FINANCIAL LITERACY

EXPLORATION WORKSHOP

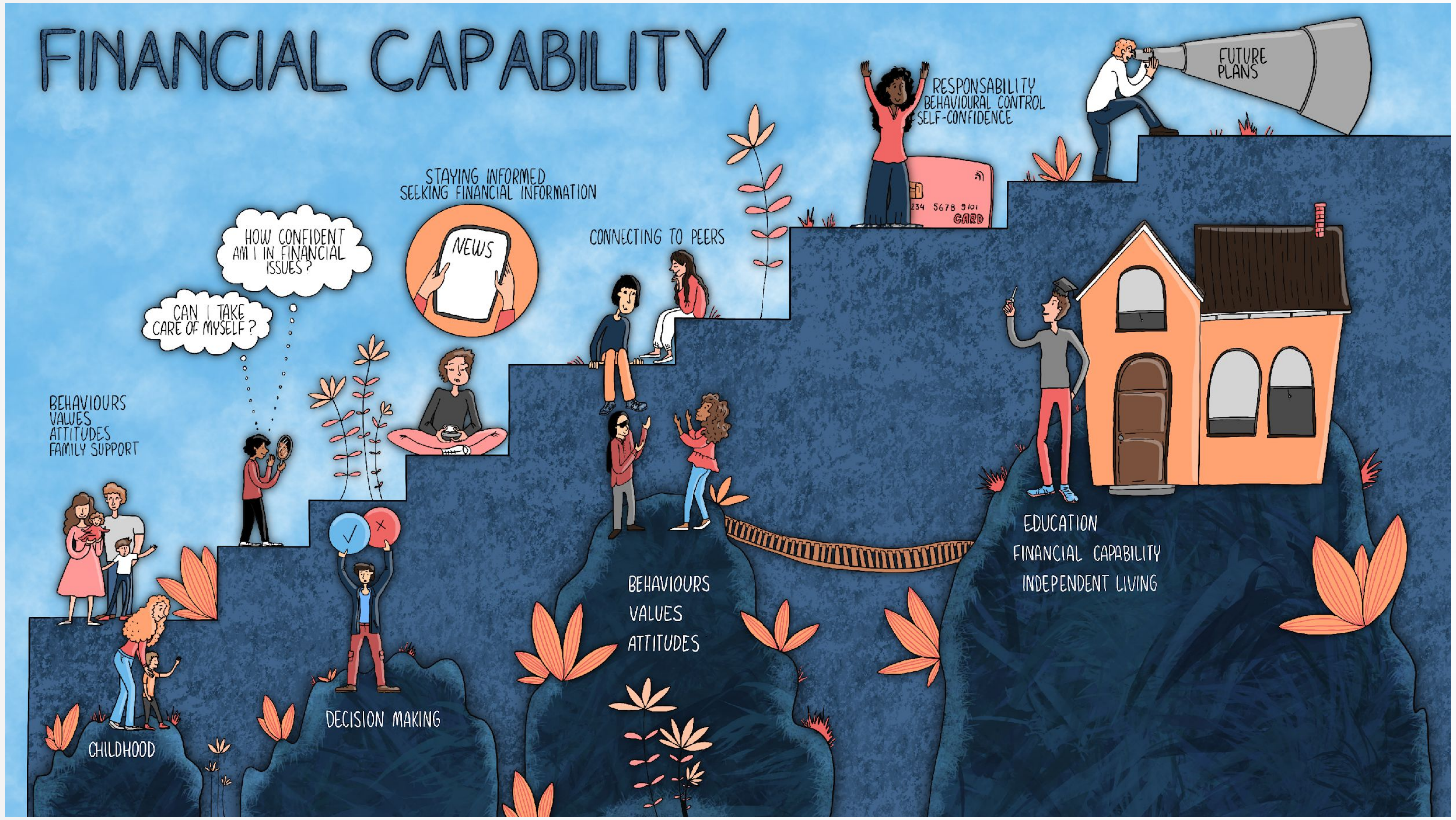
Mette Ranta, PhD, University of Helsinki; Ministry of Justice, Finland

