

Racial Differences in Financial Socialization: The Role of Financial Experiences

Zibei Chen¹, Kenneth White², Christopher Sneed³, Sangmi Kim¹

¹College of Social Work, University of Tennessee, Knoxville, TN, USA

²Norton School of Human Ecology, University of Arizona, Tucson, AZ, USA

³College of Education, Health, and Human Science, University of Tennessee, Knoxville, TN, USA

Email: zchen75@utk.edu

How to cite this paper: Chen, Z. B., White, K., Sneed, C., & Kim, S. (2025). Racial Differences in Financial Socialization: The Role of Financial Experiences. *Sociology Mind*, 15, 580-597.
<https://doi.org/10.4236/sm.2025.155024>

Received: September 4, 2025

Accepted: October 26, 2025

Published: October 29, 2025

Copyright © 2025 by author(s) and Scientific Research Publishing Inc. This work is licensed under the Creative Commons Attribution International License (CC BY 4.0).

<http://creativecommons.org/licenses/by/4.0/>



Open Access

Abstract

Financial socialization has been largely considered as a homogenous process across racial groups and a phenomenon isolated from economic environments. This study explores the role of childhood financial experiences in shaping financial socialization across racial groups in the context of economic environments. Using data from the 2016 National Financial Well-Being Survey, we investigate how Blacks and Hispanics each differs from Whites on financial socialization and whether certain childhood financial experiences contribute to such differences. In contrast with prior research, we found small to no racial difference in financial socialization, and a regular allowance was associated with higher levels of financial socialization among Blacks and Hispanics compared to Whites. These findings suggest that childhood financial experiences affect the extent to which financial socialization occurs within households and these experiences may have a differential impact across racial groups.

Keywords

Financial Socialization, Race and Ethnicity, Financial Experience, Racialized Financial Markets, Economic Environment

1. Introduction

Financial socialization, the process through which individuals learn financial attitude, values, knowledge, and behaviors, has been studied to understand financial behaviors and well-being of individuals and households (Gudmunson & Danes, 2011; Danes, 1994; Serido & Deenanath, 2016). Literature on financial socialization has long credited family as a major source of financial socialization (Danes, 1994). Families pass down values, attitudes, and practice around money manage-

ment via implicit modeling and explicit discussion (Serido & Deenanath, 2016), research has linked financial socialization to financial well-being and outcomes (Serido et al., 2020). Economic environments, on the other hand, situate family financial socialization and decision making, can play a substantial role in whether and how individuals interact with financial institutions, and engage in financial products and markets. These economic environments such as access to financial services and institutions are where individuals operate their financial lives in and gain financial experience from, however, are rarely considered in understanding financial socialization processes.

Individuals inherit and learn certain banking practices and develop financial attitudes through interactions with families and financial institutions. For example, financial decisions such as cashing a check either at a traditional bank or alternative check cashing outlet can be influenced by economic environments, particularly when financial access is unevenly distributed (Chen & Friedline, 2022). The landscape of financial access is particularly uneven when it comes to racial composition of communities. The legacy of discriminative banking policies of the 1930s as well as banking deregulations in the 1980s has led to a dramatic decrease in number of mainstream financial institutions in neighborhoods of predominantly Black and Brown residents where alternative financial service providers quickly fill in the banking gap (Baradaran, 2015, 2017; Rothstein, 2017). It is well documented that racial minorities operate their financial lives in a drastically different economic environment than their White counterparts (Hamilton & Darity, 2017; Friedline et al., 2020b; Friedline & Chen, 2020), yet little attention is dedicated to exploring heterogeneity across racial and ethnic groups in the process of financial socialization. While the body of research on financial socialization has grown over decades, there remains little discussion on race and racial heterogeneity. Extant theories and empirical studies have largely treated financial socialization as a homogenous process for all races, ignoring the role of racialized economic environments and financial experiences in shaping the process and outcomes of financial family socialization. A substantial knowledge gap exists in understanding how racial groups differ in characteristics, process, and outcomes of financial socialization. The current study aims to address some of these critical knowledge gaps.

This study aims to examine racial differences in financial socialization through a lens of racialized economic environments. Drawing data from a nationally representative dataset, this study investigated racial differences in family financial socialization and whether certain financial experiences play a role in these differences. By focusing on childhood financial experiences such as having a savings account and a regular allowance, we assess whether these experiences vary across racial groups and how these differences contribute to financial socialization. The following provides a brief literature review on theories and empirical evidence of family financial socialization, with a particular focus on race and racialized financial environments, followed by a presentation of the methods and results. This paper concludes by discussing the findings and considerations for future research

and practice.

2. Literature Review

2.1. Family Financial Socialization Theory and Evidence

The family financial socialization theory purports that the family, with parents and guardians serving as the primary socializing agent, transmit financial values, attitudes, knowledge, and behaviors through social interactions, explicitly or implicitly (Gudmunson & Danes, 2011). While direct, explicit, and purposive messages are sent intentionally through overt communication and practices (Clarke et al., 2005; LeBaron-Black et al., 2022), financial socialization also takes place through indirect or implicit channels such as modeling and observation (LeBaron-Black et al., 2022). In addition to the direct and indirect learning that occurs in family interactions and relationships, at times family members enact their socializing roles in conjunction with larger environments including media, neighborhoods, school, and the workplace (Gudmunson & Danes, 2011). Similarly, non-familial agents such as school and work environment have been included in the conceptualization of financial socialization that also transmit unconscious or conscious learning of financial knowledge, skills, attitudes, particularly during adolescent stages (Shim et al., 2010). A detailed review of the family socialization theory and other relevant theories can be found at Gudmunson and Danes (2011) and LeBaron and Kelley (2021). Over the decade, the family socialization theory has been evolved from solely focusing on familial system to a broader human environment that includes friends and social circles, school and work environments (Grohmann et al., 2015), although the broader environment is far less examined in the academic literature.

