

# Why people assess their financial situation as good or bad?

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# Subjective wealth

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- Satisfaction that people derive from their wealth has an **impact** on their economic and consumer choices, job productivity, physical and mental health, and even marital happiness (e.g., Furnham & Argyle, 1998; O’Neill, Sorhaindo, Xiao, & Garman, 2005).

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- Financial satisfaction is a **component** or at least a **predictor** of general well-being (Joo & Grable, 2004; Mills, Grasmick, Morgan, & Wenk, 1992)
- Financial satisfaction seems to be a **better predictor** of psychological well-being than objective level of income (Mills et al., 1992).

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- However, the magnitude of this relationship is only modest or even sometimes absent
  - European Social Survey: correlation of .28-.52
  - General Social Survey: correlation not greater than .4
  - Social Diagnosis: correlation of .19-.37

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- **Multiple-Discrepancies Theory** (Michalos, 1985)
  - People compare themselves to other people, to their own needs, past, future, their possible best performance in certain domain etc.
  - People’s satisfaction with their income and material goods depends on the discrepancies between what they possess and what they desire, which in turn depends on the social comparison discrepancy and past comparison discrepancy in financial domain (Solberg et al., 2002, Dannes & Retting, 1993)

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- High-materialistic people
  - place a greater emphasis on financial security than low-materialists do (Richins, 1994),
  - believe they need more income to satisfy their needs (Richins & Dawson, 1992),
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- Materialism is connected rather to material possessions than directly to money, while **money attitudes** seem to reflect some kind of want/have discrepancies directly in terms of finances

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- Roughly orthogonal factors relating to
  - Symbolic/emotional attitude towards money - the affective aspects of money, such as distrust, anxiety, evil, but also power, prestige, esteem or achievement
  - Instrumental/pragmatic attitude towards money—money as an economic instrument of exchange and not necessarily as an end in itself, economic aspects, such as budgeting, planning, spending retention, or debts

# Money Attitudes Questionnaire (Gasiorowska, 2013a, 2013b)

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- **Financial control** - thriftiness, carefulness and prudence in situations and decisions connected with money, a relatively conservative attitude towards money management, detailed financial planning and budgeting, and attentive monitoring of one's financial accounts. It concerns both present and future financial decisions.
- **Debt aversion** - reluctance to borrow money; attitude against assuming financial obligations, whether they are to family, friends or financial institutions, strong urge to repay their creditors as soon as possible.
- **Occasion-seeking** - inclination to search for and exploit special opportunities connected with money, especially with earning money, related to effective planning and organization of one's economic activity, and concerns monitoring and exploiting lucrative financial occasions, both expected and unexpected
- **Money anxiety** - hesitation, distrust, suspiciousness, and doubt in situations connected with money, and a high level of negative emotion associated with lack of money
- **Power** - perception and use money as a tool for making an impression on or influencing others, for power, prestige and respect, and as a measure of life success; belief that money ensures effective control of reality and social influence
- **Root of evil** - the negative emotional aspects of money, perception of money as something useless, needless and coercive, as the root of all evil in everyday life, belief that people focused on money are contemptible

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- **Financial control**

- related to various aspects of financial behaviors, like # of bank accounts, # of debit and credit cards, # of insurances, value of savings, diversification of savings, and low arrears in paying bills and liabilities
- among personality traits: conscientiousness and need for closure

- **Money anxiety**

- not related to financial behaviors
- among personality traits: trait anxiety, neuroticism, low decisiveness, intolerance of ambiguity, external locus of control, materialism, and low self-esteem

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- Income is negatively related to being nervous/worried about money (Hayhoe et al. 2012), being obsessed with money (Lim et al., 2003), to level of general anxiety (Lim & Sng, 2006)
- Money anxiety is typical for **materialistic people** (Christopher, Marek, & Carroll, 2004; Gasiorowska, 2013a, 2013b; Shafer, 2000), who might be unable to fully satisfy their desire for possessions, and have perceptions of **inadequate income** and lower level of financial satisfaction (Gardarsdottir & Dittmar, 2012)

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- High-control individuals pay more attention to and monitor more carefully their money and possessions as well as their expenditures and financial obligations than low-control individuals

