Emerging adults' financial capability

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Emerging Adults' Financial Capability: A Financial Socialization Perspective

Abstract

This exploratory qualitative research uses the UK as a case study to understand how past and present financial socialization agents have either enhanced or inhibited emerging adults' financial capability in order to highlight potential opportunities for future policy and practice interventions. Three primary socialization agents were identified. The family as trusted primary advisor continues well into adulthood, even where family financial capability may be low. Beyond this, emerging adults only reluctantly engage with their bank, rely on just-in-time experiential learning or self-socialize via diving, often with false confidence, into the internet. Although there are many quantitative studies on financial socialization, this paper fills a gap by taking a deeply qualitative approach showing, for the first time, empirically highlighting the limited number of financial socialization agents through the voices of emerging adults. The findings contradict previous socialization research that suggests parental socialization reduces into adulthood.

Keywords:

Emerging/young adulthood; transitions; consumer socialization; financial socialization; financial capability, self-socialization.

Emerging Adults' Financial Capability: A Financial Socialization Perspective

Introduction

The transition to adulthood marks a significant period in a young person's life, when they take on greater responsibility for their own financial affairs, and a range of financial products become available to them. The ability to manage money well day-to-day, prepare for and manage life events, and deal with financial difficulties describes a person's financial capability (MAS, 2015; 2016). But how do young people develop the financially capability required to cope with the financial responsibilities of adulthood? This paper explores how young adults become financially capable consumers. It particularly focuses on the key processes, agents, enablers and inhibitors of financial capability, through the lens of socialization theory.

Financial capability is recognised as a global issue. Over the last decade, some 62 countries have been devising national financial capability strategies (OECD, 2015). The UK's first national strategy for financial capability was launched in 2003 by the Financial Services Authority. The focus on financial capability marked a shift in emphasis from financial inclusion (Marron, 2014). This neo-liberal approach is based on empowering consumers to take greater responsibility for their own financial well-being by improving their informed, critical engagement with financial services (Atkinson et al., 2007, Appleyard & Rowlingson, 2013).

In 2015, the UK Government-supported Money Advice Service (MAS) updated the national Financial Capability Strategy (MAS, 2015) to include specific focus on young adults, prioritized as a particular concern because they demonstrated the lowest levels of financial capability of all consumers. The UK-wide financial capability survey (MAS, 2015) revealed that only 44% of young adults felt they could budget adequately and highlighted *'particular issues around taking control and using credit sensibly'* (MAS, 2015 p.19). A year later, MAS contended that young adult financial capability remained *'stubbornly low'* (MAS, 2016, p.3). The UK picture is mirrored globally; Van Campenhout (2015, p.215) talks of an international problem for the young with *'…overwhelming evidence that financial illiteracy is still widespread'* and '*alarming*'.

Thus, significant quantitative evidence exists that highlights the scale of the issue. Yet, Marron (2014) criticises academics and policy makers for making financial capability a '*vital statistic'* arguing there is a lack of clarity about what a fully rounded financially capable consumer would look like. There remains a lack of deep qualitative understanding of financial capability, in particular what it means to be financially capable in particular contexts or life stages and how such capability is developed. Understanding how young adults *become* capable financial consumers, and the enablers and inhibitors of such development, helps government, industry and individuals to better understand appropriate support and interventions.

Responding to the call for deeper qualitative understanding, this paper uses the UK as a case study and takes a socialization perspective to explore the past and present socialization agents and processes that frame young people's financial capability as they journey to adulthood. The paper contributes theoretically by extending socialization theory to the life stage of young adults and the domain of financial consumer behaviour through the concept of financial socialization, and considers both financial socialization and financial capability as ongoing processes rather than outcomes (Harrison & Marchant, 2017).

Emerging adults, financial capability and socialization

Research to date refers to '*young adults'* (Kim & Chatterjee, 2013; Serido et al. 2015), '*youth*' (Drever et al., 2015; Van Campenhout, 2015; Lusardi et al., 2010), '*adolescence*' (Kim et al., 2011), '*young people'* (Sherraden & Grinstein-Weiss, 2015; Marron, 2014), '*the young'*

(Lusardi et al., 2010) to denote a generation somewhere between 16-29 years old. We embrace the term '*emerging adulthood'* as it focuses more on the transitions and development of young people during this life stage rather than viewing young people merely as a static demographic segment (Arnett, 2000; 2015).

Sherraden and Grinstein-Weiss (2015) identify three global trends in financial services which significantly affect emerging adult consumers: The complexity and speed of change, including technology; the need to make financial decisions earlier in life alongside increasing financial burdens, such as the rise in student debt in the USA and UK (Robson, Dawes & Hindle, 2017); the ongoing repercussions of the recession that have left many emerging adults and their families with low income and limited social benefits. The ability of emerging adults to deal with such a complex financial landscape has been highlighted as a concern. Lusardi et al. (2010, p.375) describe young peoples' financial knowledge as *'dangerously low and potentially inadequate to deal with the complexity of current financial markets and products'.*

Many countries have developed financial education programmes for schools to address these issues, but the impact of such interventions is mixed (Hoffmann and Otteby, 2018). A meta-analysis of over 200 studies carried out in the USA (Fernandes et al., 2014) observes that whilst financial education programmes did improve longer-term financial behaviour, the impact was negligible and the effect decreased over time. In a global systematic review of 188 financial education interventions, Miller et al. (2015) find evidence of improvements to savings and record-keeping but limited evidence of success beyond this.

