Financial Satisfaction over the Life Cycle: Determining the Importance of Money in American Society

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INTRODUCTION

Age is a determinant factor of self-identification that changes for everyone in their life-cycle. The stages of development through adulthood can be defined in several ways that are culturally specific. Considering American life and the importance of money in determining success or even happiness is crucial. By looking at different stages of the life-cycle in years it may be possible to discover if the subjective opinions of some, expand to groups of people. This could help determine why financial satisfaction is or is not important to American society.

A group to consider is younger adults because incoming generations are influential to future subjective opinions of their children and what past generations have instilled to them. Another factor to consider going through this study is national events because they may impact the data. By analyzing previous research related to the subject and a statistical analysis of these variables I will be able to determine possible associations and impact of age on financial satisfaction.

LITERATURE REVIEW

Looking for articles containing information on financial satisfaction did not yield many results. By changing my searches to include variables that may associate with financial satisfaction it was possible to expand areas for study. In previous research conducted concerning age, income, and financial satisfaction common themes include a general U-shape curve of satisfaction over the life-course, age as an independent variable and the association of income and happiness. In each article age groups were separated into younger adults, middle age adults and older adults. This assisted in generally organizing life stages like moving out of parent's house, college, starting a career, marriage, child bearing, empty nest, retirement, etc.

Anke Plagnol (2011) explored the balancing of assets and liability contributing to financial satisfaction over the life course. It was discovered through household surveys over three data collecting waves from 1987 – 2002. By using the same households for each data wave could be consistent with the lives of the individuals studied. Unfortunately, the number of respondents decreased over time. This was also an issue in Chang-Ming Hsieh's (2011) study. This is a common effect of studies conducted over a long period of time. Plagnol's study concluded that as people age the balance of liability and assets shift. Expenses like student loans, mortgages and children may be less relevant for older adults. Middle age adults have more liabilities and children. Younger adults have similar liability stress to Middle age adults because they are usually inexperienced in finance. Hsieh's study also explored the effect of age and income on happiness. By considering the American social structure of income meriting personal value it was interesting to see the shift of income influencing happiness over the years studied which span 1972 – 2006. This study was unlike Plagnol's because the same individuals were not studied each time it was conducted because the data is collected randomly. The General Social Survey (GSS) was used for Plagnol's data analysis. Another difference between these studies was the factor of inflation that may skew data. This was prevented by adjusting for inflation and household size to 1987 standard by Hsieh. Household adjustment is important because 25K income per year means something different for one person and to a single mother with three children to support. Hsieh's research also concluded that those with more income were happier over time, more significantly, younger adults and middle age adults. Research thus far supports that older adults do not link income to satisfaction or happiness as much as other age groups.

The millennial generation is something that interests me because it will continue to have a higher prevalence of community control and responsibility. Literature that focused on young adult income or financial satisfaction was difficult to find. This may be due to the high rate of changes that young adults go through or lack of interest to study young adults previously. Studying millennial financial competence is important because it determines how they proceed in financial decisions that may affect them over their life-span. In Friedline and West's (2016) they studied the financial competence of lower income millennials. Millennials are defined by Friedline and West as those born between 1980 and 2009. Categories measuring financial capability included financial education and having savings. Only 8% of 2678 respondents reported having both financial education and a savings account. 48% were financially excluded, meaning they had no financial education and no savings. Marriage, education and homeownership positively influenced financial capability and satisfaction. Women and people with children negatively impacted financial capability and satisfaction. This could be due to mother's having to put childcare over education for themselves. Going in depth with the millennial generation with this article my research can be better informed on my own generation's financial capability. This assists in erasing any bias I may hold due to personal socioeconomic status. While this research did not study the life course it was consistent with previous data that explored the association of financial satisfaction and general happiness. Young adults with more money are happier.

In each article, it was discovered that the highest association with income and happiness was in middle age. The general trend was less association in younger adults, most in middle and age and lower again in older adults. This resulted in a U-shape which is signified in various ways in each article. Cheung and Lucas (2015) saw this association in their research which had a focus on middle age adults. By using 3 national data sets there was a large amount of usable data. Middle age adults were found to have a high intergenerational interaction through their children and care for older adults in the family all which necessitates money. Researchers concluded that this was why income was so strongly associated with happiness for that group. Younger adults were found to rely on parents for longer and personal income was not as influential on happiness. Older adults had less expenses therefore finances and happiness were less correlated as well.