# Theoretical model

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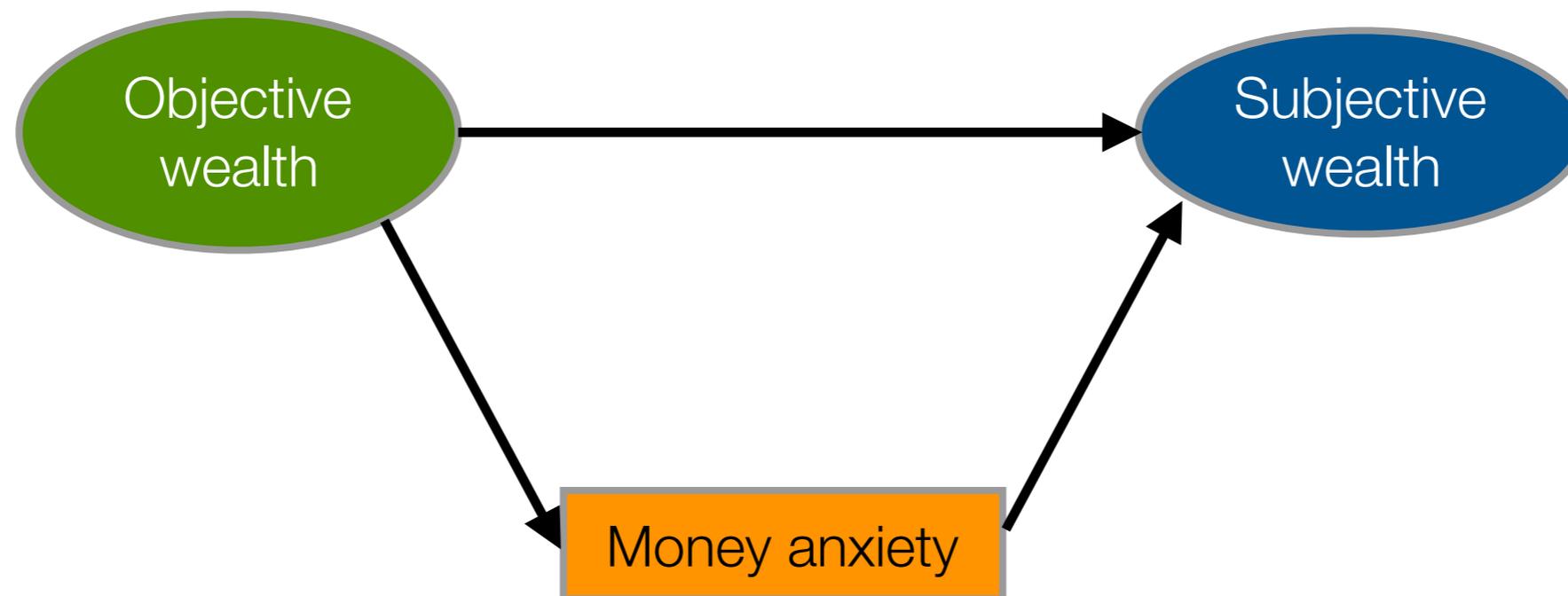
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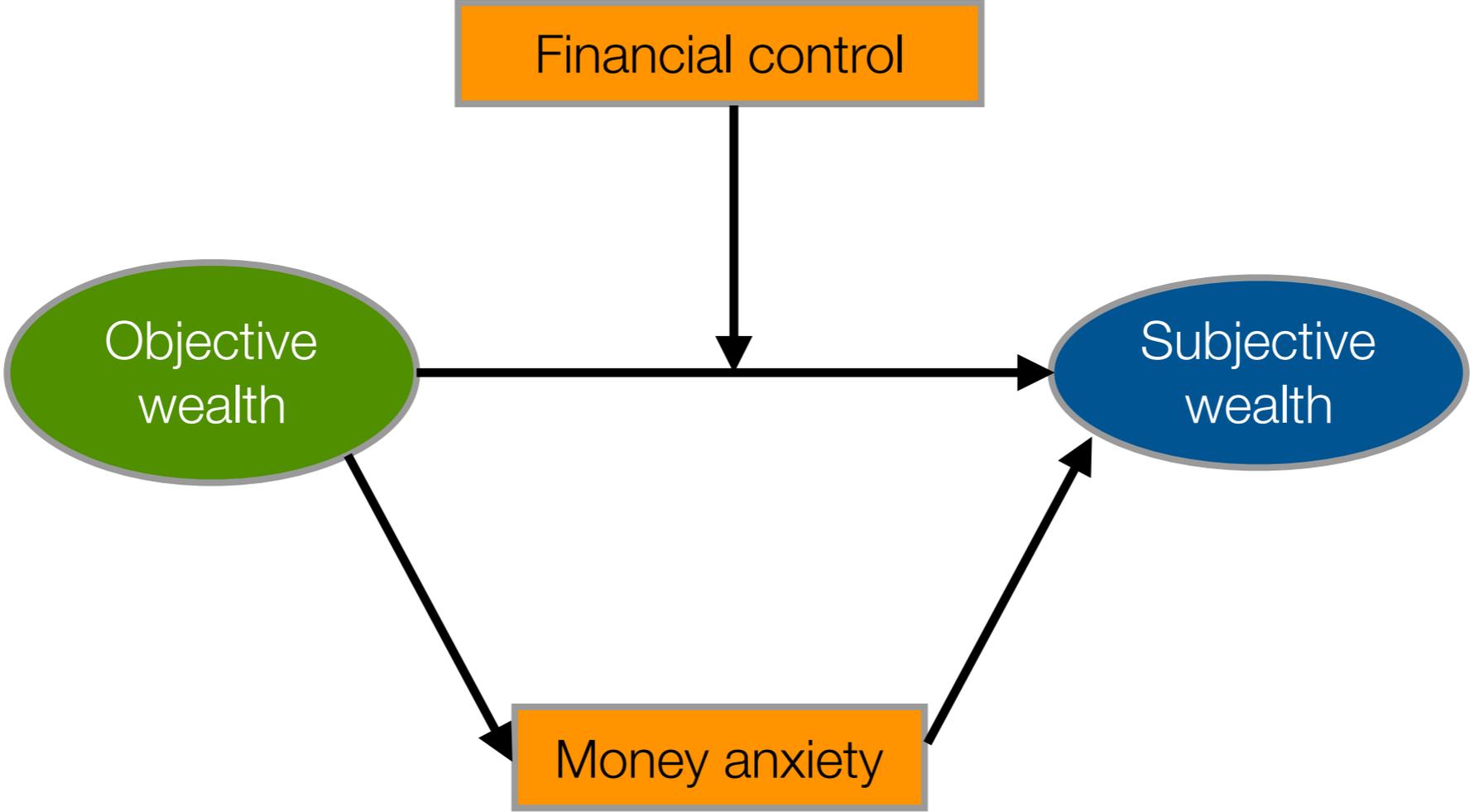
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# Sample

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- N=540, representative sample of Polish adults, CATI
- n=161 did not answer questions on either their personal or household income or subjective wealth
- Final sample: n=376,
  - 210 women, 166 men
  - age M=46.47, SD=17,24;
  - employment 45.2% full-time employed, 11.6% part-time employed, 14.8% not employed, 27.4% retired/on a pension
  - education level M=13.19 years, SD = 2.65

