Protecting Well-Being through Financial Shocks

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Abstract

The ability to provide more than problem-solving interventions is useful in reducing client stress. Protective features can be built and amplified during financial uncertainty that may increase individuals' resilience against factors that have the potential to cause damage to their financial well-being. To understand the predictive relationship between financial stressors, prior financial experience and exposure, and resources impact on financial well-being, a three-model hierarchical multiple regression was conducted with financial well-being as the dependent variable. Greater availability of resources increased financial well-being above and beyond the effects of stressors and prior exposure and experience. However, it is important to note that greater availability of resources was not measured just by income, rather it was variables that assessed other forms of capital. Specifically, individual qualities such as self-control and perceived health positively contributed to financial well-being. Results indicate that maintaining financial well-being is about more than knowledge and skill. Increasing opportunities for financial socialization and building clients' sense of control may serve as a key buffer during times of financial stress.

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Introduction

In recent times, the phrase "unprecedented times" has become an almost ubiquitous part of our daily vocabulary due to its frequent use. Headlines concerning political upheaval (Apostolakis et al., 2021), allegations of Russian war crimes (Oxford Analytica, 2022), disruptions in supply chains (Ramelli & Wagner, 2020), and surging inflation rates (Dunsmir, 2022) have collectively contributed to a sense of impending financial crises. Financial counselors and planners have always been dedicated to helping clients deal with both large-scale financial shocks like these and deeply personal household shocks like divorce and health crises. The responses of individual clients to financial shocks are diverse from resilience and nonadaptation to destabilizing shocks that erode their financial well-being (Fox & Bartholomae, 2020). Which begs the question, what are the best ways of supporting clients to be able to buffer financial shocks? The purpose of this paper was to address strategies for maintaining and improving financial well-being among financial counseling and planning clients.

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While financial professionals can attempt to prepare households for potential financial shocks through the elements and strategies of a financial plan, they may also need to complement the provision of technical financial advice with emotional and social support when these shocks occur through counseling-like skills (Byram et al., 2023; Dubofsky & Sussman, 2011; Fox & Bartholomae, 2020). The capacity of financial professionals to address the psychological aspects of their clients, including financial stress, alongside relationship and behavioral issues, has become an integral facet associated with constructing and implementing a financial planning framework that leads to a trusting planner-client relationship (Byram et al., 2023; McCoy et al., 2022).

The primary objective of this study is to highlight the protective factors that financial counselors and planners can evoke in their clients, factors that could enhance clients' resilience when faced with financial shocks. Framed within the stress and coping theory (Lazarus & Folkman, 1986), this paper aims to explore how prior financial experiences and exposures might influence an individual's assessment and interpretation of financial shocks. Additionally, we seek to understand how an individual's past may affect their capacity to identify and utilize the financial, personal, and relational resources at their disposal, resources that foster financial well-being in the wake of financial shocks.

Framework and Related Literature

Lazarus and Folkman's (1986) stress and coping theory serves as a theoretical lens for understanding an individual's reactions during a time of financial stress. The theory posits that our ability to cope with a stressor event is dependent on our unconscious appraisal of the event that gauges (a) how large of a threat the stressor is to them (primary appraisal) and (b) their available resources (secondary appraisal) that could be utilized to overcome the stress (coping) (Lazarus & Folkman, 1986). The theory views stress and coping from a transactional perspective as stress is seen as a result of our unique psychological, social, and cultural make up that come into play in determining our stress experience. Stress is not seen as a universal experience but rather a byproduct of the interactions between our unique complex systems. This theory was developed to explain why individuals may have dissimilar reactions to the same stressor event. But, more importantly, this theory enables researchers to explore potential protective factors that increase resilience in light of stress.

Financial Stressors and Financial Shocks

Financial shocks and financial stressors are related concepts, but they are not identical. "Household financial shocks can result from decreases in income, such as job loss or reduced hours, or from increases in expenses due to emergencies, such as illness, injury, or damage to household possessions in natural disasters" (Sun et al., 2022, p. 1). These shocks often occur unexpectedly.

In contrast, financial stress refers to ongoing hardships, such as a household facing challenges in meeting basic needs due to a shortage of money. Material financial hardships typically have an immediate impact on households' consumption and their ability to cover essential expenses such as food, clothing, utilities, and transportation. Households experiencing high levels of financial stress may be more vulnerable and particularly exposed to adverse conditions.

Therefore, financial shocks can be characterized by their sudden and acute nature, necessitating immediate response, while financial stressors are generally ongoing issues that require long-term management and planning.

More specifically for the project at hand, utilizing this theory will allow us to understand why some financial planning clients can persevere and be resilient in light of financial shocks (e.g., sudden job loss or unemployment, major medical expenses due to accident or illness, natural disasters) or stressor events (e.g., income volatility, major debt, major car/home repair, ongoing medical bills), while others experience higher rates of emotional distress or crisis.

Primary Appraisal

Primary appraisal is the interpretation of the stressor event. It is the process of determining whether the stressor event is an irrelevant event, a positive event, or a dangerous event. A stressor

event can be defined as any event (real or perceived) that ignites the human stress response process. It is not the stressor event that is stressful but the bidirectional relationship between the stressor event and the primary appraisal process that determines if the stressor event will adversely affect one's well-being (Folkman, 1984). Primary appraisal is shaped by personal and situational factors.

