Conference Proceedings

Partnerships in Managing Quality of Life: Families, Consumers — Academia, Business, Industry, Government

16th Annual
Southeastern Regional
Family Economics/Home Management
Conference

February 5, 6, 7, 1987

Chattanooga Choo Choo
Choo Choo Hilton
Chattanooga, Tennessee
Determinants of Household Interaction
Patterns in Family Finance Areas

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ABSTRACT

The overall purposes of this paper are to describe the interaction patterns of a household with respect to family finances and to identify the sociodemographic factors that influenced the interaction patterns. Data were collected by means of personal interviews which were conducted with money managers of 198 randomly selected households. According to data collected a majority of the respondents reported that they talked about money with their spouse, friends, parents and children, but seldom with in-laws, other relatives or persons outside of the family. It was also reported that frequency of interaction with the above mentioned individuals about financial matters increased when households faced financial difficulty. Money managers who had higher scores on the interaction scale were more likely to be younger, to be married, to be more highly educated, and to reside in larger households.
Determinants of Household Interaction

Patterns in Family Finance Areas

The overall purposes of this paper are: (1) to describe the interaction patterns of a household with respect to family finances, (2) to identify the sociodemographic factors that influence these interaction patterns, and (3) to ascertain the impact of interaction patterns on household's solvency status.

Family therapists, researchers and educators place great importance on family interaction. Financial counselors point out that there are certain common characteristics in families seeking help with their financial problems. Almost always in such situations there is a lack of interaction between husband and wife regarding family finances (Horner, 1981). Researchers involved in the General Mills American Family Report (1974-1975) explained that money caused more family arguments than did any other subject. Nyhre (1979) states that such arguments occur because of the inability of family members to communicate frankly and freely with one another about money. (Landis and Landis reported that couples spent more time working out problems centering around money than they spent in resolving problems in any other area except sexual relations. Approximately one couple in five had never agreed about financial matters although they had been married an average of twenty years (Landis and Landis, 1977).
According to Curran's findings more marriages suffer from
disagreement on how to spend money than on insufficient money. In
her study finances were chosen as a top stressor by 58 percent of
married men, 66 percent of married women, and 87 percent of single
mothers (Curran, 1985).

In an extensive review of the literature pertaining to family
financial management no studies were found which related skills in
communication to the solvency status of the household; it is the
view of the current authors that this relationship needs to be
extensively studied, especially in view of the current economic
climate.

Review of Literature

There is a great deal of research which has investigated the
influence of communication on matters such as marital quality and
satisfaction, decision-making, conflict and family planning
(Navran, 1967; Miller, 1976; Davis, 1976; Gilbert, 1976). Other
areas which have been studied include: frequency of
communication, elements differentiating good and bad communication
in normal versus abnormal families, and nonverbal communication
(Klatsky, 1972; Riskin and Faunce, 1972; Sabatelli, Buck, and
Dreyer, 1982). The relationships between communication and
socioeconomic and demographic variables such as income, labor
force participation, household size and education have also been
examined (Jorgensen, 1979; Savage, 1980; White, 1983).
The literature on marital quality consistently points to the amount of husband-wife interactive communication as being an important determinant of marital happiness. There has been some confusion in the literature, however, about whether such interaction is the cause, the consequence, or a structural part of marital happiness (Honeycutt, Wilson, and Parker, 1982; Murphy and Mendelson, 1973; Navran, 1967).

The majority of research concerning decision making by husband- and-wife pairs seems to be centered on attempting to determine who is involved in making various decisions and tasks. A number of studies have shown a high degree of joint decision making (Davis, 1976; Davis and Rigaux, 1974; Munsinger, Weber and Hansen, 1975; Peterson, 1968; Winter, Ferreira, and Bowers, 1973).

Researchers have used two basic approaches for studying marital conflict. In one type of experiment couples are asked to answer questionnaires concerning their interaction during previous conflict situations. In the other, conflict is experimentally simulated by inducing disagreement in a laboratory setting. Under these circumstances each spouse's behavior is recorded and is later analyzed by trained raters. Family conflict may, from a systems point of view, function as an especially important mechanism for adaptation. There do seem to be definitive differences in how families handle conflict, according to the research literature (Gilbert, 1976; Landis and Landis, 1977;

Other studies reviewed dealt with frequency of communication and level of satisfaction with communication (Snyder, 1979; Sullaway and Christensen, 1983; Williams, 1974), communication and family planning (Bean, Clark, Swicegood, and Williams, 1983; Muhkerjee, 1975), and communication and television viewing (Brody, Stoneman and Sanders, 1980). Only one study was found which looked at communication specifically related to money management practices (Guadagno, 1981). In that study the researcher found several kinds of important feedback: calling creditors if statements disagree with the family financial manager’s estimate of payment, informing the spouse if one overspends, and keeping knowledgeable concerning amount of spending. This study was descriptive in nature and did not attempt to show a relationship between feedback and the degree of solvency of the household. Williams & Berry (1984) studied intensity of family disagreement over finances. They concluded that stress and reduced maximization of resources implied by a high percentage of families reporting intense disagreement over finances ultimately affect their well being.