Empirically, literature has been documenting individual-level characteristics of financial socialization with a majority focusing on parent-child financial socialization. Overall, studies have found that parent-child financial socialization process differs by demographic and socioeconomic characteristics. For example, studies have indicated males received more financial discussion with their parents at earlier ages than females (Agnew & Cameron-Agnew, 2015; Garrison & Gutter, 2010). Children from high socioeconomic backgrounds tend to receive more guidance, discussion, and experiential learning of finance (Shim et al., 2010; Luhr, 2018; Kim et al., 2011). Additionally, age, household size, and family interaction have been found to play a role in financial socialization (Serido & Deenanath, 2016; Serido et al., 2020).

Overall, theories and empirical research often consider financial socialization as an isolated familial process that is disconnected from financial markets and economic environments. Only a couple of studies eluded the importance of economic environments in financial socialization process. Loumidis and Middleton (2000), for example, suggested that low-income children had fewer financial socialization opportunities because their parents were less likely to participate in the mainstream financial system. Similarly, Johnson and Sherraden (2007), as well as

Elliott et al. (2011) implied that low-income youths were disadvantaged in the process of financial socialization by having less practice of managing money and not having opportunities to deal with financial institutions. Personal financial experience is one major socializing influence (Serido et al., 2020) that has a direct connection with financial resources and economic environments, however, this has not been explored fully in understanding financial socialization.

Notably, race/ethnicity is rarely explored in the literature. Only a couple of studies examined racial variation in financial socialization, indicating Black and Hispanic households had less discussion than white households (White et al., 2021a, 2021b), while one study observed White emerging adults were less likely than nonwhites to discuss personal finances with their parents (Gutter et al., 2009). These studies either included race as white-nonwhite dichotomy category and failed to identify meaningful racial variations in financial socialization (Gutter et al., 2009, 2010), or lacked consideration of racialized financial markets that differentiate racial minorities' financial experience and socialization from White's (White et al., 2021a, 2021b). Financial experiences such as using mainstream financial services (e.g., bank accounts and home mortgages) are stratified by race (Chen et al., 2024), and can be at least partly explained by the racialized economic environments (Friedline et al., 2020a). However, the current literature has not started addressing racial heterogeneity in financial socialization meaningfully and a large knowledge gap exists in understanding how racialized economic environment affects racial minorities' financial socialization process and outcomes.

2.2. Racialized Economic Environments

The consideration of economic environment is crucial to gain an accurate understanding of racial heterogeneity in financial socialization process and outcomes. This is because access to financial services and economic environments, a critical element in financial socialization process, are fundamentally different between Whites and racial minorities. Due to legacies of discriminative banking policies, financial markets have been largely segregated by race and income where racial minorities operate in alternative financial markets while middle-to-high income White households are catered by mainstream banking institutions (Baradaran, 2017; Faber, 2018; Rothstein, 2017; Taylor, 2019). Compared to White households, Black and Latinx households were 10 times more likely to be unbanked and approximately 3 times more likely to be underbanked (Federal Deposit Insurance Corporation, 2020). Such racial gap in bank accounts remains after accounting for income and other socioeconomic factors (Chen & Friedline, 2022). Research has suggested that the growth of high-cost alternative financial services has been concentrated in racial and ethnic minority communities (Friedline et al., 2020b), bank branches are more common in wealthier, White neighborhoods (Lipsitz, 2011). Interactions with different financial institutions likely contribute to different processes of financial socialization, however, these racial variations are rarely examined in the financial socialization literature.

Economic environments not only situate daily money management but also long-term financial planning and wealth building. The crippling legacy of redlining and segregation policies left racial minorities with disproportionately lower levels of homeownership and wealth accumulation. It is well documented that racial minorities disproportionately use subprime mortgages, regardless of income, and the median net worth of White households is roughly 20 times of Black households (e.g., Faber, 2013). A stark racial difference is also found in investment product ownership: While about 61 - 65 percent of White households have investment products (retirement account and stock), only 42 percent of Black households and 28 percent of Hispanic households had retirement account, whereas a third of Blacks and a quarter of Hispanics had stock investments (Federal Reserve Board, 2019). A wide range of financial experiences (using a bank account, having a mortgage, accessing small-dollar loans) influence the process and outcome of financial socialization, and these financial experiences are highly racialized as a result of historical and current banking policies and practices (Baradaran, 2017; Friedline et al., 2020b). To accurately understand racial minorities' financial socialization, it is critical to consider financial experiences and economic environments (Chen et al., 2024). However, extant literature has investigated financial socialization as a phenomenon isolated from financial markets and economic environments and rarely considered racial variations.

While racial variations in financial socialization remain understudied, a few studies have identified racial differences in the use of financial planners (Collins, 2010; White & Heckman, 2016). Additionally, research on childhood financial experiences explored racial differences in having a savings account and found that White children and young adults were more likely to have a savings account than Black children and young adults (Gutter et al., 2010; Kim et al., 2011). While no research has explored whether childhood allowance contributes to racial differences in financial socialization, studies have suggested that childhood allowance is a crucial informal vehicle for developing financial habits as well as for facilitating financial socialization via parents instructing children to budget and save (Buccioli & Veronesi, 2014; Webley & Nyhus, 2006, 2013).

