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Financial Futures for U.S. Teens

Expectations for Achieving Financial Independence among American Teenagers

MissionSquare RESEARCH INSTITUTE

Junior Achievement™

Acknowledgements

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Executive Summary

Financial education is fundamental to equip individuals with the knowledge and abilities to make well-informed financial decisions. It can be especially beneficial for teenagers, who are in a crucial developmental stage in which they start to establish financial behaviors that will carry into adulthood. Early intervention through financial education influences financial behavior from a young age.[1] With appropriate educational groundwork in place, teenagers are better prepared to handle the intricacies of financial products, investments, and planning, all of which contribute to their eventual financial independence. Concurrently, it is important to address short-term financial concerns, as personal concerns are closely associated with perceived psychological stress,[2] which can distort financial decision-making.

Addressing financial concerns among teenagers involves more than just assessing their current financial status; it is crucial for offering insights into reducing potential financial stress and enhancing the overall quality of life.[3] While existing research on financial independence among teenagers primarily examines socioeconomic factors,[4] a significant gap exists in understanding how financial education and psychological factors, such as financial concerns, impact teenagers' confidence in achieving financial independence. This issue brief utilizes data from the Junior Achievement Fintech Survey, which includes responses from 1,000 teenagers aged 13 to 18 across the United States, providing a nationally representative sample. The survey was conducted by Wakefield Research and MissionSquare Foundation.

Key Findings

Financial concerns and independence: Teens concerned about finances, especially regarding paying for college and saving for the future, showed a positive and significant association with certainty about achieving financial independence.

Impact of financial education: Experiencing financial education was positively associated with confidence in achieving financial independence, compared to teens with no exposure to financial education.

Age factor: As teenagers age, they are increasingly likely to express confidence in their ability to achieve financial independence.

Employment impact: Employed teenagers were less likely to confirm they will achieve financial independence.

Family size influence: Coming from a family with two or three children was associated with a greater likelihood of achieving financial independence than coming from single-child households.

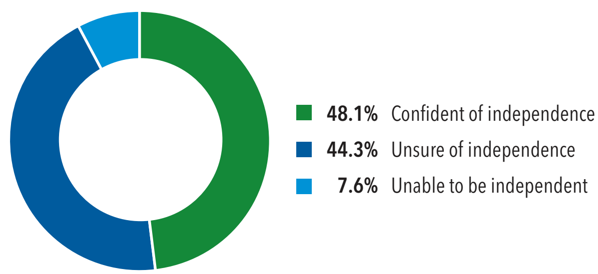
Geographical influence: Teens living in rural areas were less likely to confirm their belief in achieving financial independence compared to teens from a city.

Income level: Teens from households with an income exceeding $150,000 were more likely to believe they would achieve financial independence compared to those from low-income families.

Teens' Expectations of Financial Independence

This study explores the expectations of financial independence among American teens by categorizing them into three groups: those confident in achieving financial independence, those who view it as unattainable, and those uncertain about their financial future. A considerable percentage of the surveyed teens, specifically 48.1%, expect to achieve financial independence, with each participant providing an estimate of the age at which they expect to reach this milestone. Notably, 47.7% of the respondents expressed confidence in achieving financial independence by the age of 30. However, this is lower compared to a 2019 survey by Junior Achievement and Citizens Bank, which found that 63% of teens believe they will be financially independent from their parents by the age of 30.5 Additionally, a cohort that is approximately equivalent in size (44.3%) conveys a sense of ambiguity concerning their financial future in this study, which could be a reflection of the current socioeconomic climate or of teens' own perceptions of their financial knowledge and readiness. Furthermore, a small yet noteworthy 7.6% of the teen population express pessimism regarding their ability to achieve financial independence. This minority highlights the presence of skepticism or perhaps realistic challenges that some teens expect to face on the path to financial independence. (See Figure 1; for detailed summary statistics, see Appendix Table 1.)