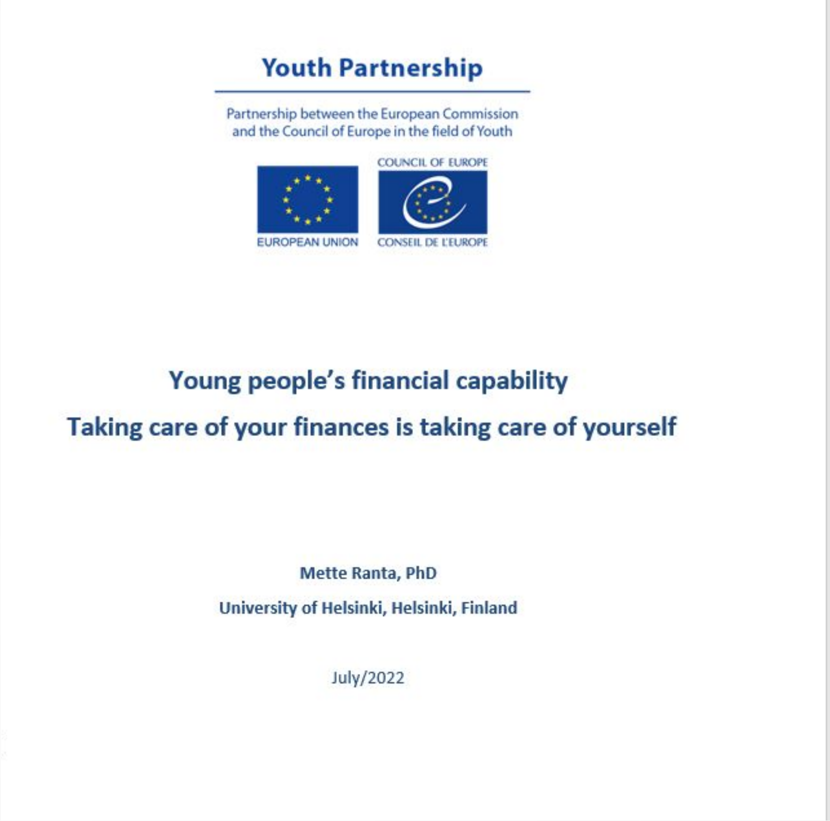
Perspectives on Youth seminar: Young people’s autonomy

7-9 November 2022

European Youth Centre Budapest, Hungary

PERSPECTIVES ON YOUTH PUBLICATION




Youth Partnership

Partnership between the European Commission and the Council of Europe in the field of Youth