Personal factors impacting appraisal of a stressor include values, ideals, and goals. This is how a person assesses the "stakes" that are involved with the stressor event (Folkman, 1984). For instance, compare a single individual experiencing financial stress with someone who sees themselves as a breadwinner for their family.

A single individual experiencing financial stress might see it as a challenge primarily affecting their lifestyle or future plans. In contrast, someone who identifies strongly with the role of a breadwinner views their ability to provide for their family as central to their identity. Therefore, financial stress for a breadwinner may feel much more consequential, impacting their sense of self-worth and responsibility.

Additionally, societal expectations can exacerbate the stress experienced by individuals. Failing to meet financial obligations might be perceived as a failure to fulfill societal and familial expectations, further increasing their stress.

Situational factors that may impact the primary appraisal processes are thoughts about how likely it is that the threat will actually happen, how much damage could result from the threat, and potentially most importantly, have they ever faced a similar threat before and overcome it (e.g., personal exposure or experience with the threat) (Folkman, 1984). Increased personal exposure and experience is an asset that protects against financial stressors ultimately creating an increased sense of well-being (Lazarus & Folkman, 1986). Gudmunson and Danes (2011) theorized about personal exposure and experiences as part of their model of financial socialization. Their model posits that our prior experiences and exposures around money (e.g., financial socialization processes) are key contributing factors to our financial attitudes, knowledge, and capabilities (Gudmunson and Danes, 2011). An individual may rely on their experience (socialization) in a time of financial stress. Financial stress can lead families feeling vulnerable and uneasy amid job loss and insecurities with basic needs. Many would agree that economic crises of this scale do not discriminate, as most families experience some form of economic stress or change in financial status because of the altering economic environment (Dew et al., 2012). However, Falconier (2015) suggested experiencing concerns about one's finances is not only limited to those who are facing objective economic hardship, but it extends to any individual that perceives that his or her resources are insufficient or inadequate to meet his or her financial needs.

Lazarus and Folkman (1986) described how the primary appraisal processes can end with one of three outcomes: threat, harm, and challenge. A threat response is the anticipation that this stressor event will harm them while the harm response is the belief that the stressor event has *already* damaged them. On the other hand, the challenge response is responding to the stressor event as something that will be faced and conquered. This is the resilience stress response. In our study, we incorporated a variable within the primary appraisal stage that looked at the participant's belief that they had a fair shot at economic mobility in the hopes this would be an indicator of their interpretation of financial shocks as a challenge rather than a threat or harm.

Secondary Appraisal

The secondary appraisal process is the analysis of the available resources. Individuals who have access to *greater* resources will feel less stress after assessing a situation compared to a person with fewer resources. The secondary appraisal is a crucial supplement to the initial assessment/appraisal, as it is the cognitive process when an individual evaluates his or her ability to take action to improve the stressful event (Lazarus & Folkman, 1986). For example, a widow who has been involved in the financial decision-making process and has a good relationship with a financial professional and/or lawyer, will have greater confidence in her financial security. As a result, the individual will

be more prepared to adapt during a time of financial stress, ultimately lessening the effect on their overall financial well-being.

It may be obvious to state, but financial resources are going to be key in increasing clients' ability to be resilient in light of financial shocks. Of course, high incomes and the ability to raise funds quickly will make financial shocks less detrimental, but resources may go beyond just income statements. Social capital theory argues that our relationships are a form of resources that can lead to economic benefits (Bourdieu, 1986). In a sense, social capital theory contends that relationships and networks can serve as invaluable resources, even yielding economic benefits (Hellerstein & Neumark, 2020). This theory encompasses various components, including marital status and access to community services, which collectively contribute to an individual's resilience in the face of financial shocks. More specifically, this theory showed how having strong relationships in your community with your informal networks (e.g., being married and/or friends to support you) and formal networks (e.g., knowledge of and access to organizations that can help you in your community) are powerful protective and resilient factors for individuals (Mancini et al., 2018). Social capital theory also argues that health is a key resource within individuals. Good health can enable greater social interaction and participation in economic activities, indirectly contributing to an individual's social capital. Additionally, access to healthcare resources and improved well-being associated with good health can further enhance an individual's capacity to build and leverage their social networks (Nieminen et al., 2013).

One additional personal resource that was included in our study was self-control. Self-control is often a measure included in studies examining financial behaviors. Early theorists in behavioral economics recognized self-control as essential in understanding why people do not act rationally when it comes to money (Shefrin & Thaler, 1988). Self-control has been linked to retirement planning (Kim et al., 2016), compulsive shopping (Horváth et al., 2015), and debt (Pelier et al., 2016). In a comprehensive study of self-control and financial well-being, Strömbäck et al. (2017) found that self-control impacted both their respondents' financial health (e.g., savings and behaviors), and also their emotional well-being related to money (e.g., financial anxiety and confidence).

