Beyond Financial Literacy: The Case of Cross-Generational Couples’ Problem-Solving the Life Course

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Abstract
Many governments have identified a key role for financial literacy in the remediation of the social and economic consequences of heavily indebted citizens and their generally inadequate arrangements for retirement. Failure in life course planning is taken to be a key skill deficit. The present study questions the methodologies used to arrive at this judgement and extends this critique to cover the tools used to measure levels of financial literacy. Furthermore, evidence from a qualitative study of 14 cross-generational couples, utilizing 28 in-depth interviews carried out between 2005 and 2010, is cited revealing that financially literate citizens have problems with the social complexity of non-normative relationship planning as opposed to specifically financial planning difficulties.

1 Introduction: From the economics of crisis to the household and individual
1.1 The ‘Deficits’ of Citizens in Western Economies: financial planning

For some time now it has been recognised that planning ahead with regard to our individual or domestic finances, beyond the very short term, is one of the foremost areas of difficulty we experience in managing ourselves and the household today. Financial planning is a priority agenda item for governments developing remedial strategies to combat what are perceived to be deficits in the skills and knowledge base of their citizenries (HM Treasury UK, 2007; Commonwealth Bank Foundation (CBF), Australia, 2004). Many studies have shown that particular social groups, such as women and single-parent households, tend to be more at risk of developing financially insecure futures as a consequence of, what are notionally regarded as, inappropriate or at best unsophisticated attempts to plan for retirement. The psychology of financial behaviour and behavioural economics is increasingly a feature of research that informs policy that seeks to find ways to raise awareness and understanding of finance in education and among the workforce (Dixon, 2006). It is true that behavioural and some ‘social contextual’ factors now more frequently play a part in the debate concerning the so-called knowledge gap and skills deficits of citizens in advanced capitalist economies. However, it remains the case that the social nature and character of the planning process is very much under-explored.

The present study poses the debate a radically different kind of question. The majority of studies conclude that it is a lack of financial understanding that presents people and policy-makers with the central difficulty of how to deal with the crises associated with consumer indebtedness and inadequate pension provision. Yet the same studies tend to fail to take into account the increasing complexity and variation of contemporary, historically non-normative, individual life courses. In the UK, for example, we have seen an increase in same-sex partnerships, single-parent households, multi-adult households and re-partnerings in recent decades. Each of these groups implies life course patterns that come with novel complexities that impact on financial planning. In the UK the Citizens’ Advice Bureau (CAB), which offers all kinds of legal advice has recently reflected on the changing nature of the advice that has been sought from its offices nationally over seventy decades. In the 1960s the main issues it dealt with were connected to divorce. In the decade to 2010 it has been increasing complexity in the nature of people’s debt problems (CAB, 2011).

The present study develops a theoretical and methodological basis for investigating the minority group of cross-generational couples (co-habiting, non-co-habiting, married or re-partnered couples of 9 or more years age difference (in this study up to 22 years difference).
There has been no research specifically identifying this group in relation to financial behaviour. The logic of the argument is that cross-generational couples often (attempt to) make financial decisions and plans in very complex life circumstances. The outcomes of their planning processes may fall short of a normative ideal when the criteria of economic rationality are applied, however, these couples needs must deal with financial arrangements embedded in very novel circumstances. Financial planning, in these circumstances, comes to rely on powers of inventiveness and other life skills well beyond the bounds of financial literacy as traditionally conceived. In addition, these circumstances stretch the skills of qualified, professional advisers working in the financial services industry. By looking at cross-generational couples we open up the social complexity of economic behaviour to reveal, in greater detail, processes hitherto hidden from view when looking at the planning process in other social groups.

