

# The Association Between Education Level and Financial Security

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## Introduction

- Many can come to the reasonable solution that education level is directly associated with how financially secure a person is, but how strong is the correlation?
- Studies show that there is a positive correlation between education level and their understanding of financial literacy (Baihaqqy-Disman-Nugraha-Sari, 2020).
- There is also strong evidence to suggest that education level has a strong correlation with financial behaviors. However, desirable financial behaviors require targeted education policies (Gray-Montagnoli-Moro, 2021).
- The goal of this research is to see what levels contribute the most to financial well-being and decide if there is indeed a positive correlation. It also seeks to understand if gender and race/ethnicity play a part.

## Methods

### Sample

- Data were drawn from the Financial Well-Being Survey designed to represent the noninstitutionalized population that is aged 18 years or older in the United States (n=6,394).
- The number of respective ages, race/ethnicity, and people with household income below 200 percent of the federal poverty level were sampled in proportion to their size in the U.S. population.

### Measures

- To measure a person's financial well-being, the Consumer Financial Protection Bureau created a 10-item Financial Well-Being Scale. Questions about the participants financial situation could be agreed or disagreed on a five-point scale: completely(5), very well(4), somewhat(3), very little(2), not at all(1). The Financial Well-Being score is measured 14-95, higher numbers being associated with stronger financial stability.
- To measure education level, respondents were given the option of less than high school, high school degree/GED, some college/associate, bachelor's degree, and graduate/professional degree.

## Research Questions

- Are higher levels of education associated with stronger financial stability?
- Does the association between education and financial stability differ across genders and race/ethnicity?

## Results

### Univariate

- 6.71% of respondents had less than a high school degree, 25.37% graduated high school, 30.23% had some of a college degree/GED, 20.52% graduated with a bachelor's degree/associate degree, and 17.17% have a graduate degree/professional degree.
- 52.42% of the sample was male and 47.58% of the sample was female.

### Bivariate

- An ANOVA showed that there is a significant association between education level and financial well-being score ( $p < .0001$ ).
- Mean financial well-being score increases as highest education level attained increases. Post-hoc testing showed that these differences in mean financial well-being score were significantly different ( $p < 0.001$ ) for all levels of education attained except between high school graduates and those with some college.

### Multivariate

- Financial well-being score was found to still be significantly associated with education level after controlling for gender ( $p < 0.001$ ).
- It appears visually that females have a higher financial well-being score on average than males in the first two levels of education. In the following three levels, men have a higher financial well-being score on average (Figure 1).
- Across races, it appears visually that (1) White/Non-Hispanic respondents have the highest financial well-being score across any education level (Figure 2).
- Financial well-being score is still significantly associated with education level after controlling for race/ethnicity.

### Multivariate (cont.)

- Hispanics have the highest financial well-being score at the lowest level of education and the lowest financial well-being score at the highest level of education.
- Whites have the second highest score at the lowest level of education and the highest for every other level of education.