Impact on Financial Well-Being

In the end, the theory of stress and coping (Lazarus & Folkman, 1986) attempts to understand how individuals perceive and respond to stressor events and how these processes influence well-being, in this case financial well-being. Financial well-being can be defined as the state wherein an individual has a sense of (a) control over day-to-day and month-to-month finances; (b) the capacity to absorb a financial shock; (c) being on track to meet financial goals; and (d) ability to make financial choices to enjoy life (CFPB, 2017). This definition was based on in-depth interviews with a diverse group of consumers, contains a subjective element that reflects people's expectations, preferences, and satisfaction with their financial situation. The stress and coping theory posits that coping is a subjective experience based on appraisals of oneself and one's resources. Numerous studies have utilized this scale to explore a wide range of topics, including consumer financial literacy, financial inclusion, materialism, personality traits, self-control, spending decisions, and financial shocks (Nanda & Banerjee, 2021). Findings from these studies highlight the need for financial practitioners to support client's in recognizing their self-appraisal and the resources within themselves and their networks.

Conceptual Model and Hypotheses

The conceptual model for this study is based on Lazarus and Folkman's (1986) stress and coping theoretical framework. Evidence has shown that financial stress has been found to be directly and adversely related to financial well-being, and experiencing stressful events such as economic shocks, job security, and monetary loss have been associated with increased financial stress among individuals (Choi, et al., 2020; Kelley, et al., 2023). Therefore, it is hypothesized that stressor events will have a negative effect on financial well-being.

> H1: Stressor events (i.e., financial shocks) are negatively related to financial well-being.

During a stressor event, an individual may rely on their prior experiences and exposures, which are the financial socialization instances in their past that provided them with the knowledge, capabilities, and personal factors (e.g., values) to assess the "stakes" of the stressor event. Early financial socialization experience has been found to be directly and positively associated with financial knowledge, and indirectly and positively associated with financial skill and subjective well-being (Fan & Park, 2021). Therefore, it is hypothesized that increased personal exposure and experience will help protect against financial stressors, creating an increased sense of well-being.

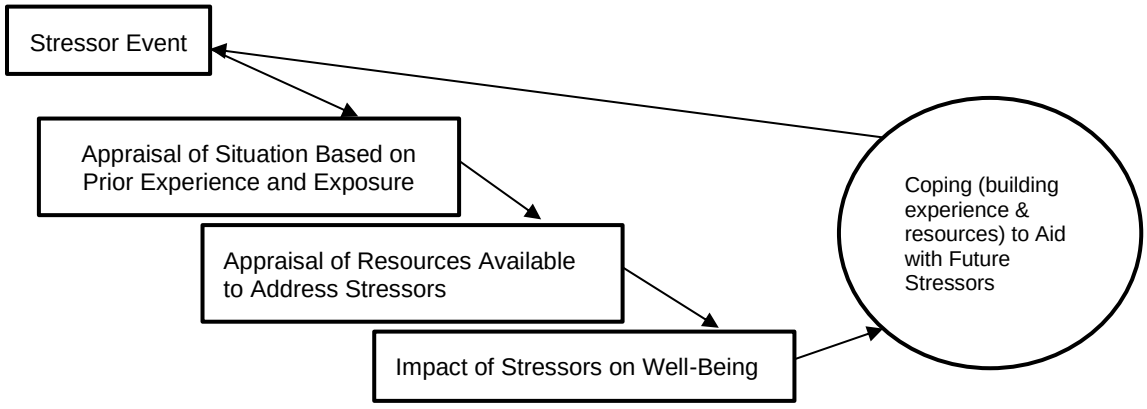
H2: Increased prior experience and exposure are positively related to financial well-being.

Financial resources objectively increase an individual's ability to be resilient in light of financial shocks, as high incomes and the ability to raise funds quickly may make financial shocks less detrimental; however, resources go beyond financial resources and extend to the ability to draw upon social capital. Social capital, our relationships and networks, serve as invaluable resources (Hellerstein & Neumark, 2020). Therefore, it is hypothesized that increased resources will help protect against and reduce the impact of stressors on financial well-being.

H3: Increased resources will significantly be positively related to financial well-being.

In summary, to address the impact of financial stressor events on well-being, it is important to examine past experiences and exposures and how that influences an individual's ability to call upon available resources to cope with the shock. To see a visual of this conceptual model please see Figure 1.

Figure 1. Lazarus and Folkman (1986) Stress and Coping Theoretical Framework



Methods

Data

This study used data from the CFPB's National Financial Well-Being Survey Public Use File (PUF), which includes the financial well-being scale. The CFPB designed the financial well-being scale based on extensive interviews, which emerged with four main themes including, having "control of day-to-day and month-to-month finances, having capacity to absorb a financial shock, being on track to meet financial goals, and having the freedom to make choices that allow enjoyment of life" (CFPB, 2017, p. 6)

All of the measures and variables used in this study were gathered from the CFPB Public Use File (PUF) published in September 2017. The sampling strategy for this study was designed to ensure adequate representation across populations, as well as an oversample of adults over the age of 62. The general sample (5,000 surveys) was used for this study. Sixteen surveys in the general sample were 60% incomplete and therefore removed from the sample, for a total sample size of 4,984 (Table 2.1). According to the CFPB (2017), the data were weighted for age, race/ethnicity, sex, education, household income, census region, home ownership status, and metropolitan area. The general sample generally

consisted of 2,261 males (53.4%) and 2,323 females (46.6%). The most represented groups were the 25 – 34-year-old (20.9%), white, non-Hispanics (73.4%), full-time employees (45.1%), and married respondents (58.9%).

