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Starting earlier is better in helping children develop the healthy attitudes, behaviors, and skills they need to become financially independent in early adulthood.

Research suggests that emerging adults are struggling financially and that they tend to feel only "adequately taught" and "moderately prepared" for the financial responsibilities associated with adulthood (LeBaron, 2018b). Research also shows that the gap between financial dependence and financial independence is increasing from where it once was (LeBaron, 2018a). While in other aspects of their lives young adults are expected to become independent, they delay developing essential financial capabilities, along with opportunities to become financially independent (Campenhout, 2015; LeBaron, 2018a). In order to prepare young adults for the transition to adulthood, it is vital that children become financially competent because a lack of financial competence is associated with many personal, family – and societal – problems such as bankruptcy, debt, financial crisis, and divorce (LeBaron, 2018a; Romo, 2014; Thorson, 2014). Financial strain is also associated with a higher risk of depression and other mental health issues, as well as a decreased likelihood of finishing college (Serido et al, 2010).

Because parents are the primary caregivers for their children, they should be seen as financial socialization agents for their children, especially because parents often end up paying for – literally – their children's lack of financial independence and competence (LeBaron, 2018a; Romo, 2014; Serido, 2010; Tang, 2017). According to research, earlier (and younger) is better when it comes to children developing financial literacy (LeBaron, 2018a, LeBaron, 2018b). College students who are more financially socialized at a younger age are more likely to have better financial behaviors later in life. Most adult children agree that their parents were their most influential financial teachers throughout their lives, and the home setting provides the best opportunity for children to develop skills to cope with life's demands (Britt, 2016; Serido, 2010). Additionally, most parents would like for their children to develop healthy attitudes, behaviors, and skills needed to become financially independent in early adulthood (LeBaron, 2019).

While many outside learning environments shape children, such as peers, social media, and the Internet, the family itself is the most important and the most influential for the success of children in financial socialization (Britt, 2016; Kemnitz, 2015; LeBaron, 2018a; Tang, 2017). When it comes to young adults' financial learning, attitudes, and behaviors, the roles of parents are substantially more influential than work experience and high school education combined (Tang, 2017). In fact, state mandates which require students to take financial literacy courses in high school have no effect on financial literacy outcomes (Moreno-Herrero, et al, 2018). Instead of focusing on school financial programs as the primary method of educating children about healthy financial habits, parents should facilitate open and appropriate financial conversations with their children and should foster strong relationships while modeling healthy financial practices (Kemnitz, 2015; LeBaron, 2018a; Tang, 2017). Although many factors contribute to children's financial literacy and habits, in-home learning rather than in-class financial education helps children develop stronger habits when parents facilitate frequent financial conversations and model healthy financial practices.

This article will explore how parents can instill healthy financial habits by first discussing how financial communication encourages healthier spending and saving habits and then explaining how parents' financial modeling complements that communication by providing children with a living example of what healthy financial behavior looks like in daily life.

Parent-Child Financial Communication Encourages Healthy Financial Habits

Financial communication happens differently in every family based on communication styles and gender and a host of other factors, but the importance and effectiveness of involving children in financial conversations should not be overlooked. Most grown children will report having never talked to their parents about finances, but rather that they developed their habits by observation and imitation of their parents' financial conversations and final decisions (Britt, 2016). However, both modeling and communication are impactful in children's financial socialization. The way parents set up communication habits and patterns in typical everyday conversations will influence how families communicate about finances specifically.

Some families follow a communication pattern where all members of the family are encouraged and expected to interact freely (conversation orientation), and others place more importance on uniformity of attitudes and beliefs (conformity orientation) (Thorson, 2014). Families with conversation orientation tend to focus on putting individual's needs and opinions first, allowing family members to agree, disagree, or form their own opinions. These families value individuality and uniqueness in opinion and conversation (Thorson, 2014). Families that follow conformity orientation patterns are more likely to put the needs and concerns of the collective group over the individual.

They expect and place value on the idea that family members have uniform attitudes and beliefs. They are hierarchical families with an expectation that the family follows the beliefs of the parents or the general family (Thorson, 2014).

Researchers have found that families who follow high conversation and low conformity orientation tend to discuss financial issues in the family and have greater influence on children's financial behaviors (Thorson, 2014). Findings show that emerging adults with high conversation orientation families have more open conversations with their parents about finances. Adolescents with conformity-oriented families show no association between communication pattern style and openness about finance (Thorson, 2014).

Parent financial communication is positively related to children's money management as adults, especially when done with displays of warmth and approval of children's actual financial behaviors (Britt, 2016). These displays of warmth and approval are associated with less debt accumulation and more savings behaviors. Children who remember their parents arguing frequently about money are more likely to accumulate credit card debt later in life (Britt, 2016). Parental arguments are typically more about the values surrounding how money is spent and what kind of attitudes will be passed on to their children than about how much income is actually being made (Britt, 2016). When parents disclose their experiences with finances in appropriate ways and include their children in making simple and relevant financial decisions, children's monetary knowledge, management, and attitudes are positively shaped and their economic stress over having enough money decreases (Britt, 2016; Romo, 2014).

