.5%	36.9%

		T3		
		Pathfinders (n=241)	Drifters (n=215)	Followers (n=205)
T2	Pathfinders (n=203)	67%	20.4%	12.7%
	Drifters (n=190)	28.6%	50.7%	20.7%
	Followers (n=271)	17.7%	28.6%	53.6%

If you are a pathfinder you remain mainly in the same profile



RQ3: Is there movement (transition) between profiles over time?



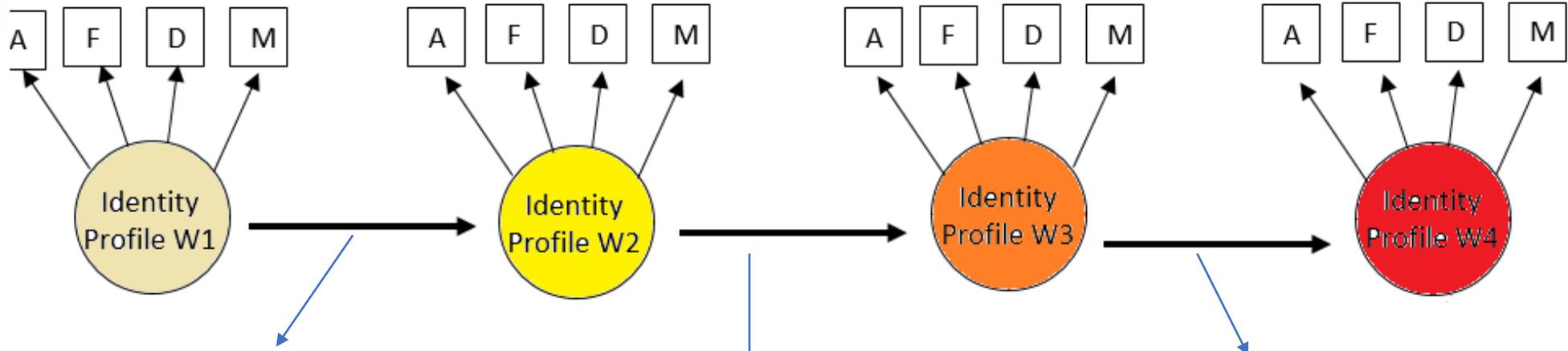
		T2		
22.95%		Pathfinders (n=203)	Drifters (n=190)	Followers (n=271)
T1	Pathfinders (n=154)	59%	20.4%	20.6%
	Drifters (n=172)	20.9%	49.1%	30%
	Followers (n=345)	19.3%	26.7%	54%

		41.89%		
		Pathfinders (n=279)	Drifters (n=260)	Followers (n=127)
T3	Pathfinders (n=241)	67.8%	22.9%	9.3%
	Drifters (n=215)	25.8%	58.8%	15.5%
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	Followers (n=271)	17.7%	28.6%	53.6%

The number of pathfinders increases over time

RQ3: Is there movement (transition) between profiles over time?