# Procedure

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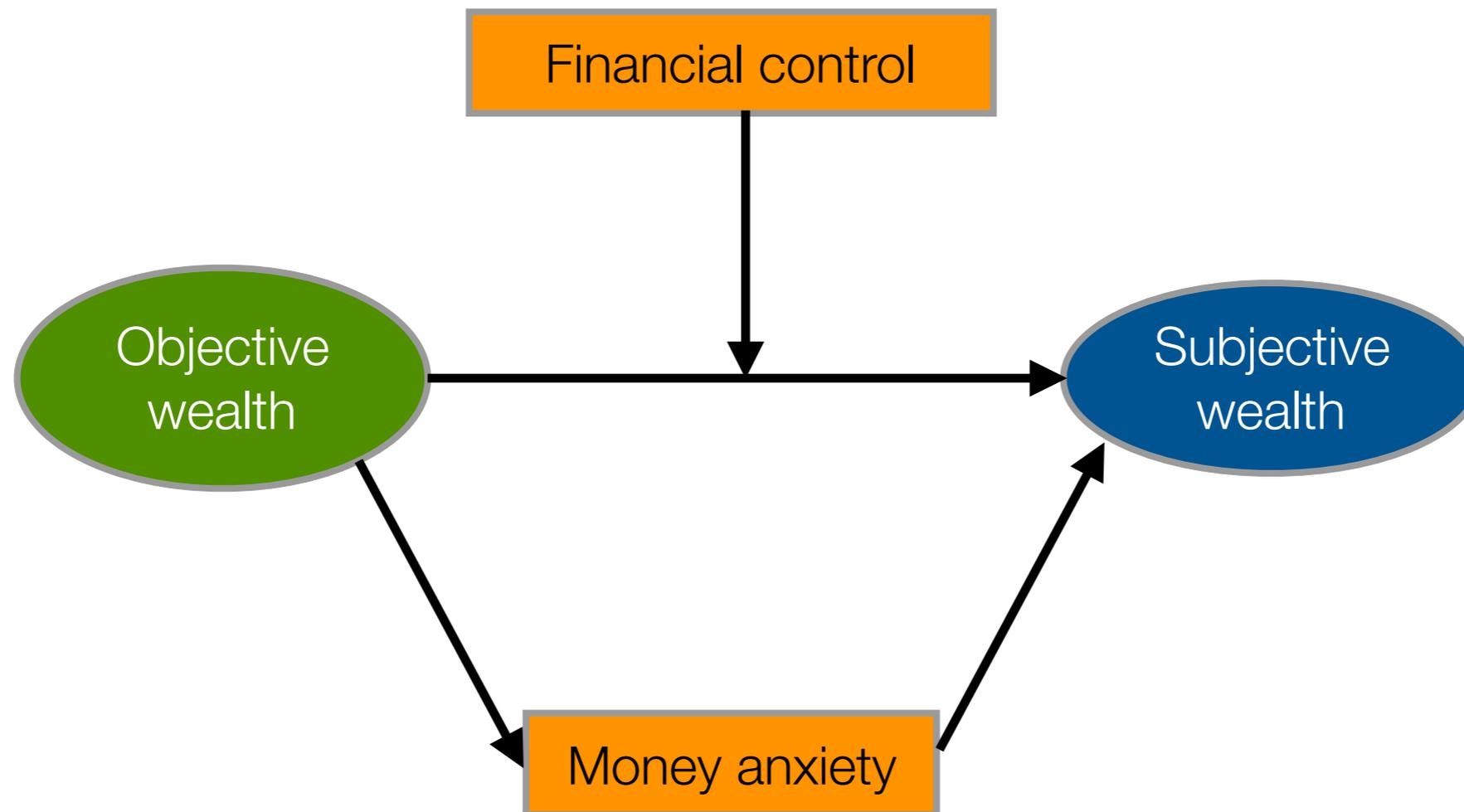
- Money Attitudes: short version of MAQ (Gasiorowska, 2013)
- Objective wealth
  - **Personal net monthly income:** from 0 = no income to 5 = above 4,000 PLN
  - **Average monthly income of the entire household:** from 0 = no income to 8 = above 7000 PLN
  - Number of household members (to calculate **monthly income per capita**)
- Subjective wealth
  - Assessment of **subjective financial situation**, 1 = *very bad* and 5 = *very good*.
  - **Ability to make ends meet**, 1 = *with difficulty* to 5 = *very easily*
  - **Income adequately fulfilled participants needs and wants**, 1 = 'We have not enough money to buy even the cheapest food and clothes' to 7 = 'We can afford to buy everything we want and also save for the future'