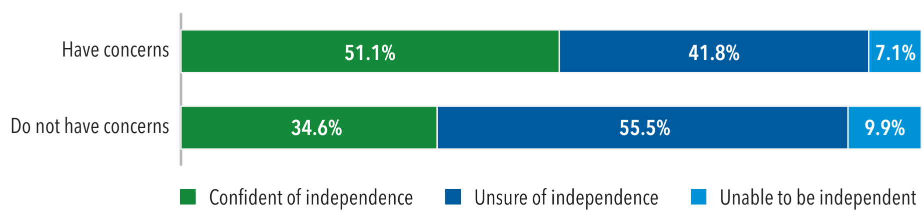
Figure 1: **Composition of teens on the expectation of financial independence**



Financial Concerns and Financial Independence

As demonstrated in Figure 2, among those who do not harbor financial concerns, 34.6% express confidence in their ability to achieve financial independence. This is a testament to the positive psychological effect that a lack of financial concerns can have on the outlook of financial independence among teens. However, even without such concerns, a significant portion of this group, 55.5%, remain uncertain about their financial prospects. This may reflect a cautious or realistic appraisal of future economic challenges that cannot be fully mitigated by confidence alone.

Figure 2: **Financial concerns and expectations about financial independence**



On the other hand, of those teens who do have financial concerns, a majority of 51.1% still hold on to the expectation that they will become financially independent. This group's resilience suggests that despite their concerns about immediate or short-term financial needs, there is an underlying belief in their ability to overcome financial challenges, achieve financial independence with certainty, and give the expected age for financial independence. A smaller fraction of this concerned group, 41.8%, are unsure about achieving financial independence; this uncertainty could be directly linked to their awareness of upcoming financial challenges. Lastly, a marginal 7.1% of those with financial concerns do not believe that they will be financially independent, but the proportion is lower than that of those without financial concerns group (9.9%). While this is a relatively low figure, it highlights a critical subset of the population that may require additional support and guidance to navigate financial challenges and cultivate a more optimistic outlook toward their financial futures.

Variations in Financial Concerns across Groups with Differing Perceptions of Financial Independence

In the survey, 1,000 teens were asked to identify their current financial concerns. These concerns were then categorized into eight different groups, as shown in Figure 3.

Figure 3: **Composition of teens by the type of financial concerns**

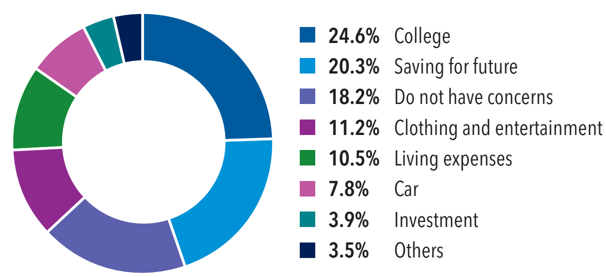
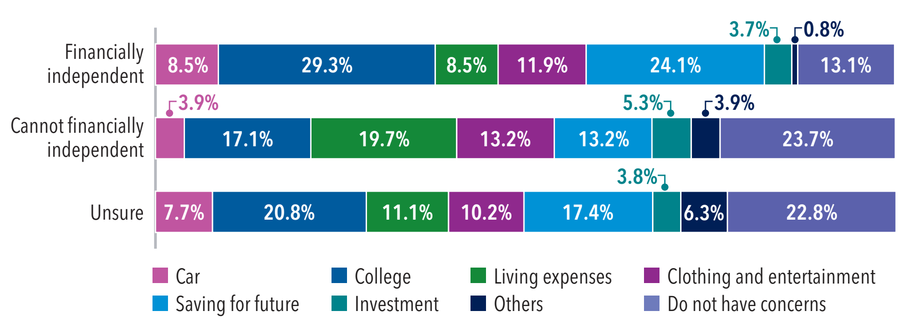


Figure 4 allows for a nuanced understanding of the teens' perceptions of financial independence and the different types of immediate or short-term financial concerns within different teen groups.