2.3. Summary and This Study

The current study aims to address several critical knowledge gaps in the financial socialization literature. First, as discussed above, few studies have investigated racial differences in financial socialization. More importantly, no known study has attempted to understand racial heterogeneity in the context of racialized economic environments. This knowledge gap is critical to fill, as racial variation can only be accurately understood in the context of racialized financial experiences and economic environments. Second, existing studies relied heavily on college students as study samples. Thus, findings are limited in generalization power in terms of age, income, and racial representation. Lastly, although research has shown the importance of childhood financial experiences in family financial socialization, no study has examined these financial experiences from a racial per-

spective, neither have studies explored whether racial variations in financial experiences play a role in financial socialization.

Drawing data from a nationally representative data set, the current study investigates racial differences in financial socialization and whether childhood financial experiences contribute to such differences. We examine how Blacks and Hispanics differ from Whites on financial socialization, measured by a psychometrically sound 5-item scale. Further, we investigate the role of childhood financial experiences in affecting racial differences in financial socialization, adding nuanced understanding of the differential impact of having a savings account and allowance across racial groups. By setting childhood financial experiences in the context of racialized economic environments, this study adds a much-needed empirical understanding of racial heterogeneity in financial socialization and opens a new dialogue on racialized financial socialization.

3. Methodology

3.1. Study Design and Data

The current study uses a cross-sectional research design and data were obtained from National Financial Well-Being Survey (NFWS) dataset. The NFWS was filed by the Consumer Financial Protection Bureau in 2016 with an overarching goal of understanding financial well-being issues among U.S. adults and households. The survey is composed of mostly multiple-choice questions on financial well-being, savings and safety nets, financial experiences, behaviors, attitudes in addition to individual and household characteristics. A pre-test survey occurred in Oct, 2016, cases from the pre-test were not included in the final dataset. The survey was conducted in both English and Spanish; the survey was distributed between October and December of 2016. The median length of survey completion was 26 minutes (NFWS, 2017).

The NFWS data were collected online via the GfK KnowledgePanel, a recruited sample using address-based sampling and dual-frame landline and cell phone random digit dialing methods. The GfK's KnowledgePanel Latino was used to ensure adequate representation of the Latino population. More details on the sampling method can be found on CFPB's published materials (NFWS, 2017). The overall sample size of 6,394 was achieved, representing a 30.9% response rate among Black respondents, a 26.8% response rate among Hispanic respondents, a 51.4% response rate among White respondents. The GfK weighted the pool of active panel members to the geodemographic benchmark from the Current Population Survey 2016 March Supplement. The final sample matches the U.S. population on age, sex, race/ethnicity, poverty, and education.

3.2. Measures

The outcome variable of study interest is family financial socialization. Family financial socialization was measured by five items asking respondents while growing up whether their family had discussed with them 1) about family financial matters;

2) about the importance of saving, 3) establish a good credit rating, 4) how to shop smartly; and 5) actions that determine life success. Respondents were asked to answer yes or no to each item, which was coded 1 if it's a positive response and 0 if it's a negative response. A summative score of financial socialization was computed, ranging from 0 to 5 (Mean = 2.72, SD = 1.72). In [Zhao and Zhang \(2020\)](#) study, this scale was tested for reliability and validity indicating high internal consistency (Cronbach's $\alpha = 0.78$), adequate convergent validity (Composite Reliability = 0.78) and a satisfying discriminant validity (Average Variance Extracted = 0.42).

Since we aim in this study to find how racial groups differ in family financial socialization, race is the key independent variable and is measured as normal variable indicating respondents are either White, Black, Hispanic, and others. A dichotomous variable was created for Black (Black = 1; others = 0), Hispanic (Hispanic = 1; others = 0) and others (others = 1; all others = 0) to compare with White in multivariate analyses. The NFWS public use datasets combine those Asian, American Indian, Alaska Natives, Native Hawaiian, and Pacific Islanders households with the "other" category. This catchall category represents a very diverse set of peoples, it is impossible to determine the cultural backgrounds of such households. Therefore, this study limits its focus to Hispanics, Blacks, and Whites. Financial experience is another focal independent variable of this study, and is measured by two items: had a regular allowance while growing up at home and had a savings account while growing up at home. Both variables were dichotomous (Yes = 1; No = 0).

Demographic and other variables previously found to have associations with family socialization were controlled in the study ([Serido et al., 2020](#)). Control variables of the study include respondent's gender (female = 1; male = 0), generation (millennial = 2; boomer or gen x = 1, pre-boomer = 0), and highest educational level of parents or guardians (college degree or more = 2; high school diploma, GED, or associated degree = 1; less than high school diploma = 0). Other socio-demographic variables were not included in the main analysis but reported as sample characteristics, they include household size, respondents' education, and household income.

3.3. Analytical Approach

Descriptive statistics and bivariate analyses were used to describe the sample characteristics by race and ethnicity, along with financial socialization and experience characteristics. Hierarchical regression analysis models were estimated to examine racial difference in financial socialization, then with two sets of control variables including demographic and financial experience factors. We treated financial socialization as a continuous variable for the simplicity of interpretation; we performed robustness check with estimating other models (e.g., count model), results remain similar (results are available upon requests). Specifically, the first set controlled for respondent's gender, generation, and parental education level. The second set controlled for financial experience, measured through whether respond-

ents were provided a regular allowance and a savings account growing up. Both factors are related to financial socialization. Lastly, a series of OLS regression models with interaction terms were estimated to assess variations in the association between race and financial socialization by financial experiences. Interaction terms of being Black and having a savings account, as well as Black and having a regular allowance were added to estimate the joint effect compared to Whites on financialization. A sample weight variable was generated by the survey team and used in all model estimates.

