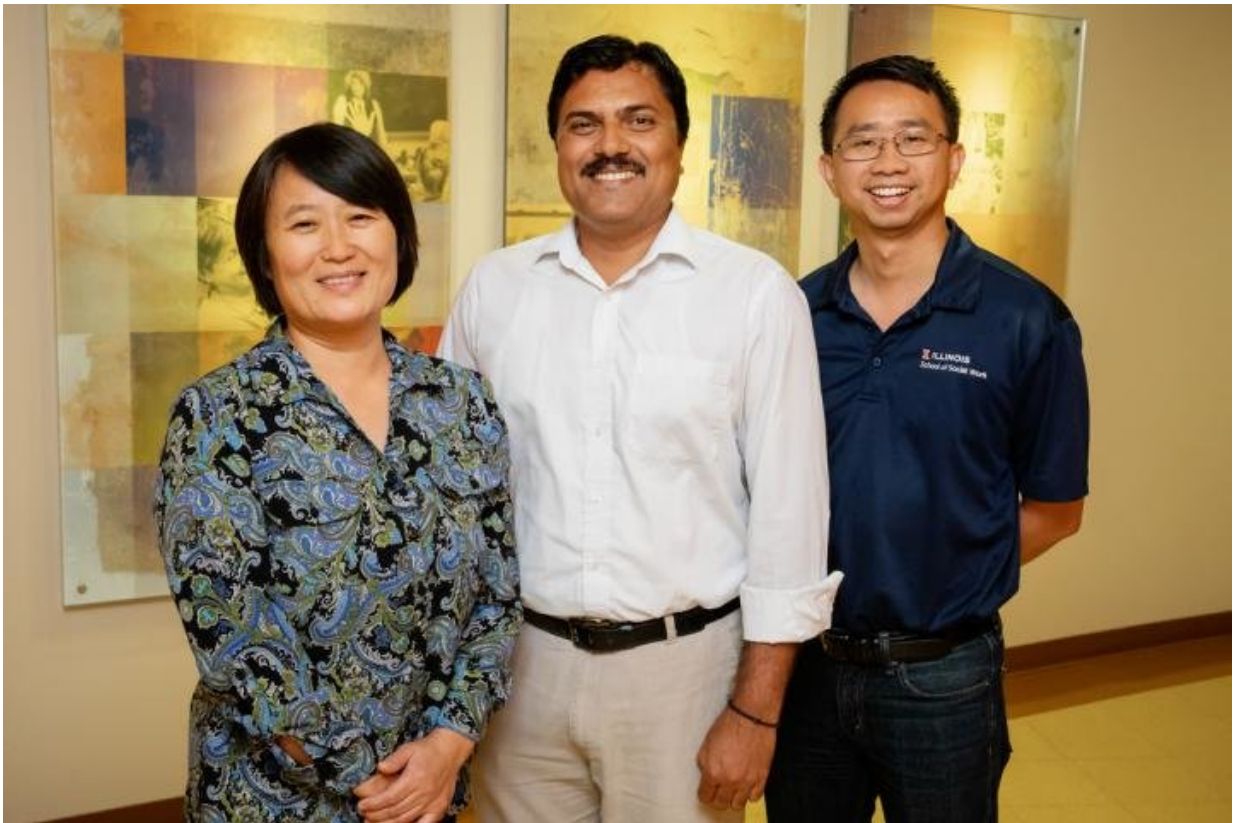


Many young adults lack financial literacy, economic stability, study finds

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Many young people lack financial literacy and money-management skills, indicating an urgent need for educational programs to help them enter adulthood better equipped to handle their financial affairs, University of Illinois graduate student Gaurav Sinha found in a new study. Social work professors Min Zhan and Kevin Tan co-wrote the paper, published recently in the journal *Children and Youth Services Review*. Credit:L. Brian Stauffer

Nearly a third of young adults in a recent study were found to be "financially precarious" because they had poor financial literacy and lacked money management skills and income stability.

Only 22 percent of the 18- to 24-year-olds in the study sample were deemed to be financially stable, according to lead author Gaurav Sinha, a graduate student in social work at the University of Illinois.

These individuals were better at planning and managing their finances, had checking or savings accounts in mainstream banks and were less likely to use costly alternative financial services such as payday lenders. They also were more likely to be white males who were employed and college educated, according to the study.

Sinha and co-authors Kevin Tan and Min Zhan, both [social work](#) professors at the U. of I., examined the financial attributes and behavioral patterns of emerging adults. Based on these characteristics, the researchers classified them into four groups: financially precarious, at risk, striving or stable.

About 36 percent of the people in the study were deemed to be "financially at risk" because they had experienced a significant, unexpected drop in income during the prior year. They reportedly had no savings with which to pay their living expenses for three months if needed and said they lacked the resources to come up with \$2,000 in the event of an emergency.

The financially precarious group, which composed 32 percent of the sample, "had the poorest actual and perceived financial literacy," Sinha said. "Because they lacked access to mainstream financial institutions, they were frequent users of alternative financial services, which tend to charge high interest rates and fees."

Similarly, their counterparts in the financially striving category, which composed 10 percent of the sample, struggled with money-management behaviors such as budgeting and credit card usage. People in this group also put their health at risk by skipping doctors' visits, medical tests and prescriptions due to financial constraints.

What differentiated people in the financially precarious and at-risk groups from their peers was that they experienced much less financial socialization, which the researchers defined as formal or informal learning about financial concepts and prudent money-management behaviors.

However, even people in the financially stable group were only moderately confident about their [financial literacy](#), "which clearly showed a need to invest more in strengthening the financial capabilities of children and youths," Sinha said. "It is concerning that many young people are entering adulthood without adequate financial capabilities to ensure their future well-being and that of their children."

The sample included 3,050 emerging adults who participated in the National Financial Capability Study, a survey that assesses the financial knowledge and practices of U.S. adults ages 18 and over. The NFCS evaluates participants' financial aptitude, including their understanding of basic economic concepts such as interest rates and inflation, and assesses their use of credit cards, conventional financial institutions and alternative financial services.

More information: Gaurav Sinha et al, Patterns of financial attributes and behaviors of emerging adults in the United States, *Children and Youth Services Review* (2018). [DOI: 10.1016/j.chilyouth.2018.07.023](https://doi.org/10.1016/j.chilyouth.2018.07.023)

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