For the group claiming to be able to achieve financial independence within an approximate age range, the top concern is paying for college expenses, accounting for 29.3% of responses. This is followed by saving for the general future at 24.1% and no concerns at 13.1%. The least prevalent choice among this group was "other concerns."

Figure 4: **Financial concerns composition in each financial independence group**



Among those who claim they may never achieve financial independence, the highest proportion (23.7%) of this group actually did not have any financial concerns at the time of the survey. This could suggest that although they are pessimistic about their long-term financial autonomy, they may not feel the immediacy of financial pressures, or perhaps they have adapted to a certain level of financial uncertainty as their norm. The next prevalent concern is paying for or contributing to their or their family's living expenses, comprising 19.7% of the responses. The least concern, similar to the financially independent group, is other not mentioned concerns, at 3.9%.

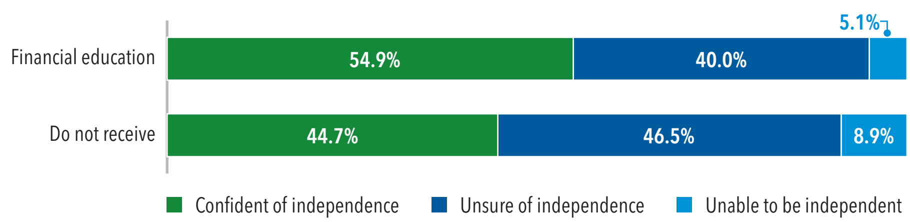
For those unsure of their financial independence, having no financial concerns is surprisingly the most common response, at 22.8%. This is followed by concerns about paying for college expenses at 20.8%, and the least is making investments at 3.8%. The significant proportion of "do not have any financial concerns" could indicate a lack of engagement with financial planning or a varied understanding of what financial independence means to different individuals. This group likely represents a diverse set of teens who might be in transition or who may not have a clear understanding of what financial independence means to them.

Financial Education and Financial Independence

As shown in Figure 5, among teens who have received financial education, a majority of 54.9% projected confidence in achieving financial independence, highlighting the potentially positive impact of financial literacy programs on young people's economic perspectives. The flip side is that even after receiving such information, a sizeable 40% were still uncertain about their financial future. This underscores the intricacy involved in converting knowledge acquired through education into confidence in being financially independent. It also suggests that while education is important, other factors at play influence teens' expectations about financial independence.

Meanwhile, of those who didn't have the benefit of financial education, 46.7% also expressed optimism about their financial independence. This percentage is slightly lower than that of their peers who received financial education (54.9%), suggesting a somewhat diminished optimism or the presence of other factors beyond formal education influencing their financial expectations. Additionally, a slightly higher proportion of teens who didn't receive financial education, 46.5%, were uncertain about their financial future, exceeding the unsure faction within their educated peers (40%) by a small margin. Moreover, 8.9% did not believe they would achieve financial independence, a sentiment marginally greater than that observed among those who received financial education (5.1%).