Variable Measurement

Well-being. CFPB's Financial Well-Being Scale served as the outcome variable. The measure consists of 10 items assessing an individual's current financial situation, financial obligations, and how securely respondents feel about their financial future. Respondents were asked to indicate how statements such as ability to handle a major unexpected expense, never having the things one wants in life, concern about money lasting, feeling that finances control one's life, etc. applied to them where *1 = not at all/never and 5 = completely/always*. The internal reliability is good ($\alpha = .80$).

Stressors. We incorporated three variables to encompass stressors: household income volatility, financial shocks, and stress levels. Household income volatility was coded as 1 for respondents who stated their household income varies quite a bit from one month to the next and 0 for those who responded that income was roughly the same each month with some variability throughout the year.

Financial shocks captured within the data included losing a job, reduced work hours, foreclosure, major car/home repair, health emergency, divorce/separation, added child to household, death of primary breadwinner, receipt of large sum beyond normal income, child started daycare/college, and providing unexpected financial support to others. Respondents who did not experience any financial shock were coded as 0 versus 1 for respondents who experienced any shock.

Respondents were asked the degree to which they agree they had a lot of stress in their life where *1 = strongly disagree and 5 = strongly agree*.

Prior experience/exposure. For simplicity of model interpretation, age and education were treated as continuous variables in the regression analyses since the intent was simply to capture increased experience/exposure. Age was measured in the survey as *1 = 18-24 2 = 25-34, 3 = 35-44, 4 = 45-54, 5 = 55-61, 6 = 62-69, 7 = 70-74, 8 = 75* or *older*. Education was measured in the survey as *1 = less than high school, 2 = high school degree/GED, 3 = some college/associates, 4 = bachelor's degree, 5 = graduate/professional degree*.

As indicators of socialization, parent/guardian education was measured in the same five educational categories. Financial socialization was measured with seven items of a dichotomous response of yes or no in regard to the house in which one was raised: discussed family financial matters, spoke about importance of savings, discussed credit, taught how to be a smart shopper, taught that actions determine success, provided allowance, and provided savings account. The seven items were summed and treated as a continuous variable in the regression analyses.

Belief in economic mobility captured respondents' degree to which they agreed that everyone has a fair chance of moving up the economic ladder where *1 = strongly disagree and 7 = strongly agree*.

Resources. Once again for simplicity of model interpretation, household income was treated as continuous variables in the regression analyses since the intent was simply to capture increased resources.

The ability to absorb a financial shock (i.e., one's confidence in ability to raise $2,000 in 30 days) was captured in the survey as *1 = I am certain I could not come up with $2,000 2 = I could probably not come up with $2,000, 3 = I could probably come up with $2,000, and 4 = I am certain I could come up with the full $2,000*. Certainty in one's ability to raise $2,000 was the reference category in the regression analyses.

Respondents who were married or living with a partner were coded 1, otherwise 0. Self-reported health was coded as *1 = poor 2 = fair, 3 = good, 4 = very good, and 5 = excellent*. The coding was left as continuous for purposes of this study to indicate increasing health.

Self-control was measured by summing three items: I often act without thinking through all the alternatives, I am good at resisting temptation, and I am able to work diligently toward long-term

goals where *1 = not at all 2 = not very well, 3 = very well, and 4 = completely well*.

Access to resources was measured by summing two items: There are services in this area to help me and there are good work opportunities for me, if I choose to take them where *1 = strongly disagree* and *5 = strongly agree*.

Control Variables

As described in the literature review, gender and presence of financially dependent children was expected to impact perception of magnitude of financial shock as it would be related to the breadwinner identity. Therefore, these were included as control variables. Gender was coded *1 = male, 0 = female*. Presence of financially dependent children was coded 0, otherwise 1 if no financially-dependent children. In addition, race and ethnicity was captured within four categories of White, non-Hispanic; Black, non-Hispanic; Other, non-Hispanic; Hispanic due to the well-documented racial wealth gap found in the U.S. (Oliver & Shapiro, 2019). White, non-Hispanic was used as the reference group in the regression analyses.

Sample

The final sample size was 4,451. Approximately half of the sample was male (53%), majority reported being White and non-Hispanic, and in their late 30s to early 50's (age is categorical and the mean was 3.90 meaning in between category 3 (35-44 years old) and category 4 (45-54 years old). Interestingly, the majority were married/living with their partner (66%) but many did not have financially dependent children at the time of the survey (60%). For full descriptive information see the descriptive statistics shown in Table 1. See Appendix 1 for a correlation matrix (only correlations of $p < .05$ are shown in the matrix to aid in readability).