Alsemgeest (2015) notes that financial education programmes largely address the cognitive dimensions of financial literacy - focusing on knowledge and understanding of financial products, concepts and systems - but rarely impact on attitudinal and behavioural dimensions, and are not often sensitive to the social context. For this reason, Friedline and West (2015, p.1) argue that financial education is *'not enough'* in itself to develop financial capability. There is a need to look beyond the formal education system to understand the wider social influences on young adults' financial capability development, to understand how young people develop appropriate attitudes, values, skills and behaviours. This can be achieved by exploring the enablers and inhibitors of financial capability develop through the lens of socialization theory.

Research into emerging adult socialization remains relatively unexplored: *'the question of how socialization takes place in emerging adulthood remains wide open and in need of fresh conceptualization'* (Arnett, 2015, p. 86). The focus on young adult socialization in the context of money and personal finance has received even less attention.

Recently, the concept of '*financial socialization'* has started to receive attention. Solheim et al. (2011, p.98) define financial socialization as *'acquiring knowledge about money and money management and developing skills in various financial practices such as banking, budgeting, saving, insurance, credit card use'*. Gudmunson and Danes (2011, p.645) go further to suggest that:

> *'…financial socialization is much more inclusive than learning to effectively function in the market place. It is the process of acquiring and developing values, attitudes, standards, norms, knowledge and behaviours that contribute to the financial viability and individual well-being'*.

These definitions broaden the perception of the role of money and financial services from mere facilitators of consumption to consumption experiences in their own right. A failure to be effectively financially socialized can have short and long-term impacts on consumer and financial vulnerability (Ringold, 2005).

Financial socialization research has tended to focus on children and their families as primary socializing agents (Solheim et al., 2011). The influence, particularly of parents on children's attitudes to money has been well researched (Beutler & Dickson, 2008), as has the role of parenting and communication styles in influencing children's views of quality, price and value (Serido et al., 2013; Shim et al., 2011). Research has also paid attention to simple childhood financial practices such as pocket money (Furnham, 1999; Kim, LaTaillade & Kim, 2011).

Recently, interest has increased in understanding the impact of parental financial socialization on the financial capability of emerging adults (Kim & Chatterjee, 2013). Drever et al., (2015) stress the importance of parents for financial socialization from childhood, noting that although children are not overseeing household finances they are '*apprenticing*' as they learn from parents. MAS (2013, p. 19) acknowledges the family as a potential enabler suggesting: *'interventions within a broader family framework can influence the desired long-term behaviour change'.* However, there is little evidence to suggest what these family *'interventions'* should be. Understanding the effects of past parental socialization on young adults can help to inform what successful interventions might look like.

It is generally believed that as young people move towards adulthood, peers, friends and the workplace become more influential, yet research into the effect of these wider '*secondary socialization'* agents on financial capability is limited (Arnett, 2015; Van Campenhout 2015). Additionally, the media, as a secondary agent of financial socialization, arguably plays an increasingly polarised role. The current generation of emerging adults are presented with a diverse and complex media environment and are highly dependent on the internet/social media as their primary news source, with associated challenges (Carson, 2014). When coupled with financial decision making, the internet can be either an empowering or a disempowering force in the provision of financial services information depending on individual capability (Harrison, Waite & Hunter, 2006).

Involving a protracted period of transition, emerging adulthood presents interesting challenges to financial capability development. Compared with children and adolescents who mostly live at home with parents, emerging adults may live alone, with friends, in a college/university setting, with a partner or parents, and they change their living arrangements more than at any other stage of life (Arnett, 2000; 2015). Possibly as a result of such changes, Heinz (2002) and Arnett (2015) notice the emergence of '*self-socialization'* as individuals drive their own selection and use of socializing agents to support their lifestage.

Set against this background, we utilise financial socialization as a theoretical lens to explore how financial capability in today's emerging adults has been influenced by past and present financial socialization agents. By identifying agents and the processes that enable or inhibit financial capability of emerging adults opens up opportunities for future policy and practice interventions.

Methodology

We used a qualitative, interpretive approach via individual in-depth interview to provide rich, descriptive accounts of the effects of socialization agents on the past and current financial capability development of emerging adults. We conducted the research with reference to Lincoln and Guba's (1985) and Creswell's (1998) criteria for trustworthiness of qualitative inquiry. This ensured that across the stages of the research process we could demonstrate credibility, dependability, confirmability, transferability and authenticity (see Table 1).

Table 1: Demonstration of trustworthiness and integrity across the research process

<table>
<tr><th rowspan="2">Research stage</th><th colspan="5">Aspects of trustworthiness and integrity</th></tr>
<tr><th>Credibility</th><th>Dependability</th><th>Confirmability</th><th>Transferability</th><th>Authenticity</th></tr>
<tr><td>Data collection</td><td rowspan="2">• Sample recognises variability
• Data saturation
• Investigator Triangulation (in data collection and analysis)
• Transcription rigour (verbatim transcription)</td><td colspan="2">• Careful documentation
• Audit trail (e.g. interview guides, notes, transcripts etc.)
• Regular discussion among interviewers throughout</td><td>• Detailed interview guides and documentation
• Data saturation</td><td>• Audio recording of interviews
• Transcription rigour</td></tr>
<tr><td>Data analysis</td><td colspan="2">• Investigator triangulation (independent analysis by two researchers, cross-checks and discussion)</td><td colspan="2">• Verbatim quotes
• Thick descriptions</td></tr>
</table>

To ensure credibility through participant selection, we sought to capture a wide age range, from 18 to 29 years, in recognition of adulthood as an emergent process. We also sought to capture a spread of socio-economic and educational backgrounds. We employed a Research Assistant, herself an emerging adult, to assist in identifying participants via purposive and snowball sampling (Blaikie 2000) and to capture a range of life transitions, current situations and future aspirations, all characterising the unsettled, changing status associated with emerging adulthood (see Table 2). The sample comprised ten female and ten male emerging adults from Central Scotland.