At-home savings and budgeting discussions with parents led to their children reporting higher subjective financial knowledge as college students (Britt, 2016). Most parents and children report that their conversations are more likely to be centered on comparison shopping, earning, saving, and spending rather than on disclosure of more personal information, such as debt, net worth, and income (Britt, 2016; Romo, 2014). And each parent may have different strengths when it comes to financial communication, and the communication from each parent may impact children in different ways. For example, credit card debt and student loan debt are decreased by increased communication with mothers, and greater financial independence is associated with feeling closer to fathers (Britt, 2016).

Additionally, financial communication may differ according to gender. For example, female college students report more conservative money practices than their male colleagues, despite having more frequent money conversations with their parents. In contrast, males are more likely than females to have discussions about a structured financial plan with their parents in high school but are still more likely to engage in risky behaviors when it comes to finances (Britt, 2016). Research also finds that males are being taught about finances almost a year before females and that males are reporting more financial knowledge, in general (Thorson, 2014). This may be because, generally, men are still seen as the future providers for their families, and thus must be more financially literate (Thorson, 2014). Despite these differences in financial education and response between adolescent boys and girls, parental communication is still essential for all adolescents and emerging adults as they transition to adulthood (Britt, 2016).

Financial Modeling: A Crucial Component of Financial Socialization

While talking about money has a strong impact on children and their financial behaviors, financial modeling is an opportunity for parents to live and demonstrate the attitudes they value. Financial strain in emerging adults significantly diminishes when parents demonstrate financial prudence, as it is common for children to learn through observation (Britt, 2016; LeBaron, 2018b). Current financial socialization programs that are based in schools and communities often stimulate parent involvement by incorporating homework activities with parents (Campenhout, 2015). While this is a beneficial opportunity and a step in the right direction, parents should be seeking opportunities in their own daily routines to teach children about finances. Goal setting, saving, spending, and credit behavior are all things that can be modeled by parents (LeBaron, 2018a, LeBaron, 2018b).

Because children tend to observe and imitate modeled behaviors, it can be expected that children will follow and develop financial behaviors that are explicitly or implicitly modeled by their parents (Tang, 2017). Both implicit and explicit messages in modeling are important for children who are learning financial literacy (Britt, 2016; Tang, 2017). For example, parents who model self-control and help their children develop those kinds of skills may indirectly teach their children essential skills for managing money and being financially capable (Tang, 2017). On top of this, when a parent and their child have a strong and healthy interpersonal relationship, parental behaviors will have more of an effect on how their children will behave (Tang, 2017).

There are four beliefs associated with money: money avoidance (belief that money is evil), money worship (belief that things will improve when more money is available), money status (a belief that self-worth is based on net worth), and money vigilance (a belief that money matters should be completely private). There is a difference between "moneygrams," which are beliefs parents send their children, and "money scripts," which are individually held beliefs. Any of these four money attitudes can lead to disordered behaviors, including hoarding, compulsive buying, workaholism, and financial dependence (Britt, 2016). As parents work through those beliefs and figure out what it means for themselves, they will be better prepared to model those beliefs and attitudes for their children.

There are many ways that parents can model and provide hands-on learning for their children. For example, good spending and budgeting habits that are displayed while shopping with children in tow can be an effective way to demonstrate habits for children to develop. Even better, allowing children to participate in co-shopping allows them to be socialized to consumer attitudes and behaviors, whether good or bad (Norvilitis & McLean, 2009). Co-shopping is an opportunity for children to learn self-restraint while following a budget and other skills like comparing prices or evaluating alternatives. Another example of simple parental involvement that has a positive impact is when parents are involved when their child opens a credit card. In fact, children whose parents were present and involved when they opened their first credit card were more likely to have lower credit card balances in the future (Norvilitis & McLean, 2009). Critical thinking skills, along with basic financial knowledge, are important contributors to successful financial socialization and can be developed in many other areas of life, as well. Most financial education programs focus on financial knowledge itself rather than the skills development that is also necessary (Drever, 2015). All of these hands-on options can and should be individually based and combined with financial knowledge to help each child learn to address their specific needs and concerns when it comes to finance (Norvilitis & McLean, 2009).

Conclusion

As parents strengthen relationships, children's behavior will change to fit the model created for them (Kemnitz, 2015; Tang, 2017). When it comes down to it, there are many reasons why parents who develop a secure relationship with their children will have a greater impact on financial independence. The more we talk about finances, teach our children how to manage finances, and model healthy financial practices, the more financially independent, capable, and confident our children will be as they transition into independent adulthood.

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