1.2 The Policy Context for Promoting Financial Literacy

Governments around the globe are now focussed on developing strategies to bring their respective nation states through the major macro-economic crisis that catalysed in the financial sector collapse of 2008. As the world staggers, somewhat unevenly, out of recession, the search for fiscal security and the development of policies for national and social ‘prosperity’ among member states of the Organisation for Economic Cooperation and Development (OECD) will underline again the importance of the level of financial understanding and education of individual citizens at ‘micro’ levels of socio-economic behaviour. The role of the household, and of individual behaviour, is likely to attract more scrutiny in the quest for more sustainable patterns of debt driven consumerism and social security (HM Treasury, 2007). The role of sub-prime mortgages in the collapse of 2008 is well known. The response in the US, under the Obama administration, has been to focus on drafting key regulatory measures for the financial sector. These measures were presented by the US Treasury Secretary to Congress in 2009. In the US there is an assumption that sector regulation of consumer oriented banks and other lenders will lead to more prudent relationships at the level of consumers of financial services. In the UK, where there is a much less established tradition of financial education among consumers, the Financial Services Authority (FSA, 2007) has highlighted the relationship between mortgage consumers and financial service intermediaries as being central in avoiding the sub-prime problem.

Indeed, in many respects the focus on the economic activities of households and individual consumers has been an underlying theme of OECD states’ policies since the 1990s (OECD, 1998) when it became established that there was a chronic underlying demographic and economic structural crisis in many OECD member states. Even if macro-economic measures are successful in turning the tide of the recent catastrophe, there will be a continuing residual drive to continue to develop financial literacy (or financial ‘capability’ in the UK) among individual citizens as it is assumed that financial knowledge and skills is crucial to social well-being, life opportunities, the financial security of the household and the adequate financing of the retired population (OECD, 1998).

Financial literacy has been part of the education programmes of some US states since the 1950s and is correlated with better life chances and financial outcomes in later life (Kemp et al, 2005). Elsewhere, financial literacy is being introduced as part of sets of policy measures designed to enable us to deal with the projected financial shortfall in pension funding for retired citizens. Compounded with the current inadequacy of pension savings for retirement is the rising tide of consumer debt. In the UK the level of consumer debt topped the £1.3 trillion mark in 2007. This figure, which exceeded GDP by £15 billion, drew comments from the media of ‘profligacy’ in consumer behaviour on the one hand, and on the other that the consumer was walking a ‘perilous tightrope’ and there have been frequent references to a ‘buy-now-pay-later culture’.

Governmental interest in financial literacy (in the UK now called ‘financial capability’) has grown since the 1990s particularly in response to the financial consequences of the demographic trends of ageing populations and shrinking labour forces. The impetus from the OECD (1998) has been to stimulate a policy context that increases the responsibility of individual citizens to take managerial control of their own financial lives and in particular the financing of their own retirement. In addition, it has been argued increasingly over the last decade that better financial literacy will bring a series of greater general economic benefits such as ‘better decision-making and improved productivity’ and ‘less capital wastage’ with new business start ups as well as with home purchasing (CBP, 2004; see also Dixon, 2006 and HM Treasury, 2007). Lack of financial literacy is increasingly associated with rising consumer debt and failure to save money despite the ability to do so (Scottish Widows, 2005) particularly among those in the work force under the age of 40 years.
Indeed, in the UK (Crick, 1998) the drive to foster greater individual responsibility and to acquire financial literacy for everyday life led to the making of a formal association, in policy guidance circles, between the very definition of a ‘good citizen’ and the citizen’s proclivity to engage in such a literacy programme. Indeed, the semantic association between citizenship and financial literacy has gained strength in OECD countries generally. Parallel with the Crick Report, which advised that financial literacy should be embedded in the school curricula, financial literacy became part of the developing life-long learning agenda (Fryer, 1997). The latter envisaged literacy and skills training across the life course and in many locations from the work place and trades unions to evening classes in local further education centres.

Policy and policy guidance has not only targeted the individual as the locus from which a solution to the pensions and debt crises must begin, but also has had a marked tendency to individualize the very nature of the problem (cf. Shanahan, 2000). Indeed, individuals do engage in economic transactions at a local level, and we may speculate, these transactions are occasionally governed by the application of some level of financial skill and understanding. However, it is the degree to which economic transactions are always already fundamentally social transactions that seems missing from guidance documents that promote financial literacy.

2. Methodological and Theoretical Issues: Life Course, Planning and Maths

This section briefly examines the way research methodologies that inform policy relegate the social dimension to mere economic behaviour and privilege the more narrowly cognitive aspects of economic reasoning and judgement. This paves the way for developing a sound footing for the kind of qualitative research methodology that the present study has deployed. Given that new, often more complex, household, family and life course patterns have arisen as a consequence of the immense social and cultural changes of recent decades, we need to establish appropriate theoretical benchmarks for the new contexts of socio-economic behaviour. In particular, the relationship between the life course and planning is problematized.