To establish rigour in data collection, both authors separately undertook the interviews. This ensured 'investigator triangulation' (Denzin, 1978; Patton 1999), providing multiple observations and conclusions. By conducting interviews individually, this helped to put participants at ease and allowed trust and rapport to develop (Blaikie, 2000). Qu and Dumay (2011, p.255) note, '*it is easy to take the research interview for granted because it seems so simple.*' Given the relatively young age of participants, and the potentially sensitive topic of personal finance, it was important to keep the context simple and acknowledge the sentiment expressed by Jack, (22, 4th year student): '*I'm actually quite uncomfortable talking about money.*' It was also important to be reflexive and aware of our position as older, more informed individuals whom participants may perceived as being in a position of power or standing in judgment (Hogg, Bettany & Long, 2000).

Although we used semi-structured interview guides, to ensure consistency within and across interviewers, a grounded theory approach (Charmaz 2009) allowed themes to emerge during the interview process. On an ongoing basis we came together to discuss individual interviews and share developing themes in order to inform future interviews and ongoing consistency of approach. During interviewing, key financial capability and socialization processes quickly emerged contributing to a sense of saturation (Charmaz 2009) after interviewing ten female and ten male emerging adults. The interviews took place during Spring/Summer 2015 and were held in private meeting rooms in a university business school to build trust and demonstrate professionalism. Each interview lasted between thirty and ninety minutes depending on the complexity of lives and financial situations; all conversations were recorded and transcribed verbatim (Qu & Dumay 2011).

Our approach to analysing the data followed Creswell's (2014) "spiral of analysis", recognising that analysing qualitative data is rarely a linear process, but rather an ongoing iterative process of constant comparison, reflection and analysis that occurs throughout data collection and analysis stages. Both authors independently read and applied codes to the text, identifying lines/short '*chunks*' of the transcript. This was done after each interview and we noted emergent themes using a process of constant comparison between interviews. The final themes were consolidated by the authors via a process of de-contextualizing and re-contextualising chunks of data (Spiggle, 1994). This process, involving investigator triangulation, assures dependability and confirmability of the findings and added breadth to the study.

As an illustration of the process, in the interviews we asked open questions that invited participants to describe how they had learnt how to manage money. From this initial question we identified initial 'socialization agent' codes. Based on these, we explored the transcripts further to examine 'processes' and 'outcomes' and applied codes. On further exploration 'processes' were coded further as 'enabling' or 'inhibiting' and outcomes were coded further as 'positive or negative'. The next stage involved interrelating codes to understand the relationships between socialization agents, processes and outcomes. For example, what are the processes used by parents? What are the outcomes of certain processes? This then led to the linking of causes and outcomes and the visual model of the relationships in Figure 1 that serves to portray the process.

For example, in the context of financial capability development, Figure 1 suggests: when parents (socialization agent) act as financiers to their children and give them money, and the freedom to make their own decisions about money (process) young people are more likely to develop a greater sense of independence from that experience (outcome) and are more likely to develop skills of self-regulation and money management leading to a greater sense of financial wellbeing (consequence).

Findings

Despite prompting discussions on a range of socialization agents, including media, peers, schools and work, it was quickly apparent that three key agents dominated emerging adults' past and current financial socialization: their family, their childhood bank and self-socialization. Figure 1 provides an overview of the three socialization agents in relation to their ability to enable or inhibit financial capability development, the potential positive or negative financial capability outcomes from such processes, and the impact on financial wellbeing. These are discussed in further detail below.

The dominance and reliance on family socialization

It was clear that finances were rarely discussed within most families whilst growing up. The literature (Roedder John, 1999; Arnett, 2015) suggests active primary socialization, where parents engage with children, but the following suggests an absence of active interaction or conversation specifically in relation to money. As Johnny (19, student intern) said laughing: '*It's just the British way*' not to discuss finances. Olwyn (21, nursery nurse) noted, '*they [parents] never really spoke to me about it…I don't think they told me much about money'*; she learned from over-heard conversations in the kitchen. In the case of Graham (24, Charity Worker) this was even more removed via '*a couple of my friend's parents, I've overheard them talking about money and finance'*. Culturally, it seems that finances were rarely discussed in these families, fundamentally inhibiting opportunities for primary financial socialization, in this sample at least.

However, there was a contradiction evident from participants. Most socialization research (Arnett, 2000; Shim et al., 2011) suggests that the influence of the family declines as teenagers move towards adulthood, yet despite limited family financial socialization in the past, emerging adults would still refer to parents, and increasingly siblings, on financial matters before anyone else. This was evident in four ways; as positive/negative role models, occasional advisers, financiers and controllers.