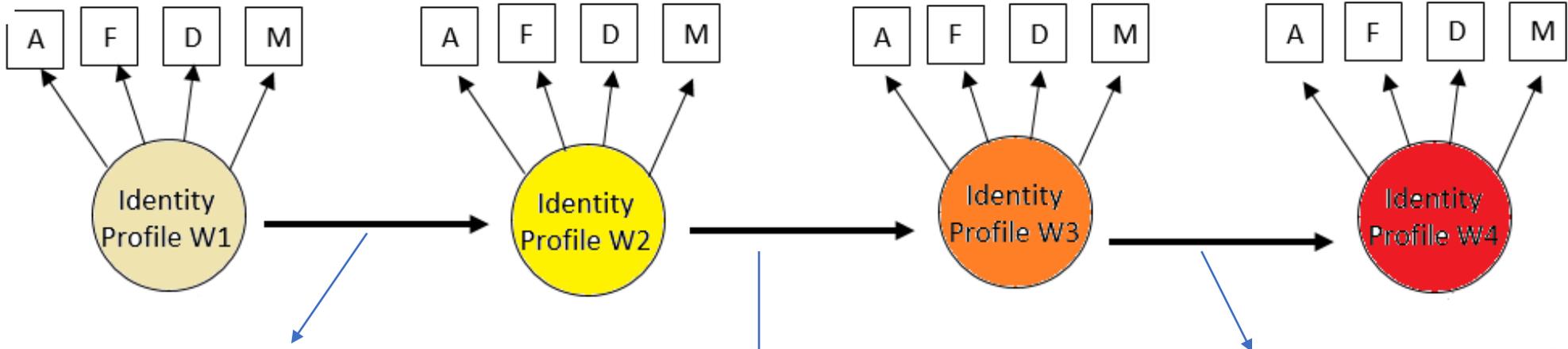
		T2		
		Pathfinders (n=203)	Drifters (n=190)	Followers (n=271)
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	Drifters (n=172)	20.9%	49.1%	30%
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	Drifters (n=190)	28.6%	50.7%	20.7%
	Followers (n=271)	17.7%	28.6%	53.6%

If you are a follower, over time you change profile (mainly into drifters)

RQ3: Is there movement (transition) between profiles over time?



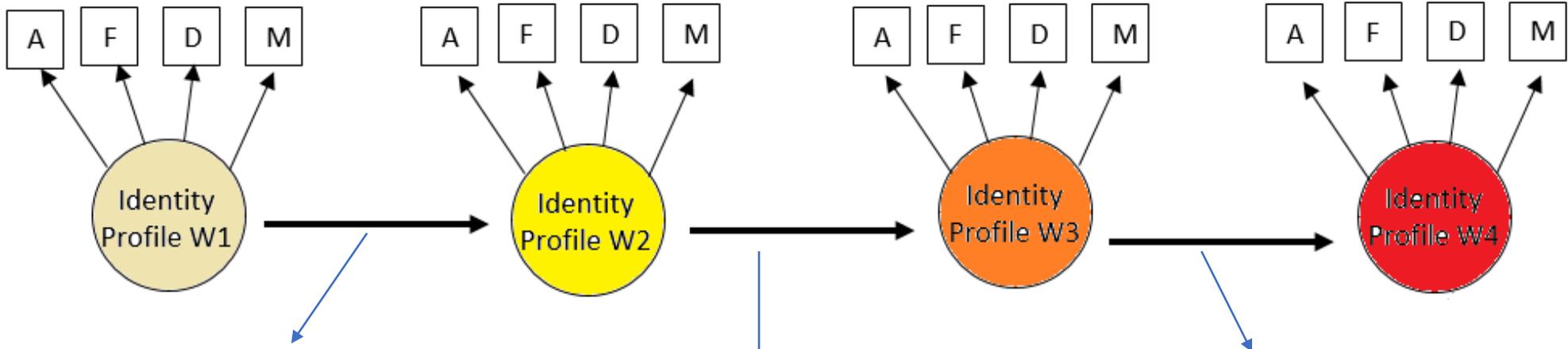
		T2		
51.42%		Pathfinders (n=203)	Drifters (n=190)	Followers (n=271)
T1	Pathfinders (n=154)	59%	20.4%	20.6%
	Drifters (n=172)	20.9%	49.1%	30%
	Followers (n=345)	19.3%	26.7%	54%

		T4		
		Pathfinders (n=279)	Drifters (n=260)	Followers (n=127)
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	Drifters (n=190)	28.6%	50.7%	20.7%
	Followers (n=271)	17.7%	28.6%	53.6%

The number of followers decreases over time

RQ3: Is there movement (transition) between profiles over time?