# Model testing

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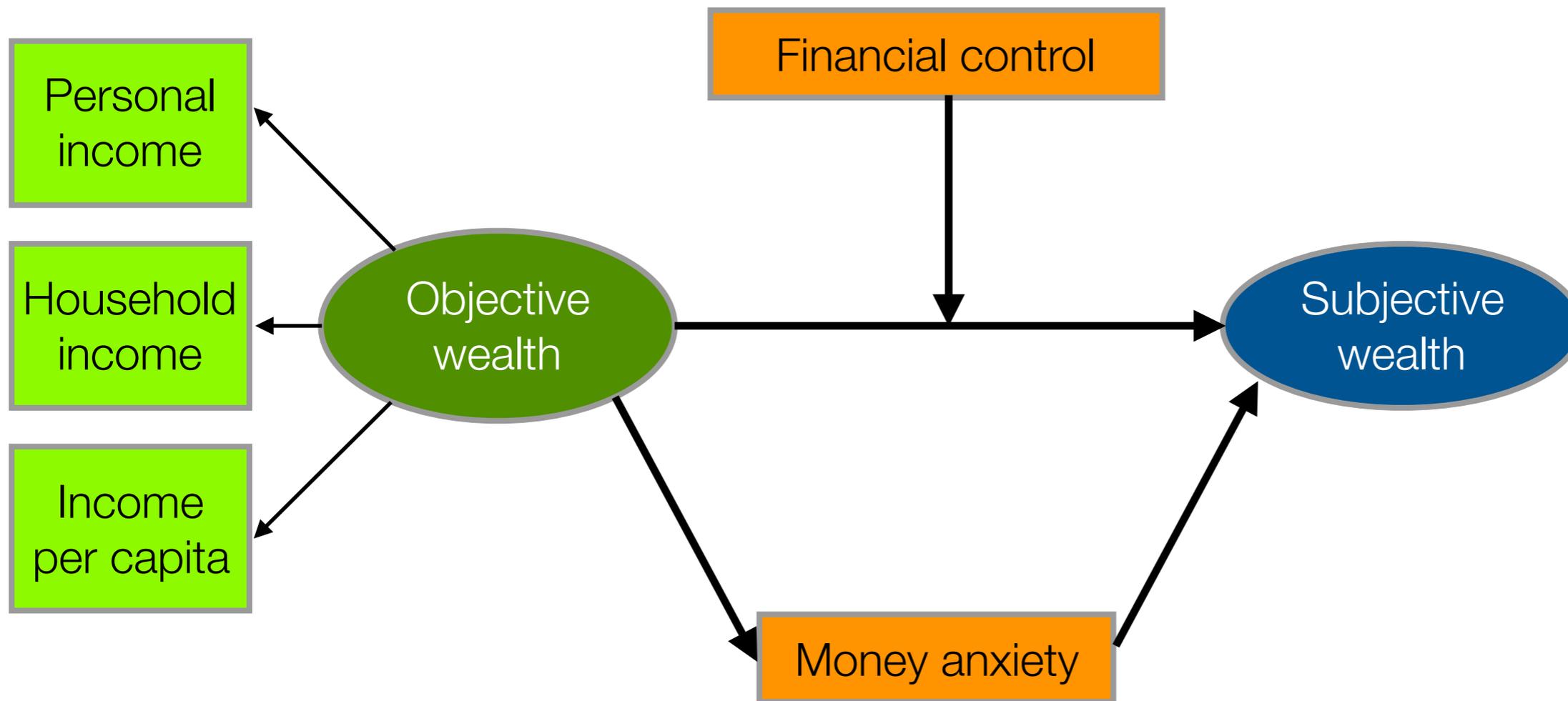
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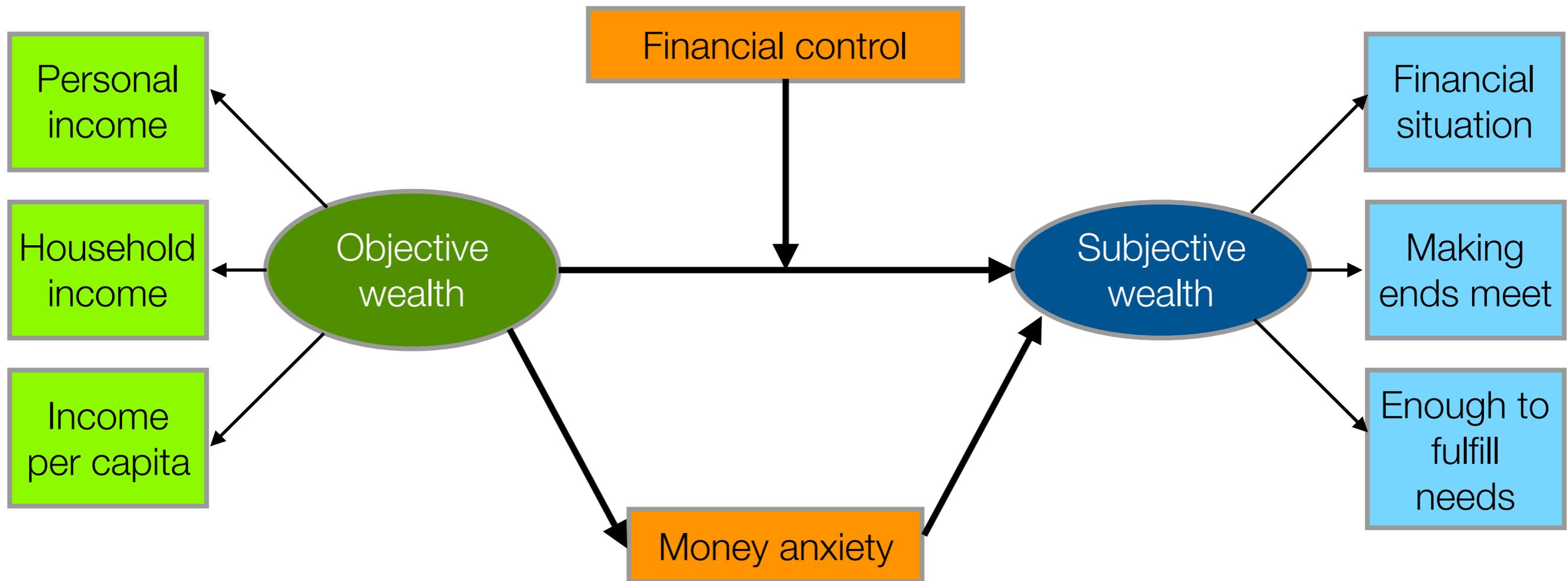
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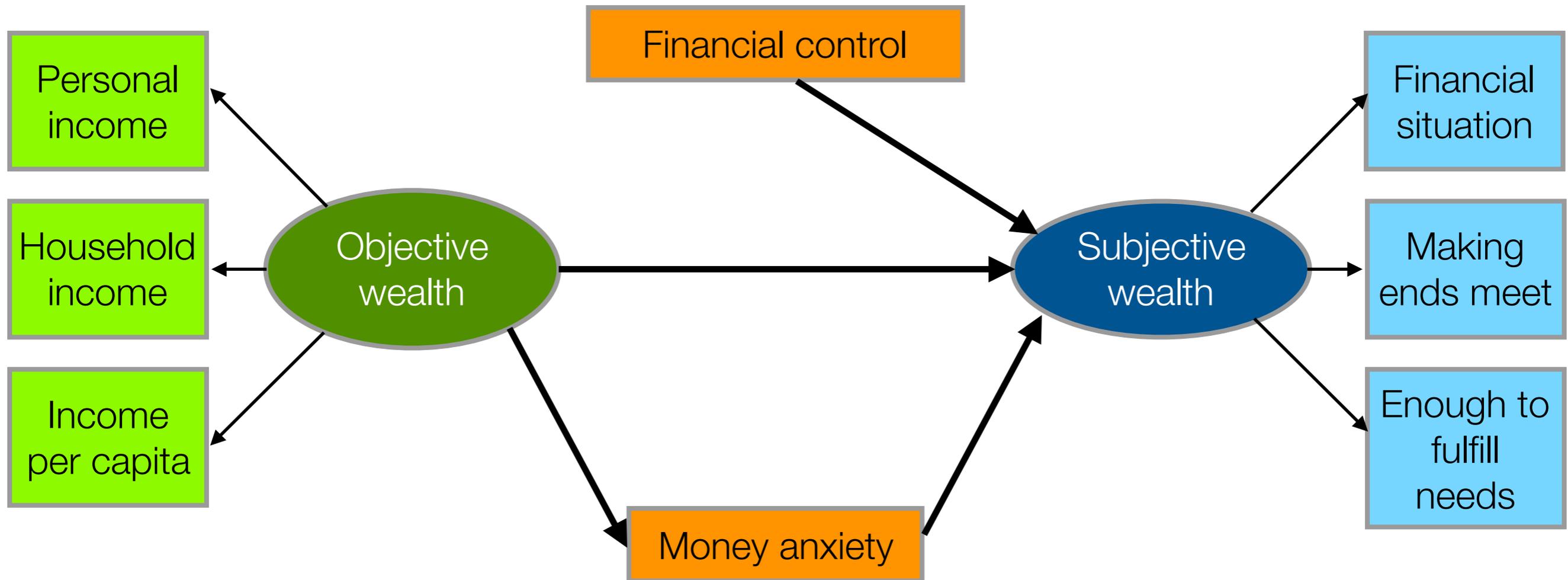
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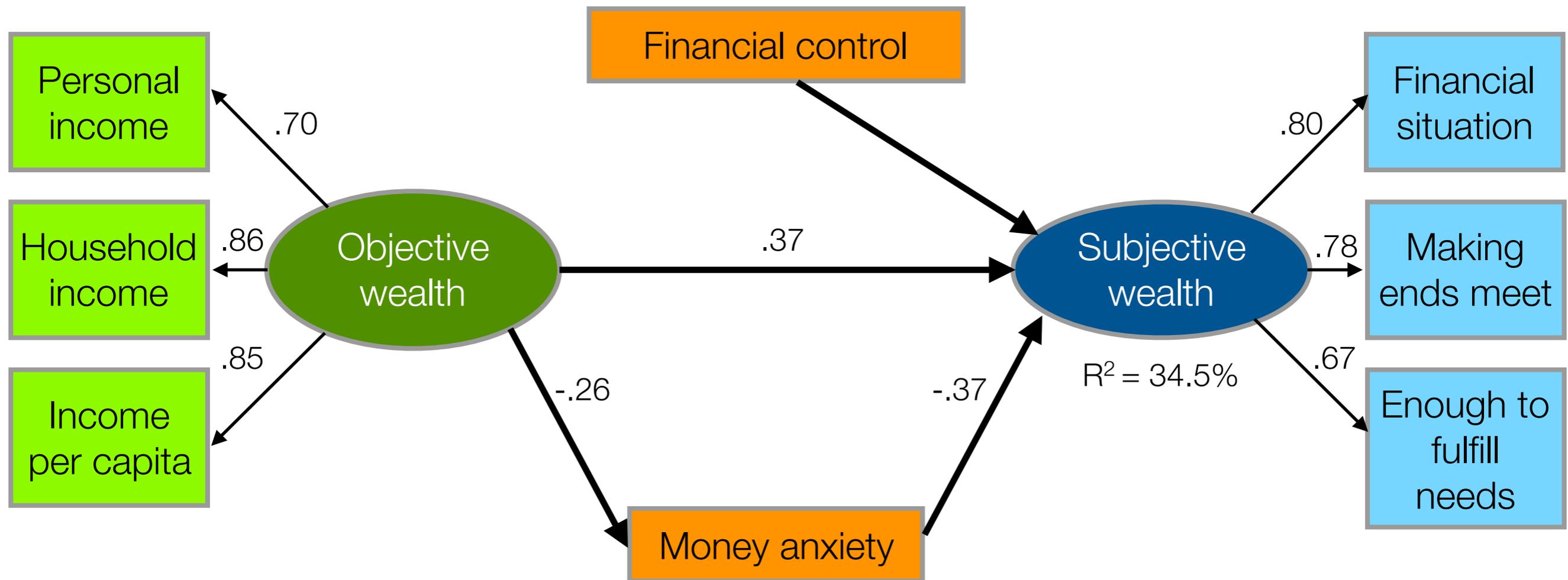