Analyses

The general purpose of a multiple regression is to model the relationship between two or more explanatory variables and outcome variables by fitting the linear equation to the observed data. The outcome of the multi linear regression then represents the best prediction of the dependent variable (Jeger et al., 2014). Therefore, to better understand the predictive relationship between financial stressors, prior financial experience and exposure, and resources and their effects on financial well-being, hierarchical regression models were computed. The first model controlled for participants gender, ethnicity, and if they had financially dependent children. The second model included prior financial experience and exposure, measured by age, education, parent's education, financial socialization, and beliefs in economic mobility. Lastly, the third model included resources, assessed by household income, the ability to absorb shocks, marriage / partner status, self-assessed health, self-control, and access to resources.

Table 1. Descriptive Statistics (N = 4,451)

Variables	*Mean*	*SD*	*Range*
Outcome			
Financial well-being score	55.05	13.81	14-95
Stressors			
Volatile income	0.07	0.25	0-1
Experienced financial shock(s)	0.52	0.50	0-1
Stress	3.25	1.07	1-5
Prior experience / exposure			
Age category	3.90	1.95	1-8
Education category	3.19	1.18	1-5
Parent education category	3.04	1.23	1-5
Received financial socialization	3.65	2.20	0-7
Believe in economic mobility	4.68	1.67	1-7
Resources			
Household income category	5.70	2.65	1-9
Ability to absorb shock			
I am certain I could not come up with $2k	0.13	0.34	0-1
I could probably not come up with $2k	0.08	0.26	0-1
I could probably come up with $2k	0.15	0.36	0-1
I am certain I could come up with full $2k	0.66	0.47	0-1
Married / living with partner	0.66	0.47	0-1
Self-assessed health	3.48	0.92	1-5
Self-control	7.87	1.24	3-12
Access to resources	7.08	1.878	2-10
Controls			
Male	0.53	0.50	0-1
Race/Ethnicity			
White, non-Hispanic	0.74	0.44	0-1
Black, non-Hispanic	0.08	0.28	0-1
Other, non-Hispanic	0.06	0.23	0-1
Hispanic	0.12	0.33	0-1
No financially dependent children	0.60	0.49	0-1

Notes: We used the computed CFPB's Financial Well-Being Scale score. Please see text for categorical variables. All variables were normally distributed except for income volatility, which has a higher peak and right skewness. Before dichotomizing income volatility, skewness was 1.52 and kurtosis was 1.18.

Table 2. Summary of Hierarchical Regression Analysis for Variables Predicting Financial Well-being (N = 4,451)

Variable	Model 1 *B*	Model 2 *B*	Model 3 *B*
Controls			
Male	0.00	-0.80*	-1.30***
Race/Ethnicity (ref = White, non-Hispanic)			
Black, non-Hispanic	-3.89***	-2.109***	-0.63
Other, non-Hispanic	-2.10**	-1.39	-0.40
Hispanic	-3.18***	-0.60	1.01*
No fin. dep. child	0.81*	0.76*	1.62***
Stressors			
Volatile income	-4.30***	-2.70***	-1.66**
Exp. fin.shock(s)	-3.06***	-2.60***	-1.31***
Stress	-5.48***	-4.48***	-3.19***
Prior exp./exposure			
Age		1.24***	0.90***
Education		2.49***	0.47**
Parent education		0.44*	0.12
Received fin. socialization		0.64***	0.17*
Belief in economic mobility		1.51***	0.74***
Resources			
Household Income			0.71***
Absorb shock (ref = could raise $2k)			
Could not raise $2k			-12.22***
Probably could not raise $2k			-9.02***
Probably could raise $2k			-7.21***
Married/ partner			0.99**
Self-assessed health			1.00***
Self-control			0.56***
Access to resources			0.86***
R^2	.24***	.36***	.53***

Note: *p < .05. **p < .01. ***p < .001

Results

To understand the predictive relationship between financial stressors, prior financial experience and exposure, and resources impact on financial well-being, a three-model hierarchical multiple regression was conducted with financial well-being as the dependent variable.

Model 1, testing the control variables and financial stressors, was significant (R^2 = .24, p <.001). Across each model Black, non-Hispanic, Other, non-Hispanic, and Hispanic maintained negative relationships with financial well-being, with the exception of Hispanic later in Model 3. Gender was not a significant predictor of well-being when controlling for race/ethnicity, dependent children, and financial stressors. Having no financially dependent children in the home was statistically associated with higher financial well-being (b = 0.81, p < .05).

As expected, the presence of financial stressors were among highest contributing factors to financial well-being in Model 1 and throughout Model 3. Specifically, volatile income (b = -4.30, $p < .001$), experiencing a financial shock (b = -3.06, $p < .001$), and general stress (b = -3.18, $p < .001$) were all negatively associated with well-being.

The addition of prior exposure and experience (represented by age, education, parent's education, financial socialization, and beliefs in economic mobility) resulted in a statistically significant Model 2 explaining 36% of the variance ($R^2 = .36$, $p < .001$). Older age (b = 1.24, $p < .001$), more education (b = 2.49, $p < .001$), greater parental educational attainment (b = 0.44, $p < .001$), greater financial socialization (b = 0.64, $p < .001$), and belief in economic mobility (b = 1.51, $p < .001$) were all statistically positively associated with financial well-being. Gender became statistically significant in Model 2 with males being correlated with negative financial well-being as compared to females (b = -0.08, $p < .05$).