The consistencies found in these articles cannot be ignored sociologically. The influence of money on happiness in American culture is trend of capitalist society. The millennial generation coming into adulthood and the lack of financial capability of those with lower income is a concerning social issue. Previous research being so little on the younger generation is not surprising because it is becoming increasingly difficult to survey them. Less young people have home phones, choose to go to college or have permanent mailing addresses. These are life style differences that effect ways that researchers would traditionally collect data.

The goal of this study is to further analyze the relationship between age and financial satisfaction as is depicted in the GSS 2010. By doing so I hope to encourage the continued research of younger generations and financial capability and influence on satisfaction. I will do so by testing the following hypothesis:

H_1 = There is a statistical association between age and financial satisfaction.

H_o = There is no statistical association between age and financial satisfaction.

METHODOLOGY

To test my hypothesis, I chose to use a subset of the GSS, which is collected by the National Opinion Research Center (NORC) every two years by telephone interview. This subset was amended for Quantitative Research Summer 2017 by Kay Newling. This study is comprised of 2044 cases and 54 variables. The variables chosen for analysis were Age, age of respondent at the time of the survey and financial satisfaction, how satisfied respondents were with their current financial situation.

The level of measurement for age is an interval/ratio or scale measurement. The ages are distributed by number from the minimum age of 18 to “89 and older”. The “89 and older” is a preexisting grouped GSS indicator for everyone 89 and above. Age will be used for my independent variable. Financial satisfaction is an ordinal variable, respondents must answer with one of the indicators: “satisfied”, “more or less”, or “not at all”. This variable had 2038 valid cases and 6 missing cases. Financial satisfaction will be the dependent variable for the test. These two variables were ideal because missing or unanswered data is minimal.

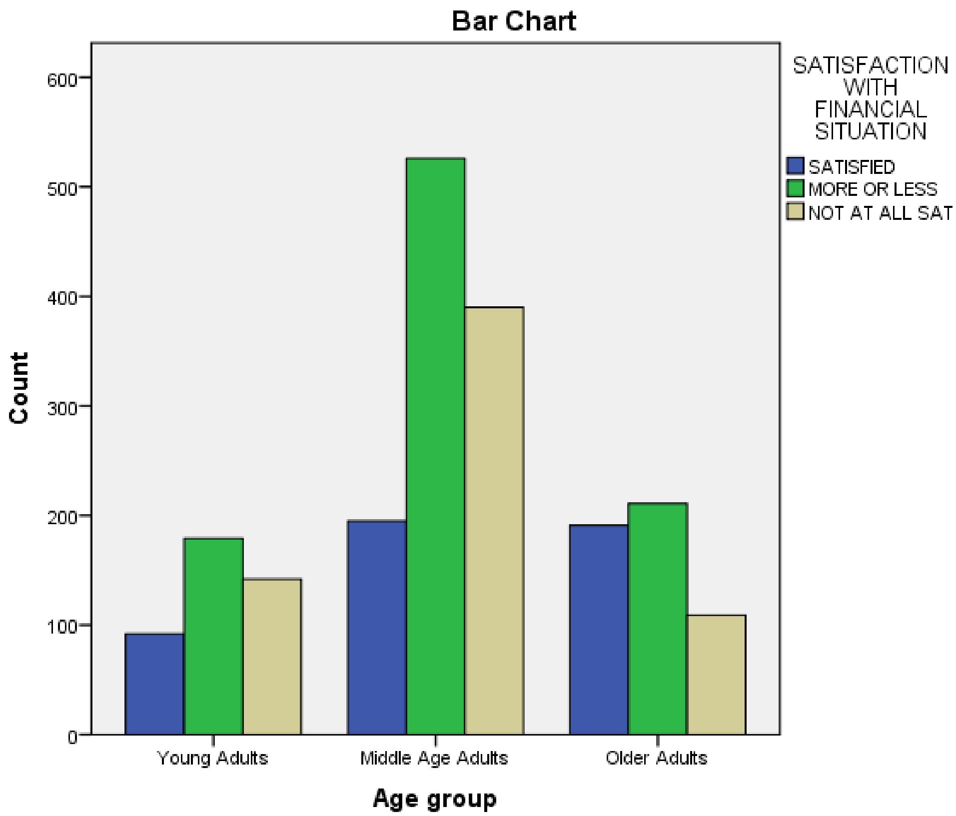
After a literature analysis, it was noted that most previous research consolidated age variables into groups indicating a life stage. This made their data more relatable for generation interaction and distinction. I chose to recode age into three groups to mimic this effect and streamline future research. This variable had 2041 valid cases and only 3 missing cases for age. Indicators of ages were as follows: Ages 18-30 were grouped into “young adults”, 31-60 “middle age adults”, 61-89 “older adults” this last indicator includes all respondents 89 and older. This recoding has now become an ordinal level of measurement.