Despite limited active past socialization, emerging adults did describe observing family as financial *role models*, often picking up their anxieties about money rather than remembering positive experiences. For example, many parents were vehement about the dangers of debt. Sonia (22, Café worker) emphasised the *'stress'* associated with overspending, relayed to her by her mother's debt concerns, despite Sonia *'never actually'* overspending:

> '*I just get stressed I'm going to overspend or something. But, given that I've never actually done that, I don't really know where the stress has come from. I think my mum was always like healthily cautious and so I've sort of turned that into being overly cautious I guess'* (Sonia, 22, Cafe worker).

Financial difficulties seemed to offer opportunity for financial capability development by enabling greater reflection on finances at such times and often served to break down the barrier of silence. This often generated memorable teachable moments. For example, Louis (18, 1st student) observed his mother take three jobs to make ends meet after his parents' divorce which motivated him to remain *'financially secure at all times*'. Samia (19, 2nd year student) on seeing her estranged father's bank accounts recalled it was a good lesson in '*how not to manage money',* and Doug (23, Bar Worker) noted: '*The negative mistakes that I've watched them [parents] make have impacted my knowledge of the financial system more than anything'.*

There were also examples of positive modelling, although fewer. Perhaps they were less memorable and less impactful. Anthony (27, Entrepreneur) had an entrepreneurial family and noted that he frequently discussed money with them, and was confident in his financial capability now. Overall, though, parents seemed to shelter their children and protect financial privacies. This inhibited the sharing of financial details (Kim & Chatterjee, 2013) and provided limited opportunity for emerging adults to understand cultural (and family) financial norms (Grusec, 2002), to take greater responsibility for their finances and develop financial capability. By contrast, negative financial experiences often had direct consequences for family life and needed to be more widely shared. This supports Drever et al.'s (2015) view of the importance of experiential learning within the family, yet highlights that such learning was often only linked to negative experiences. Hence, young adults seem to be missing out on positive modelling behaviour.

Despite limited previous financial socialization, the family was usually the first and only really trusted source of advice for emerging adults (unless there had been significant financial issues in the past). Yet, the family is not always the best placed to provide such advice, as observed in Jack's (22, 4th year student) conversation with his father about getting a credit card:

> '*I asked my dad and my dad said "you don't really need one" … we were thinking at the time about buying a flat, and I said, "won't they need to have a credit rating for potential mortgages?" and he said "yes, go get one"'.*

Many emerging adults, either by necessity or choice, were financially independent and these participants were more driven to be financially competent as a result. Ailsa (27, mature student) recalls that her Mum '*wasn't interested in me … never came to parent meetings at school'*. At 13, she moved out to live with her Dad who, up until that point, had been a '*weekend Dad*' and '*didn't know what to do with me'* so she was forced to take responsibility for herself at a very young age. She recalls, at 13 '*I was getting something like £60 a week. I had to budget for my own things. My food shop would come out of that budget.'* She reflected on how this had prepared her to manage her money*: 'I would say it did me quite well. I could actually learn the value of how much it was costing me. If I hadn't have had that, almost training, as I was younger, I'd have been completely clueless.'*

Ailsa's situation may be rather unusual, but giving young people the opportunity to make their own financial decisions, and financial mistakes, in the safety of the wider family, provides an opportunity for experiential learning.

However, some, particularly students, did assume their parents were a steady income stream and remained very dependent; Hugo (23, 4th year student) was typical in this respect in not being '*remotely self-sufficient*':

> '*She's [Mum] ... where the money is I suppose. I haven't managed to pin down anything job wise to make myself in any way remotely self-sufficient while at university, so it's a combination of student finance with the loan and my mum.'*

Often this sense of parental dependency was even stronger where savings accounts were still controlled by the family; participants did not necessarily know what savings they actually had. This was often seen as the norm, for example, Jack's (22, 4th year student) use of '*obviously*' in the following: '*Obviously the ones [savings accounts] that my parents have I don't have access to and that's just a saving thing, like for my first house or something'.* And Eleanor (22, Graduate Banking Recruit) who noted that she '*relied on my parents quite a lot, not necessarily for money but for advice and for them to manage it*'. She showed a lack of knowledge about her own finances, using the word '*I*' but clearly her savings are managed by her mother:

> '*I had an ISA for a year and then that matured and I've reinvested it but that was a lot with the help of my mum so I kind of don't really know where I've reinvested it or what I've done with it.'*

Although parents may believe that they are protecting their young from financial vulnerability by sheltering them from financial decision making (or not trusting them with their own finances), their actions may be inhibiting crucial financial capability development (Kim & Chatterjee, 2013; Grusec, 2002).

Even the most independent, when challenged about what they would do in a financial crisis, said they trusted their family to advise. Often this was despite acknowledging that their family would not have the ability to advise/support them, for example, Johnny's (19, student intern) parents always had a very low, subsistence income but he would hope they would support him in a crisis. An over-riding trust and reliance on family was strong, surprising given limited previous primary financial socialization and indeed frequently despite a lack of understanding of their family's own financial capability.

Despite an age range from 18-29, it was clear that many of the emerging adults in this study still did not see themselves as fully responsible adults (Arnett 2000, 2015), only expecting sensibility and financial planning to come with distant responsibility such as a '*proper*' job (Mary 22, Cafe Worker) or children (Jack 22, 4th year student, Anthony, 27, entrepreneur). As Harry (27, Hospitality Manager) noted: '*Now I'm a 27 year-old boy – I don't see myself as an adult and I know most of us are in the same boat*.'

It would seem that in many cases family members, particularly parents, remain at least trusted financial advisers and at most they remained in control of the purse strings. This challenges current perceptions of socialization theory which suggest the influence of family declines into adulthood (Arnett 2015) and creates obvious challenges for developing independent, financially capable emerging adults.