		T2		
		Pathfinders (n=203)	Drifters (n=190)	Followers (n=271)
T1	Pathfinders (n=154)	59%	20.4%	20.6%
	Drifters (n=172)	20.9%	49.1%	30%
	Followers (n=345)	19.3%	26.7%	54%

		T4		
		Pathfinders (n=279)	Drifters (n=260)	Followers (n=127)
T3	Pathfinders (n=241)	67.8%	22.9%	9.3%
	Drifters (n=215)	25.8%	58.8%	15.5%
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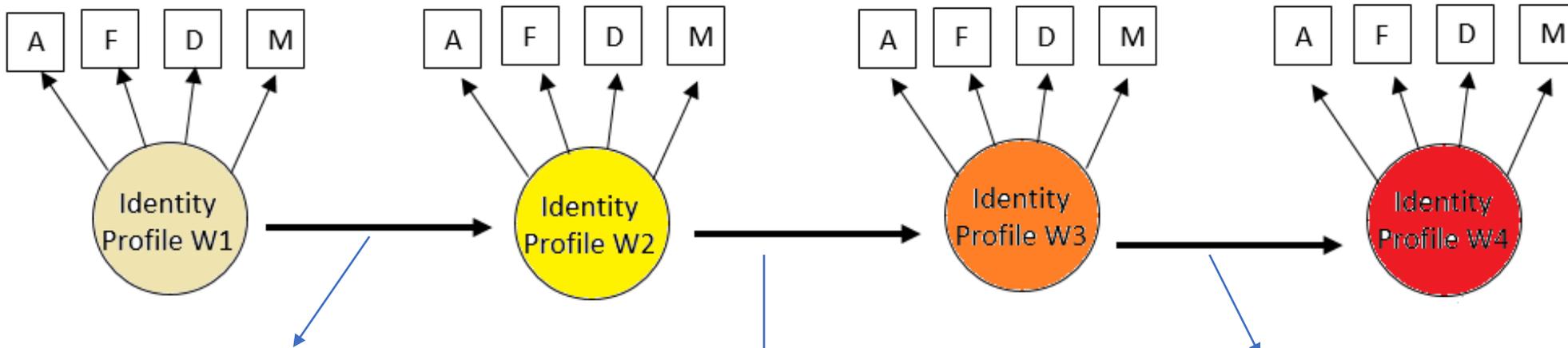
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		Pathfinders (n=241)	Drifters (n=215)	Followers (n=205)
T2	Pathfinders (n=203)	67%	20.4%	12.7%
	Drifters (n=190)	28.6%	50.7%	20.7%
	Followers (n=271)	17.7%	28.6%	53.6%

If you are a drifter, you can remain a drifter or change..

early → Follower
later → Pathfinder



RQ3: Is there movement (transition) between profiles over time?



		T2		
25.63%		Pathfinders (n=203)	Drifters (n=190)	Followers (n=271)
T1	Pathfinders (n=154)	59%	20.4%	20.6%
	Drifters (n=172)	20.9%	49.1%	30%
	Followers (n=345)	19.3%	26.7%	54%

		T4		
39.04%		Pathfinders (n=279)	Drifters (n=260)	Followers (n=127)
T3	Pathfinders (n=241)	67.8%	22.9%	9.3%
	Drifters (n=215)	25.8%	58.8%	15.5%
	Followers (n=205)	27.6%	35.5%	36.9%

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	Followers (n=271)	17.7%	28.6%	53.6%

The number of drifters slightly increases over time

RQ3: Are there movements (transition) between profiles over time?

Yes, there are transitions over time!