# Model testing (Regression step 1)

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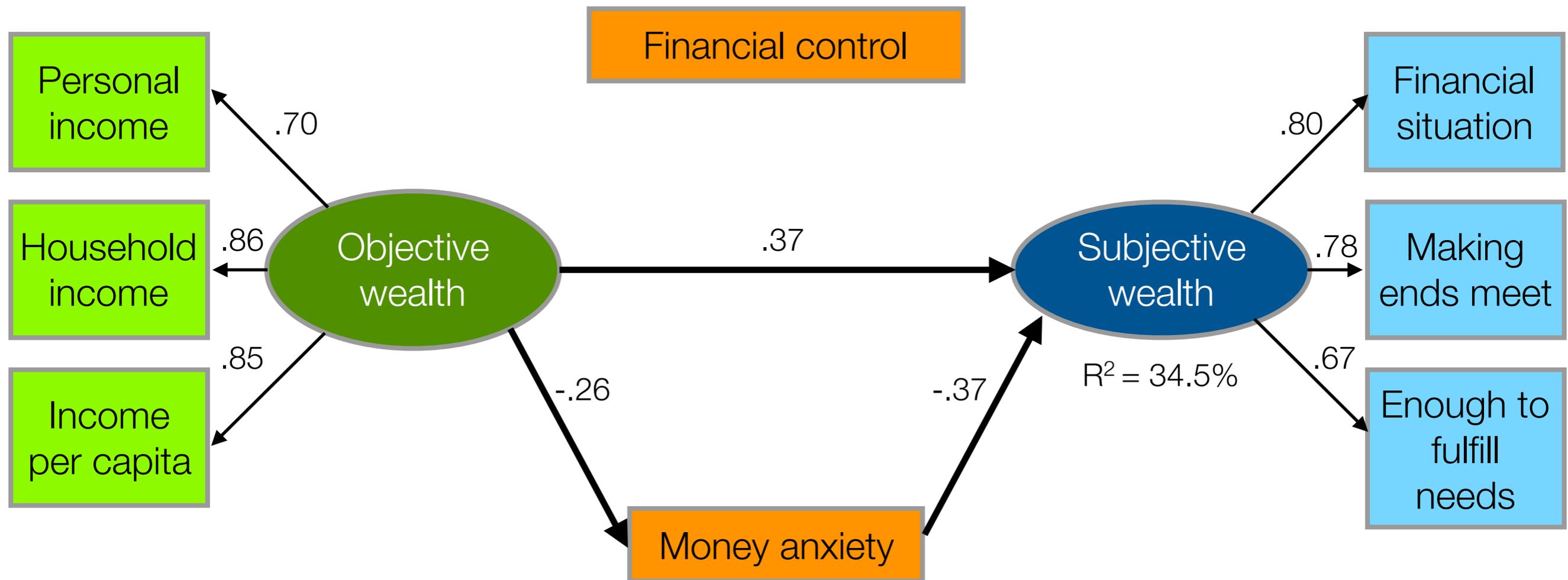


# Model testing (Regression step 1)



$\chi^2(26)=42.65, p = .002,$   
 $\chi^2/df = 2.13, RMSEA = .05,$   
TLI = 0.86, CFI = 0.90,  
GFI = .97, AGFI = .94

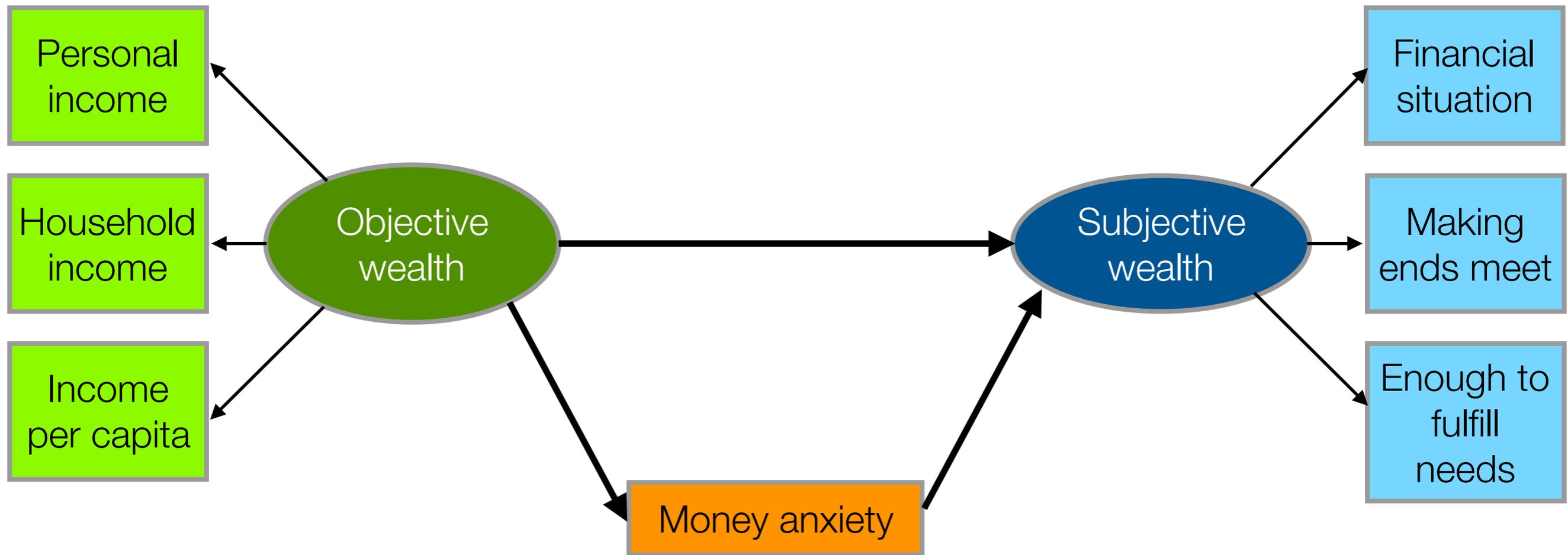
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# Model testing (Regression step 2)