A lack of alternative socialization agents was evident when the question was posed where participants would go if they could not contact family. The other options appeared to be relying on their bank or driving their own self-socialization (Arnett 2015) without necessarily having developed the capability to do so.

The childhood bank

A good example of parental influence, but limited direct financial socialization, was in the opening of the childhood bank account; the parent ensured action (i.e. opening a bank account) but hardly explained the motivation for having one or enabled the young person to use/manage it. Olwyn (21, Nursery Nurse) was typical in her experience of this ritual; as she was unsure why it was opened and unquestioningly trusted her parents:

> *Researcher: ...and do you know why you're with the Bank of Scotland?*
> *Olywn: I think because my parents were with them I've just been with them since I started having a bank account*
> *Researcher: So what do you like about them (Bank of Scotland)?*
> *Olywn: I don't know, I think just because my parents use them and they trust them, that I just feel the same as them.*

Whereas the account opening may well have been a shared experience between parent and child, frequently this was not a teachable moment. In fact, emerging adults were often left unsure or, as Mary (22, Cafe worker) said, '*I never really used it'*. Lynne's (22, Bar Manager) mother opened an account for her when she was about 11 but she did not feel *'fully aware'* of the need for an account until she was older, demonstrating that sharing an experience does not always mean teaching financial capability.

Concurring with other research, most emerging adults in this study were accepting of their childhood bank with limited desire to consider alternatives (Kim and Chatterjee, 2013; Yu & Harrison, 2015). However, they would consider turning to this bank if they felt their family could not help. Eleanor (22, Graduate Banking Recruit) gave the typical response of '*crossing that bridge when I need to'* about approaching her bank and Lynne (22, Bar Manager) was characteristic in only reaching out when stuck as she considered options for mortgage advice:

> *Researcher: And where would you go for that [mortgage], do you think?*

> *Lynne: I honestly don't have a clue. I think I'd probably start off at the bank, I guess, but I don't know.*

The emerging adults' overwhelming apathy to challenge their parents' choice of bank strongly contrasted with a frequent lack of trust and anxiety related to the banking sector, as Alison (20, Café Worker) suggested, '*I don't like going in [the bank], I don't feel comfortable'*. Mary (22, Cafe worker) worried that Banks '*get nasty'* if people go into the red or need more help and mused that '*it kind of makes you think like it is better just to be like what your granny was...and have it just under your bed'*. In an extreme case this led to one participant keeping money at home in '*10 little spots in my bedroom where little rolls of cash are kept'* in order to avoid engagement with the bank. Such self-exclusion further inhibits emerging adults' opportunities to build financial capability.

There was a clear polarisation of young adults' views towards family and banks; the family were highly trusted, albeit not necessarily capable or able to help, whereas the banks largely were not trusted, but reluctantly acknowledged as capable if absolutely necessary to approach. This reticence means it is currently a challenge for banks to be effective enablers of financial capability, as it would seem emerging adults do not wish to engage with them. This lack of trust in a system they do not fully understand was one reason leading to *financial self-socialization* (Heinz 2002, Arnett 2015) amongst these emerging adults.

Financial self-socialization

Emerging adults self-socialized via two primary means: use of the *internet and their own experiential learning*. Use of the internet resulted from its familiarity, immediacy, privacy and their over-confidence. Use of the internet is sensible for simple tasks and information gathering, as Johnny explains (19, student intern):

> *'...if I'm paying money or setting up a direct debit thing, I can just quickly Google something if I wasn't sure about, you know, what name to put under the card or something like that, you know just things like that, simple things'.*

However, there could be worrying implications for more complex and long term financial decision-making. When asked about where she would research mortgages and pensions, Eleanor (22, Bank Graduate Trainee) said '*Google it'* as did Lynne (22, Bar Manager) who replied: '*Google's great! Wikipedia. Going onto the banks' sites themselves. Yes, probably something like that'.* Or, Jack's (22, 4th year student) comment on buying insurance: *'I'd just Google 'student flat insurance' and hopefully find a company and just, I don't know, presumably buy some insurance there'.* Price comparison sites were a primary place to go for product purchase for most emerging adults; for Connor (27, Mature Student) this would even include pensions. Mary (22, Cafe worker) was not unusual in knowing that there were many sites which were '*dodgy*' and Doug (23, Bar worker) knew it was not the best way to research financial decisions, '*but'* in the absence of perceived alternatives, he went ahead:

> *'Money supermarket is normally my first sort of pit-stop when I have considered getting a credit card because there's not quite as much money as I need at that time, that's been the place to go…I don't necessarily know how reliable that is as a source of information but…'*

Clearly with ongoing challenges to the integrity of some price comparison sites, this is a particularly pertinent issue (Batchelor 2014) creating the potential for vulnerability brought on by not knowing the questions to ask in order to clarify/challenge where to go and who to trust online.

Although emerging adults remained confident in the domain of everyday money management (MAS, 2015), they did not tend to plan ahead beyond the very short term. Even Brenda (21, 3rd year student), who called herself a '*compulsive saver'* with the need to have *'a plan A through Z all the time'*, had not planned beyond her current situation impacting on future financial resilience. As a result, transitions often created financial concerns, as limited previous financial socialization had not always prepared these emerging adults. Graham (24, Charity Worker) noted since he started full time work: *'recently since I got this job, it's not been great... I've not saved anything'* and *'I always like a buffer, so I get really stressed out, like last month I had nothing at the end'*.