Conceptual Framework

The managerial systems model as developed by Deacon and Firebaugh (1981) was used as the framework to identify concepts and to describe the nature and direction of relationships. Three
components of this model are inputs, throughputs and outputs. Inputs include resources, and resources are the means used for meeting demands, and these may be material or human resources. Goals and events that require action are also identified as inputs. Throughputs to this model are divided into two subsystems: the person and managerial. Through the personal subsystem interpersonal relationships are evolved. In the managerial subsystem, family resources are used to meet the goals of the total system. Planning and implementing are part of this subsystem. Planning is defined as a series of decisions concerning standard and/or sequence of actions (Deacon and Firebaugh, 1981). Implementing involves actuating and controlling. Outputs are defined as met demands and used resources which result from transformations in the managerial system in response to demand and resource inputs. For the purpose of this study sociodemographic characteristics were identified as inputs to the system. Family interaction patterns were identified as part of the personal subsystem: a component of throughputs. Solvency status, measured by debt-to-income ratio was characterized as output of the system.

Procedures

Hypotheses:

1. The family interaction patterns regarding finances are affected by socioeconomic characteristics of the household.
2. Household's solvency status is influenced by family interaction patterns regarding finances.

Sample

The data used for this study are from a survey conducted during the winter of 1982. These households were randomly selected from a midwest town with a population of 27,000, using area sample representatives of all housing units in the city. This area offered a diversified sample due to its varied industrial and agricultural mix of population. A total of 252 housing units were selected; 11 of these were not occupied, and 30 refused to participate in the study. The data were obtained through personal interviews with 201 money managers. Three cases were deleted due to missing information on a large number of items in the questionnaire, reducing the sample size to 198. The data collection process was administered by trained interviewers under the supervision of the statistical laboratory.

The information was obtained from the money managers of the household. Interviewers were instructed to ascertain which person in the household was the money manager by asking, "who manages the money in the household?" Completion of the personal interviews required an average of 45 minutes with a range of 15 minutes to 90 minutes. The questionnaire included open ended, closed ended questions and many five-point Likert-type scales.
The Variables.

Socio-demographic variables included marital status, household size, number of years married, sex, age, education, employment status, and occupation of the money manager. Interaction variables included: (1) spending limits before having to consult their spouse; (2) identity of the person with whom money managers talked about money matters, (3) frequency of interaction about money matters with this person, (4) identity of the person with whom money managers talked about money matters when experiencing financial difficulties, (5) frequency of interaction about money matters with this person, (6) frequency of argument about money by money manager and the spouse, and (7) manner of resolution of arguments about money. Categories for identity of persons with whom the money managers talked were spouse, friends or co-workers, parents, children, in-laws, other relatives, and others. Frequency of talking and arguing was recorded on a five-category scale; never, seldom, sometimes, often, and a great deal.

Family interaction in this study was limited to interaction related to financial matters only. It was based upon reported frequency of talking about money with various people. It was not a measure of the nature of that interaction. Limitation of this variable is recognized by the researchers. There is a real possibility that actual interaction was different from the
reported interaction.

In this study, household solvency status was ascertained by calculating the household debt-to-income ratio. This ratio was determined by dividing the total debt obligation of the money manager's household by the cumulative net income of all persons in the money manager's household. To ascertain debt obligation, the money manager was asked to indicate the amount of money owed on the following items at the time of the interview: credit or charge cards, home improvement or furnishing loans, automobile or other vehicle loans, consolidated loans, outstanding hospital, medical or dental expenses, and other personal or nonbusiness loans. To ascertain the net income, the money manager was asked to indicate the approximate income from all sources received by all household members in 1982, including wages, salaries, investment income, business or farm income, social security, retirement payments, child support payments, and income from any other source.

Results

The majority of money managers were female with a median age of 41; married 16 years, employed full time in either clerical, service or sales work, lived in a two person household, and had 12 years of education. Median income for the household in 1982 was $18,000 (mean was $21,500), with an average net worth of $52,000. The median debt obligation for the sample was approximately
$2,516. On an average, total debt for these households was equal to 14 percent of their disposable income. However, debt obligations for a majority of the households varied between 10 to 20 percent of their disposable income.