Lastly, Model 3 was significant with 17% higher explained variance ($R^2 = .53$, $p < .001$) with the inclusion of resources in explaining financial well-being. Naturally, greater availability of resources increased financial well-being above and beyond the effects of stressors and prior exposure and experience. It is important to note that greater availability of resources was not measured just by income, rather it was variables that assessed other forms of capital. Income from households was positively associated with higher financial well-being (b = 0.71, $p < .001$) and the lack of ability to absorb a financial stock of $2,000 was the largest overall contributor to financial well-being with betas ranging from -7.21 to -12.22 ($p < .001$).

Further, individual qualities such as having a partner within the home (b = 0.99, $p < .001$), being in good health (b = 1.00, $p < .001$), self-control (b = 0.56, $p < .001$), and having people to turn to for resources, if needed (b = 0.86, $p < .001$), were all statistically significant in predicting higher financial well-being.

Limitations

The results should be interpreted with caution, as populations different from the sample used in this study may have different experiences with financial shocks and well-being. Additionally, while the CFPB (2017) Financial Well-being Scale operationalized financial well-being as a multidimensional construct, measures and definitions of financial well-being remain consistent across the literature. This study aimed to broaden our understanding of the multidimensional nature of financial well-being. Despite these efforts, we must acknowledge the limitations of our study, particularly regarding the diversity of experiences across different populations. These variations highlight the need for further research to ensure that our understanding and measurement of financial well-being are inclusive and accurately reflect the experiences of diverse groups that differ from the sample used in this study may have different experiences to financial shocks and well-being. Finally, longitudinal data would offer insights into the current study's limitation of cross-sectional data that cannot truly assess if appraisals preceded behavior.

Discussion

In this study, Lazarus and Folkman's (1986) stress and coping theory offered a comprehensive framework for understanding individual reactions to financial stress. The theory's core premise is that the way individuals appraise stressors and the resources they have at their disposal significantly influences their ability to cope with financial shocks. This appraisal is influenced by personal factors, such as values and goals, and situational factors, such as past experiences with financial difficulties, as well as financial assets, social capital, and personal attributes like self-control and self-efficacy. To understand the predictive relationship between financial stressors, prior financial experience and exposure, and resources' impact on financial well-being, a three-model hierarchical multiple regression was conducted with financial well-being as the dependent variable. Our hypotheses that individuals experiencing a stressor event or financial shock would subconsciously engage in a primary appraisal of their past experiences and exposures to finances to determine if the financial shock was truly a threat, and that additional resources would

be considered during a secondary appraisal process if the event was identified as a threat was supported by the results.

Empirical results from the hierarchical multiple regression analysis underscore the importance of these appraisal processes in shaping financial well-being. Model 1 included control variables (race/ethnicity, gender, and dependent children) and financial stressors, and was significant (R^2 = .24, p <.001). The analysis revealed significant disparities in financial well-being among different demographic groups, with Black, non-Hispanic, Other, non-Hispanic, and Hispanic individuals showing negative relationships with financial well-being, except for Hispanic individuals later in Model 3.

Unfortunately, the financial literacy racial/ethnic gap among Americans is well documented (e.g., Al-Bahrani et al., 2019; Lee & Kim, 2022; Kim et al., 2011). Previous research reveals that Black and Hispanic individuals are more likely to fall within the lower half of the income distribution, report diminished financial health, and exhibit lower financial literacy scores (Al-Bahrani et al., 2019). These disparities are associated with reduced financial well-being (Kim et al., 2011). This disparity is also observed in differences by socioeconomic status, children from higher socioeconomic backgrounds are exposed to better experiential learning of finances (e.g., financial socialization). These inequalities are often observed by differences in access to opportunities (e.g., social mobility) and available financial resources (explored in Model 3).

The presence of dependent children was included as a control due to the increased financial responsibility associated with having children (Sun et al., 2022). Race and gender were included as controls as research has found differences in financial socialization due to these factors (e.g., Cameron-Agnew, 2015; Kim et al., 2011) Research exploring financial socialization and race found evidence that there are systematic factors of financial socialization that disproportionately disadvantaged people who are non-white (Gutter et al., 2010). Notably, white children and emerging adults have been found to receive more direct parent-child financial discussion (e.g., explicit financial socialization) and are more likely to have savings accounts than their non-white peers (Kim et al., 2011).

Regarding gender, there have been mixed results for differences between genders and financial socialization. Interestingly in our study males had an increasingly significantly negative relationship with financial well-being when controlling prior experience and exposure and resources. Cameron-Agnew (2015) suggested that parents seem to engage in more direct financial conversations (i.e., explicit socialization) with males younger than females. While Tang et al. (2015) found parental influence improves females' financial behavior more than men. Yet, more recently Agnew et al. (2019) did not find any gender differences in rates of financial socialization. Falahati and colleagues (2015) also looked at determinants of financial well-being, examining gender, and found that among Asian college students males and females perceive different levels of financial strain, and that financial management is the strongest predictor of well-being for males, while among females it is financial knowledge and literacy. Furthermore, their findings revealed that peers, media, and other socializing agents had a positive effect on financial strain among men while females were more affected by the negative effects of financial attitudes in managing their finances. These equivocal secondary effects may further reveal the influence of additional socialization agents impacting financial well-being and financial strain between genders. The results of this study are interpreted to mean that gender differences in well-being are better explained, in part, by increased experience and access to resources.