Once individuals learnt to deal with change, they felt more confident for next time and such *experiential learning* was the second way emerging adults self-socialized. As there were limited processes to drive financial planning, it became difficult for emerging adults to build capability other than by learning through their own '*trial and error'* as Hugo (23, 4th year student) called it. The downside of trial and error is that some negative consequences can take years to rectify. For example, Tony's (29, self-employed) continued debts from a repossessed home, or Harry's (27, Hospitality Manager) experience with credit cards where the learning had been *'tough'*:

> '*I wanted to just have a bit of a cushion you know be able to go and if I have 4 days off I can go to Barcelona and not really worry about it when I know that I'm rarely going to have the opportunity later on. So I had a big couple of years and enjoyed it but it did take some time to pay those back and that was tough'.*

The alternative was financial paralysis, with emerging adults terrified of doing the wrong thing; limiting their capability development for fear of making a mistake:

'*Well I went into my overdraft once and panicked and went into the bank the next day and put £20 in and have never been in my overdraft since, so yes, I guess that's done me alright, I don't owe anyone any money that I know of.' (Doug, 23, Bar Manager)*

Without the capability to financially plan ahead, longer term dreams seemed unrealistic, which led to apathy or fear of the future on occasions. Graham noted that owning a home seemed '*terrifying*' and Lynne (22, Bar worker) felt there were too many other demands on her finances to allow her to save for the desired home, '*until I figure out everything else, I've not really thought about it much'*. This may explain why 41% of young adults with financial goals lack plans to achieve them (Harrison et al., 2016).

Many of the participants had limited financial socialization agents to consult and had not put processes in place to support them beyond day-to-day money management. This often led to a reliance on the comfort and speed of the internet and learning as-they-go, both of which can lead to vulnerability as necessary understanding may not be gained to develop the financial capability to challenge.

Discussion

Overall, taking an in depth qualitative approach to financial capability development has raised new understanding about the financial capability development of emerging adults. There are clear challenges in terms of the limited range of socialization agents used by young adults. The contradictions surrounding engagement with these key agents makes the task of financial capability development complex and challenging.

More positively, most of the participants were surprisingly organised in terms of MAS's (2015) first domain, day-to-day money management. Many did tend to live from pay cheque to pay cheque and struggled towards the end of the month, but they were confident that they knew how to budget and make money last. Taking MAS's (2015) three domains of financial capability as a framework, it appears that with regard to the first domain of day-to-day money management young adults in this sample seem to display reasonable financial capability as long as circumstances do not change.

However, there was evidently limited desire or capability to engage with MAS's (2015) second domain, to *'prepare for and manage life events'*. Future life-changes could be seen as '*terrifying and dangerous'* (Lynne, 22 Bar Manager) as a result. A lack of financial socialization agents supporting/encouraging financial planning created two major issues – the first that emerging adults had not learned the required questions to ask which can lead to inappropriate decision taking, or a lack of realisation about the consequences of their short term actions. Secondly, this can escalate into an inability to cope, leading to the third domain - '*financial difficulties'* (MAS, 2015). For example, Tony (29, self-employed), with hindsight, realised he should have never bought a house in his early 20's; he was still in debt from the repossession nearly a decade later.