Interaction Patterns

When the married money managers were asked if they had a set amount they could spend without consulting each other, 110 (82%) said "no." Although consulting may occur, it appeared that for the majority there were no set guidelines to determine the need for communication on this matter. The actual amount that they could spend without consulting ranged from five dollars to $200, with the majority reporting from $25 to $50.

A series of questions were asked to determine the identity of the person(s) with whom the money managers talked about money matters and the frequency of such communications. Of the 136 who were married, all but one indicated that they talked to the spouse (see Table 1). The one money manager who indicated that he never talked to his spouse had been married 42 years. His wife was incapacitated with Alzheimer's Disease and was residing in a nursing home. His responses to the other interaction questions indicated that whenever the question was applicable, he talked about money matters "sometimes." It appears to be reasonable to assume that when communication with his wife had been possible it had occurred. It is also important to note that almost 68 percent
indicated that they "often" talked with the spouse about money.

Table 1.
Frequency of Communication on Money Matters

<table>
<thead>
<tr>
<th>Category</th>
<th>Talk With Spouse</th>
<th>Talk With Friends or Co-workers</th>
<th>Talk With Parents</th>
<th>Talk With Children</th>
<th>Talk With In-laws</th>
<th>Talk With Other Relatives</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>N</td>
<td>%</td>
<td>N</td>
<td>%</td>
<td>N</td>
<td>%</td>
</tr>
<tr>
<td>Never</td>
<td>1</td>
<td>0.7</td>
<td>56</td>
<td>28.2</td>
<td>49</td>
<td>32.8</td>
</tr>
<tr>
<td>Sometimes</td>
<td>92</td>
<td>67.7</td>
<td>31</td>
<td>16.7</td>
<td>75</td>
<td>17.2</td>
</tr>
<tr>
<td>Total</td>
<td>136</td>
<td>100.0</td>
<td>188</td>
<td>100.0</td>
<td>145</td>
<td>100.0</td>
</tr>
</tbody>
</table>

All of the money managers responded to the question of how often they talked with friends or co-workers, twenty-eight percent, (as noted in Table 1) indicating "never," but the majority indicating either "sometimes" or "often."

Of the 145 money managers who had parents living, 66 percent talked to them either "sometimes" or "often" about money matters. The other 33 percent indicated that they never talked to their parents (see Table 1). Of the 144 money managers who had children, a slight majority (53%) talked to them some of the time.

The interaction patterns were different with the next three groups. In examining Table 1, it can be seen that of the 146 money managers who had in-laws, the majority indicated that they "never" talked to them about money matters.
A slight majority of the money managers (57%) indicated they "never" talked to other relatives about money. An overwhelming majority, 82 percent, of money managers indicated that they "never" talked to persons other than relatives about money matters. The 35 money managers who indicated that they talked to non-family members were asked to categorize the persons to whom they talked. The list included broker, banker, insurance agent, attorney, income tax man, financial advisor, church bishops and ministers, and other neighbors.

Interaction Patterns During Financial difficulties

The next series of questions was asked in an effort to discover whether interaction patterns changed when families were experiencing financial difficulties. They were to report if there was a change in the frequency with which they talked and the person to whom they talked. Researchers recognize the limitation of this variable, the reported information may be different from what actually happened. Only 48 (24%) of the money managers indicated that they had experienced financial difficulties over the past five years. These managers were then asked to identify the persons to whom they talked and to indicate the frequency of these interactions. Table 2 presents the responses to these questions.

In the cases in which there were financial difficulties, the managers still talked "sometimes" or "often" to spouse, friends,
parents, and children, but “seldom” or “never” to in-laws, other relatives, and non-family members. An interesting pattern emerged when the two groups of interaction questions were compared. The relative frequencies in the response category of “often” increased under circumstances of financial difficulties in comparison to talking about money matters in general. Seventy-four percent, compared to 68 percent, talked “often” to the spouse; 26 percent, compared to 17 percent, talked “often” to friends; 33 percent, compared to 17 percent, talked “often” to parents; 29 percent, compared to 23 percent, talked “often” to children; 8.3 percent, compared to 7.5 percent, talked “often” to in-laws; 4.3 percent, compared to 3.5 percent, talked “often” to other relatives; and 9 percent, compared to 3 percent, talked “often” to others. Based on information provided by respondents it appears the frequency of
interaction increased when households experienced financial difficulty.