4. Findings

4.1. Characteristics by Race

Table 1 showed demographic as well as socioeconomic differences among four racial/ethnic groups, in addition to financial socialization and experiences. Results of descriptive statistics showed that all racial groups except Blacks were comprised of more than half male participants, whereas more than half of Blacks participants were females (55.91%). In terms of generation, Blacks and other groups shared similar distribution: pre-boomer groups were the smallest (10.80% Blacks, 13.10% Others), followed by gen X (22.92% Blacks, 24.40% Others) and Millennial (26.57% Blacks, 28.87% Others), and largest group was boomer (39.71% Blacks, 33.63% Others). Among Hispanic participants, millennial was the largest group (36.57%), followed by Gen X (30.04%) and boomer (25.60%), while pre-boomer was the smallest (7.43%). Among White participants, boomers were the largest group (36.55%) while the rest distributed rather evenly on three generations (20.65% were pre-boomers, 20.56% were Gen X, 22.23% were millennials). When it comes to the highest education level, Whites and others reported higher percentage of bachelor (17.66% and 22.19% respectively) and graduate degrees (16.97% and 22.19% respectively), while Blacks and Whites reported higher percentage of below high school (12.87%, 25.20% respectively).

Table 1 also showed difference among racial/ethnic groups in financial socialization and experiences. On average, respondents scored 2.72 (SD = 1.72) on the financial socialization scale, with Whites and others scoring higher than the average (Mean = 2.75, SD = 1.70; Mean = 2.75, SD = 1.66, respectively), while Blacks and Hispanics scored below the average (Mean = 2.70, SD = 1.78; Mean = 2.60, SD = 1.80, respectively). In terms of individual financial socialization item, similar percentages across all four racial groups gave positive response to the item of discussing financial matters; while a slightly higher portion of Whites and Other respondents gave positive response to the question of spoke importance of saving than Black and Hispanics respondents. A higher percentage of Blacks responded positively to the question of good credit rating discussion than the rest, while Hispanics had the smallest portion of respondents reported positive response to the question of being taught about smart shopping. Lastly, Blacks and Other races share similar percentage of positive response to the question of life success, while Hispanics had lowest percentage and Whites had the highest percentage. When it

comes to financial experience, Black and Hispanic respondents had about 10% lower than White and Other groups to report being provided a regular allowance growing up. White and other race respondents reported highest portion of being provided a savings account growing up (46% and 45% respectively), while a third of Black respondents had been provided a savings account and 27% Hispanic respondents had a savings account growing up.

Table 1. Sample characteristics by race/ethnicity.

Race/Ethnicity	Black	Hispanic	White	Others
	% (SD)	% (SD)	% (SD)	% (SD)
Financial Socialization Item, Mean (SD)	2.70 (1.78)	2.60 (1.80)	2.75 (1.70)	2.75 (1.66)
1. Discussed financial matters	36.80% (251)	37.40% (325)	33.43% (1500)	38.51% (129)
2. Spoke importance of saving	62.46% (426)	60.80% (529)	66.76% (2996)	66.57% (223)
3. Discussed good credit rating	39.44% (269)	35.44% (308)	36.54% (1639)	33.43% (112)
4. Taught being a smart shopper	57.62% (393)	55.98% (487)	62.19% (2791)	62.99% (211)
5. Taught about life success	73.31% (500)	70.54% (613)	75.91% (3406)	73.13% (245)
Financial Experience				
Provided a regular allowance	33.87% (231)	29.84% (259)	43.35% (1945)	40.90% (137)
Provided a savings account	30.50% (208)	27.62% (240)	46.46% (2084)	45.07% (151)
Gender				
Female	55.91% (383)	46.40% (406)	46.75% (2103)	44.64% (150)
Male	44.09% (302)	53.06% (469)	53.25% (2395)	55.36% (186)
Generation				
Pre-boomer (ages 71 and older)	10.80% (74)	7.43% (65)	20.65% (929)	13.10% (44)
Boomer (ages 52 - 70)	39.71% (272)	25.60% (224)	36.55% (1644)	33.63% (113)
Gen X (ages 36 - 51)	22.92% (157)	30.04% (266)	20.56% (925)	24.40% (82)
Millennial (ages 18 - 35)	26.57% (182)	36.57% (320)	22.23% (1000)	28.87% (97)
Household Size				
1	26.28% (180)	15.31% (134)	18.52% (833)	24.40% (82)
2	34.74% (238)	27.20% (238)	46.55% (2094)	39.88% (134)
3	15.77% (108)	18.40% (161)	15.05% (677)	14.88% (50)
4 or more	23.21% (894)	39.09% (342)	19.88% (894)	20.83% (70)
Education				
Less than high school	7.01% (48)	20.00% (175)	4.14% (186)	5.95% (20)
High school/GED/some college/associate	60.88% (417)	56.80% (497)	55.36% (2490)	44.94% (151)
Bachelor's degree	17.08% (117)	14.74% (129)	21.65% (974)	27.38% (92)
Graduate/professional	15.04% (103)	8.46% (74)	18.85% (848)	17.17% (1098)

Continued

Household Income				
Under \$40,000	43.94% (301)	48.46% (424)	22.85% (1028)	25.60% (86)
40,000 - 74,999	23.50% (161)	23.09% (202)	26.35% (1185)	22.32% (75)
75,000 and more	32.55% (223)	28.46% (249)	50.80% (2285)	52.08% (174)
Highest education level by people who raised respondent				
Less than high school	12.87% (87)	25.20% (217)	7.10% (318)	10.94% (36)
High school/GED/some college/associate	59.47% (402)	55.05% (474)	58.27% (2610)	44.68% (147)
Bachelor's degree	16.72% (113)	10.22% (88)	17.66% (791)	22.19% (73)
Graduate/professional	10.95% (74)	9.52% (82)	16.97% (760)	22.19% (73)