These findings are consistent with Lazarus and Folkman's (1986) stress and coping theory, which highlights how both personal and situational factors shape the primary appraisal of financial stressors. Disparities in financial well-being among different racial and ethnic groups, as well as those with different socioeconomic statuses, highlight the role of personal and situational factors in shaping how financial stressors are appraised and managed. Children from higher socioeconomic backgrounds, for example, may be exposed to better experiential learning of finances (e.g., financial socialization),

which underscores the theory's assertion that past experiences and exposures play a crucial role in the primary appraisal process. These inequalities are often observed by differences in access to opportunities (e.g., social mobility) and available financial resources, further explored in subsequent models.

These findings lead to our next model, which incorporates prior exposure and experience regarding financial socialization. Model 2, which added variables such as age, education, parent's education, financial socialization, and beliefs in economic mobility, was statistically significant, explaining 36% of the variance in financial well-being (R^2 = .36, p <.001). This suggests that financial socialization is a critical factor in building resilience and reducing overall stress related to financial well-being. Much of the learning attributed to socialization occurs through behavior modeling and the implicit transfer of information observed in one's environment. Parents who explicitly and positively influence their children's financial knowledge and skills have been found to enhance their children's future financial competencies, such as effective money management (Van Campenhout, 2015). Additionally, while parental influence is crucial during childhood, financial socialization continues throughout the lifespan, with age and education also showing statistically significant positive effects on well-being.

Model 2's findings support the theory's notion that past experiences shape how financial stressors are appraised, reinforcing the role of financial socialization. Individuals with positive financial experiences and effective financial socialization during their upbringing demonstrated greater resilience in the face of financial stress. The inclusion of resources in Model 3 further underscored the critical role of secondary appraisal. Access to financial resources, strong social networks, and personal traits like self-control significantly enhanced financial well-being, highlighting the importance of evaluating and mobilizing resources to cope with financial stress. This comprehensive approach, integrating primary and secondary appraisal processes, underscores the multifaceted nature of financial resilience and well-being.

Lastly, Model 3 was also significant (R^2 = .53, p <.001) based on resources. With the addition of resources in Model 3, Models 1 and 2 remained significant. Naturally, a greater availability of resources increased financial well-being beyond the effects of stressors and prior exposure and experience. However, it is important to note that the greater availability of resources was not measured solely by income but also by other forms of capital. Research has shown that having strong relationships within your community, including informal networks (e.g., a partner or friends to support you) and formal networks (e.g., knowledge of and access to helpful organizations in your community), are powerful protective and resilient factors for individuals (Mancini et al., 2018). This web of support appears to be a strong indicator of resilience in light of financial stressors.

Furthermore, individual qualities such as self-control (e.g., the ability to resist urges, self-regulation) and self-efficacy have been noted as key attributes to social mobility and are further associated with better financial behavior and financial well-being (Lind et al., 2020; Stromback et al., 2017). Dare et al. (2022) found that financial self-efficacy was positively related to positive financial behaviors and financial well-being; relatedly our findings confirmed a statistically significant relationship between self-control and financial well-being.

Interestingly, there was not a significant relationship between parents' education and financial well-being, but perhaps individuals who are married are more likely to turn to their partner as a resource and rely more on their own financial household income and resources. Further, having no financially dependent children was found to remain statistically significant across all three models.

The findings indicate that financial well-being is a multifaceted construct influenced by a combination of demographic factors, financial socialization, and resource availability. Persistent disparities observed across race and gender suggest that systemic issues, such as unequal access to financial education and resources, continue to impact financial well-being. Moreover, the significant role of financial

socialization highlights the importance of early financial education and positive parental influence in building financial resilience. Access to resources, both financial and social, emerged as a crucial factor in mitigating the impact of financial stress, underscoring the need for policies and programs that enhance resource availability and support networks.

Combining the insights from the stress and coping theory with these empirical findings provides a deeper understanding of financial resilience. It underscores the importance of addressing systemic disparities in financial education and resource access, promoting early financial socialization, and fostering strong social support networks. By doing so, we can enhance individuals' ability to cope with financial stress, ultimately improving their overall financial well-being. This integrated approach not only aids researchers in identifying protective factors that increase resilience but also informs policymakers and practitioners in developing targeted interventions to support vulnerable populations in navigating financial challenges.

Given the known associations between financial skills and financial well-being (Haynes-Bordas et al., 2008), the findings in this study are consistent with previous research: maintaining financial well-being is about more than knowledge and skill. The individual's beliefs and behaviors about money also play a crucial role in sustaining financial well-being during times of financial stress. As the current findings suggest, financial socialization matters. The key drivers of individuals' financial beliefs significantly impact their financial well-being and may serve as critical buffers during times of financial stress. With explicit talk of socialization, individuals are better prepared to adapt to financial shocks, ultimately lessening the effect of the shock on their overall financial well-being.

