

# **Promoting Financial Capability across the Lifespan (from the Preschool Years through Adulthood); Insights from Developmental Psychology and Marketing**

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# Goal: bringing insights from developmental psychology and marketing to the assets field



Note: I will be referencing research that was conducted under contract to the Consumer Financial Protection Bureau (CFPB). The views expressed are those of the presenters and do not necessarily reflect those of the CFPB.

# What are the characteristics of people who have high levels of financial well-being?

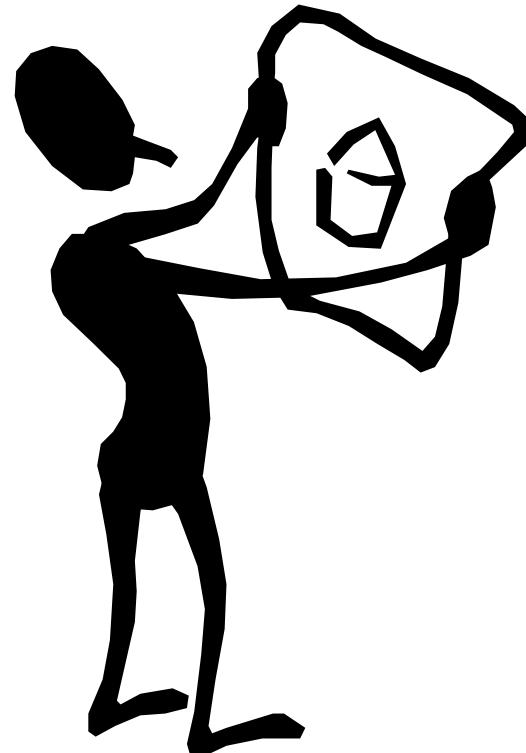
Self-control

Future orientation

Propensity to plan

Financial research ability

Mental calculations



# Executive function underlies all of these!

Set of cognitive processes that underlie goal-directed behavior

- **Inhibition** being able to stay goal focused and resist distractions/ temptations
- **working memory** hold information in memory and manipulate it
- **cognitive flexibility** think creatively



# More about executive function

- Inhibition and working memory develop rapidly between the ages of 3 and 5
- Research shows that levels of self-control between ages 3 and 11 predict the following in adulthood (controlling for IQ and SES)
  - Savings and investment behavior
  - Home and retirement account ownership
  - Self-reported money and credit management success

--Moffitt et al. 2011

# ...And more about executive function

- Research suggests interventions with young children *can* improve executive function
- Those with the poorest EF tend to respond best to interventions
- EF interventions can incorporate financial content
  - pretend play around banks and financial transactions
  - learning to ‘save’ small rewards towards bigger rewards
- EF interventions appear to be most effective at an age when kids are too young to grasp many financial concepts

# Another Interesting Concept: Financial Socialization

- “Acquiring and developing values, attitudes, standards, norms, knowledge, and behaviors” around money (Danes, 1994, p. 128)
- Parents are the primary agents of socialization (e.g., Beutler and Dickson, 2008).
  - Implicit channels (observation/modeling)
  - Explicit channels (direct teaching and practice)
- Socialization is a powerful force in elementary and middle school

# What can parents do?

Talk to their kids about money and their values about money (many of the behaviors that demonstrate values around money are now invisible due to technology).