



The Association Between Goal-Setting and Financial Well-Being



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Introduction

- Current findings show that perceived financial well-being is a main predictor of overall well-being (Netemeyer et al., 2018).
- Establishing ambitious and clear goals is one of the most well-known management strategies to increase performance and motivation (Höpfner et al., 2021).
- There are several benefits to goal-setting. For many, forming a goal alone results in actual behavior change (Bailey et al., 2019).

Research Questions

- Are individuals who follow their financial goals more likely to have a higher financial well-being score?
- Does this relationship differ for those with different education levels?

Methods

Sample

- Respondents (n=6,394) were drawn from the Consumer Financial Protection Bureau (CFPB), a nationally representative sample of adults in the U.S. who speak either English or Spanish.
- 5,953 surveys were from the general population while 999 were oversampled for adults 62 and older.

Measures

- Financial well-being was assessed using the Financial Well-Being Questionnaire. The scores of these questions were added to create the total response value and using this value the financial well-being score (FWBscore) is calculated. Scores ranged from 0-100 where a higher score indicates a higher level of measured financial well-being.
- Participants were asked to rate the statement "I follow-through on financial goals I set for myself." Possible responses ranged from 1 (Not at all) to 5 (Completely).

Results

Bivariate

- Pearson's correlation coefficient test showed that an individual's ability to follow their financial goals **was** significantly associated with a higher financial well-being score. (Cor: 0.523, $p < 0.0001$)
- There is a positive linear relationship between the 2 variables (Fig. 1)

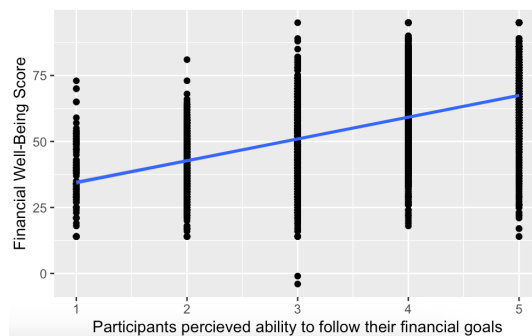


Figure 1: The Relationship Between Following One's Financial Goals and Financial Well-Being Score

Multivariate

- Regression analyses showed that those who had higher levels of education were more likely to have a higher financial well-being score. (Beta=1.95, $p < 0.0001$)
- Those with education levels 2 (High school degree/GED) and 3 (Some college/ Associate) had very similar regression lines. (Fig.2)
- A one unit increase in following financial goals leads to a 7.78 point increase in FWBscore. (Beta = 7.78, $p < 0.0001$)

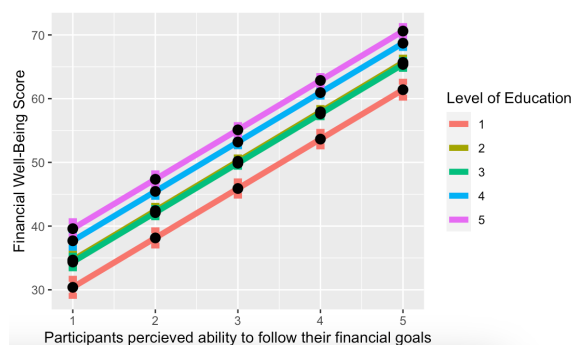


Figure 2: The Relationship Between Financial Well-Being Score, Following Financial Goals, and Highest Level of Education

- The participants' education was rated on a scale of 1 (less than high school) to 5 (Graduate degree)

Discussion

- Individuals who follow their financial goals are more likely to have a higher FWBscore, while those do not follow their goals are more likely to have a lower FWBscore.
- These findings may contribute to personal finance research, particularly regarding goal-setting and financial well-being.
- Future research is needed to determine the role of education and its effect on financial goal-setting.

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