2.1 Issues in Understanding Financial Understanding: Methods

Faith that financial literacy and capability programmes can alter the later life financial outcomes of groups who currently have poor expectations of wealth accumulation tends to be based on research that defines financial understanding very narrowly as a property of the individual. Text-book economic theory seeks to develop predictive financial models from data derived from individual agents. It is at the level of individual agents where, in the real world of banking and commerce, savings, debt and insurance contracts are made with financial service providers. However, some economists (e.g. Campbell, 2006) are suggesting that financial behaviour needs to be examined at the ‘supra-individual’ level of the household, despite the difficulties of obtaining the necessary data because the complexity of decision-making is inscribed in social arrangements at the household level.

Indeed, when we attempt to translate the characteristics of the household to the level of the individual for research purposes we are often led to a methodological confusion in our research categories. Kemp et al (2005) argue that, “little is known…about how individuals actually make sense of their ability or inability to plan for their future economic security. Even less is known about how individuals account for the factors that inhibit them from starting to make financial preparations…” (Kemp et al, 2005: 274). In their study Kemp et al used qualitative life-history interviews to determine types of life circumstances that act as ‘catalysts or constraints’ on the activity of life course planning for later life. Catalytic circumstances might be enrolment in an employment based literacy programme. Constraints are unforeseen job loss or other sudden financial shocks. However, when moving from the strictly financial to personal and familial life events such as divorce, or bereavement some interviewees regarded the event as a catalyst, others saw it as a constraint. Clearly there are problems with adopting as a categorical dimension of research, for example, a life event that could be described as a ‘catalyst’. This is a notional term that any participant in narrating their life history might use in a highly negotiable manner to provide an account of their biographical circumstances. Indeed, as Edwards and Middleton (1990), from studies in collective remembering, observe it is possible that the same interviewee will construct different accounts of life events depending on the context for which it is remembered. For the same individual, and for the same event, what was narrated once as a constraint might become a catalyst and vice versa (see also Burman and Parker, 1993).
Research that specifically relates financial literacy and planning tends to find positive correlations between the two. That is to say, where we find financial literacy we find more evidence of planning (Lusardi and Mitchell, 2005 & 2008). However, the instruments used to determine literacy in these studies are ones where participants are required to answer questions about individually oriented financial mathematical matters which involve computing interest rates, understanding inflation and risk diversification. Indeed, the latest survey tool for measuring financial literacy available as an update from the OECD and the International Network on Financial Education (OECD, 2012) is a tool aimed at producing a measure of literacy based on finance-contextualised mathematical problems such as:

‘Imagine that five <brothers> are given a gift of $1,000. If the <brothers> have to share the money equally how much does each one get?’ (OECD INFE, 2011: 21)

Another class of questions asks about the individual’s behaviour, such as who makes the financial decisions in her/his household. Questions in this category, although seemingly aimed at the level of household, serve to produce a somewhat singular individual profile of the respondent against which performance on the mathematico-economic questions can be correlated.

For some time we have known, from research based on ethnographic methods, that real world decision-making involving money, and related types of problem-solving, work on a different, socially derived, basis than mathematical problem solving in abstraction (Lave, 1988; Merttens and Vass, 1990; Vass and Merttens, 1987). For example, Lave (1988) famously demonstrated that women (who formed part of her study in California) would successfully perform ‘comparison shopping’ tasks and problem solve to obtain bargains when shopping in daily life, but failed in the classroom when presented with questions that turned exactly the same price comparisons into a series of mathematical questions. In many respects the investigative tools we routinely use to measure and define financial literacy de-contextualize problem-solving with money from routine social life and re-contextualise it in a ‘pure’ form. The belief that we can distil the ‘pure form’ of financial reasoning that somehow lies behind real world economic behaviour in this manner is to use what Dowling (2009) describes as a ‘forensic methodology’. The latter assumes that financial literacy can be abstracted from the social world and targeted specifically for educational purposes. But, as Lave (1988) has indicated, successful, budget-aware shoppers seem to have skills that do not necessarily appear on the radar of the tools we use to measure financial literacy.