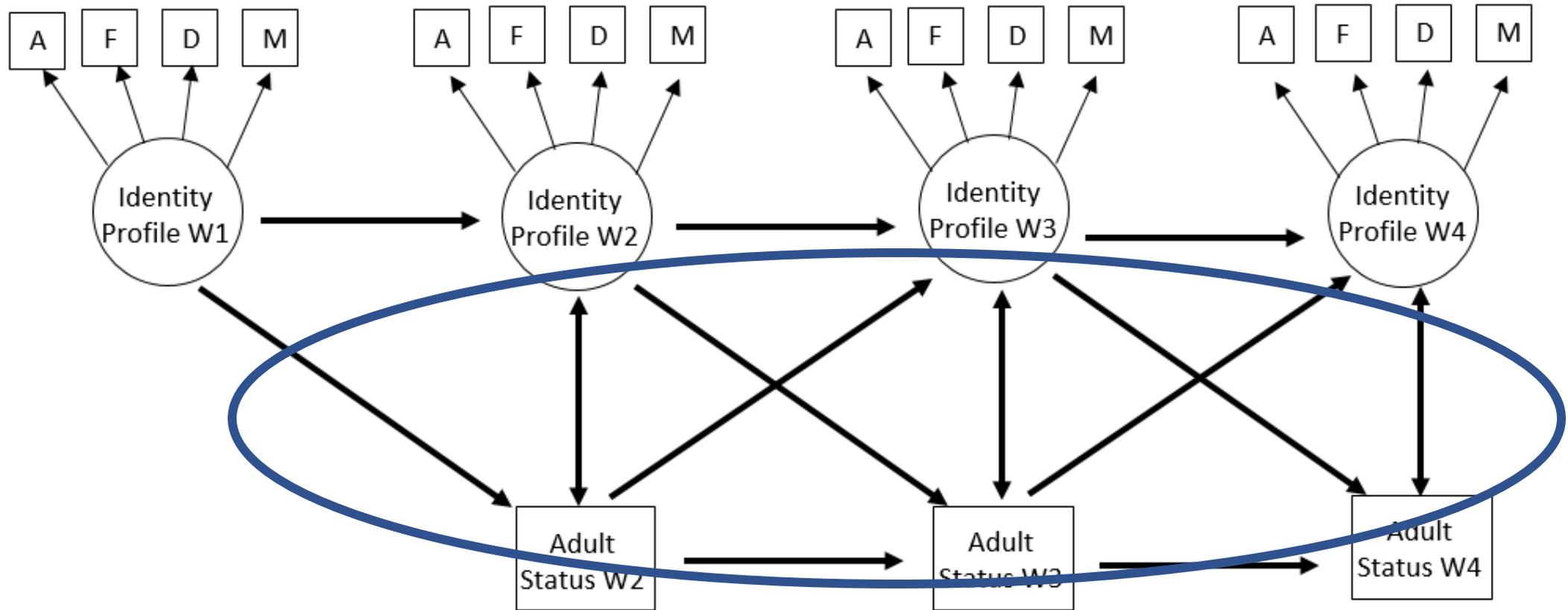
FOLLOWER: profile tends to disappear. Followers mainly move into drifters.

DRIFTER: profile tends to (slightly) increase. Many followers move into this profile, around 50% of drifters remain in the same profile, others mainly move into pathfinder profile.