EUROPEAN UNION

COUNCIL OF EUROPE
CONSEIL DE L'EUROPE

Young people's financial capability

Taking care of your finances is taking care of yourself

Mette Ranta, PhD

University of Helsinki, Helsinki, Finland

July/2022

Transitions and financial independence

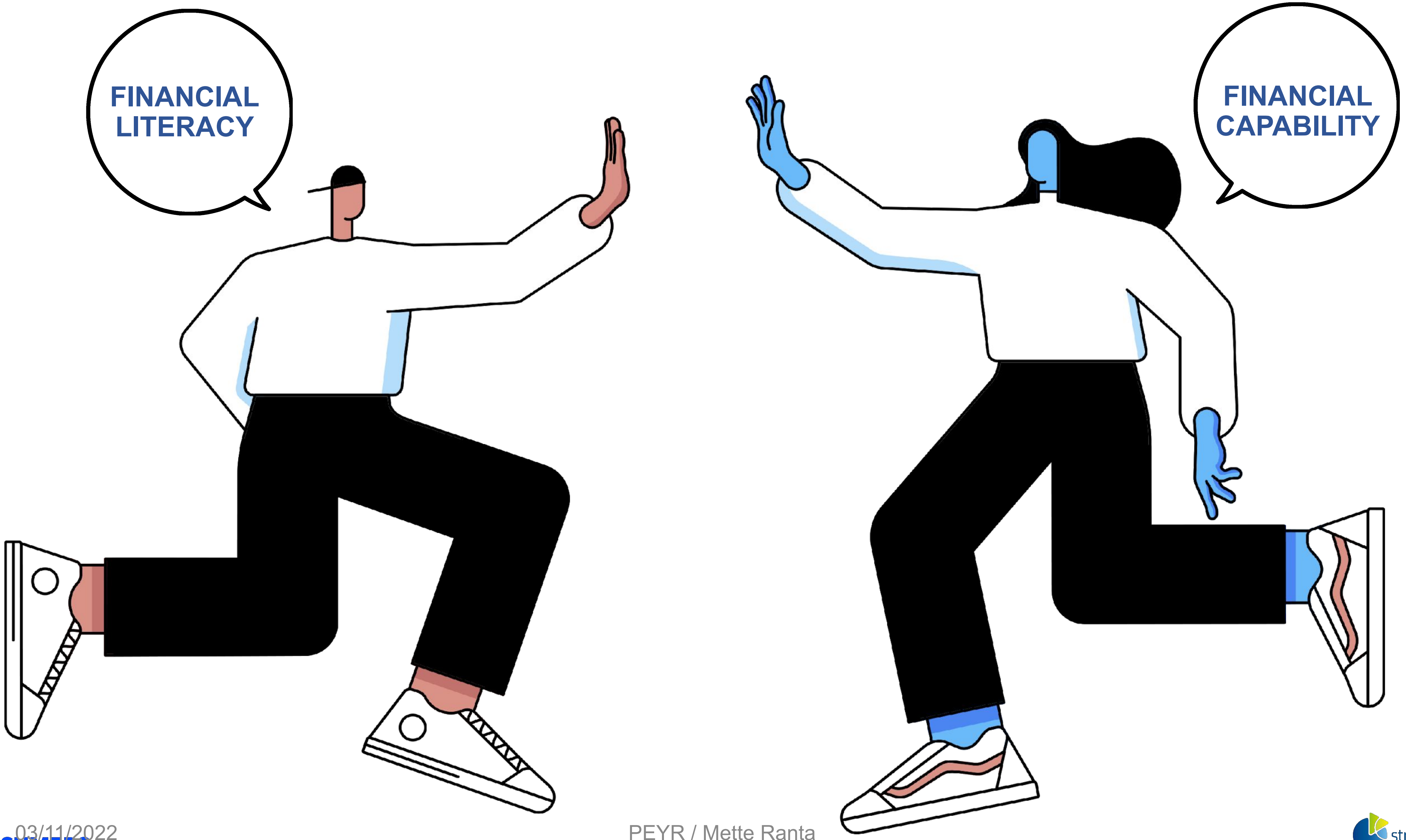
Financial literacy vs. financial capability

Financial vulnerability, resilience and COVID-19

Supporting financial capability

TRANSITION TO ADULTHOOD AND FINANCIAL INDEPENDENCE

- Time of multiple, simultaneous changes
  - Demographically ‘dense’ phase (18-30 years)
- Two main transitions while entering typical adult roles
  - Discrete social and demographic passages
    - From the educational system -> the labor market
    - From the parental household -> own household
- Important developmental task (Arnett, 2000; Lee & Mortimer, 2009; Serido et al., 2013)
  - Source of self-confidence and life management (Arnett, 2004; Cunnien et al., 2009)
- Failure affecting other developmental outcomes and well-being (Danzinger & Ratner, 2010)


FINANCIAL LITERACY
FINANCIAL CAPABILITY

FINANCIAL CAPABILITY

(Serido, Shim & Tang, 2013)