4.2. Results of Multivariate Regression Analysis

To explore how financial socialization compare across racial groups net of other factors, a linear probability model predicting financial socialization was estimated (See **Table 2**). Model 1 shows that in the absence of any control, Hispanics had significantly lower levels of financial socialization than Whites, while there is no significant difference between Blacks and Whites, as well as others and Whites in financial socialization. After controlling for gender, generation, and parental education level, the difference in financial socialization between Hispanics and Whites disappeared (Model 2). Results show that millennials had higher level of financial socialization than the older generations, and respondents raised by family members that had college or professional education had higher levels of financial socialization than those raised family members with less than college education. Model 3 shows results of the regression models after adding financial experience variables as the second set of control. It shows that Blacks and Hispanics were more likely to have higher levels of financial socialization than Whites, accounting for financial experiences, gender, generation, and parental education level. In this model, generation and parental education remains significant, while gender and other races remain nonsignificant. Changes in R^2 value were significant from model 1 to 3, indicating substantial model improvement as two sets of control variables were added. Among control variables, coefficients of being provided a savings account and a regular allowance were largest. Overall, we observe an association between childhood financial experience and financial socialization, racial difference in financial socialization varied by financial experience.

Table 3 shifted focus to variation in the association between race and financial socialization. We ran four models with the same set of control variables, except that each model included an interaction term to determine the effect of race and financial experience on financial socialization. We are particularly interested in the effect of race and having a regular allowance as well as having a savings account on financial socialization. Model 1 with interaction term of Black and a reg-

ular allowance showed that Black respondents with regular allowance were more likely to have higher levels of financial socialization than White respondents with regular allowance. Similarly, model 3 included an interaction term of being Hispanic and regular allowance, showed that Hispanics with a regular allowance were more likely to have higher levels of financial socialization than Whites with a regular allowance.

Table 2. Hierarchical regression analysis of predictors of financial socialization.

Predictor	Model 1		Model 2		Model 3	
	Beta	Robust SE	Beta	Robust SE	Beta	Robust SE
Race/Ethnicity						
Black	-0.06	(0.09)	0.03	(0.08)	0.20**	(0.07)
Hispanic	-0.16*	(0.08)	0.02	(0.08)	0.27***	(0.07)
Others	0.07	(0.11)	-0.03	(0.10)	0.01	(0.02)
Control						
Gender			0.02	(0.05)	0.06	(0.04)
Generation			0.29***	(0.04)	0.13**	(0.04)
Parental education level			0.31***	(0.04)	0.28***	(0.04)
Financial Experience						
Regular allowance					0.80***	(0.05)
Savings account					1.14***	(0.05)
Constant		2.74***		1.63***		1.53***
N		6333		6333		6333
R ²		0.00		0.07		0.24
R ² change				0.06***		0.18***

* $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$.

Model 2 interacted being Blacks with having a savings account and showed no significant difference in financial socialization between Blacks with a savings account and Whites with a savings account. Similar findings were found from Model 3, which interacts being Hispanics with having a savings account. Specifically, there is no joint effect of being Hispanics and having a savings account on financial socialization compared to Whites with a savings account. A sample weight variable was generated by the survey team and used in all model estimates. Across all four models with interaction terms, compared to Whites, Hispanics consistently showed higher levels of financial socialization, while Blacks were more likely to have higher levels of financial socialization in two models (Model 3 and 4). Being other races showed no significant difference in financial socialization compared to Whites in all models. Across all four models, both having a regular allowance and having a savings account were positively associated with financial socialization. Additionally, parental education, and generation were also posi-

tively associated with financial socialization. Specifically, millennials were more likely to have higher financial socialization than older generations. Respondents who had parents or guardians with college education tend to have higher levels of financial socialization.

Table 3. OLS regression analysis of predictors of financial socialization with interaction terms (N = 6333).

Predictor	Model 1		Model 2		Model 3		Model 4	
	Beta	Robust SE	Beta	Robust SE	Beta	Robust SE	Beta	Robust SE
Race/Ethnicity								
Black	0.05	(0.10)	0.11	(0.09)	0.19**	(0.07)	0.20**	(0.07)
Hispanic	0.27***	(0.07)	0.27***	(0.07)	0.18*	(0.09)	0.30**	(0.09)
Others	0.02	(0.09)	0.02	(0.09)	0.02	(0.09)	0.02	(0.09)
Financial Experience								
Regular allowance	0.75***	(0.05)			0.75**	(0.05)	0.80***	(0.05)
Savings account	1.13***	(0.05)	1.11***	(0.05)			1.15***	(0.05)
Interaction term								
Black x regular allowance	0.42**	(0.14)						
Black x savings account			0.25	(0.07)				
Hispanic x regular allowance					0.21*	(0.14)		
Hispanic x savings account							-0.07	(0.15)
Control								
Gender	0.06	(0.04)	0.06	(0.04)	0.06	(0.09)	0.06	(0.04)
Generation	0.13**	(0.04)	0.13***	(0.04)	0.13**	(0.04)	0.13**	(0.04)
Parental education	0.28***	(0.04)	0.28***	(0.04)	0.28***	(0.04)	0.28***	(0.04)
Constant	1.37***	(0.07)	1.36***	(0.07)	1.37***	(0.07)	1.13***	(0.07)

* $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$.

