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Personal Finance as Indicator of Economic Status the Individual

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Abstract: The article is devoted to disclosure of theoretical positions of economics devoted to the study of personal finance and their role in shaping economic status of the family, household. In the process of personal interaction, in a household a model of organization interfamily financial management and distribution of power responsibilities among the members of the family in management of financial resources while interacting with the state, legal and physical entities. The role of personal finances and their influence on forming of economic status the individual is in development of interpersonal relations, arising among the members of the family of different age and positions of parents in upbringing of children "basis of financial literacy". Some parents think that their children are some kind of investments in the development, in human capital, which is a part of more general meaning capital (financial, physical, social and etc) and it is implemented in the correspondent status of individual. The main indicator of economic status in the family is individual personal finances, which are the basic characteristics of his tangible and intangible assets. Every member of the family fulfils definite economic and social functions, specializing in fulfillment of some kind of work in accordance with division of labor in a household. In a household economic relations among members of the family (families) are established in compliance with its traditions, as people in the process of satisfaction of individual needs depend on each other as financially as emotionally. Economic status of the individual functions as a purpose of financial strategies for choosing of financial strategies of the family or a household, which representative he is. It explains his stratification in the society in accordance with financial position.

Key words: Finance · Financial system · Financial relations · Money · Personal finance · Household · Family · Children · Money funds

INTRODUCTION

Despite great quantity of different information sources, devoted to increase of financial literacy of population and mobilizing savings of population as resource of investments in economy.

Nowadays we feel necessity in theoretical and applied research directed to studies of influence personal assets and forming economic individual status, involved in social-economic processes households' life support.

The choice of the model financial management inside the family and separation of authority among the members of the family plays an important part in distribution of financial funds and creation of cash funds as inside the household as while forming economic relations with other individuals and legal entities.

It's difficult to imagine a person, whose well-being wouldn't depend on applied attempts in this or that sphere production activity, though we should admit, that many things in life are more important than money, but eventually, but possession of personal finances, as index of economic status and financial independence is the most significant. We should also keep in mind that spiritual activity of people can contradict with their financial well-being.

Population is the most important economic element of state's financial system, as behavior of people defines courses and results of social-economic processes in modern dynamically developing society.

Building financial relationships among main elements of the financial system, first of all is building relationship among people. But in the economic activity of the individual everything concerning satisfying demands of the individual and his family should be emphasized.

Everything is important for the individual: labor and living conditions, supporting of economic status and financial position in the society, relationships with people around etc. In all complex and various systems of

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relationships, economic relations in production process, process of distribution and consumption of wealth are major determinants.

Now it's practically impossible to describe the state of modern society, not taking into consideration complex and contradictory nature of economic relations among the state, economic entities and population.

In our life we don't pay any particular attention to the surrounding us events, relations. Money, finances accompany us since early childhood and it's difficult to define the border between these definitions.

From the point of view of the ordinary person, money and finance mean the same as both words concern personal economic status, wealth etc., definitions of these words concern not only a person, but a society in general.

According the opinion of sociological dictionary compilers, economic status is a position of the individual, group, organization etc., determined by the source of income, value of the property, welfare standards [1, p. 344].

In scientific literature the term social-economic status is often used. But for defining limits of our research we will study only that part of the definition which concerns creation of tangible and intangible assets of the individual and a household.

T. Volkova emphasizes that one of the criteria of the social status is economic potential, measured in scale of property and income [2, p. 151]:

Romanova I. in the result of the investigation also notices that the most important criteria for defining of Russian nationals their social status is financial position in different aspects [3, p. 150]

On the basis of the research Tapilina V. suggests to measure economic status of the individual or his position in the system of economic inequality by dint of objective and subjective indicators.

The position of the individual economic status in the system of his other status-social, legal, educational, psychological, professional and etc. plays major defining part and its main trait is personal finance as an indicator of tangible and intangible assets of the individual.

In transitional societies economic status plays a dominant part in the system of social stratification. It defines self-appraisal, behavior and way of life correspondent social groups, closely correlates individual's amount of income with his political sympathies.

Economic status is used as a research instrument for analysis of the economic structure. Importance of this instrument is especially evident in modern Russian society, where financial position becomes a dominant criteria of stratification [5, p. 220].

Measuring scale of economic status is personal finance, where economic status plays an important part in individual life, in his self-appraisal from the individual and society point of view.

The opinion that the basis of wealth is state finance has been dominant in our science for a long time.