2.2 Understanding the Social Dimension of Financial Literacy: the Life Course

When it comes to the key question of financial planning for the future the discussion moves into more complex territory than that required to examine daily shopping activities. Rowlingson (2000) carried out a key study of planning. The study was made at a time when the British government was shifting policy emphasis from State planning to the individual (see section 1 above). In-depth interviews with 41 people from different socio-economic and age groups indicated that some difficulties in the ability to financially plan ahead were shared across the groups of those interviewed. Interviewees found it difficult to make estimates of the likelihood that life course events, such as ill-health, unemployment and divorce, would happen to them. Most of those interviewed experienced uncertainty as arising from different domains of influence on the life course (global, national and personal) and felt it was very difficult to see how contingencies arising from these domains were connected to each other or how they might impact on their own lives. Rowlingson’s data indicate that in the planning process, people’s perception of their ability to plan was connected to the degrees of control they felt able to exercise in, what appeared to them, as disparate and often disconnected domains. It is also apparent that the interviewees showed a tendency to make sets of plans for different aspects of their own life course. So, education, retirement, holidays and family life are aspects of the life course that appear to be subject to different planning procedures and activities. It is as though people manage their life courses as a series of projects which do not necessarily relate to each other. Furthermore, people felt fear about the future and had emotionally negative reactions when asked to think about it.

Rowlingson’s findings are commensurate with recent social theoretical arguments about the changing social conditions in which human activity is now organized. The social fabric, within which individuals are now required to plan their life courses and deal with its contingent problems, is far less stable than the architects of modernity imagined it would be.
Indeed, social theory has felt the need to develop new sociological vocabulary to grasp the inherently unstable, unpredictable and highly mobile conditions of human action (Urry, 2007; Gane 2004). For example, Bauman (2006) refers to the ‘liquid’ character of the late modern conditions in which people try to make the immediate, local and proximal events of life cohere, “Liquid life flows or plods from one challenge to another, and the familiar habit of challenges and episodes is that they tend to be short-lived. You may assume as much of the life expectation of the fears currently gripping expectations.” (Bauman, 2006: 7). The argument here is that poor planning behaviour might be considered as not so much a deficit of the individual as a reflection of the underlying instabilities of the social fabric itself.

There is some evidence to suggest that people reconfigure their financial understanding, outlook and practices in the face of underlying social and economic instability. For example, Smith (2008) examined two data sets concerning UK home buyers. The principal analysis charts the changing orientation of home purchasers to their homes as assets. Smith notes (ibid: 521) that owner-occupation grew in Britain at four times the rate of the housing stock in the latter half of the twentieth century. Smith drew narrative accounts from respondents about their shifts in perception about home ownership and their behaviour with regard to it. In the evidence cited it is clear that shifts toward home ownership and out of the rental market were connected, by respondents, to fears over future uncertainties in the housing and rental markets and how this might impact on future personal financial options across other life course events. The concepts of homes as assets and the normalization of property owning recur in the data. However, the data also show evidence of short-termism developing in the otherwise long term trend to home ownership. Interviewees referred to how they might use the available equity in their homes for financing other, more immediate, projects. Housing wealth fuelling consumption has been one of the main issues to tackle in the post-2008 financial climate. The contradiction and tension here for present purposes is that individuals have become aware of their homes as an ‘asset class’: this makes them in one respect ‘financially literate’. Yet, at the same time equity release as a method of funding immediate needs or consumer desires is thought not only imprudent but showing financial illiteracy.

3. Researching Cross-generational Couples’ Planning

The present study focuses on the financial planning and the life course issues of couples who self-designate as being in an intimate partnership whether or not they co-habit. For the purposes of this research a cross-generational gap is said to start at an age difference of 9 years between the couple’s members’ ages. Rowlingson and Joseph (2010) point out that while there is a great deal of research on how couples manage income within the family, there has been little research on decision-making and the managing of assets within couples generally. Cross-generational couples provide us with a unique perspective on asset management and decision-making. For them the life course itself presents a unique set of problems aside from the unusual financial decisions that may also have to be made owing to the non-normative or ‘de-traditionalized character of cross-generational partnering. Most research on the de-traditionalized life course per se has focused on the problems of the nature of the intimacies that develop when compared to normative expectations (Gross, 2006).