5. Discussion

In this study, we observed a small to no difference in financial socialization between Whites and racial minorities. Specifically, we found Blacks scored similarly with Whites on the 5-item financial socialization scale, no difference was found after controlling for gender, generation, and parent's highest educational levels. Hispanics scored 0.15 points lower than Whites on the scale, such difference disappeared after controlling for covariates. These findings are in contrast with previous studies suggesting Blacks and Hispanics had lower rates of financial discus-

sions compared to Whites (White et al., 2021a, 2021b). This discrepancy in findings can be attributed to sample population used, the latter studies had college students and youths while this study had a nationally representative sample of U.S. adults. More importantly, we found that Blacks and Hispanics had higher rates of discussing financial matters, and a higher portion of Black respondents discussed good credit rating than White respondents (39.44% versus 36.54%). The latter finding is salient in the context of discriminative credit score system where racial minorities, particularly Blacks and Hispanics were discriminated against. While good credit is an asset for everyone, credit score and rating are a particularly relevant topic for minorities (Friedline et al., 2023). Discussion on credit rating can be a survival strategy that minority parents were more likely to deliver explicitly teaching. No known study has uncovered the important aspect of financial socialization for financial disfranchised groups, our findings highlight the nuanced aspect of financial socialization that to be understood.

Our findings revealed the potentially critical role of financial experiences in stimulating financial socialization across racial groups. Findings showed that having a regular allowance as well as a savings account growing up were positively associated with higher levels of financial socialization. Previous research has suggested that financial experiences such as having a regular allowance and having a savings account, are experiential learning through which children and teenagers gain financial socialization from parents and family (Drever et al., 2015). The current study is the first known study that empirically tested this theory across racial groups, addressing a substantial knowledge gap on racial minorities' financial socialization process. This knowledge gap is particularly relevant given that racial minorities disproportionately used less mainstream financial products such as bank accounts.

Descriptive findings from this study showed that compared to White respondents, Black and Hispanic respondents reported 10% - 14% lower rates of having a regular allowance, and 16% - 20% lower rates of having a savings accounts growing up. When equipped with regular allowance and savings account, Blacks and Hispanics were more likely to have higher levels of financial socialization than Whites. These racial differences were nonsignificant before considering allowance and savings account. These findings together suggest that financial experiences likely contribute to racial differences in financial socialization, particularly for Black-White difference and Hispanic-White difference. Past research has consistently shown that Blacks and Hispanics tend to have lower levels of financial socialization (White et al., 2021a), findings from this study showed racial difference in financial socialization in the opposite direction. Unlike previous studies, this study takes into consideration of the U.S. racialized financial market by including savings account ownership and regular allowance, both are largely influenced by race and socioeconomic factors. Our findings highlight the differential process of financial socialization across racial groups, suggests that dismissal of racialized market and socioeconomic factors can lead to inaccurate characterization and as-

assessments of racial minorities' financial socialization processes.

Findings on intersection terms imply that certain financial experience may have a differential impact across racial groups. Compared to Whites, having a regular allowance can give Blacks and Hispanics more financial socialization. This might be explained by racial economic disparities: Blacks and Hispanic households on average had a lot fewer financial resources and less financial access than White households (Akee et al., 2019). Childhood allowance might be one of the few financial socialization pathways available to Black and Hispanic households. While White households had more resources and ways to financially socialize their children, minority households may rely more on allowances to socialize and learn about money matters. Because of this, having a regular allowance may generate more financial discussion and learning within Black and Hispanic households than Whites. This finding corresponds to earlier research showing that minorities disproportionately lack connections with financial institutions and having less experience with managing larger sum of money (Elliott et al., 2011), having a regular allowance become a major financial socialization agent for Black and Hispanic individuals.

Lastly, generation and parental education consistently predict financial socialization across all models. Specifically, compared to previous generations, millennials tend to have a higher level of financial socialization, and the generation gap stays significant across models. This is the first known study that considered possible generation impact on financial socialization. As people's lives are increasingly financialized (Epstein, 2006) and economic environments have changed dramatically, generational variations in financial socialization are necessary to consider in assessing changes in financial discussion and learning. While some studies identified parent-child relationship contributing to levels of financial socialization, few research has examined educational level of parents or guardians. In this study, we found a positive relationship between guardian's educational level and financial socialization. Our findings suggest future research considers these factors in understanding the process of financial socialization, particularly among racial minority groups.

5.1. Implications for Practice

Findings from this study shed light on early financial experiences as key socialization agents for minority children and youth. The importance of experiential learning opportunities such as those offered through allowances were shown to be key to increased financial socialization. Financial practitioners and educators should pay attention to racial and ethnic differences in financial socialization and grow awareness of racialized financial markets. Specific issues such as credit rating can be a particular concern among minority groups, financial practitioners and community-based educators should provide tailored, culturally appropriate support that shows understanding and culture sensitivity to the legacy of and current-day discriminative banking policies and practices.

5.2. Limitations

This study has several limitations. First, the use of the 5-item financial socialization scale may not accurately assess financial socialization, as the scale requires respondents to recall childhood financial experiences and findings are subject to recall bias. Second, only three covariates (gender, generation, and guardian's education) were controlled in the multivariate analysis. The limited control variables are largely due to data availability. The datasets have three variables that accurately captured childhood circumstances that are relevant to financial socialization. Factors including household size and parent-child relationship are relevant to financial socialization but data not available. Future research should consider these factors in understanding parent-child financial socialization process and outcome. Lastly, data on racial minorities are available on Blacks and Hispanics only, the rest minority groups were lumped into one group and are not available to study. Because of this, results on others group are not meaningful to interpret.

6. Conclusion

Despite these limitations, this study is the first known study examining racial variations in financial socialization that consider important financial experiences in a context of racialized economic environments. Findings indicated that Blacks and Hispanics had similar levels of financial socialization as Whites and showed more financial socialization than Whites when equipped with a regular allowance in childhood. This study is unique in contextualizing its findings in racialized economic environments and calls for future research to pay attention to the connection between family, financial institution, and economic environments.