This point of view changed after radical transformations in political, economic and social life of our country in the last decade of the XX century, which brought to changes not only constitutional structure of former republics of the UUSR, principles and methods of management by state's economy, but also encouraged development of our science.

In state financial system decentralized sector of the economy appeared. In the complex of this sector finances of economic entities and finances of population stood out.

In present market conditions personal finances of the individual have become significant because of increase in importance in the state economy.

Market-oriented transformation opened new types of economic behavior for population, which made people choose fundamentally new financial strategies adapted to changed conditions of the households.

There is a great variety of educational, scientific literature, devoted to studies of the category "finances", research papers devoted to household subjects, nevertheless there is not much literature describing personal finance and its main features.

In foreign and information sources (mainly English) concerning finances of households different terms such as "personal finance" [6, p.615] [7, p.515], "household finance" [8, p.1559], "consumer finance" [9, p.497], "family finance" [10, p.112] are applied.

In the article, we will try not only reveal the content and essence of personal finance and its influence on formation of individual economic status, we also will try to answer the question why children are necessary and for significance of our research we won't study such subject as reproductive function of the family and we'll try to take into account only economic forces.

First. Majority of parents suppose that children are free working force which is to help parents after growing up.

In this case much depends on education, family traditions, respect to each other, forms of relationship among the members of the family, trust in each other as greater part of children try to copy in their "adult" life positive models of behavior which were peculiar for their parents.

Basis for successful business activity and incentive for further career is mutual understanding, victorian relations among parents and children, as equal members of the family which have not only rights but also obligations.

At the same time, creation of trustful relations in the family where children are real assistants in households, not dependents, this process forms during long time and here much depends on parents and education of children.

This is really so and the main part of children during their growing up in most of ordinary, Russian families with average income, this is help to parents-taking care about old and young members of the family, apartment cleaning etc.

In Gilina's opinion children come across economic terms since early childhood everywhere: at home, in the street, while watching television programs and even cartoons, using new terms in chattering with friends, in playing activity. Any child under school age gets to know about labour, professions of relatives, financial situation in a family, family budget distribution and purchases planning. Older preschoolers learn to make financial operations [6, p. 77].

Parents often make children buy foodstuffs and industrial products for domestic needs etc., i.e. participation in those procedures, which concern cash-flow.

Models of economic development play an important part in life of every family even if in a traditional understanding of economists they don't maintain budget.

Every member of the family fulfills definite economic and social functions, specializing in performing some particular task in accordance with division of labor in a household.

In any household, economic relations among the members of the family are established, because people in the process of satisfaction of their needs depend on each other as financially as emotionally.

Every family has its own traditions, which are passed from generation to generation, different attitude to money as a sign of wellbeing, from economy to wastefulness, but society develops and financial strategies which were sufficient for parents. But grown up children can be unsatisfied with the policy of the government and they can differ greatly from applied models of financial management organization of their relatives.

In contemporary families, where children help in maintenance of a household, housekeeping cooperation continues to develop. All mentioned above facilitates mutual aid, doesn't create isolation of generations and smoothing needs takes place.

Gender character of economic statuses and their influence on financial wellbeing always attracted attention of specialists making research of processes concerning forming general and individual budgets of household members.

On the other hand, recently Russian families have stuck with the problem: to improve their financial position or to have more children.

Financial wellbeing becomes more and more significant for those who are going to get married. In the period of passing to market relations women changed their status and started to solve financial problems, especially concerning family budgets.

If earlier a man had been considered to be the main person in the family to be responsible for financial position and a woman was busy with domestic problems, so in modern conditions this "specialization" changed, differences in roles of the family members wear off and the decision about having children depend on many factors.

Secondly. Some parents are sure that their children will feed them and give money for living after retiring.

During long period of time last soviet (nowadays Russian) man was completely maintained by parents (relatives) and the state.

The State took responsibility to provide life activity of the population:" to feed, to provide clothes". Proportions of forming mechanisms administrative relations, through regulated prices.

The State provided free education, medical service, provided work and security, guaranteed different types of social provision, provided free places of living, i.e. assumed great care about people.

Majority of population was aware of being protected by the State and such kind of economic relations caused in the society some dependency.

The State according the plan allocated financial resources to enterprises for manufacturing definite types of goods or providing services, enterprises in their turn paid taxes, salaries and wages to their employees.