The final question was designed to determine the frequency with which the money managers argued with the spouse about money. Of the 136 married managers, 63 percent indicated "never." The other 37 percent said that they "sometimes" or "often" argued about money. These 50 managers were then asked to indicate how arguments were resolved. Thirty managers indicated that they talked things over and compromised, 12 indicated that basically one person decided, and the remaining eight indicated that there was no resolution to the argument.

**Variables influencing interaction patterns**

The correlations of marital status with money manager’s interaction were not strong (see Table 3). The most significant relationship was for "talking with friends." More of the money managers who were not married talked to friends than did the managers who were married.

The number of years the manager had been married, however, was significantly and strongly correlated with almost all of the communication variables. More of those managers who had been married for shorter periods of time talked to their spouses, friends, parents, in-laws and other relatives than did managers who had been married for a longer periods of time. Lesser proportions of money managers who had been married for longer time
reported arguments on money; the correlation of -.315 was
significant at the .001 level.

Table 3.

<table>
<thead>
<tr>
<th>Interaction</th>
<th>Socioeconomic Variables</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Marital Status</td>
</tr>
<tr>
<td>Talk With Spouse</td>
<td>- .266**</td>
</tr>
<tr>
<td>Talk With Friends</td>
<td>- .192**</td>
</tr>
<tr>
<td>Talk With Parents</td>
<td>- .113</td>
</tr>
<tr>
<td>Talk With Children</td>
<td>- .042</td>
</tr>
<tr>
<td>Talk With In-laws</td>
<td>.190*</td>
</tr>
<tr>
<td>Talk With Other Relatives</td>
<td>- .115</td>
</tr>
<tr>
<td>Talk With Others</td>
<td>.076</td>
</tr>
<tr>
<td>Argue About</td>
<td>- .315***</td>
</tr>
</tbody>
</table>

*Attained level of significance at the .05 level.
**Attained level of significance at the .01 level.
***Attained level of significance at the .001 level.
*Coefficient could not be computed because of perfect multicollinearity.

Sex of the manager was not significantly correlated with any
of the interaction variables, contrary to the literature which
shows that women in general are more expressive and more able to
communicate their feelings than men (Sabatelli, Buck, and Dreyer,
1982). According to this study there were no differences among
males and females regarding the frequency and the person to whom
respondent talked regarding money matters.
Age of the money manager was strongly and significantly correlated with interaction variables. Smaller proportions of older managers talked with their spouse, friends, parents, in-laws, and other relatives than did younger managers. They also argued less. Only with children did older managers talk more, but the correlation was neither high nor significant.

Education of the money manager was significantly correlated with only two interaction variables: more of the managers with a higher level of education talked both to friends and to parents regarding financial matters.

A larger proportion of money managers who were employed full-time talked more to friends and co-workers than did retired managers. This significant positive correlation would be expected since managers who are working have increased exposure to people at work. The only other significant correlation that was also positive, indicated that a smaller proportion of retired managers argued about money with their respective spouses.

Household size was significant in explaining differences in two areas of interaction. More of managers who lived in larger households argued about money and talked to their in-laws than did managers who lived in smaller households.

**Interaction patterns in relation to debt-to-income ratio**

Several interaction variables were significantly and positively correlated with debt-to-income ratio. An examination
of Table 4 shows that more of those money managers who had higher debt-to-income ratios talked with friends, parents, in-laws, and others.

Table 4
Pearson Product-Moment Correlations Between Interaction Patterns and Debt-to-Income Ratio.

<table>
<thead>
<tr>
<th>Interaction Patterns</th>
<th>Debt-to-Income Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>Talk With Spouse</td>
<td>.055</td>
</tr>
<tr>
<td>Talk With Friends</td>
<td>.188**</td>
</tr>
<tr>
<td>Talk With Parents</td>
<td>.203*</td>
</tr>
<tr>
<td>Talk With Children 020</td>
<td>-.080</td>
</tr>
<tr>
<td>Talk With In-Laws</td>
<td>.202*</td>
</tr>
<tr>
<td>Talk With Other Relatives</td>
<td>.089</td>
</tr>
<tr>
<td>Talk With Others</td>
<td>.279***</td>
</tr>
<tr>
<td>Argue About Money</td>
<td>.260**</td>
</tr>
</tbody>
</table>

*Attained level of significance at the .05 level.
**Attained level of significance at the .01 level.
***Attained level of significance at the .001 level.

This study did not obtain information concerning the specific content of the managers' interaction. It could be postulated that when families are at higher levels of debt, their interaction may take the form of asking for help, getting advice, or complaining about the state of affairs.