Figure 5: **Financial education and expectations for financial independence**

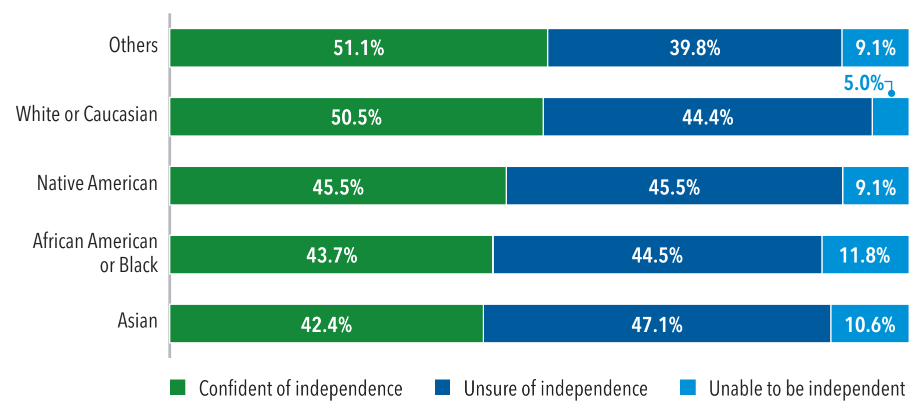


The higher proportion of uncertainty about financial futures in the non-educated group compared to their educated counterparts may indicate the nuanced influence of financial education on confidence levels. Additionally, a marginally higher percentage of teens without financial education do not believe they will achieve financial independence compared to those who received it; this may underscore the potential benefits of financial education while also acknowledging that it might be one of several contributing factors to financial independence expectations.

Race and Financial Independence

Perceptions of financial independence among teens varied across different racial groups, as demonstrated in Figure 6. For Asian respondents, 47.1% felt unsure about their financial independence, while 42.4% believed they would be financially independent, and 10.6% did not expect to achieve financial independence. The distribution of expectations among African American respondents showed a close split, with 44.5% uncertain about their financial future and 43.7% expecting to achieve financial independence. However, at 11.8%, this group had the largest percentage of individuals who did not foresee financial independence compared to other racial categories represented in the dataset. White or Caucasian respondents showed a similar pattern to the Asian demographic, with 44.4% feeling unsure and 50.5% feeling confidence about achieving financial independence; 5.0% of respondents in this group, the smallest percentage across the racial groups, did not expect financial independence. Native American teens' responses closely mirrored this trend, with 45.5% feeling unsure, another 45.5% believing they would be financially independent, and 9.1% not expecting to achieve it. Finally, those who indicated "others" in the racial category showed the highest percentage of respondents who believed they would be financially independent at 51.1%, with 39.8% unsure and 9.1% not expecting financial independence.

Figure 6: **Race and expectations for financial independence**



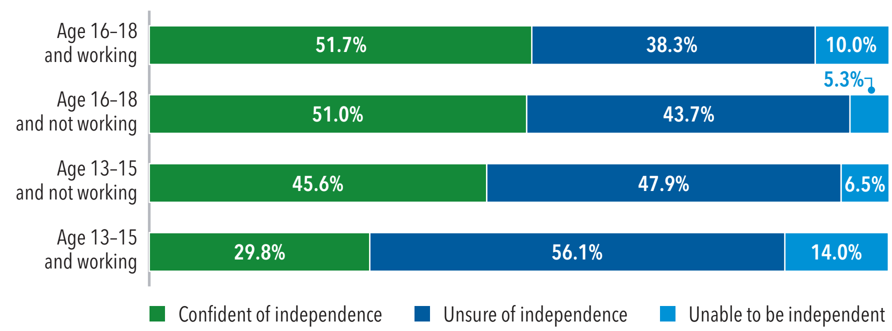
Age Group and Working Status and Financial Independence

Perceptions of financial independence also varied depending on teens' working status and age category, as shown in Figure 7.

Teens aged 16-18 consistently showed higher confidence about financial independence than their younger counterparts. Among these working teens, 51.7% felt confident in their ability to become financially independent, slightly higher than the proportion among those not working (51.0%). Interestingly, the uncertainty regarding financial independence is less prevalent in working teens (38.3%) compared to those not working (43.7%). Additionally, 10.0% of working teens in this age bracket expressed doubts about their ability to achieve financial independence, compared to 5.3% of their non-working peers, suggesting that employment may bolster confidence to a small degree but also highlight concerns about future independence.