It is well established that socio-economic status is correlated with financial expectations, and furthermore we know a great deal about the relationship between life circumstances and economic position. For example, single parents of young children manage income and engage in planning in similar ways to each other. However, we are now increasingly aware that there is also an association between life course patterning, as distinct from personal status, and financial position. For example, in the UK the Financial Services Authority (FSA, 2003) published an account of financial planning related to levels of debt. High debtors were more often associated with a de-traditionalized life course i.e. those taking career breaks for children and/or re-training; going to university or college later in life; buying a first house later than the norm, and not taking out a pension arrangement until after 30 years of age. The summary data of high debtors showed a much more variable distribution of key life events over the entire life course. Low debtors, on the other hand, were more associated with normative expectations where key life events are distributed over the life course in ‘clumps’. Low debtors are much more likely to get married, buy a first house, take out life assurance and a pension all at the same time in their mid-twenties.

It is the life course patterning that is distinctive about cross-generational couples as opposed to the statuses of members within the couples. Theoretically we might expect that a couple of 9 or more years apart in age might have some additional planning work to do when making arrangements to deal with key life events such as when and if to marry, have children and deal with financial obligations such as debts and assets.
One partner will always be carrying the financial consequences (good or bad), and likewise social consequences, from contracts, obligations and other ties from earlier in their life course. These consequences are, theoretically, that there is a greater likelihood that the relationship will present the couple with more life course and financial complexities to deal with than we might expect in a same age couple.

3.1 Sampling Cross-generational Couples

Cross-generational couples are very much a ‘hidden’ group in demographic data. Indeed, the idea that they form a group with self-recognition is somewhat premature. Same-sex couples, single parent families and re-partnered couples, for example, can be more routinely associated with households and they also appear in both academic and media discourse as groups that deserve special recognition and attention to their distinctive issues. Cross-generational couples, on the other hand, maybe less associated with single households and can also form sub-sets of other groups e.g. a same-sex couple may be also a cross-generational couple.

At present the sampling process is confined to opportunistic and snowball sampling. In the present study 14 cross-generational couples were identified within the context of a broader sample of couples, singles and single parents who first attended financial literacy workshops or classes organized at 5 venues in local colleges and churches in the UK (London and South England). The broader sample of 47 literacy course attendees was first accessed in 2004 at the conclusion of a pilot study to develop interview protocols (Vass, 2005). In all 9 attendees were in cross-generational partnerships of between 9 years and 22 years age difference from their partners. In three cases both partners attended a course or workshop. Five further cross-generational couples were identified who were friends of attendees but who had not signed up for a course at that time. Thus, in all, members of 14 cross-generational couples were interviewed.

3.2 In-depth Interviews: Approach and Themes

Interviews specifically with the identified cross-generational couples took place in 2005 and follow up interviews in 2010. The 2005 semi-structured interviews, common to all course attendees, were organised around economic themes looking at the relations between representations of the life-course and their management of, or approach to, finance in respect of: Credit, Property, Savings and Insurance.

The task was to investigate how respondents developed and deployed situated ‘intellectual resources’ in relation to the life course and financial issues they face. what the social implications are with these ‘constructions’. These will illustrate some the issues raised in the preceding discussion and suggest further lines of inquiry. The 2010 follow up interviews were focused primarily on any issues connected with making future plans for the relationship and how these related to life course events; how these involved finances; and how either impacted on any perceived individual interests.

4. Findings: Profiles and Interviews

This section firstly displays the profiles of the couples with some key facts about their relationship at the point of first interview and then again in 2010. Secondly, the interview data is examined to develop a sense of the complexities dealt with by cross-generational couples and the way in which financial issues configure social relationships and life course planning. In particular, the role and level of financial understanding is examined where the data permits.

4.1 Cross-generational Couple Profiles

The tabulated profile data (see table 1 below) shows the status of each couple’s members in 2005. It shows some key data about members but it does not show how long each relationship been established prior to the first interviews. Where it is appropriate this will indicated in section 4.2.

