

# Childhood cognitive ability has complex links with later financial well-being

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The relationship between cognitive ability in childhood and financial well-being in adulthood varies for different financial measures—such as savings levels versus having debt—per a new analysis of nearly 6,000

people. Joe Gladstone of the University of Colorado, Boulder, and Jenna Adriana Maeve Barrett of Maastricht University in The Netherlands present these findings in the open-access journal *PLOS ONE* on June 7, 2023.

Prior research had already established a link between cognitive ability and financial well-being, with the general assumption in the field being that the mathematical nature of this [relationship](#) was a simple linear one. However, Gladstone and Barrett note, if this assumption were incorrect, researchers might be underestimating the role of cognitive ability in people's financial well-being.

To test that assumption, Gladstone and Barrett analyzed data on 5,858 people who have participated in the British Cohort Study since 1970. They examined the relationship between participants' [cognitive abilities](#) as evaluated at age 10 and several measures of their financial well-being in adulthood, such as [debt](#)-to-income ratio, level of savings, and investment account ownership. They statistically accounted for the effects of childhood [socioeconomic status](#) and present-day income on finances.

The analysis showed that the mathematical nature of the relationship between childhood cognitive ability and adult financial well-being varied between different financial measures. Higher cognitive ability was associated with better scores on measures of wealth, such as level of savings and investment account ownership. Plotted on a graph, these relationships were linear for most people, but non-linear for those with exceptionally high or low cognitive ability. The researchers also found a linear relationship between cognitive ability and feeling stress about finances.

However, when plotted on a graph, the relationship between cognitive ability and debt was an inverted U-shape, such that people with either

low or high cognitive abilities had the lowest debt, and those with average cognitive ability had the most debt.

More research will be needed to determine the mechanisms underlying the mathematical relationships uncovered in this study. Such knowledge could inform efforts to enhance people's financial well-being.

The authors add, "Our study demonstrates the complex and diverse relationships between cognitive ability in childhood and financial well-being in adulthood. The association is not linear or simple and understanding this can help us develop more effective interventions to enhance financial well-being for people with varying cognitive abilities. In [personal finance](#), one size does not fit all."

**More information:** Understanding the functional form of the relationship between childhood cognitive ability and adult financial well-being, *PLOS ONE* (2023). [DOI: 10.1371/journal.pone.0285199](https://doi.org/10.1371/journal.pone.0285199)

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