In the age 13-15 group, those who work appear more pessimistic about their financial future compared to non-working peers. Only 29.8% of working teens aged 13-15, or 17 out of 57, felt confident about achieving financial independence. This is significantly lower compared to 45.6% among non-working teens aged 13-15, where 161 out of 353 expressed confidence in becoming financially independent. Furthermore, 14.0% of working teens in this age bracket, or 8 out of 57, reported that they felt unable to achieve financial independence, a higher rate compared to 6.5%, or 23 out of 353, among non-working peers. This indicates that early employment might be associated with a more realistic or even cynical outlook toward financial autonomy.

Figure 7: **Age and working status and expectations for financial independence**

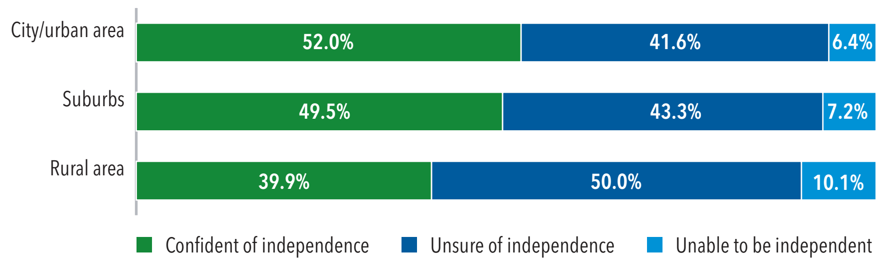


Place of Residence and Financial Independence

Living in a city, suburb, or rural area also was linked to different perceptions of financial independence, as illustrated in Figure 8. In rural areas, exactly half (50.0%) of the teens were unsure about their financial independence, while 39.9% felt they would be financially independent, and 10.1% did not expect to achieve financial independence. This represented the highest level of uncertainty and the lowest confidence in financial independence among the three locales. Teens who lived in suburban areas reported a different perspective, with 43.3% feeling unsure, but a near majority of 49.5% believed in their ability to become financially independent; 7.2% did not anticipate achieving financial independence. Residents of urban areas exhibited the highest level of assurance, as 52.0% anticipated attaining financial independence. This group also exhibited the lowest degrees of uncertainty (41.6%), with the smallest percentage (6.4%) not anticipating future financial independence across all living areas.

These findings highlight a gradient in financial outlooks based on place of residence, and may indicate that a given living area's distinct economic and social conditions substantially influence teens' financial expectations.

Figure 8: **Living area and expectations for financial independence**



From Descriptive to Inferential: Advancing the Analysis of Financial Independence

The initial findings highlighted potential associations that warranted further investigation. Building on this foundational understanding, a logistic regression was applied to rigorously assess the influence of financial education, specific financial concerns, and other sociodemographic factors on the likelihood of achieving financial independence. Due to the complexity of uncertainty surrounding financial independence, this analysis was restricted to teens who have firm beliefs about their future financial independence, excluding those who expressed uncertainty. This approach allows for controlling confounding variables and isolating the impact of each factor on financial independence, thus providing a clearer picture of the relationships. Descriptive statistics of this restricted sample are provided in Appendix Table 2a.

The results of the logistic regression are presented in Appendix Table 2b. Echoing what was identified in the previous charts, among teens who gave clear answers (excluding the unsure group) regarding their future financial independence, receiving financial education significantly increases the likelihood that they will not only be aware of their capability to achieve independence but also estimate the age at which they might achieve it. This positive impact of financial education on the anticipation of financial independence remains significant, even when current financial concerns are taken into account. This suggests that financial education plays a crucial role in shaping teens' confidence and foresight regarding financial independence. Those who have received financial education are more likely to be cognizant of their potential to attain financial independence. The influence of financial education extends beyond simply addressing immediate financial concerns; it imparts a longer-term perspective and a sense of empowerment about personal financial trajectories.

