

TITLE OF POSTER: Psychosocial Well-Being and Financial Capability

AUTHORS AND INSTITUTIONS: James Kunz, PhD, Associate Professor, McDaniel College, and Christine Callahan, PhD, LCSW-C, Research Assistant Professor, University of Maryland School of Social Work, Financial Social Work Initiative

KEY WORDS: financial capability, psychosocial wellbeing

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 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 tried to figure out 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 was needed for retirement. 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

- Diener, E., Emmons, R. A., Larsen, R. J., & Griffin, S. (1985). The Satisfaction With Life Scale. *Journal of Personality Assessment, 49*(1), 71-75. doi:10.1207/s15327752jpa4901\_13
- FINRA Investor Education Foundation. (2013). *Financial capability in the United States: Report of findings from the 2012 National Financial Capability Study*. Washington, DC: Author.
- Johnson, E., & Sherraden, M.S. (2007). From financial literacy to financial capability among youth. *Journal of Sociology and Social Welfare, 34*(3), 119-145.

Contacting author's address:

James Kunz, Ph.D.  
Associate Professor  
McDaniel College  
2 College Hill  
Westminster, MD 21157  
jkunz@mcdaniel.edu