Working people, received salaries and wages, paid taxes and fees, went to state shops, organizations and agencies acquired necessary goods and services, the rest part of financial funds were deposited in the Saving bank of the USSR. The so called state money turnover took place, i.e. the State received back practically everything that it had given earlier.

Nowadays every Russian person becomes an adult earlier, as if in soviet time the State with its ideology "first think about Motherland, then about yourself" was on the first place.

Now the great part of care and first of all economic character is "on the shoulders" of the family, a household. And now since early childhood every person unconsciously realizes that he shouldn't hope on anybody in his life and he will have to hope only on himself, his abilities, knowledge and his personal finances.

And here, the main task of parents, if they want to provide them with worthy chair days at the account of well-being and income of their children, it's necessary to learn them to use the money properly and adequately, to compose the budget in a proper way, to correlate income and expenses, otherwise adults will have to provide living not only themselves but also their children.

Parents may provide many types of support to their grown children. Mothers and fathers differentiated among children within families, but provided emotional, financial and practical help on average every few weeks to each child. Offspring received most assistance when they: (a) have greater needs (due to problems or younger age) or (b) were perceived as more successful. Parents received more from high achieving offspring. Motivation to enhance the self or to assure support later in life may explain support to high achieving offspring. Social support includes financial transmissions, practical support, advice, information, guidance, emotional support and companionship. Studies of parent-child relationships have focused primarily on financial and practical support, however. Parents provide considerable material support to young adult offspring. Studies also have found that parents provide practical support, albeit infrequently. Moreover, individuals can provide nontangible aid, such as emotional support, more often than practical or financial support and can do so at geographical distance, or with limited material resources [11, p.1222].

In circumstances of modern social transformation of the Russian society the role of the family increases as responsibility of the state in front of the population decreases, increase of individual responsibility also in the sphere of financial decisions.

Now households have to take decisions independently on the matters, which had been solved by the State, public organizations and enterprises before.

That all forms definite system of differences, which allows to level off personal finances, which can't be equal on its nature at individuals with different values, different education and psychological peculiarities.

Those, who didn't learn to use money in early childhood, don't know how to do it in older age. It doesn't mean to give a child pocket money and to forget about it. It's important to show children adequately where the money comes from and what it spends for, to convince them in necessity to work to pay for satisfaction of requirements as individual as society's.

As soon as the child starts to get money, he should get instructions how to form a budget, make a list of income and expenses.

Individual peculiarities concerning personal finances appear in the structure of expenses, savings and feelings to more wealthy or poor peers, in questions concerning allocation of money in the family.

At the same time basic positions of "financial literacy", acquired from parents, influence on economic behavior and adaptation of children in "world of adults", which in everyday life run their budget, using as an example the model of behavior used in their families and form different types of financial funds.

Becoming adults with conviction of forming personal financial funds and forming in their consciousness some stereotypes of behavior and these types of financial relations the child brings in his life.

So, at early stages of their career, one of the main tasks of parents-to learn children to work with personal finances, to explain how to use money, to show its essence, to attract younger members of the family to taking cooperative financial decisions.

Not only psychological but also social peculiarities and environment (parents, relatives, educational establishment, peers and so on) influence on creation of personal individual finances.

Relations arising among members of the family in the process of their everyday activity, form material basis for existence of the household and represent a set of social-economic status of individuals, reflected at the system of forming their budgets as individual as family, in the basis of which there are personal finances.

Thirdly. Some parents think that their children are investments in future, in development, in human capital which is one of the components of the wide meaning "capital" (financial, physical, social and so on).

According D.Darts' opinion as the person becomes older, gets education, develops skills and increases knowledge, which facilitate successful career, he gets very significant asset-*human capital*, which means the amount of money the person is able to earn during all his life.

Which part of human capital an individual can transform in *financial capital,* depends on many circumstances, such as level of income and expenses, way of life, taxation and inflation and so on [12, p.149].

It is universally acclaimed, that parents invest part of their savings in development of their children as investments in future, i.e. in human capital.

In this case income part of personal (family) budget can be considered as expenses for investments oriented to getting education by all members of the family, but not as economic rent for workers of those specialties, which study during a long period of time and prepare to work as professional specialists, skilled workers and field expert in some particular sphere.

Besides, if to invest in education of children, as investments in labor capital with supposed high income in the nearest future, so these financial flows also according traditional methodic are to be discounted. And if while calculating physical assets the factor of their depreciation should always be taken into consideration, so investments in education bring to forming knowledge and not greatly are subject to the law of income decrease and definite risk danger. [13, p. 11]

In reality, financial evaluation of investments in education of children, on the side of parents or relatives without taking into consideration their quality component, implemented on the basis of capitalization principle of future income.