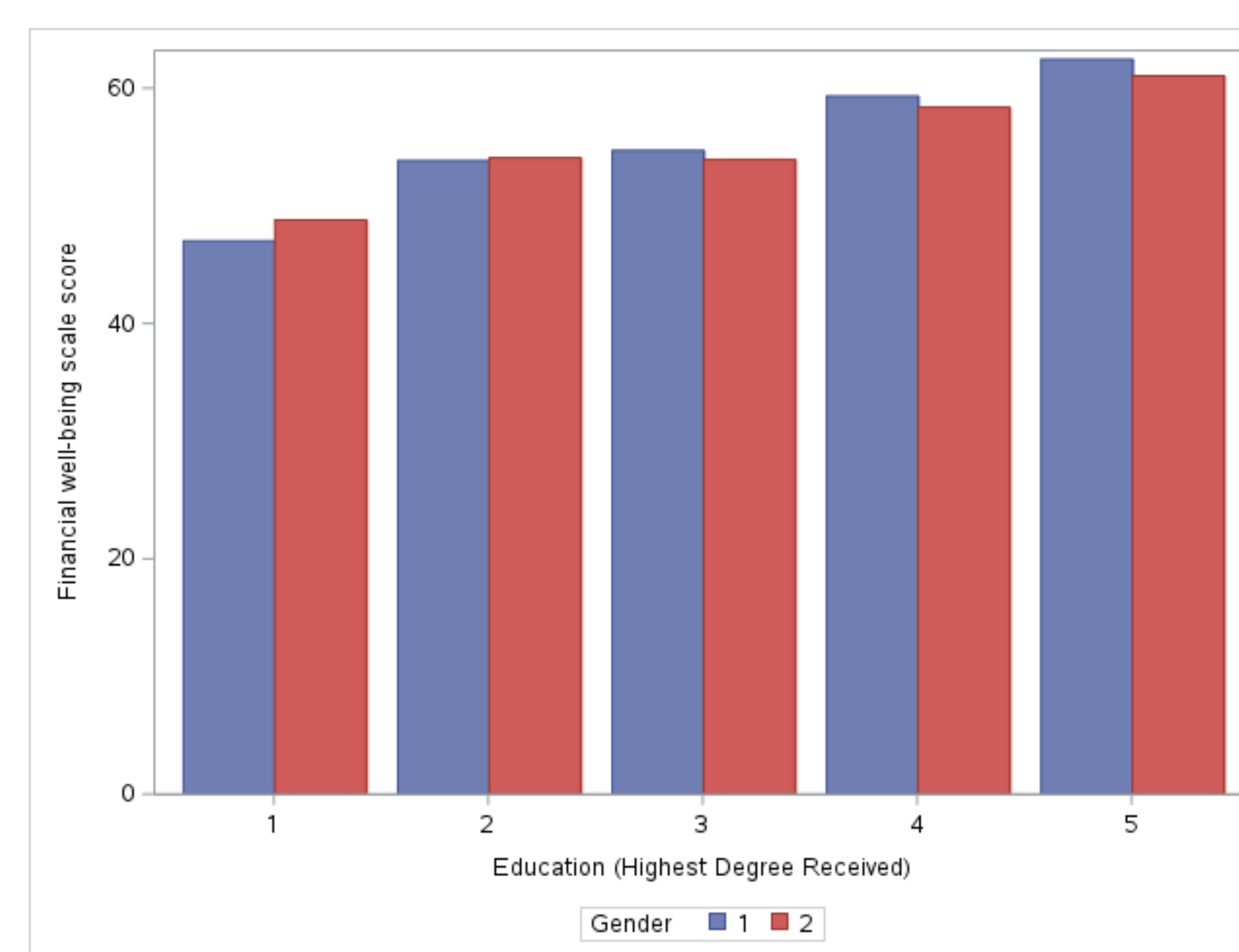


Figure 1. Financial Well-Being Score at each level of education and gender.

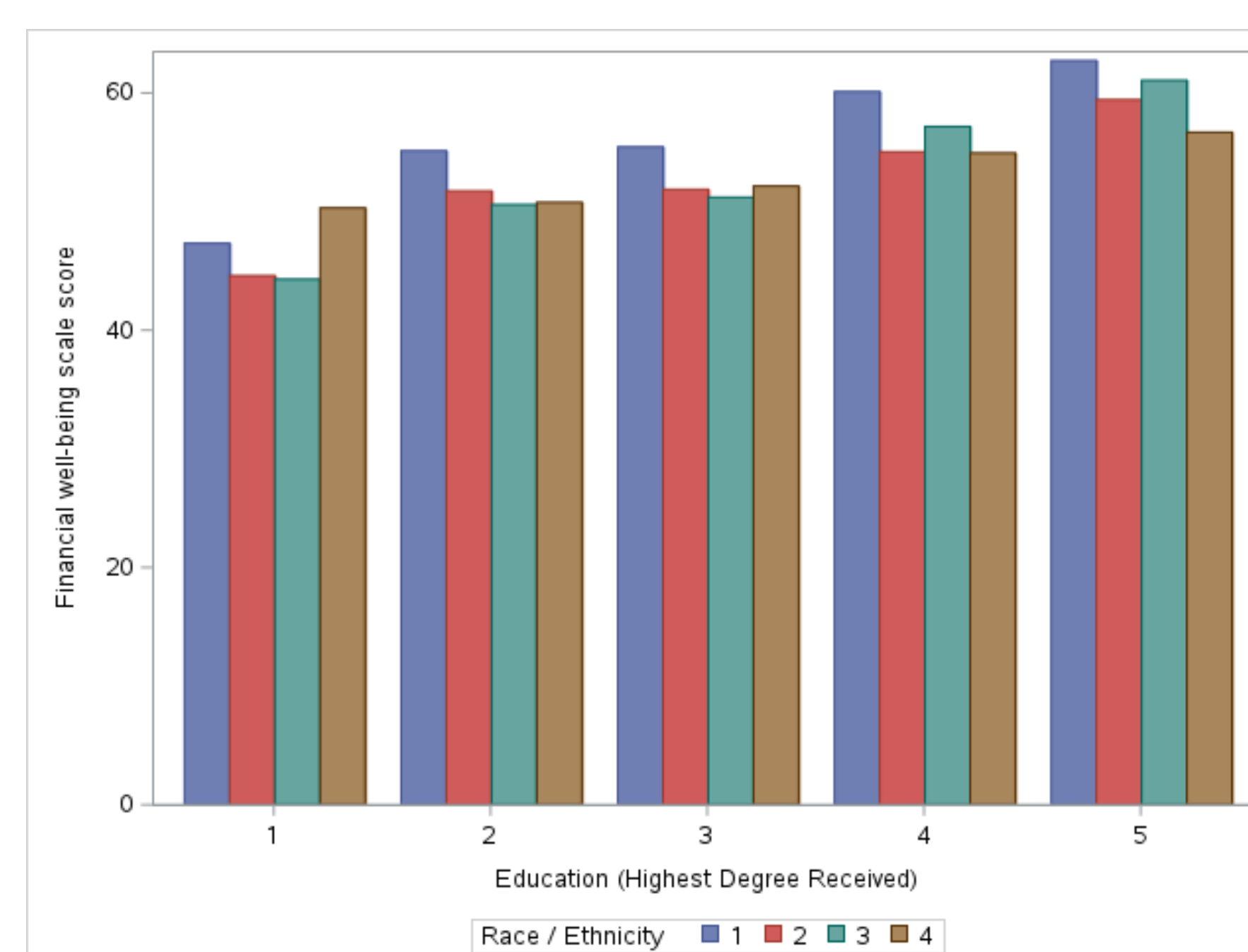


Figure 2: Financial well-being score at each level of education and race/ethnicity.

## Discussion

- Financial stability is significantly positively associated with the education level achieved.
- After controlling for gender and race/ethnicity separately, the relationship between financial stability and education level remains significant.
- Potential implications may not have been provided by the data set.
- Further research will be needed to explore why Hispanics have higher financial well-being scores than other races/ethnicities in the first category of education but last in the highest level of education. Additionally, further research will be needed to determine why females are more financial stable than males in the first two categories of education but not in the last three.

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