Since these variables are both ordinal the appropriate analysis test is a Chi-square. The level of significance will be set at 0.05 for this test. By comparing the variables in a crosstab, we will be able to find associations between variables, if any. The results will help determine the validity of my hypothesis and reaffirm what previous data suggests.

FINDINGS

Before looking at the data produced from the 2010 GSS it is important to consider the recession of 2008 and the housing crisis that put many people out of work and financially incapacitated either temporarily or permanently. The burden on the government this caused due to an increased need for welfare and the psychological stress on the recipients may have also influenced data. Even unaffected individuals may have been in fear of financial security or future in this time. Imagining the effects of this recession on age groups may help understand the proceeding trends discovered in the Chi Square analysis.

Figure 1: Bar chart of age group and satisfaction with financial situation



In the bar chart above I have ages grouped and for each group the left bar indicates "satisfied", the middle "more or less" and the right "not at all". Across the chart you can see a large natural U-curve of age which indicates that middle age adults contain the most respondents. Within each age group there is also natural U-curve of financial satisfaction where for each category "more or less" seems to be a majority. This natural curvature is noteworthy because of the over-all population distributions for each age group. Younger adults had the least respondents with 413, middle age with the most at 1111 and older adults with 513 respondents. The average

age of respondents for the 2010 GSS is 48 years old. This figure assists in visualization of the natural curve and that “more or less” stands out as a popular indicator of financial satisfaction across all age groups.

Table 1: Crosstab of Age and Financial Satisfaction

SATISFACTION WITH FINANCIAL SITUATION * Age group Crosstabulation

			Age group			Total
			Young Adults	Middle Age Adults	Older Adults	
SATISFACTION WITH FINANCIAL SITUATION	SATISFIED		92	195	191	478
			22.3%	17.6%	37.4%	23.5%
	MORE OR LESS		179	526	211	916
			43.3%	47.3%	41.3%	45.0%
	NOT AT ALL SAT		142	390	109	641
			34.4%	35.1%	21.3%	31.5%
Total			413	1111	511	2035
			100.0%	100.0%	100.0%	100.0%

Chi-Square = 84.513

df= 4

$p < .05$ $p = .000$

Table 1 contains the data obtained by running the Chi-Square test of independence. With my p value being far below the .05 threshold for significance, I reject the null and retain the hypothesis that there is an association between age and financial satisfaction. Within the middle age group, 35.1% were “not at all”, 47.3% “more or less” and only 17.6 were “satisfied”. Within the young adults age group data was similar to middle age, with only 22.3% indicating financially satisfied. Only the older adults showed more satisfaction than dissatisfaction. 37.4% of older adults were “satisfied” and only 21.3 were “not at all”. Across all age groups combined only 23.5 of total respondents were financially “satisfied”, 45% were “more or less” and 31.5 were “not at all”. Young adults and middle adults showed the most dissatisfaction which was evident in previous studies as well.

CONCLUSION

Through analyzing the crosstab there proved to be a significant association between age and financial satisfaction. While this may seem like a somewhat obvious connection why is it important to us? Simply put, American culture is prone to value success as how much money one has, and by exploring associations of financial satisfaction to demographics like age, the interpretation of success in American culture is better understood.

Since financial satisfaction is a subjective measure that GSS respondents indicated, researchers can properly understand opinions of specific groups by comparing them demographically. By separating age in groups their financial demands were easier to visualize. This insight on why responders chose their answers helps expand where previous researchers have not explored. Younger adults have liabilities like student debt or buying a home. Middle age adults are starting families, continuing to pay off debts as well as possibly care-taking for older adults in the family. Older adults have little financial liability and according to the data, no longer put as much value in money. While most of the respondents were in the middle age group, the population distribution was informative across all groups. Younger adults and middle age adults had similar results and older adults had less financial dissatisfaction overall.

Through further exploration of this data I would like to encourage incorporation of other demographic variables as well as do a trend study of GSS over time to expand. A focus on younger generations to inform education policy on financial responsibility would be an ideal goal of expanding research.

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Annexure A

Codebook

SATFIN		Satisfaction with Financial Situation
0	IAP	
1	Satisfied	
2	More or Less	
3	Not at All	
8	DK	
9	NA	

AGE	Age of Respondent
18-88	age in years
89	89 or Older
98	DK
99	NA

AGE1	Age Groups
1	18-30
2	31-60
3	61 and Older