This principle is based on the so called preferences of goods, i.e. nowadays people often have to partially refuse from getting and purchase of definite goods or services, in expectation, acquiring of grat economic preferences from investments in future.

Consequently, people are apt to evaluate goods higher in present time, than the same expected quantity in future.

One of the main reasons of unequal salary and wages is difference among people in accordance with inborn intellectual and physical abilities, education, upbringing, experience and kin relationship with founders of the company where you work. However these individual differences won't be able to be characteristics of economic inequality.

Abilities, which can help in forming structure of personal finances, a bit different, change greatly and often it's difficult to evaluate them. As a rule, ability to appreciate situations and also workability accompanied by high qualifications and high culture-these all can become successful start for management of personal financial resources.

Alternative view on education is the following: one of the most important functions of education-an identification of different people capabilities. Who studies longer in educational establishments (don't confuse successful students with those who have academic failure), will get higher salary and will be considered as more skilled worker.

It is not a secret, that today the most of the enterprises and organizations are private and represent a set of tangible and intangible assets of people in kin relationship, i.e. in kind of personal finances.

Owners of enterprises for managing of money funds try to include in top management their close relatives, not all of which are ready to work effectively and fruitfully.

And if the owner doesn't confuse family, kin relationship and labor relationships, he has to employ to work highly skilled professionals for supporting of "family business", requiring high salary for their work and here investments and labor capital come to the first plan.

Foreign companies, acting in the Russian Federation, employing people, first of all, pay attention the amount of competences based on acquired knowledge and professional suitability.

Investments in education in many countries are used as the basic indicator of people demand, in accordance with received knowledge, their position in the society, economic status, in its turn, considered as indicator of effectiveness from investments in labor capital.

So, personal finances play the same part while forming economic status of the individual, family, household in choice of correspondent economic strategies, which are formed under the influence of many factors.

Motive of personal finances makes the financial system of the State target-oriented, creates correspondent directions of economic relations on the part of the state, legal and physical persons.

Forming of individual economic tatus realizes in its striving to get personally definite financial benefit, stipulated by private interests which are the main motive, performing a part of the regulator on the market of definite personal good and services.

Economic status is not only financial characteristics of the individual and his social status, but also that level of the society to which he strives to belong to.

It is connected with the fact, that people express not only their personal and social interests with assistance of tangible and intangible assets, but also make a conclusion about correspondence to other people on the basis of analyses of their personal finances, which is peculiar information map about their owners.

So, economic status of the individual inside the family, a household, can be different from the economic status which he thinks he has in society.

Usually while analyzing mechanisms of a household life activity, the main part is given to the major feeder-the head of the family, whose personal finances are the main factor which provides the right for existence of the family- dependent people, depend on his income, which is the major profit in a family budget.

On the matter of belonging finances to the family there are not intermediate decisions; personal finances don't change their owners, as it happens outside the family. Family economics functions as if family finances were in cooperative ownership or belong to some members to greater degree than to other members of the family and these members own them for some time before they pass them to other members.

As a rule, inside the family, its members don't pay to each other for work and fulfilling of duties on support of the order and provision of life activity of a household. When money or other property comes into a family, they become mainly common family property, though some members of the family have a great control over spreading and management of common finances than others.

It happens so, because kin relationship-is common, but not exchange relations and inside the family people can give to other members the things which they need in, but not only what they earned for. So, the same way the money for personal requirements is allocated to those relatives, who don't work and during the periods of economic, social and other crisis.

In its turn, the basic economic functions of individuals in a household are in providing and spreading common profit (income). The main here is: first-the size of individual income of every member of the family (household) in comparison with other members, secondly-characteristics of individual behavior in the sphere of personal income distributing (as every family member spends his income, i.e. some part of his personal income is used for necessities of the household).

Organization of family economic in a household depends on management by personal finances, when the family strives to rational structure of consumption, on the basis of real financial income.

Personal forms of economic relations (personal finances) in a scale of a household objectively arise and are reflected in numerous conceptions, representing a household as one family, one family enterprise with one owner as a head. In reality, this view doesn't describe adequately real economic relations, acting inside a household.

Taking into consideration everything mentioned above, we should remember, that in the process of forming common budget different types of financial relations appear among the members of a household.