Table 1 to be inserted as indicated in text
Table 1. Cross-generational Couples: Sample Profiles

<table>
<thead>
<tr>
<th>Older Person</th>
<th>CPR</th>
<th>Younger Person</th>
<th>CPR</th>
<th>Age Diff</th>
<th>Cohab</th>
<th>Couple 2010</th>
<th>Assets OP</th>
<th>Assets YP</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 M, 51, pte</td>
<td>1 F, 29, fte</td>
<td>22 yes</td>
<td>yes, married</td>
<td>Home owner/owns property elsewhere</td>
<td>Home owner/savings</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2 M, 46, fte</td>
<td>2 F, 28, fte</td>
<td>18 yes</td>
<td>yes</td>
<td>Home owner/savings</td>
<td>cc debts</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3 M, 62, pte</td>
<td>1 M, 44</td>
<td>18 yes</td>
<td>yes</td>
<td>Home owner/savings</td>
<td>cc debts</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4 M, 52, pte</td>
<td>1 F, 31, u/e</td>
<td>21 yes</td>
<td>no</td>
<td>Home owner/savings</td>
<td>debts</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5 M, 45, fte</td>
<td>2 F, 33, fte</td>
<td>12 yes</td>
<td>yes</td>
<td>Home owner with former wife, debts</td>
<td>savings</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6 M, 50, fte</td>
<td>1 F, 39, fte</td>
<td>11 no</td>
<td>yes, co-hab</td>
<td>Home owner/savings</td>
<td>debts</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>7 M, 48, fte</td>
<td>1 F, 33, fte</td>
<td>15 no</td>
<td>yes</td>
<td>Home owner/savings</td>
<td>savings</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>8 F, 42, fte</td>
<td>3 M, 30 fte</td>
<td>12 yes</td>
<td>yes, M u/e</td>
<td>Home owner/savings</td>
<td>cc debts</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>9 F, 44, u/e</td>
<td>1 M, 35, fte</td>
<td>9 yes</td>
<td>no</td>
<td>Home owner</td>
<td>debts</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>10 M, 57, ret</td>
<td>4 F, 40, fte</td>
<td>17 yes</td>
<td>Yes, F, pte</td>
<td>Home owner/savings</td>
<td>savings</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>11 M, 66, ret</td>
<td>1 F, 51, fte</td>
<td>15 yes</td>
<td>yes</td>
<td>Home owner/savings</td>
<td>savings</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>12 M, 63, ret</td>
<td>2 M, 49, fte</td>
<td>14 no</td>
<td>yes, co-hab, YP u/e</td>
<td>Home owner/savings</td>
<td>Home owner/savings</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>13 M, 43, fte</td>
<td>2 F, 26, fte</td>
<td>17 no</td>
<td>Yes, co-hab, YP pte</td>
<td>savings</td>
<td>debts</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>14 M, 50, fte</td>
<td>1 F, 38, fte</td>
<td>12 no</td>
<td>yes</td>
<td>savings</td>
<td>savings</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Key to table 1:

CPR = children from a previous relationship; Age Diff. = the age difference between members of the couple; Cohab = whether members were co-habiting at the time of the first interview; Couple 2010 = whether the couple’s members are still together and any other notable changes of status; fte = in full-time employment; pte = part-time employment; u/e = unemployed; ret = retired from full-time work. The left most column places each couple in nominal order for reference purposes.

Further biographical details were made of each couple from the in-depth interview data to enable a narrative account to be made of each couple as a couple. The narrative account was given to each couple for comment or amendment before being used here as a profile narrative to contextualize the interview data. Exemplar profile narratives are as follows:

**Couple 1** (Sid 51 and Nancy 29, relationship five years old at 12/2005) Sid developed health problems while working for his local city council in the North-West where he had been employed for 25 years. His wife had died some years previously and had left him a single parent of Jo a daughter (aged 19). Jo became a university student at 18 living at home. Sid had met Nancy, 29 from London, at a party and began a relationship that became more serious. Sid took the decision to move to London, co-habit with Nancy, and set his daughter up in her own home while renting out his own property. The local authority pension did not materialise as the health problems were thought not so severe. Nancy is middle ranking executive officer (income circa £30K) in an advertising company and subscribes to a private pension scheme. Nancy wants to have children of her own.