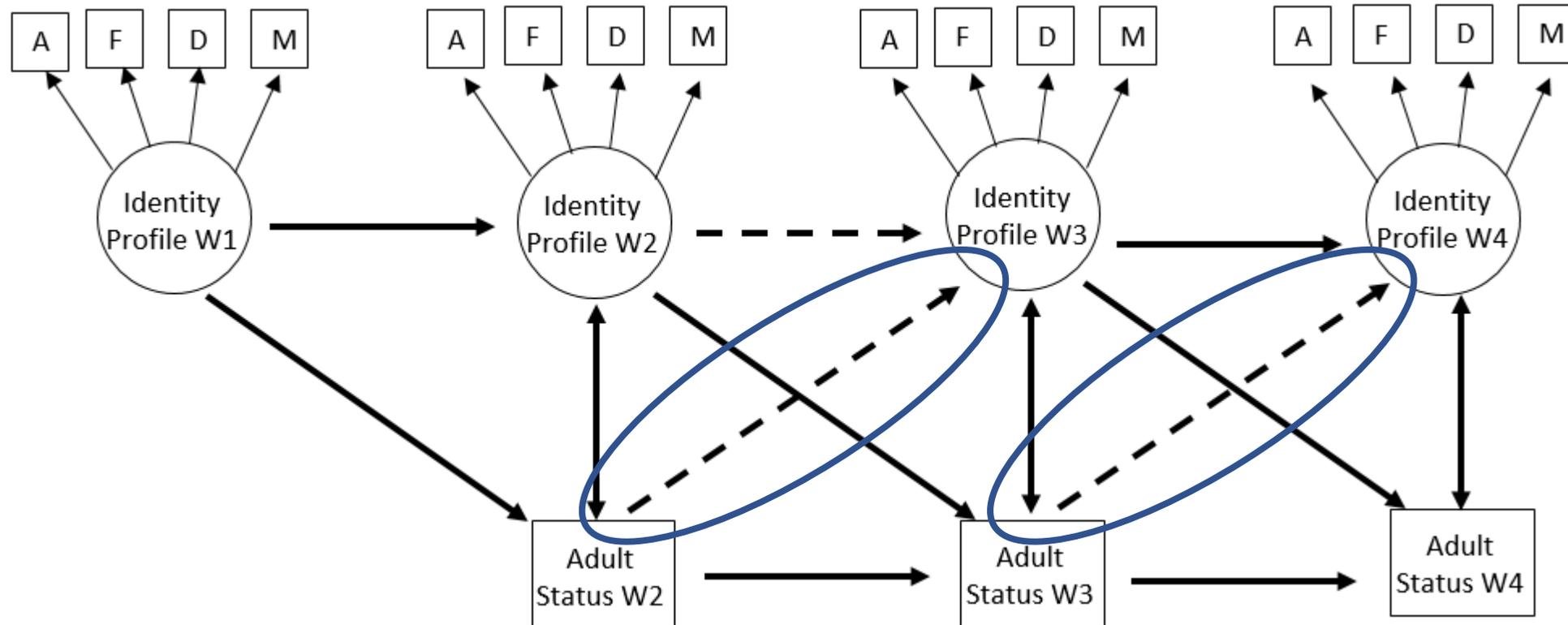
PATHFINDER: profile tends to increase. Once a pathfinder mainly remain a pathfinder. Furthermore, many emerging adults move in this profile over time: this seems to be the ultimate end point during the transition to adulthood.