A larger proportion of the money managers who argued about
money were the ones with higher debt-to-income ratios. The correlation of .260 was highly significant. This result is not surprising in light of the review of literature, which indicated that in families seeking help with their financial problems, the interaction that existed was usually in the form of arguments (Horner, 1981).

**Interaction Scale**

An interaction scale was developed to be used as a single measure of the money manager's interaction patterns. Scores on each of the following interaction variables were summed to develop this scale: talk to spouse, friends, parents, children, in-laws, other relatives, and others about money matters and argue with spouse about money matters.

A reliability test for this scale was performed using the SPSS-X subprogram RELIABILITY (SPSS, 1983). Reliability testing was used to assess the degree to which the items on the scale were measuring the same underlying concept. The criteria set were: (1) the alpha levels of the scale had to be .50 or higher and (2) there should be no major increase in the alpha level when an item was omitted from the scale.

The standardized item alpha was .5233 for the scale when all variables were scaled. When "talk to children" was omitted from the scale, the alpha level increased to .5726. Therefore, "talk to children" was omitted from the scale. The reliability
coefficient for the adjusted scale was .5851.

It is possible that there might be a bias in the scale, since both "talk to spouse" and "argue with spouse" depend on marital status. The double weighting was justified on two accounts: (1) the alpha did not increase when either item was deleted from the scale and (2) conceptually, the marital partner was seen to be the key interaction source available to the money manager.

Cross tabulation analysis of the interaction scale with the socioeconomic and solvency status variables was done to check for curvilinearity. None was found, and all of the relationships were significant at the .01 level. Next, correlation analysis was performed to indicate the strength and direction of the relationships. An examination of Table 5 shows that there were both strong and highly significant correlations between the interaction scale and all variables but sex of the money manager. From Table 5 it may be concluded that larger proportions of money managers who were married younger, highly educated, employed and in larger households reported interacting with others regarding household's financial matters.
Table 5.

Pearson product-moment correlations of interaction scale to socioeconomic variables and debt-to-income ratio

<table>
<thead>
<tr>
<th>Socioeconomic and Solvency Status Variables</th>
<th>Interaction Scale</th>
</tr>
</thead>
<tbody>
<tr>
<td>Marital Status</td>
<td>.364***</td>
</tr>
<tr>
<td>Sex of the Money Manager</td>
<td>-.0133</td>
</tr>
<tr>
<td>Age of the Money Manager</td>
<td>-.5204***</td>
</tr>
<tr>
<td>Education of the Money Manager</td>
<td>.2267***</td>
</tr>
<tr>
<td>Employment Status of the Money Manager</td>
<td>.2337***</td>
</tr>
<tr>
<td>Household Size</td>
<td>.4488***</td>
</tr>
<tr>
<td>Debt-to-income Ratio</td>
<td>.3456***</td>
</tr>
</tbody>
</table>

***Attained level of significance at the .001 level.

Summary and Conclusion

A majority of the respondents in this study indicated that they talked about money matters to their spouses, friends, parents, and children, but seldom talked to in-laws, other relatives, or other persons. Only one-fourth of the money managers indicated that they had experienced financial difficulties over the past five years. When there were financial difficulties, the patterns of interaction stayed the same. However, there was a change in the reported frequency of interaction. More managers talked
frequently to the above mentioned individuals after experiencing financial difficulty. Most managers did not have set spending limits to determine purchasing habits. Money managers who had higher scores on the interaction scale were significantly more likely to be younger, married, more educated, and residing in larger households. More of the money managers who had higher debt-to-income ratios argued with the spouse about money.

Management is an interactional process and communication is a significant factor in a household's financial management system. Conceptually it is recognized that to reach decisions and to gain information, family members must interact with other family members and members of the larger community. To reach financial goals, families need to establish realistic spending plans and then communicate effectively to avoid overspending.

Based on this, it was anticipated that those managers who communicated frequently would have the benefit of greater amounts of information and that therefore would represent solvent households. According to results of this study, larger proportions of those managers who report frequent interaction represented less solvent households.

The sample in this study was basically a financially healthy one. Since mortgage obligations were not included in computing the debt-to-income ratio, any family with a debt-to-income ratio in excess of .20 was considered in jeopardy. Forty-five families
were found in this range. Future research could usefully compare the findings of this study with interaction patterns among less solvent households. Future studies may also want to add items in the instrument that would provide information on the content of interaction.

The results of this research should be used with caution due to the fact that sample size was small and interaction variables were based on self reported information. However, the results could be used by professionals working with families to help clients develop skills in talking about financial problems, and to enhance the importance of talking about money for the household. Furthermore professionals could help clients develop specific skills in talking about money to credit grantors, financial advisors and others.
References