A DEVELOPMENTAL MODEL

- The process of…
  - Acquiring financial knowledge
  - Engaging in financial behavior

- In order to manage social roles and responsibilities (Serido et al., 2013)

FINANCIAL KNOWLEDGE

FINANCIAL BEHAVIOR

WELL-BEING

Financial literacy

FINANCIAL KNOWLEDGE

- Evolves and develops
  - Justifies a life course perspective: adolescence and young adulthood (Serido, 2012)
- Objective
  - Income management, wealth, loan, savings and investments: making a budget, financial services
  - Economy-related facts: understanding concepts
- Subjective (Shim et al., 2010)
  - Personal judgment of finances management

FINANCIAL BEHAVIOR

- Emerges through interaction between
  – Agency (e.g., abilities and knowledge)
  – The context (e.g., opportunities)

- Frequency of healthy financial behavior: tracking monthly expenses, spending within budget, saving money, investing, etc. (Shim et al., 2010)

WELL-BEING

- Domain-specific: subjective financial situation and financial well-being
- General: life satisfaction

FINANCIAL KNOWLEDGE

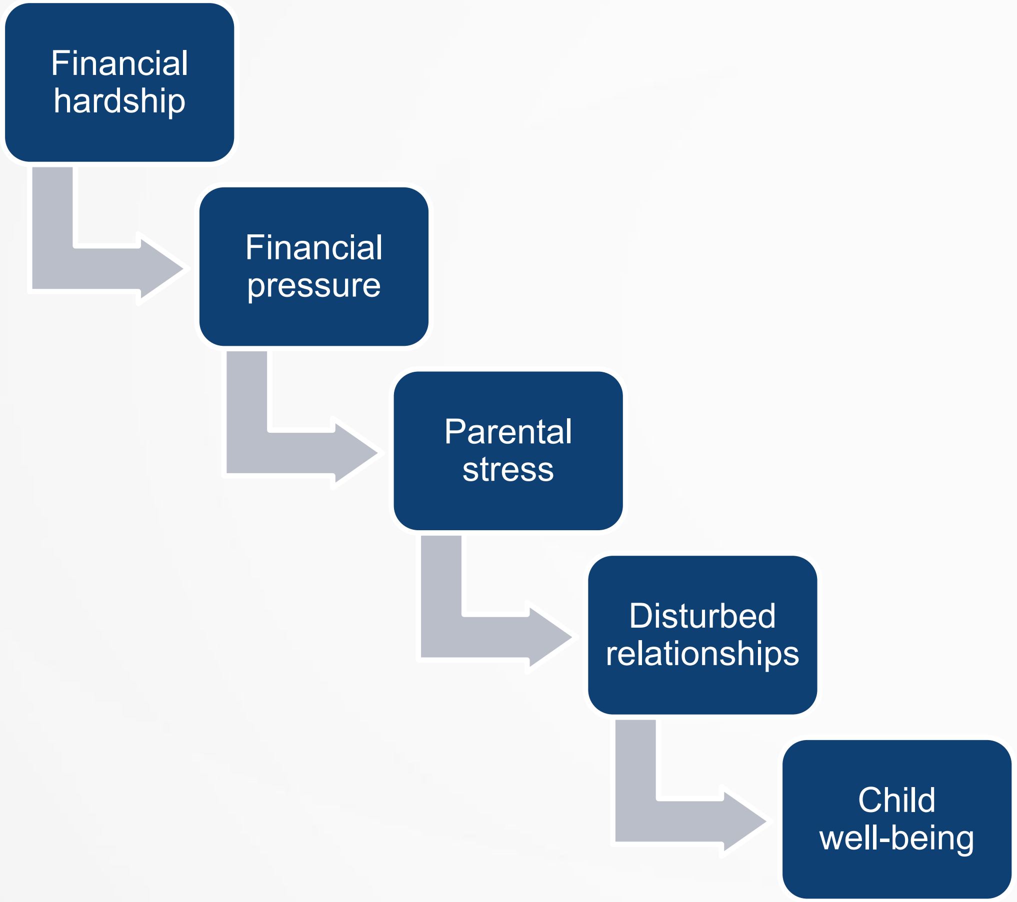
FINANCIAL SELF-BELIEFS

Financial attitude
Perceived behavioral control
Financial self-efficacy

FINANCIAL BEHAVIOR

WELL-BEING

FINANCIAL SOCIALIZATION AND THE FAMILY ECONOMIC STRESS MODEL



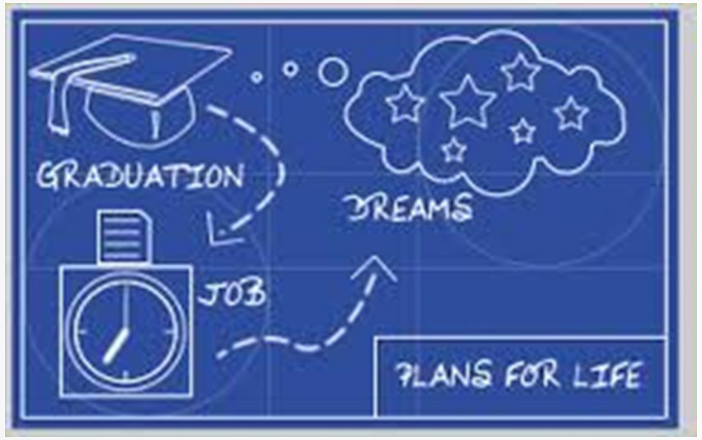
Special Issue: Financial Instability

The Economic Stress Model in Emerging Adulthood: The Role of Social Relationships and Financial Capability

Mette Ranta[1], Raija-Leena Punamäki[2], Angela Chow[3], and Katariina Salmela-Aro[1]

(Conger & Elder, 1994, 2000; Ranta et al., 2020)
(LeBaron & Kellye, 2021; Serido & Deenanath, 2016)

TRANSITION TO ADULTHOOD: FINANCIAL INDEPENDENCE



Uncertainty: individual and societal

”Transition to adulthood”

prolonged and fragmented

Emerging adulthood