Step 4: Cross-lagged model

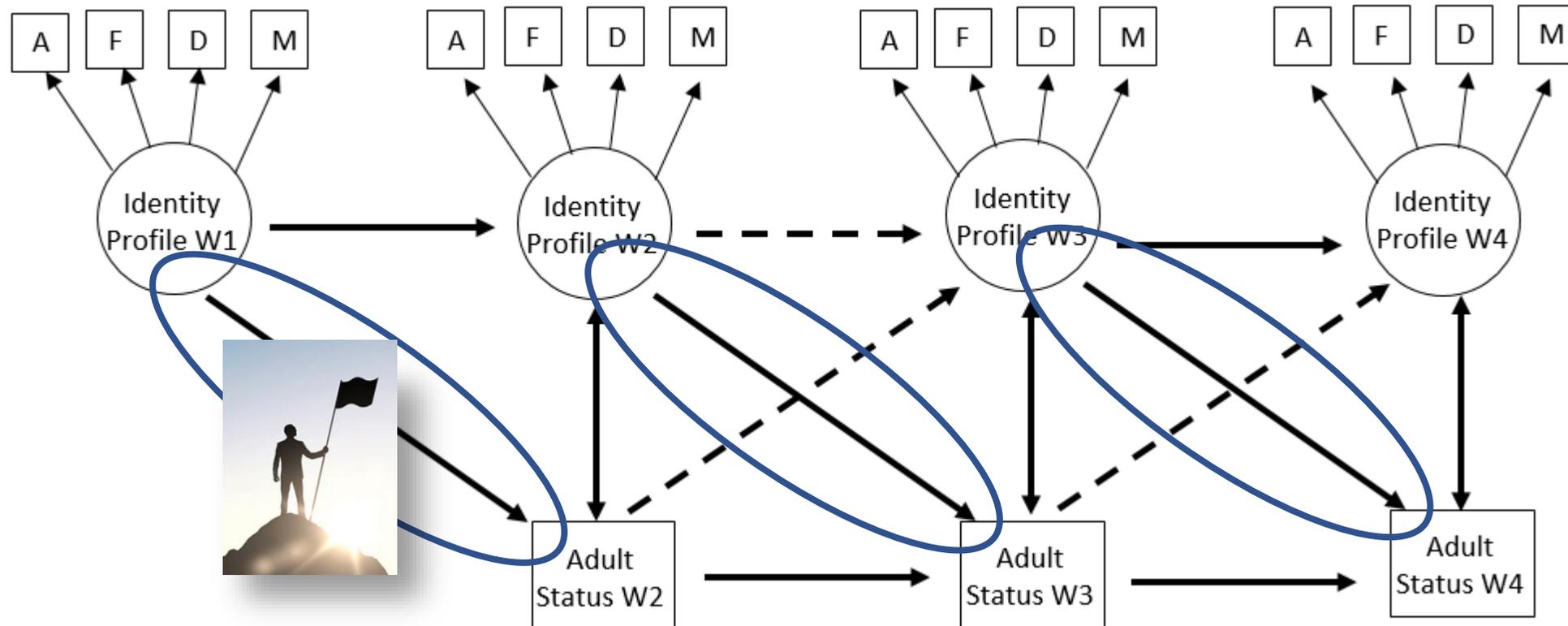


RQ4: What is the association between financial identity profile and adult status?



Adult status at time t does not affect the identity profile of the EA at time t+1

RQ4: What is the association between financial identity profile and adult status?



Pathfinders at time t felt more adult at time t+1 than others. No difference between drifters and followers.

Key Findings

- During the transition to adulthood it is possible to classify emerging adults into **three different profiles** according to their financial identity: pathfinders, drifters, followers
- These three profiles remain **stable over time** (exception: the average level of the “foreclosure” score is higher at wave 1 and lower at wave 4).
- Some emerging adults **remain in the same profile** over time. Other emerging adults tend to **transition** from “followers” profile (mainly) to “drifters” and from “drifters” (mainly) to “pathfinders”.
- Being a “pathfinder” make you perceive yourself as **more adult** within the same time point and in the next time point.

Discussion

- When emerging adults approach 26-30 years old (Wave 4) they are mainly pathfinders (41.89%) and drifters (39.04%).
- Single *university* cohort
- Likely other forces play a role:
 - Personal and family values
 - Openness in communication about money
- So can life events as well as macro-economic forces (COVID-19, climate change...)



Conclusion

**One's financial identity profile affects adult status
but not vice versa.**

*Financial identity may be a way to assess young adults'
preparedness for full - time adult roles and
responsibilities and set the stage for a smoother
transition to adulthood!*

What to do with this information?

- Self-awareness about the meaning and role of money
- Understanding the connections between finances and life choices
- Active and ongoing advice seeking and information gathering
- Recognizing the difference between financial wealth and financial well-being





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RQ4: What is the association between financial identity profile and adult status?

CONTROL VARIABLES:

Gender (W1): females are more likely to be drifters, while males are more likely to be followers. Males feel more adult than females at time 3 only.

Family SES (W1): no effect

Family Financial Socialization (W1): makes pathfinders (at time 1 and 3) and drifters (only at time 1) more likely than followers, and slightly increase adult identity (at time 2 and 4)

Student Loan (W1-W4): makes EA feel more adult at the same time point (only time 2)

