Journal of Economic Psychology 32 (2011) 556–563

Contents lists available at ScienceDirect

Journal of Economic Psychology

journal homepage: www.elsevier.com/locate/joep

Money management in blended and nuclear families

Anu Raijas *

National Consumer Research Centre, P.O. Box 5 (Kaikukatu 3), FI-00531 Helsinki, Finland

A R T I C L E I N F O

Article history:
Received 29 May 2009
Received in revised form 7 February 2011
Accepted 14 February 2011
Available online 22 February 2011

JEL classification:
D1
E 21
J12

PsycINFO classification:
2950
3920

Keywords:
Consumer research
Family
Money

A B S T R A C T

In Finland, 9% of the families with children are blended families. Though both the absolute number and the proportion of blended families is increasing throughout Europe, there is still little research information available on how they manage their finances. Blended families are an interesting group to study because their money management is clearly more complex than that of traditional nuclear families. In this paper I examine the extent of the differences between blended and nuclear families in money management, with special reference to bank accounts and the conducting of payments. I also seek to identify factors explaining the differences discovered. The research data comes from an Internet survey conducted in November 2006, which yielded answers from 469 Finnish families with children.

The results, confirming earlier findings, suggested that money management is more separated in blended families than in nuclear ones. In nuclear families, both the bank accounts and the paying of expenditures are consistently managed jointly, whereas the spouses in blended families prefer separate bank accounts and display several different practices in the paying of common expenditures. In nuclear families the adults pay the expenditures together, but in blended ones they are responsible for the expenditures of their own biological children.

1. Introduction

Today's families evince various arrangements: the spouses can be married, they can cohabit or have separated from one of these relationships, or they may be the same sex. Many people raise children alone. In European jurisdictions, however, the regulation of money and property within couple relationships is concentrated on the marriage and the registered relationship (Barlow, 2008). Money management within families is a demanding task where various knowledge and skills are needed. In practice, money management is influenced by various factors, like the spouses' socio-economic status, marital status and the family's phase of life. The research (e.g., McConocha, Tully, & Walther, 1993) has also indicated that an experience of divorce influences money management in a new relationship. Therefore, family money management have increased in complexity (Mano-Negrin & Katz, 2003).

In recent years, divorce rates have risen all over Europe. In 2006, the highest rates in Europe were in the Russian Federation, Ukraine, Belarus, Lithuania, and Latvia, where there were about 3.0 to 4.5 divorces per 1000 inhabitants. The lowest rates were found in Bosnia and Herzegovina, Macedonia, Italy, and Ireland, with about 0.4 to 0.8 divorces per 1000 inhabitants. In Finland, the target country of this article, the divorce rates are higher (2.5) than the average of 27 EU

* Tel.: +358 1060 59026; fax: +358 9 876 4374.
E-mail address: anu.raijas@ncrc.fi

0167-4870/$ - see front matter
doi:10.1016/j.joep.2011.02.006

countries (2.0) (Statistics Finland., 2009). These statistics concern only divorces from marriages, not separations from cohabitation, which are very common all over Europe.

After a divorce or separation from cohabitation, adults often start a new family life a new spouse with children from earlier relationships or even with new children. In this article I call those new starts blended families. In a blended family, at least one child lives mainly with one of the biological parents only. Nuclear families are defined in this article as those where the spouses have only joint children. Three fourths of Finland's population belong to a family. At the end of 2006, there were 1,438,000 families in Finland. The number of families with underage children was 589,000, which accounted for 42% of the population. Nine per cent of these families were blended ones. In recent years, the number of blended families has risen all over Europe. In Finland, the number of blended families was 53,000 at the end of 2006, and the number of children living in them was almost 78,000. Of the adults in blended families, 48% were married, with the rest cohabiting (Statistics Finland., 2008).

Money may give rise to conflicts in families if the members have divergent notions on how to use it, and as family relationships are based on emotions, the use of money may be an uneasy topic to discuss. Still, the money matters of families must be managed, for the available quantity of money is usually restricted. Money management includes both day-to-day and long-term activities. Short-term everyday activities focus on frequent purchases: how they are conducted and how they are paid. Significant long-term decisions in money management include savings, investments, and insurances. The rational view of money management sees it as a process including planning, information search, decision-making, implementation, and control. Within a family, money management requires communication and interaction among the members. The communication is expected to be very open, but explicit agreements concerning the use of money are not yet very common (Elizabeth, 2001).

Money management is the practical realization of the person's or family's financial capability. An individual's financial capability is influenced by various characteristics of the family and the individual. Family characteristics include the phase of life, the place of residence, and income. Individual characteristics are either demographic, such as gender and age, or psychological, such as values, attitudes, opinions, habits, and experiences. Financial capability can be understood as a property that evolves over a person's life cycle and follows the current trends and circumstances of the society. Operationalized as money management and financial wellbeing, a family's financial capability contributes to the wellbeing of the family members (Financial Capability through Personal Financial Education, 2000).

Porter and Garman (1992, 1993) see financial wellbeing as a function of personal characteristics and the attributes of the financial issues in the family. In their view, financial wellbeing includes objective, perceived, and evaluated attributes. *Objective attributes* are defined as the quantitative indicators of the financial situation of the family, such as marital status, the number of children, income, child support, home ownership, and responsibility for financial tasks and decision-making. *Perceived attributes* are operationalized as perceived surplus (money left over from consumption) and perceived adequacy of income (Porter & Garman, 1993, pp. 140, 145 and 146). To define the *evaluated attributes* of financial issues, Porter and Garman (1993, p. 148) asked their respondents to compare their own economy with that of their reference group and to account for their past financial experiences and future financial expectations. This paper describes the environment in which families manage their finances. Their money management is influenced by factors within the family, in the immediate environment, and in the society.

Though both the absolute number and the proportion of blended families are on the increase in the Western countries, research information on how they manage their economy is still scarce. What makes the money management of blended families an interesting object of study is their earlier commitments, which make their day-to-day and long-term money management clearly more complex than that of traditional nuclear families. In blended families, the social norms of proper behaviour may be different from those in nuclear families. A nuclear family is an institution in which all the children are joint ones between the spouses, which strengthens mutual solicitude.

In this paper I compare the money management of blended and nuclear families in Finland. More precisely, I investigate the arrangements of bank accounts and expenditures between the spouses. The aim is to find factors that explain the differences in money management – if there are any – between blended and nuclear families. The subjects are two-adult families with children, either joint ones or not. The study follows the research tradition of investigating the sharing of economic resources within families and its influence on the wellbeing of the family members (*e.g.*, Morris, 1993; Pahl, 1989). Furthermore, I seek to discover whether there is any individualization evident in the current relationships (see Vogler, 2005).

2. Money management in families

In today's society, money is a central resource for wellbeing. Therefore it is also an important issue in human relationships and within families. In families, financial issues are sometimes difficult to discuss because a family is based on emotional relations, not on economic terms of trade. The central issues in financial management within a family are how collective or separate a resource money is considered to be and how capable the family members are in its use. In practice, these issues concern mostly the management of income, bank accounts, and the payment of the collective expenditures of the family.

In her pioneering and widely cited study, Pahl (1989) categorized the different arrangements she had found in the financial management within families into the following four types: the female or male whole-wage system, the joint or partial pooling system, the housekeeping allowance system, and independent management. In the female or male whole-wage