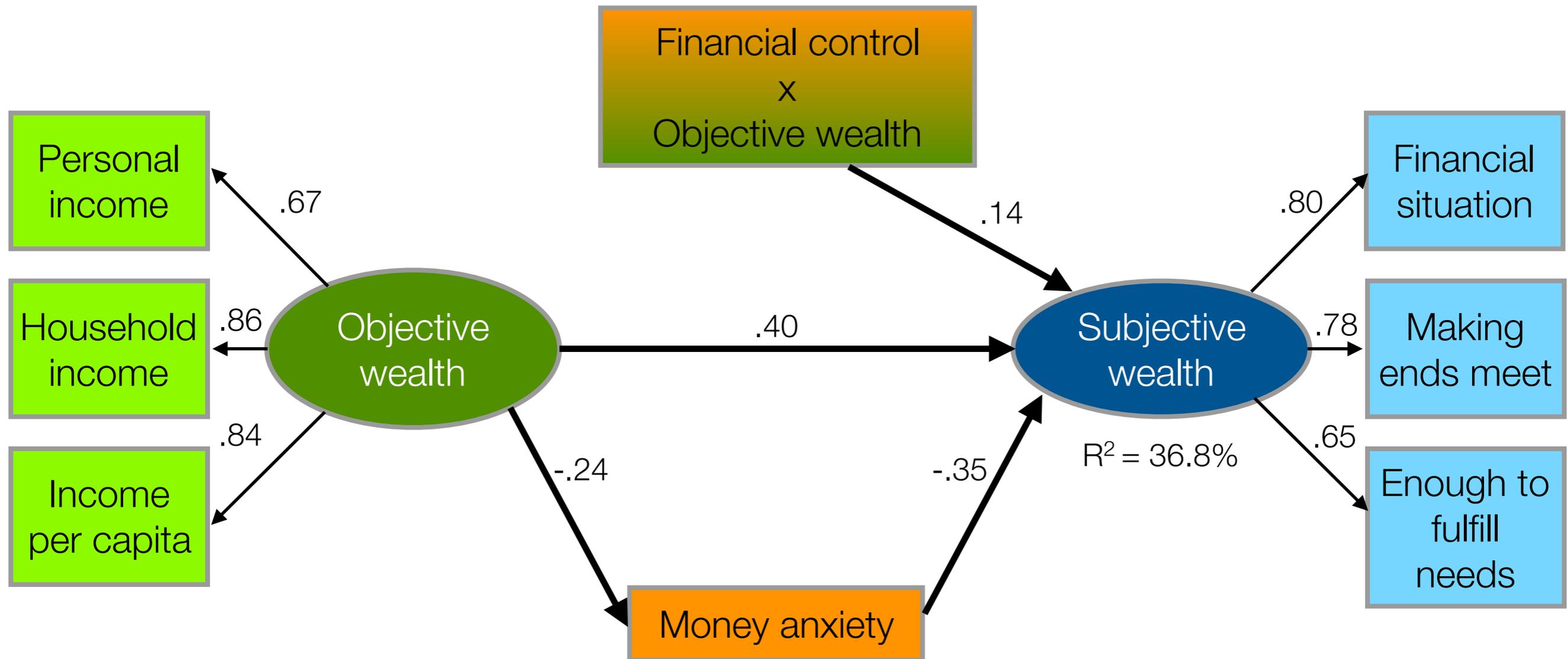
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$\chi^2(26)=55.01, p = .001,$   
 $\chi^2/df = 2.12, RMSEA = .05,$   
TLI = 0.85, CFI = 0.89,  
GFI = .96, AGFI = .93

