TITLE OF POSTER: Psychosocial Well-Being and Financial Capability

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ABSTRACT: (begins on next page)
ABSTRACT

Background
A growing body of research has been aimed at understanding and improving financial capability, defined by Johnson and Sherraden (2007) as the ability to act (knowledge, skills, confidence, and motivation) combined with the opportunity to act (access to beneficial financial services and products). While it is known that financial capability is associated with socio-economic status and other demographics (FINRA Investor Education Foundation, 2013), very little is known about the connection between financial capability and psychosocial well-being.

Purpose & Hypotheses
This poster reports findings from a research project, funded by the FINRA Investor Education Foundation, to explore the relationship between financial capability and psychosocial well-being. In particular, we examine the relationship between two measures of financial capability and subjective well-being, which is a component of psychosocial well-being. We hypothesize that lower levels of subjective well-being are associated with diminished financial capability.

Methodology
Data Sources & sample characteristics: We use data obtained in 2012 by administering the National Financial Capability Survey, which was designed by FINRA to measure financial capability and status, to RAND’s American Life Panel (ALP), a nationally representative sample of adults 18+ who have agreed to participate in occasional online surveys. We merged this data with earlier waves of the ALP that contains information about the psychosocial well-being of the respondents. Our sample consists of 1,758 individuals who were administered both waves.

Variables & Analysis: To measure subjective well-being, we use Diener’s Satisfaction with Life Scale, a five-item scale which yields a score of 5 to 35. Following earlier work, we distinguish between those who were dissatisfied or extremely satisfied (scores of 5 through 14), those who were satisfied or extremely satisfied (scores of 26 through 35), and those who were neither (scores of 15 through 25) (Diener, Emmons, Larsen, & Griffin, 1985). We examine two measures of financial capability: (1) whether respondents agreed that they were good at dealing with day-to-day financial matters; and (2) whether they had ever tied to figure how much they needed for retirement (asked of those not yet retired). We use chi-square analysis to compare the association between our measure of subjective well-being and each of our two measures of financial capability.

Results and Discussion
Subjective well-being was negatively associated with both measures of financial capability. Overall, 75% of sample respondents agreed that they were good at dealing with day-to-day financial matters. However, 60% of those who were dissatisfied with life agreed with this statement, 70% of who were neither dissatisfied or satisfied agreed, and 83% of those who were satisfied with life agreed that they were good at dealing with day-to-day financial matters (p<.001). Life satisfaction was also associated with having figured out how much they needed for retirement (asked of those not yet retired). Overall, 44% of sample respondents had made this calculation: 33% of those who were dissatisfied, 39% of those who were neither satisfied or dissatisfied, and 52% of those who were satisfied with life (p<.001). Our results suggest that interventions aimed at improving financial capability need to take into account the psychosocial well-being of individuals and families that are the target of these interventions.
References


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