The main discussion, connected with defining of the meaning "economic status" is clarifying degree of responsibility among the members of a household, who of them is responsible for well-being of his relatives and provision of their future, who is the main feeder (head) in a family and whose income is dominant among incomes of other family members or the person who knows how to distribute financial resources in a proper way and to define the direction of their use inside the family budget.

Thesis mentioned above is confirmed by V. Zelizer, who thinks that many families find the following matter rather actual-how to distribute income? How to define a family the way of usage its permanent income or its extra income-how much to save, how much to distribute for charity, how much-for spending free time?

And what's more important, who in the family has a right or is able to spend finances economically? To what degree husband's or wife's salary is common? How much money can they spend for themselves? [14, p.91].

Disputes among family members about spending of family budget is one of the most wide spread source of conflicts inside the family.

The system of uncoordinated acceptance of economic decisions connected with distribution of finances for household needs often brings to marital dissatisfaction.

But on the other hand, every family member takes decisions independently in building of family economy for getting personal benefit and achievement of his own purposes, which can differ from general principles of household.

In a complicated structure of interpersonal interaction any individual should be considered from the point of view of his social-economic status, as a part of internal family relations, personal finances of which play particular part in forming of a family budget.

Explanations for this relationship suggest that economic hardship may place stress on couples, thereby increasing conflict and leading eventually to divorce.

Individuals might fight over limited resources and struggle with disappointment when financial means are meager. Economic circumstances may diminish relationship quality by increasing conflict and reducing intimacy. Understanding how and under what circumstances economic factors affect perceived relationship quality will contribute greatly to an understanding of the sources of stability and stress for couples [15, p.597].

While the common purpose is to invest in a family budget, where the individual live, personal benefit occupies the first place and the individual is apt tom form his own independent personal finances, which he can spend independently.

During life way every individual form his own, personal attitude to personal finances and abilities and skills of personal management appear.

Personal finances coordinate activity and provide fulfilling of economic decisions through the system of competition. Personal finances can be considered in the structure of money relations, reflected the processes of forming financial resources of the personality for satisfaction personal needs.

On the level of personal motivation of increasing personal well-being, increasing of dominant role of financial component in a structure of a family budget, combined effect of use personal finances is permanent desire to greater consumption, purchases, movements up on social ladder, changes in social-economic status of the personality.

If to consider personal finances (money savings and savings of population) as an investment economic resource of the State, we should remember, that not all owners want to be separated from them.

In the process of transformation in the economy of the State, it's necessary to take into consideration the fact that the system of economic relations, based only on priority of personal interests and refuse from social interests can't but share it on separate subjects of households, the main purpose of which is to improve their own well-being but not well-being of the society.

Every individual always opposes his personal finances to finances of a household, other physical and legal entities, the state4 in general, not only because he wants to distribute his finances independently, but also because the finances are distributed first of all for satisfaction of his personal needs and help to make more steady his own personal financial status, providing him financial independence from other members of the family.

Personal finances and organization of individual management define differences in standards established by the individual-used by him, or members of his family in quality and quantity of goods and services and provide convenience and comfort of living conditions.

Influence of personal finances on forming of individual economic status, choice of financial strategy for organization of the financial management model in a household is defined by numerous factors: financial capital conditions, social and financial position in a society, type of activity, level of education, sociability and so on.

Perception of the individual his economic status to some degree is defined by subjective criteria necessary for increasing of his self-concept (established by a personality his scale of values and requirements, ideas about amounts of personal finances, wishes, the system of life standards and so on), than objective, adequate to his level of financial position.

Individual economic status sometimes acts as target-oriented in choice of financial strategies of the family or a household, which representative he is, defines his strategy in the society in accordance with financial position.

Status position in the society is evaluated depending on financial belonging of the individual to a small group of population, connected with his personal finances, level of financial well-being (wealth), during the growth of which objective and subjective evaluation standards of individual economic status change.

The desire of the individual to be in a small group of people with high income is greatly different from real condition of personal finances, the higher his financial status is, the higher the scale of his personal desires, on the basis of which he evaluates his own economic status.

First of all, it's necessary to emphasize that economic status of the individual- is one of the characteristics of his position in the society, among many social and behavior factors, influencing on belonging to particular level of the society.

CONCLUSION

Importance of complex approach to the matters of influence of personal finances on forming of economic status of the individual and correspondent components is defined by the main theoretical contents-increasing of financial activity among population with the purpose of improvement well-being not only any separate person but also all Russian society.

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