Conflicts of Interest

The authors declare no conflicts of interest regarding the publication of this paper.

References

- Agnew, S., & Cameron-Agnew, T. (2015). The Influence of Consumer Socialisation in the Home on Gender Differences in Financial Literacy. *International Journal of Consumer Studies*, 39, 630-638. <https://doi.org/10.1111/ijcs.12179>
- Akee, R., Jones, M. R., & Porter, S. R. (2019). Race Matters: Income Shares, Income Inequality, and Income Mobility for All U.S. Races. *Demography*, 56, 999-1021. <https://doi.org/10.1007/s13524-019-00773-7>
- Baradaran, M. (2015). *How the Other Half Banks*. Harvard University Press. <https://doi.org/10.4159/9780674495425>
- Baradaran, M. (2017). *The Color of Money: Black Banks and the Racial Wealth Gap*. Harvard University Press. <https://doi.org/10.4159/9780674982284>
- Buccioli, A., & Veronesi, M. (2014). Teaching Children to Save: What Is the Best Strategy for Lifetime Savings? *Journal of Economic Psychology*, 45, 1-17. <https://doi.org/10.1016/j.joep.2014.07.003>
- Chen, Z., Birkenmaier, J., & Garand, J. (2024). Examining the Validity of Financial Knowledge Measures in a Context of Racialized Financial Market. *Race and Social Problems*,

- 16, 86-98. <https://doi.org/10.1007/s12552-023-09398-3>
- Chen, Z., & Friedline, T. (2022). Make the Invisible Underbanked Visible: Who Are the Underbanked? *Journal of Financial Counseling and Planning*, 33, 160-170. <https://doi.org/10.1891/JFCP-2021-0046>
- Clarke, M. C., Heaton, M. B., Israelsen, C. L., & Eggett, D. L. (2005). The Acquisition of Family Financial Roles and Responsibilities. *Family and Consumer Sciences Research Journal*, 33, 321-340. <https://doi.org/10.1177/1077727x04274117>
- Collins, J. M. (2010). A Review of Financial Advice Models and the take-Up of Financial Advice. *Center for Financial Security WP*, 10, 1-66.
- Danes, S. (1994). Parental Perceptions of Children's Financial Socialization. *Financial Counseling and Planning*, 5, 127-149. <https://www.afcpe.org/wp-content/uploads/2018/10/vol-58-1.pdf>
- Drever, A. I., Odders-White, E., Kalish, C. W., Else-Quest, N. M., Hoagland, E. M., & Nelms, E. N. (2015). Foundations of Financial Well-Being: Insights into the Role of Executive Function, Financial Socialization, and Experience-Based Learning in Childhood and Youth. *Journal of Consumer Affairs*, 49, 13-38. <https://doi.org/10.1111/joca.12068>
- Elliott, W., Webley, P., & Friedline, T. (2011). *Two Accounts for Why Adolescent Savings Is Predictive of Young Adult Savings: An Economic Socialization Perspective and an Institutional Perspective* (pp. 11-34). CSD Working Paper. <https://doi.org/10.7936/k7jh3krd>
- Epstein, G. A. (2006). *Financialization and the World Economy* (p. 3). Edward Elgar Publishing.
- Faber, J. W. (2013). Racial Dynamics of Subprime Mortgage Lending at the Peak. *Housing Policy Debate*, 23, 328-349. <https://doi.org/10.1080/10511482.2013.771788>
- Faber, J. W. (2018). Cashing in on Distress: The Expansion of Fringe Financial Institutions during the Great Recession. *Urban Affairs Review*, 54, 663-696. <https://doi.org/10.1177/1078087416684037>
- Federal Deposit Insurance Corporation (2020). *2019 FDIC National Survey of Unbanked and Underbanked Households*. FDIC. https://www.federalreserve.gov/econres/scf/dataviz/scf/chart/#series:Stock_Holdings
- Federal Reserve Board (2019). *1989-2019 Survey of Consumer Finances*. https://www.federalreserve.gov/econres/scf/dataviz/scf/chart/#series:Stock_Holdings;demographic:racecl4;population:1,2,3;units:have;range:1989,2019
- Friedline, T., & Chen, Z. (2020). Digital Redlining and the Fintech Marketplace: Evidence from US Zip Codes. *Journal of Consumer Affairs*, 55, 366-388. <https://doi.org/10.1111/joca.12297>
- Friedline, T., Chen, Z., & Morrow, S. (2020a). Families' Financial Stress & Well-Being: The Importance of the Economy and Economic Environments. *Journal of Family and Economic Issues*, 42, 34-51. <https://doi.org/10.1007/s10834-020-09694-9>
- Friedline, T., Oh, S., Klemm, T., & Kugiya, J. (2020b). *Exclusion and Marginalization in Financial Services: Frontline Employees as Street-Level Bureaucrats*. Poverty Solutions. <https://poverty.umich.edu/files/2020/01/Friedline-Oh-Klemm-Kugiya-2020-Exclusion-and-Marginalization-in-Financial-Services-1.pdf>
- Friedline, T., Stewart, K., Bolinger, C., & Wood, A. K. (2023). Credit Scoring as a Carceral Practice: An Abolitionist Framework. *Race and Social Problems*, 16, 230-248. <https://doi.org/10.1007/s12552-023-09406-6>
- Garrison, S. T., & Gutter, M. S. (2010). 2010 Outstanding AFCPE® Conference Paper: Gender Differences in Financial Socialization and Willingness to Take Financial Risks. *Jour-*