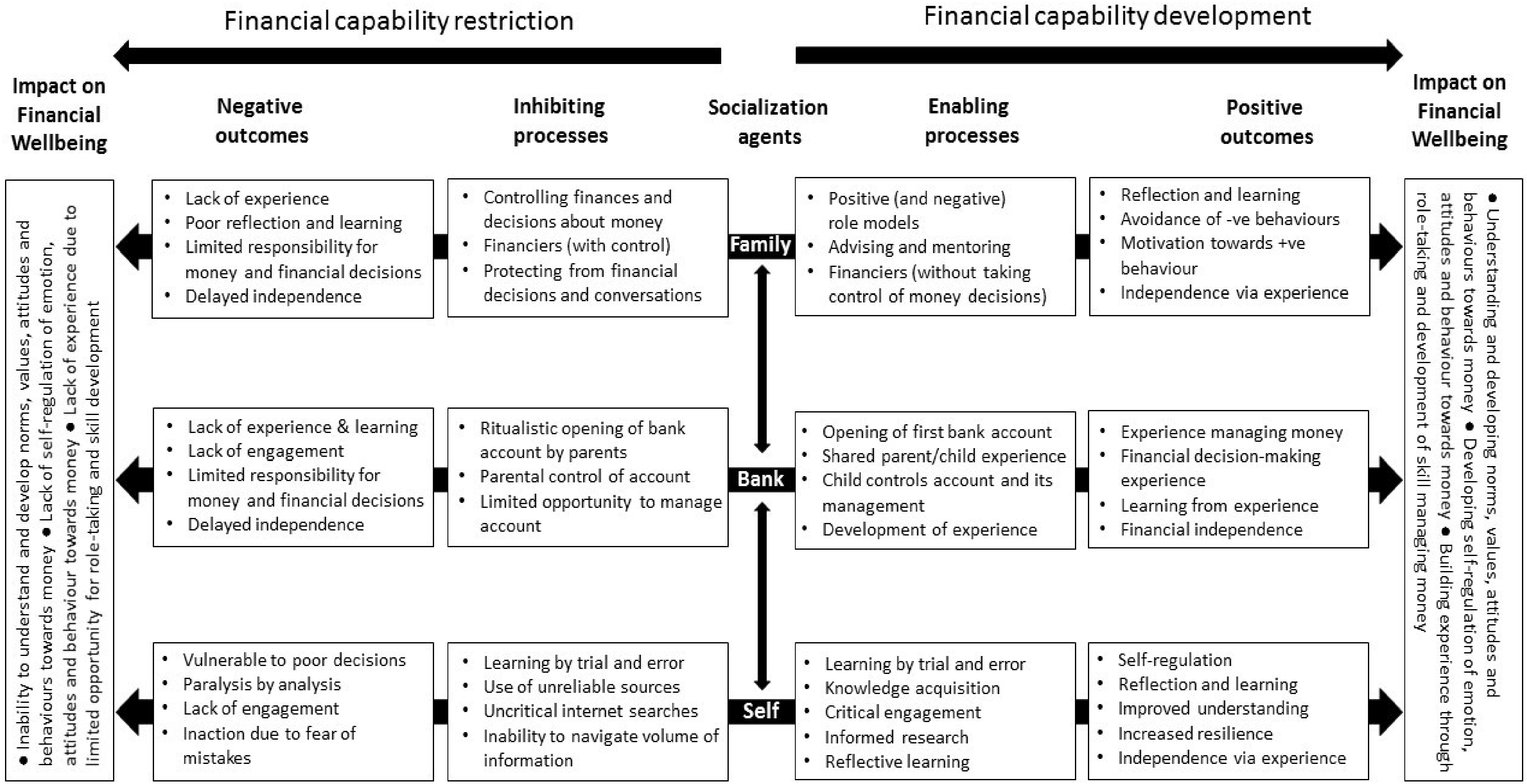

Figure 1: Financial Socialization of Young Adults and the Impact on Financial Wellbeing

Ringold (2005) notes that over a period of time consumers will learn from their mistakes and become less prone to encountering negative outcomes. However, this assumes that the marketplace presents opportunities to learn and that mistakes are not so detrimental as to inhibit learning. In the context of financial services, the opportunities for learning from experience are limited, particularly for complex financial products (i.e. pensions): products are purchased infrequently, they may endure over the long-term and the opportunity for changing either product or supplier is constrained by contractual arrangements (Harrison & Estelami, 2015)

There appeared to be conflict between the importance of the trusted family as positive (or negative) role models and advisers into adulthood, yet there were limited family processes in place to actively socialize financially (now or in the past). As finances were not pro-actively discussed within this most private and trusted domain of family, and tips and good practice were not shared, financial capability development was inevitably inhibited, yet there are clear opportunities to harness the trust within families if appropriate interventions can be found.

Given banks only seemed to be consulted at points of transition and, accepting individuals' potential vulnerability (Baker et al. 2005) at such times, there appears to be a potential power imbalance between the bank and the emerging adult. Most participants in this study who venture through the door were not fully informed so may not know what questions to ask. This is further exacerbated by a frequent lack of trust, bordering on fear, of engaging with the banks. Even more worryingly, most participants did not know where else to go for professional help, suggesting limited understanding of, and engagement with, the financial services industry. In terms of self-socializing online, there currently seems to be an information/advice gap as emergent adults perceive they have capability and online access to all the information they need to make a financial decision and drive their own self-socialization (Heinz 2002). However, there is often a volume overload with a lack of capability inhibiting informed choices.

This paper does not intend to suggest that all emerging adults were financially incapable, some participants were adept in their discussions on finance, having learnt from positive socialization and past experiences. However, the financial services market place is a complex one and as such it is recognised that most people lack capability at certain times. Delaying decision-making and financial planning, relying on family or self-help, or assuming support from a future employer or grudgingly an untrusted bank, is arguably not enough and these findings suggest a number of responsibilities for policy makers and industry which may be pertinent to emerging adults not only in the UK but further afield.

Limitations and future research

It is acknowledged that this was a small, qualitative exploratory study and accordingly, caution should be taken when considering the findings. Participants were mainly white and from a British/European cultural backgound; also none had experienced long-term financial hardship. However, it has raised some interesting themes and avenues for future research amongst the under-researched group of emerging adults. Further qualitative and quantitative research could usefully explore in greater depth the limited number of financial socialization agents and processes, the attitudes to financial planning and the deficits in financial capability development. It would also be interesting to consider the negative versus positive childhood experiences of money on current capability and attitude. A longitudinal study would highlight the changing nature of financial socialization agents with age and circumstance. A more detailed study of the triggers/transitions which impact potential financial vulnerability would be useful to ensure emerging adults are supported at the most appropriate times. More broadly, it would be useful to explore the challenges to socialization theory which have been highlighted here, by continuing to explore the influence of family on socialization in adulthood along with exploring the growth of self-socialization, via dependency on the internet and experiential learning, in different market sectors and different consumer life-stages.