Financial vulnerability

CONTEXTUAL FACTORS

- Context of European economic upheavals in the late 2000s and the pandemic
  - Financial insecurity and high unemployment
  - 43% unemployed facing trouble making ends meet (Eurofound, 2021)
- Restructuring of labor markets and macroeconomic conditions
  - Irregular and part-time employment possibilities in the late 2000s
  - “Hard times”, led to a downturn in personal financial situations
  - *Economically vulnerable* (Gesthuizen & Scheepers, 2010; Rothwell & Han, 2010)
- Affecting the transition to adulthood and developmental task timing (Buchmann & Kriesi, 2011)
- Changes in personal financial resources of young adults due to irregular and uncertain income
  - Challenges in attaining economic stability and self-sufficiency

UNCERTAINTY: NEED FOR RESILIENCE

- Young adults most concerned about the pandemic affecting their financial situation and mental health (Ranta et al., 2021)
  - Financial and psychological factors together
  - Financial situation, life satisfaction and trust in other people
- Acknowledging youth financial vulnerability in the pandemic context
- Young adults are expected to manage constantly changing circumstances, increase flexibility and tolerate insecurity
- Supporting emotional and social resources to strive in educational and career contexts at an early stage
- Supporting an (updated form of) youth financial literacy
- Supporting youth agency and self confidence

National Strategy of Financial Literacy in Finland

PEYR / Mette Ranta
Bank of Finland

Aspects of financial literacy

Promoting financial literacy in Finland

Financial literacy is a combination of the knowledge, behaviour and related attitudes.

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KIITOS, THANK YOU!

Q&A

mette.ranta@helsinki.fi, @mette_ranta