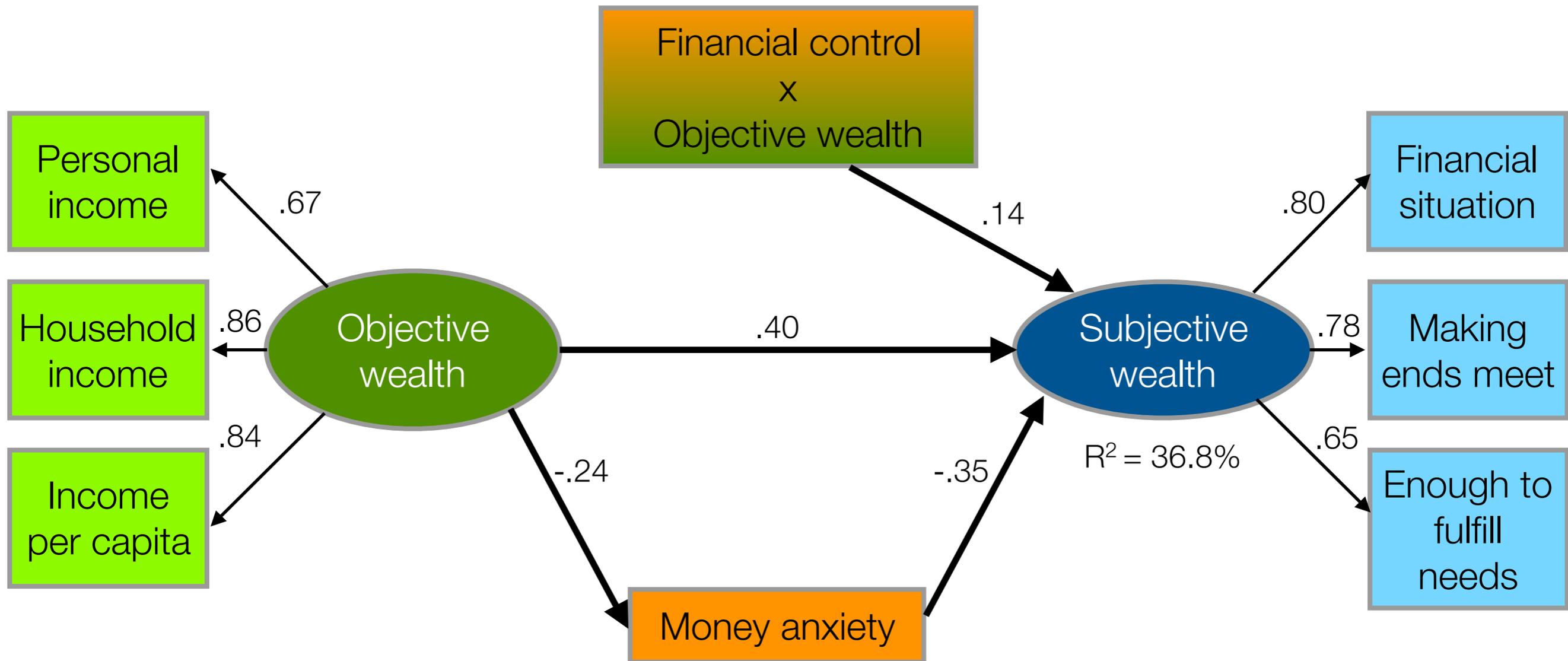


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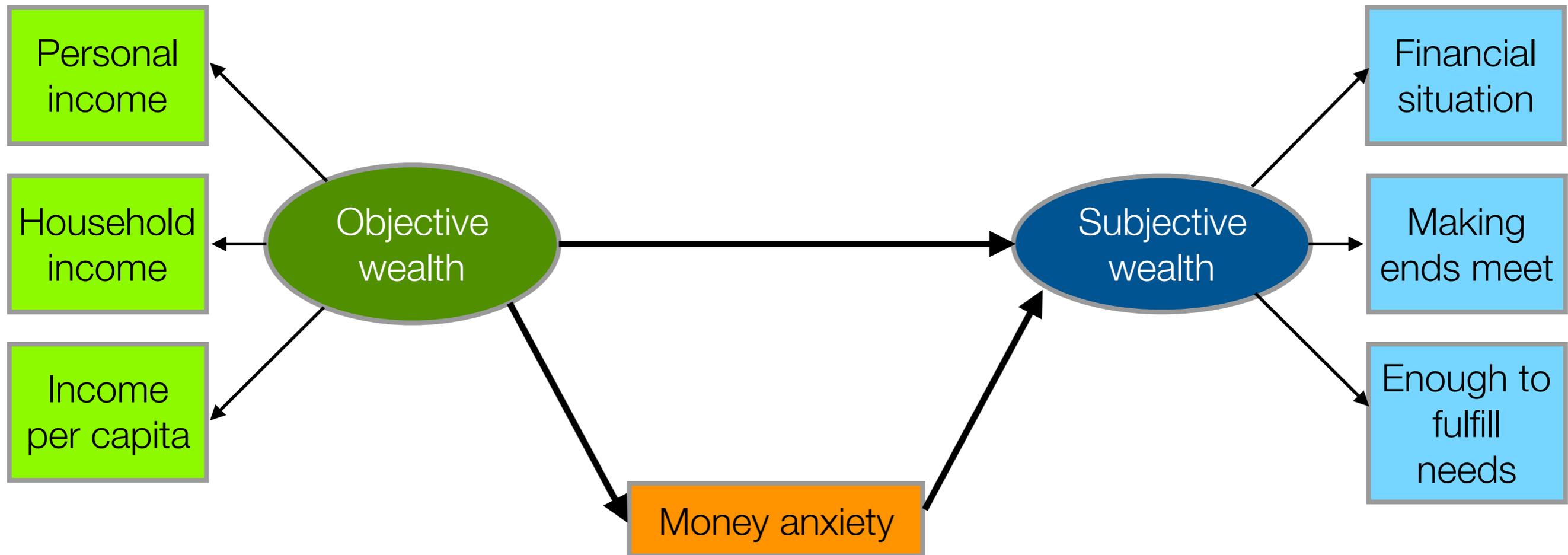
# Model testing (Mediation testing, H1)



Bias-corrected bootstrapping, 10,000 samples

Total effect:  $\beta = .49$ , boot se = .07,  $p = .001$ , 95% boot CI [.31, .60]  
 Direct effect:  $\beta = .40$ , boot se = .07,  $p < .001$ , 95% boot CI [.24, .52]  
 Indirect effect:  $\beta = .08$ , boot se = .03,  $p = .003$ , 95% boot CI [.03, .15]

# Model testing (Multi Group Analysis)



## Unconstrained model

$\chi^2(24) = 29.02, p = .022,$   
 $\chi^2/df = 1.21, RMSEA = .02,$   
TLI = 0.97, CFI = 0.98,  
GFI = .98, AGFI = .95