- nal of Financial Counseling and Planning*, 21, 60.
- Grohmann, A., Kouwenberg, R., & Menkhoff, L. (2015). Childhood Roots of Financial Literacy. *SSRN Electronic Journal*. <https://doi.org/10.2139/ssrn.2664468>
- Gudmunson, C. G., & Danes, S. M. (2011). Family Financial Socialization: Theory and Critical Review. *Journal of Family and Economic Issues*, 32, 644-667. <https://doi.org/10.1007/s10834-011-9275-y>
- Gutter, M. S., Garrison, S., & Copur, Z. (2010). Social Learning Opportunities and the Financial Behaviors of College Students. *Family and Consumer Sciences Research Journal*, 38, 387-404. <https://doi.org/10.1111/j.1552-3934.2010.00034.x>
- Gutter, M., Copur, Z., & Garrison, S. T. (2009). Which Students Are More Likely to Experience Financial Socialization Opportunities? Exploring the Relationship between Financial Behaviors and Financial Well-Being of College Students. *SSRN Electronic Journal*. <https://doi.org/10.2139/ssrn.1432523>
- Hamilton, D., & Darity, W. A. (2017). The Political Economy of Education, Financial Literacy, and the Racial Wealth Gap. *Review*, 99, 59-76. <https://doi.org/10.20955/r.2017.59-76>
- Johnson, E., & Sherraden, M. S. (2007). From Financial Literacy to Financial Capability among Youth. *The Journal of Sociology & Social Welfare*, 34, Article 7. <https://doi.org/10.15453/0191-5096.3276>
- Kim, J., LaTaillade, J., & Kim, H. (2011). Family Processes and Adolescents' Financial Behaviors. *Journal of Family and Economic Issues*, 32, 668-679. <https://doi.org/10.1007/s10834-011-9270-3>
- LeBaron, A. B., & Kelley, H. H. (2021). Financial Socialization: A Decade in Review. *Journal of Family and Economic Issues*, 42, 195-206. <https://doi.org/10.1007/s10834-020-09736-2>
- LeBaron-Black, A. B., Curran, M. A., Hill, E. J., Freeh, M. E., Toomey, R. B., & Speirs, K. E. (2022). Parent Financial Socialization Scale: Development and Preliminary Validation. *Journal of Family Psychology*, 36, 943-953. <https://doi.org/10.1037/fam0000927>
- Lipsitz, G. (2011). *How Racism Takes Place*. Temple University Press.
- Loumidis, J., & Middleton, S. (2000). *A Cycle of Disadvantage? Financial Exclusion in Childhood*. Financial Service Authority.
- Luhr, S. (2018). How Social Class Shapes Adolescent Financial Socialization: Understanding Differences in the Transition to Adulthood. *Journal of Family and Economic Issues*, 39, 457-473. <https://doi.org/10.1007/s10834-018-9573-8>
- National Financial Well-Being Survey (NFWS) (2017). *National Financial Well-Being Survey Public Use File User's Guide*. https://files.consumerfinance.gov/f/documents/cfpb_nfwbs-puf-user-guide.pdf
- Rothstein, R. (2017). *The Color of Law, A Forgotten History of How our Government Segregated America*. Liveright Publishing Corporation.
- Serido, J., & Deenanath, V. (2016). Financial Parenting: Promoting Financial Self-Reliance of Young Consumers. In J. Xiao (Ed.), *Handbook of Consumer Finance Research* (pp. 291-300). Springer International Publishing. https://doi.org/10.1007/978-3-319-28887-1_24
- Serido, J., LeBaron, A. B., Li, L., Parrott, E., & Shim, S. (2020). The Lengthening Transition to Adulthood: Financial Parenting and Recentering during the College-To-Career Transition. *Journal of Family Issues*, 41, 1626-1648. <https://doi.org/10.1177/0192513x19894662>
- Shim, S., Barber, B. L., Card, N. A., Xiao, J. J., & Serido, J. (2010). Financial Socialization of

- First-Year College Students: The Roles of Parents, Work, and Education. *Journal of Youth and Adolescence*, 39, 1457-1470. <https://doi.org/10.1007/s10964-009-9432-x>
- Taylor, K. Y. (2019). *Race for Profit: How Banks and the Real Estate Industry Undermined Black Homeownership*. The University of North Carolina Press.
- Webley, P., & Nyhus, E. K. (2006). Parents' Influence on Children's Future Orientation and Saving. *Journal of Economic Psychology*, 27, 140-164. <https://doi.org/10.1016/j.joep.2005.06.016>
- Webley, P., & Nyhus, E. K. (2013). Economic Socialization, Saving and Assets in European Young Adults. *Economics of Education Review*, 33, 19-30. <https://doi.org/10.1016/j.econedurev.2012.09.001>
- White, K. J., & Heckman, S. J. (2016). Financial Planner Use among Black and Hispanic Households. *Journal of Financial Planning*, 29, 40-49.
- White, K. J., McCoy, M., Watkins, K., Chen, X., Kuposko, J., & Mizuta, M. (2021a). "We Don't Talk about That": Exploring Money Conversations of Black, Hispanic, and White Households. *Family and Consumer Sciences Research Journal*, 49, 328-343. <https://doi.org/10.1111/fcsr.12397>
- White, K., Watkins, K., McCoy, M., Muruthi, B., & Byram, J. L. (2021b). How Financial Socialization Messages Relate to Financial Management, Optimism and Stress: Variations by Race. *Journal of Family and Economic Issues*, 42, 237-250. <https://doi.org/10.1007/s10834-020-09704-w>
- Zhao, H., & Zhang, L. (2020). Talking Money at Home: The Value of Family Financial Socialization. *International Journal of Bank Marketing*, 38, 1617-1634. <https://doi.org/10.1108/IJBM-04-2020-0174>