**Couple 2** (Jack 46 and Jill 28, relationship seven and a half years old at 12/2005) Jack is a journalist writing freelance for several different company magazines (income varies annually between circa £25K-£45) and is a home owner with mortgage. He has two school age children from a previous marriage.
His former wife has re-married and the children live with her and her new husband. Jill qualified as a teacher several years previously and is currently doing supply teaching. She has around £10,000 in debts largely as a consequence of leaving full-time work in her early twenties to re-train as a teacher. Jill wants to have children of her own.

**Couple 4** (Greg 52 and Hatty 31, relationship four months old at 12/2005) Greg is a further education college lecturer and home-owner with a 20 year old son who lives at home occasionally. Greg and Hatty had been friends for around 10 years but in 2005 Hatty had fallen into loan difficulties and had severe mounting debts. Hatty moved in with Greg as her own situation worsened, initially until she could re-establish a sounder financial footing. A relationship developed.

### 4.2 Common Patterns in the Profile Data

It is clear that there are patterns emerging in the profile data. Firstly there is a strong correlation between age and asset ownership with mainly the older person in the couple holding the largest asset resources. Younger members of these couples tended to be women with older men. Although expected, the evidence shows that those younger members entering a cross-generational relationship as a re-partnering, having left a previous relationship with a liquidation of previous assets, do so in some state of financial dependency. We may contrast these findings to those of Rowlingson and Joseph (2010) examining assets and debts within couples generally. In the latter research housing wealth tends to be split equally within couples where women, for example, brought equity to their re-partnering. In the case of cross-generational couples age has the effect of biasing wealth, and consequently perceptions of ownership of resources, to the older person. The younger person is also less likely to be in full-time employment. All the older persons in the sample had at least some pension provision, including three retired men who were taking pension income. Of the younger persons only six members of couples had any pension provision and all of those had been in full-time employment in 2005. Of those six only three were still contributing to a scheme in 2010.

In terms of general levels numeracy and knowledge of personal finance the participants in this study might be regarded as sophisticated. Only two had failed mathematics at public examinations at age 16, and three had not taken the examination. Five worked in banking; four had had experience of working in shops and handling money and three were, or had been, solicitors. All but two were clear about the differences between the three main types of mortgage product in the UK (capital repayment; insurance-based; investment-based). The area in which all but two younger persons were less clear was the issue of how much should be saved for adequately financing retirement. In these cases, and also seven of the older persons, the tendency was to underestimate the amount that should be saved annually. According to Yougov UK research (Scottish Widows, 2005) adequate savings start at 12% of annual earnings.

### 4.3 Examining the Interviews

Across the data set money and assets were reported to be a major feature of the interaction between all couples, particularly regarding the way that their living arrangements should evolve and also their planning for the future. The majority report that, despite some members of couples having debts to clear, the mathematics of their financial situation is not an obstacle, it is rather the complexity of the plans for the future that also have to take into consideration obligations to previous partners and children:

“I had earmarked the house as something I could leave my son [from a previous marriage] and I’ve told him as much many times, so he’s come to expect it, though I suppose it isn’t much on his mind right now. But Hatty [new, younger partner] is over 30 now and really wants kids of her own...if we go ahead with that the house really becomes no longer mine to give my son.” Greg, male 52, Couple 4.

In many instances the evidence points to not just a difficulty of re-assessing resources and assets to take account of new circumstances but, in Greg’s case, reconstructing the social nature of a promise to his son. The house represents both this promise as well as Hatty’s aspirations for children. By 2010 Greg and Hatty had split, Greg reflecting that his indecisiveness over having more children was, in his view, the key factor. The problem-solving issue here is similar to that of Couple 2:

Jill and Jack’s relationship has survived a number of years, but, to some extent, the separation of their finances has become a feature and ‘test’ of their commitment. Jack refuses to allow Jill to contribute to the mortgage repayments.
They both treat the house as a ‘flexible asset’ in stories which relate to their preparations for Jack’s future retirement when Jill will work full-time and they will ‘down-shift’ and move to the country. But the stories avoid the timing of this event. Jill does not wish to wait fifteen years to have children. To have children now would remove the security afforded by Jill’s job. For Jack the house is connected to his concern for the future financial security of his existing children.