## All parameter equal

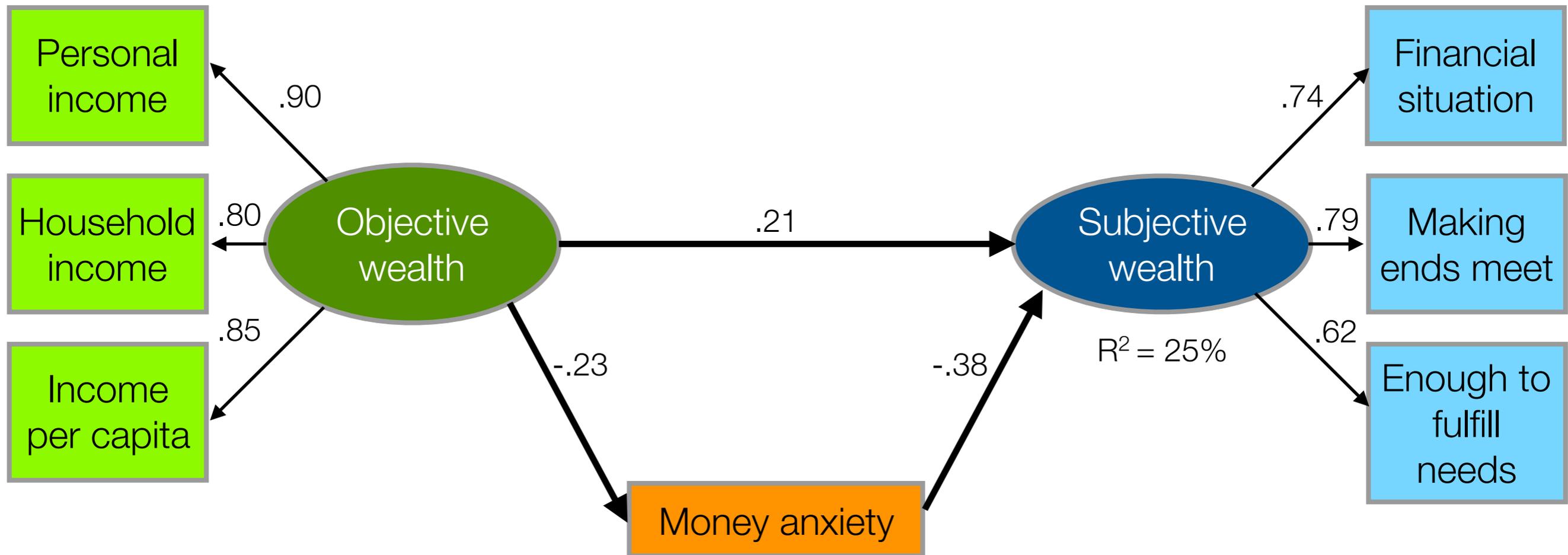
$\chi^2(40) = 71.35, p = .002,$   
 $\chi^2/df = 1.78, RMSEA = .05,$   
TLI = 0.87, CFI = 0.88,  
GFI = .95, AGFI = .92

## Difference between models

$\Delta\chi^2(16) = 42.34, p < .001,$   
 $\Delta CFI = 0.1, \Delta TLI = 0.1$

# Model testing (Multi Group Analysis)

Low financial control (n=182)



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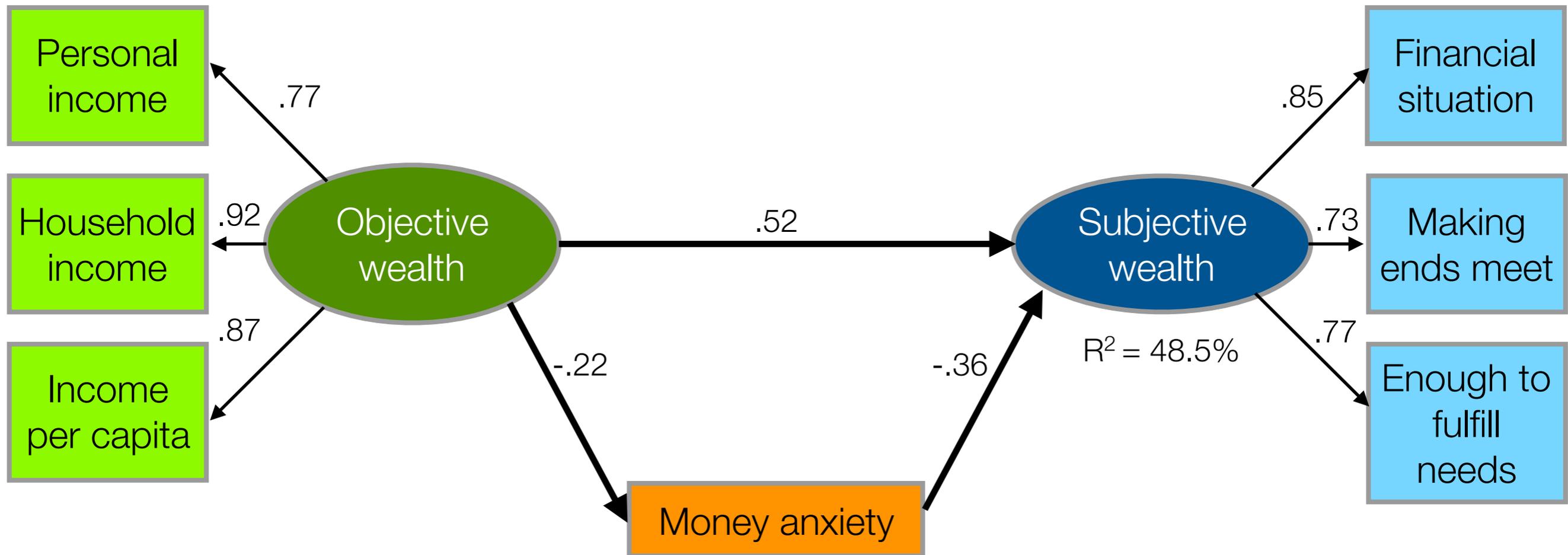
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High financial control (n=197)



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# Summary

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- Objective wealth had a significant but modest impact on its subjective perceptions
- Effects of money attitudes on the objective-subjective wealth relationship
  - Mediating effect of money anxiety
  - Moderating effect of financial control

# Mediating effect of money anxiety

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- Objective wealth and money anxiety

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  - Anxious individuals complain more frequently in general: they are less satisfied with their jobs (Zalewska, 2011), their relationships (Mikulincer & Shaver, 2007), and their lives (Guney, Kalfat, & Boysan, 2010)
  - People low in self-esteem, neurotic, and anxious both in general and financially often endorse materialistic traits or values (Chaplin & Roedder, 2007; Shafer, 2000)

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  - Materialistic people experience substantial discrepancies between what they have and what they would like to have, so they might feel like they do not have enough money to fulfill their desires, regardless of how much they earn (Solberg et al., 2002)

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- People who are good at budgeting, controlling, planning and monitoring their finances
  - assess their resources more accurately,
  - predict more effectively if they are able to achieve their financial goals,
  - adjust their standard of living to match their resources, and feeling more satisfied with their financial status

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- Those who are unable/unwilling to budget and plan their finances
  - fail to evaluate their financial situation on the basis of objective premises,
  - underestimate or overestimate their financial standing.
  - are more prone to irrational economic behavior, potentially leading to higher debts, fewer resources left for necessities, and in turn, to lower subjective wealth

# Limitations

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- Limited indicators of objective and subjective wealth
- Limited reliability of data acquired from participants
  - Non-response rate for income- and wealth-related questions can run as high as 25% or higher (29.8% for the current study)
  - Misreporting of income, both deliberate and unintentional
  - Individuals reporting their subjective wealth may not be aware of the total income coming from all sources in their household

# Thank you

Gąsiorowska, A. (2014). The Relationship Between Objective and Subjective Wealth is Moderated by Financial Control and Mediated by Money Anxiety. *Journal of Economic Psychology*, 43, 64-74