Practical Implications

Findings of this study provide support for financial counselors and planners to engage in more holistic and personalized financial conversations. As financial professionals engage with clients about their financial past, the client may discover patterns and behaviors that were previously unknown to them (positive or negative). Such discoveries may serve as motivators for the client, thus encouraging the client to further invest in their skills and self-efficacy. In addition, these conversations regarding clients' money stories may enrich the planner-client relationship and improve trust, commitment, and retention (e.g., Britt, 2016; Kahler, 2012; Sharpe et al., 2007). For example, financial professionals can ask questions similar to ones developed by Mumford and Weeks (2003) such as:

- What is your earliest money memory?
- What was your parents' role around money in your household? Is your role in your relationship similar or different?
- As a kid, did you see yourself as rich or poor and how accurate were those perceptions?
- In what ways did your parents align with their financial beliefs, and where were some areas of disagreement?

There is an important caveat to asking questions that aid clients in exploring their financial socialization. Lurtz (2022) described how sensitive and emotionally laden these conversations can be for some clients. Lurtz described how important it is to have a strong and trusting relationship with your client and foreshadow these conversations. The goal is to facilitate their own self-exploration and experiences to discover their internal and external resources that can aid in future stressful situations, not to cause more stress for the client. So, although a financial professional does not need to become a mental health professional to ask these types of questions, it can also be beneficial to seek out training in client psychology to ensure you have the skills to navigate these conversations and the potential emotions that may arise as a result. Grubman et al. (2023) described Wealth 3.0, in part, as the next evolution of financial planning focused on more collaborative interaction among professions and cross-discipline training. With enhanced awareness and comfort in talking across professions, financial planners can make mental health referrals as seamlessly as they make tax or estate referrals.

When stress arises, we tend to focus on problem solving. We want to face the stressor head on and create a game plan to resolve financial problems. This is an important coping strategy and will benefit many of our clients (e.g., Zhang et al., 2019). However, Lazarus and Folkman (1986) theory of stress and coping and the results of our study suggest that sometimes just focusing on the numbers will not be enough. That is why financial counselors and planners need to be aware of a second type of coping, emotion-focused coping. Emotion focused coping focuses on regulating your feelings and emotions to the problem. Emotion-focused coping is advantageous when you can't solve the problem right away or it is outside your control to change. Emotion-focused coping strategies are stress management techniques such as talking about your stressors with someone you trust, journaling, talk therapy, and mindfulness. These can be a powerful tool to supplement problem solving. In essence, the financial professional's job is to help clients use problem solving strategies to address problems they can control. However, it is also important for professionals to help clients address underlying thoughts and emotions that are arising for them during a crisis situation.

The CFP Board (2022) recently added the psychology of financial planning to their educational and exam requirements and released a book on how financial planners can improve their understanding of psychological tools and techniques to address underlying thoughts, beliefs, and biases especially during crises. That said, financial planners are trained to be financial professionals rather than mental health professionals. In addition to focusing on acquiring skills to aid in emotional coping (in general and considering a financial shock), it is also important to create a referral network to mental health professionals and financial therapists that can provide additional support to your clients. Individuals with more positive financial behaviors are associated with more stable financial situations, which is consequently associated with an improved sense of well-being. Improving clients' skills and sense of confidence is a pathway toward happier clients.

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Appendix A

Table A1. Correlations for study variables, Income Volatility, Shocks, Stress, Age, Education, Parent Education, Financial Socialization, Mobility, Household Income, Absorb Shock, Married, Health, Self-Control, Access to Resources, and Financial Wellbeing (N = 4,451)

	Volatile Inc.	Shocks	Stress	Age	Educ.	Parent Edu.	Fin. Soc.	Mobility	HH Inc.	Absorb Shock	Married	Health	Control	Access
Vol. Inc.														
Shocks	-0.09													
Stress	0.08	-0.17												
Age	-0.06	0.09	-0.27											
Education	-0.10													
Parent Ed.	-0.07			-0.15	0.67									
Fin. Soc.	-0.07	0.04	-0.05	-0.14	0.27	0.29								
Mobility		0.07	-0.16	0.05	-0.07	-0.06	0.11							
HH Inc.	-0.12	0.08	-0.08	0.04	0.51	0.39	0.22	0.08						
Ab. Shock	-0.05	0.13	-0.18	0.13	0.13	0.10	0.10	0.11	0.22					
Married	-0.04		-0.08	0.13	0.13	0.05		0.07	0.29	0.07				
Health	-0.05	0.11	-0.22	0.13	0.26	0.24	0.23	0.14	0.29	0.14	0.08			
Control	-0.03	0.04	-0.09	-0.04	0.04	0.05	0.13	0.15	0.06	0.09	0.05	0.22		
Access	-0.05	0.04	-0.12	-0.13	0.20	0.17	0.24	0.25	0.20	0.12	0.04	0.26	0.20	
Fin. Well	-0.13	0.20	-0.45	0.27	0.26	0.17	0.19	0.25	0.39	0.36	0.17	0.30	0.18	0.30

Only correlations of $p < .05$ are shown.