“If I lost the house, or any of its equity really I’d have nothing for them, I owe them something after all…It may be they won’t need it, or might not go onto a Uni, but the way house prices are going they’ll never get on the ladder, you can’t really say what their mother’s new [partner] will do, how he’d treat them. Jill gets upset sometimes about this. I mean she loves them [the existing children] but we just don’t know how things are going to turn out”.

Jack, Male 46 Couple 2

And Jill,

“I feel I don’t know what’s going on sometimes, either we are together or we’re not…sometimes the house feels like mine but when we sit and talk money I know it’s not…but that I feel insecure or anything about Jack but it means…like what we have together becomes something different and we seem to start all over again…why are we here, what are we doing”. (Jill, Female 28, Couple 2)

The story involving the house’s classification as a flexible asset feeds a number of detailed scenarios. But elements of those scenarios are used to think through how current obligations work and how they might evolve. Thus, Jack’s plans form the basis of his discussions with his ex-wife and are used to sense how her new husband is situated with respect to his own children. These discussions have a dialectical impact on how aspects of Jack and Jill’s relationship are elaborated, and how they are able to formulate plans for the future. By 2010 the couple is still together, Jack and Jill have agreed they could have a child once Jill’s independent savings from her part-time job reach an agreed level.

The only cases of couples where planning, aspirations, finances and did not show this degree of complexity were in those cases where each partner was of independent means (couples 10, 11, 12 and 14). Though it should be noted that money and aspirations were still frequent topics of all couples’ discourse that financial decision-making. For example, in couple 10 the younger member, Sarah, is a woman with a child from a previous relationship now with an older man on a pension and with three grown up children. There are many occasions when the couple runs short of cash, but Sarah regards her own savings as entirely independent of her new partner on the grounds that she has a school age child, despite the fact that the child lives with the co-habiting couple. With Couple 1 (Sid, 51 and Nancy, 29) both are of independent means but got married in 2007. Nancy wants children but required fertility treatment. This was very expensive for them and the couple tried five times unsuccessfully in the period to 2010. Sid is partly retired and has occasional part-time work. He was reluctant to keep trying for children. However, the willingness to try for a child became a test of the relationship.

5. **Conclusions: Financial Literacy and the ‘Financialization’ of the Life Course**

The evidence from this study suggests that ‘planning’ as the key problem driving failure in financial affairs, as traditionally identified, is not primarily a financial or possibly rational matter. Taking the path that we should privilege financial literacy, narrowly defined, over the complexities of people’s living arrangements is essentially to financialize it. There are always financial consequences of couples’ decision-making with money and assets, however ‘financializing’ those discursive processes has the effect of misrecognizing and relegating the role of social problem-solving and creativity in contemporary non-normative relationships. The life course complexity experienced by the cross-generational couples in the present study explicitly reveals the extent to which money and assets become not economic resources but the very discursive means of reflection on the character and future direction of these relationships. Cross-generational couples have to be unusually creative in both their finances and intimate relationships. There is clearly a struggle between normative ideals, e.g. younger women wanting children, older men wanting to be prudent, and the demands that a non-normative life course places on the planning process. Programs in financial literacy and more importantly the tests designed to measure performance in it do not take account of these issues. The workshops and courses, from which the present sample was taken, permitted two kinds of engagement for participants. Firstly, they covered key topics such as bank accounts, loans, interest rates and mortgages. But, secondly, they offered participants an opportunity to discuss life course issues. It was the sharing of experiences that many found useful, particularly those dealing with exceptionally novel circumstances.
Cross-generational couples are not necessarily unique in the way they approach planning problem-solving, and the way in which they regard money and assets (though some differences with recent research have been highlighted). However, this study proposes that evidence from cross-generational couples richly exposes the nature of the difficulties of financial planning process itself more explicitly than hitherto. Reflection on non-normative case studies might form part of financial literacy programs. In addition, there is a strong case here for the development of the kinds of reflective skills needed to navigate non-normative life courses.

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