To delve deeper into how specific financial concerns may hinder or promote financial independence among teens, the findings reveal that concerns about managing college expenses and saving for the future positively motivate teens to be aware of and make estimations regarding their financial independence in the future. This suggests that certain financial concerns, rather than purely inhibiting teens, can act as catalysts for developing a proactive and positive financial mindset. The concern over managing college expenses and the need to save for the future appear to encourage teens to engage more deeply with their financial circumstances, leading them to be more cognizant of their financial independence prospects. When faced with the concerns of short-term future expenses, teens may be more inclined to educate themselves about and take steps toward financial independence, highlighting a paradox where concern prompts action and fosters a sense of financial empowerment.

Teens aged 16-18 are more likely to express confidence in achieving financial independence compared to their younger counterparts aged 13-15. In comparison to their peers, non-Hispanic white teens are more likely to recognize their financial independence potential and foresee themselves as financially independent in the future. Notably, currently working teens are less likely to consider themselves to become financially independent in the future. This might reflect a realization among working teens of the challenges and realities of achieving financial independence based on their current employment experiences. It could also suggest that their jobs may not provide sufficient prospects for growth or stability, leading to a more cautious or realistic outlook on their financial futures.

In relation to family living structure, teens coming from households comprising two or three children are more proactive in estimating the age at which they will achieve financial independence compared to teens in single-child households. This difference could stem from various factors, such as the necessity to share resources within larger families, which might encourage earlier financial planning and awareness. Additionally, the dynamics of larger households may promote discussions about financial responsibilities and independence at a younger age, thus fostering a greater sense of being independent.

Teens who are born in rural areas exhibit a diminished propensity to foresee their future financial independence. This geographical disparity highlights the need for targeted interventions in rural communities to create more awareness of the pathways to financial independence.

Conclusion

The analyses illuminated several critical factors contributing to teens' perceptions of their financial independence.

- Concerns about finances, particularly regarding college education and general savings for the future, significantly boost confidence in achieving financial independence.
- The role of financial education emerges as a strong predictor, enhancing confidence among teens educated about finances compared to their unexposed peers.
- As teens mature, they increasingly affirm their potential for financial independence.
- While employment typically suggests a pathway to financial autonomy, our findings reveal that employed teens are less likely to feel confident about achieving financial independence.
- The number of children in the household also plays a notable role, with those from families with two to three children feeling more secure about their financial futures than one-child households.
- Geographical location impacts perceptions; teens from rural areas are less optimistic about achieving financial independence than their urban counterparts.
- A household's income level significantly influences expectations, with higher household incomes ($150,000+) correlating with greater confidence in financial independence.

This report emphasizes the significance of comprehensive strategies in cultivating financial independence and knowledge among teens. The results indicate that policymakers, educators, and community leaders would be well-advised to prioritize targeted financial education in order to bolster financial independence and confidence. Financial literacy could be advantageously incorporated into the curricula of schools and community programs; emphasis should be placed on practical aspects such as budgeting, saving, and comprehending financial products. The unexpected discovery that teens who are employed are less assured of their financial independence signifies the necessity for specialized assistance that helps employed teens manage their earnings and make future plans. In addition, it is possible to customize interventions that take into account family structures and geographical locations. This would help teens in every demographic have access to the resources necessary to establish a financially self-sufficient future regardless of socioeconomic standing or living circumstances. Promoting a more financially literate and independent youth would benefit individuals while also strengthening the economic fabric of communities.

Endnotes

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Appendix

Table 1. **Summary Statistics**

		Expectations on Financial Independence			
		Financially independent	Cannot be independent	Unsure	Total
Financial concerns	Car	41	3	34	78
	College	141	13	92	246
	Living expenses	41	15	49	105
	Clothing and entertainment	57	10	45	112
	Saving for future	116	10	77	203
	Investment	18	4	17	39
	Others	4	3	28	35
	No concerns	63	18	101	182
Received financial education	No	297	59	309	665
	Yes	184	17	134	335
Gender	Male	193	34	199	426
	Female	288	42	244	574
Age	13-15	178	31	201	410
	15-18	303	45	242	590
Enter college	No	415	67	408	890
	Yes	66	9	35	110
Non-Hispanic White	No	253	57	248	558
	Yes	228	19	195	442
Working	No	314	39	300	653
	Yes	167	37	143	347
Living area	City	179	22	143	344
	Suburbs	207	30	181	418
	Rural	95	24	119	238
Total		**481**	**76**	**443**	**1,000**