Table 2: Participant details

Pseudonym and age	Past circumstances	Current circumstances	Future aspirations
Hugo, 23	Educated at an independent school in England, both parents worked hard to send three children there.	Final year undergraduate student in humanities, *'cruising along on a 2:1 average'*. Rents house and shares.	To be settled into a job in 5 years' time but not sure what, possibly civil service or GCHQ.
Harry 27	State school. Family business collapsed in teen years. Worked in hospitality from age of 16 and loved it despite family pushing for successful BA/MSC qualifications. Parents divorced, one sibling	Worked his way up to current managerial position in hospitality in luxury hotel. He has received many job offers – confident situation. Rents accommodation but aspires to buy.	Sees 30 as a turning point when he becomes an adult and starts to take life seriously: *'I'm going to get to 30 and think 'right now is the time that I start cracking the whip'*
Johnny, 19	Lived all around the world with father's job, home schooled. Married parents and five siblings with very limited income. College educated in UK	Third year student on internship/ work experience year – enjoying having disposable income. Living at home to save money.	Keen to be married young with a family (by 24 ideally). He aspires to be a web-designer and comfortably off but not driven/no overly ambitious goals
Tony, 29	Moved to UK in 1990s; British citizen. Single parent upbringing. Education until 17 then left. Worked since in variety of jobs. Bought a house early and it was repossessed and still owes bank money	Self-employed security/bouncer – he has worked successfully for others and is now setting up own business. Rents a room in a house.	Hopes to be successfully running his own business and reap benefits of hard work: *'From 18-30 it's the time where you set your life up and from 30-40 is where you kind of live what you've set up or improve what you set up'*
Graham, 24	State school educated in London. Married parents and older sister. Dad changed careers several times; Mum provided stable income. Completed master's degree in 2013.	Working full-time for a charity. Living in shared, rented flat with two friends.	Not sure. Wants to continue working in the third sector, but not really sure in what capacity. No desire to own home.
Jack, 22	Privileged upbringing and life in Channel Islands in family home, married parents, one sibling.	Fourth year of full time degree in engineering. Rents property and sub-lets.	Applying to study a second degree - medicine – hasn't thought beyond that but *'by 35 I'd like to be married with a family, a range rover and a house'*.
Doug, 23	Left school at 16, various jobs from call centre work, financial advisor, driver abroad ,bar work . Married parents one sibling.	Bartender/manager, recently moved to Edinburgh to be with girlfriend, rents from friends.	Considering going back into education via access course to study psychology. His philosophy is *'money's there to be spent and enjoyed in my opinion'*
Louis, 18	One parent family upbringing with mum and young sister, state school educated, some special needs, keen to get to university.	First year student elects to live alone in a flat but may share next year. Understands system and has many bursaries and scholarships.	To be earning a lot of money and be comfortably off, possibly in London, possibly investment banking.
Connor, 27	Married parents, 2 siblings. State school educated, worked in numerous jobs over 7 years	Mature student – full time. Lives at home with parents. Sees a degree as a pathway to a good career.	Wants to do 'something in business' possibly general management but 'open to options'
Anthony, 27	UG degree in Business, post grad in Entrepreneurship, travelled for a year and several jobs before setting up own business.	Single. Runs own business but thinks he may also need to get a 9-5 job to enable him to get a mortgage. Currently rents.	Successfully run his own business and own home. Thinks adult life begins when you have children and need to be responsible.
Sally, 19	Privately educated in England, married parents with 2 siblings.	Third year of full time degree, rents with friends.	Wants to do 'something with people' possibly the civil service but 'keeping options open'
Samia, 19	One parent upbringing, parents divorced at 7 and she has 3 sisters. Lived and schooled locally all her life.	Second year humanities student, choses to live at home and commute/save money, works part time in McDonalds.	Saving up for a third year abroad, longer term interested in academia or banking but not sure yet.
Ailsa, 27	Divorced parents. Left state school at 18, worked in bank for 7 years, bought flat with partner but split up two years later	Full time mature student in third year of degree, single mother of a 7 month old boy. Enjoying degree and learning.	To be settled into a good job possibly with a bank and to successfully support son as a single parent.
Eleanor, 22	Completed UG degree in 2014, worked in supermarket throughout her degree to help fund it. Married parents and 2 siblings.	Sept 2014 joined a graduate scheme at a Bank and hoping an opportunity will arise for her boyfriend to join her in Scotland.	Keen to settle down. Saving towards buying a home soon: *'I feel like I've committed now to being in the world of work'*
Alison, 20	Worked since 16 in bars and restaurants and travelled when she could afford it. Divorced parents and one sibling	Works in a café and paid weekly, lives at home to save money in order to travel more.	She wants to become a Yoga teacher once she's travelled the world
Sonia, 22	Came up from England to do her degree in languages and graduated in summer 2014.	Decided to stay in Scotland and rent with friends. She is working in a Café until finds a *'proper job'*	Currently applying and hoping for a graduate job utilising her languages/ degree – not concerned about location.
Lynne, 22	Worked since 16, left college at 18. Worked in bars and restaurants ever since, enjoys working with people. Single parent upbringing.	Currently promoted to Bar manager, paid monthly now and rents with a friend.	Undecided whether she wants to own her own bar, travel or buy a house – really not sure what she wants to do.
Olwyn, 21	Left school at 18 and went to college to study nursery nursing. Married parents and one sibling.	Still lives at home, works as nursery nurse and trying to pass final exams.	Sees herself staying in nursery nursing, possibly one day buying and living in her own home or using it for buy-to-let.
Brenda, 21	Studied for a science degree and then changed direction to study business. Married parents and mother has long term health issues.	In third year of Business degree, also works to supplement income.	Unsure, possibly academia or working in sustainability.
Mary, 22	Family of 5 siblings, recently divorced parents, graduated from university in summer 2014 in Humanities.	Living back at home and working in a café to raise money to travel with her boyfriend over the next few months.	Travel more or find a job and not sure whether she wants a *'job job'* or whether to train to teach yoga/sport or do an MSC

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