Table 2a. **Weighted Descriptive Statistics for the Restricted Sample on Financial Independence** (Yes or No, Excluding Unsure)

Variable		%
Financial independence		88.2%
Financial concerns	Car	8.2%
	College	25.9%
	Living expenses	8.8%
	Personal spendings	11.9%
	Saving for future	21.5%
	Investment	5.3%
	Others	1.5%
Have no concerns		16.9%
Financial education		33.6%
Male		45.8%
Age	13 - 15	45.4%
	16 - 18	54.6%
Region	Northeast	15.9%
	South	38.6%
	Midwest	22.0%
	West	23.6%
	College	9.8%
Non-Hispanic White		58.3%
Working		31.7%
Family size	1 to 5	79.3%
	6 to 10	20.7%
Children in the household	One	37.1%
	Two	29.4%
	Three	20.5%
	Four or more	13.0%
Living area	City	38.9%
	Suburbs	44.0%
	Rural	17.1%
Household Income categories	Less than $35,000	18.0%
	$35,000 - $50,000	14.3%
	$50,000 - $75,000	18.6%
	$75,000 - $100,000	14.8%
	$100,000 - $150,000	10.1%
	Greater than $150,000	10.2%
	Don't know	13.9%

Note. N = 557. Weight = 549.368.

Table 2b. **Results of Logistic Regression Analysis on Financial Independence** (Restricted Sample)

Financial independence		Odds ratio	Robust std. err.	z	P>z	Sig
Financial concerns	Car	5.318	4.515	1.97	0.049	*
	College	3.091	1.578	2.21	0.027	**
	Living expenses	0.897	0.477	-0.20	0.838	
	Personal spendings	1.758	0.968	1.02	0.305	
	Saving for future	3.202	1.647	2.26	0.024	*
	Investment	0.611	0.498	-0.60	0.546	
	Others	0.307	0.272	-1.33	0.182	
	Have no concerns	3.208	1.245	3.00	0.003	**
Male		0.981	0.344	-0.06	0.956	
Age 13 to 15		0.398	0.159	-2.30	0.021	*
Region (ref: Northeast)	South	2.088	0.944	1.63	0.104	
	Midwest	2.450	1.330	1.65	0.099	
	West	2.238	1.085	1.66	0.096	
Enter college		1.099	0.603	0.17	0.864	
Non-Hispanic White		2.919	0.902	3.47	0.001	**
Working		0.264	0.102	-3.44	0.001	**
Family size		1.084	0.130	0.67	0.502	
Number of child(ren) (ref: One)	Two	3.941	1.687	3.20	0.001	**
	Three	4.190	2.191	2.74	0.006	**
	Four or more	2.100	1.254	1.24	0.214	
Living area (ref: City)	Suburbs	0.543	0.200	-1.66	0.098	
	Rural	0.319	0.146	-2.50	0.012	*
Household income (ref: Less than $35,000)	$35,000 - $50,000	1.563	0.916	0.76	0.446	
	$50,000 - $75,000	2.156	1.087	1.52	0.128	
	$75,000 - $100,000	1.044	0.492	0.09	0.926	
	$100,000 - $150,000	2.465	1.595	1.39	0.163	
	Greater than $150,000	7.356	7.068	2.08	0.038	*
	Don't know	1.291	0.697	0.47	0.636	
Intercept		1.013	0.814	0.02	0.987	
Pseudo r-squared		0.254	Number of observations		557	
Chi-square		71.703	Prob > chi2		0	

** p<0.01, * p<0.05

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