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PEER-INSPIRED INVESTING AND FINANCIAL ANXIETY: DOES GENERATION CLASSIFICATION MATTER?

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ABSTRACT

This study explores how peer-inspired motivation to invest relates to financial anxiety through a generational lens. Analysing the 2021 National Financial Capability Study (NFCS) with ordered logit models reveals a significant, positive association between peer influence and financial anxiety. Gen X, Millennials, and Gen Z each report higher financial anxiety compared to Baby Boomers. Interaction effects show that Millennials and Gen X who invest due to peer influence report significantly higher levels of financial anxiety compared to Baby Boomers. These findings have important implications for individuals and financial planners working to improve their clients' financial well-being.

Introduction

Recent survey data highlight persistent financial anxiety and economic insecurity among Gen Z and Millennials. In Deloitte Global's (2024) Gen Z and Millennial Survey, 41% of Gen Z respondents and 35% of Millennials reported feeling anxious or stressed most or all of the time. Of the top four factors identified as contributing to these stress levels, two (i.e., 'My longer-term financial future' and 'My day-to-day finances') were directly related to finances. Similarly, in a national survey of Gen Z conducted by Ernst & Young (Ernst & Young 2023), only 31% of respondents indicated that they feel financially secure, while 32% rated their current finances as poor or very poor. Over half (52%) shared that they are very or extremely worried about not having enough money. These vulnerabilities are compounded by lower levels of financial experience, particularly in managing day-to-day finances and making investment decisions. Consequently, these generations may be more likely to seek guidance from others (Sanders & Olajide 2025), including their peers, for direction when making financial decisions.

Although significant media coverage has focused on the financial concerns facing Millennials and Gen Z, each generation confronts a unique set of financial circumstances. In a study of financial wellness in the workplace (PNC 2024), Gen X respondents indicated similar levels of financial stress as compared to Gen Z, with Gen X feeling pressure to prepare for retirement, provide for children and families, and manage debt. The Baby Boomer generation, those presently in and nearing retirement, are expected to replace a lower proportion of preretirement earnings with savings and Social Security than prior generations, with over 40% of Baby Boomers replacing less than three-quarters of their preretirement earnings (Butrica 2005).

While prior research has examined generational differences in financial anxiety and the role of peer influence on investment behaviour, the intersection of these factors remains unexplored. Additionally, little is known about the relationship between peer influence on investment behaviour and financial anxiety among generational cohorts. As noted by Vera-Toscano & Meroni (2021), generational classifications are theoretically important because they represent shared sociohistorical experiences that shape financial orientations and sensitivity to peer influence. While age and generation classifications are related, chronological age alone cannot account for the cultural orientations and cohort-based norms that shape how individuals respond to peer influence in financial decision-making. Therefore, this present study builds on prior research by exploring how peer influence on investment behaviour is associated with emotional outcomes, particularly levels of financial anxiety, across different generations.

Conceptual Framework and Hypotheses Development

Financial Anxiety

Financial anxiety, as explained by Archuleta *et al*. (2013), refers to experiencing persistent anxiety, worry, or unease regarding one's financial situation. Financial anxiety has recently garnered attention in personal finance and financial planning research, with its determinants explored widely. One such determinant is debt. Archuleta *et al.* (2013) explored the association of debt (total, student loan, credit card, auto loan, and instalment debt) to students' financial anxiety, and found a positive association between these variables. The

findings of Archuleta *et al.* (2013) were confirmed and validated by the findings of Perry *et al*. (2023) amongst UK students. Among Americans generally (*i.e.*, not just students), Law (2021), and Hasler *et al*. (2021) found similar results. Kim *et al.* (2023) tested the association between financial anxiety and other forms of debt, such as the use of Alternative Financial Services (AFS) including payday loans, rent-to-own, pawnshops, auto-title loans, and refund anticipation check, and also found a positive association. Similar findings seen by Hasler *et al*. (2021).

Interventions in the form of improved financial literacy have also been found to relate to reduced financial anxiety. Kadoya *et al.* (2018) examined the role of financial literacy in alleviating financial anxiety in old age, finding a positive association. Kim *et al*. (2023), Hasler *et al*. (2021), and Pijoh *et al*. (2020) found similar results across different age groups.

Previous literature has also shown the association of socioeconomic and demographic factors like gender, ethnicity, income, and age to financial anxiety levels. Past studies show that compared to men, women were more likely to experience financial anxiety (Kadzima 2025; Kim *et al*. 2023; Tran *et al*. 2018), and having higher incomes was associated with being less financially anxious (Delis *et al*. 2021; Kadoya *et al*. 2018). Regarding ethnicity, the literature is mixed, while Roll *et al.* (2016) did not find a significant association of ethnicity to financial anxiety, Kim *et al*. (2023) found that African-Americans were more likely to be financially anxious compared to their White counterparts.

Focusing on age and generation classification as predictors of financial anxiety, while Kim *et al*. (2023) found older individuals to be less likely to be financially anxious, Cwynar (2020) found that Millennials in Poland reported lower financial anxiety levels compared to the Silent Generation and Gen Xers.

Peer Influence

Peers are individuals who share similarity in age, status, and social standing, with whom they interact on a regular basis, and who have the potential to influence behaviour (Brown & Larson 2009; Laursen & Veenstra 2021; Prinstein & Dodge 2008). Peers in this context include friends, classmates, co-workers, and colleagues. Peer influence can be in the form of normative, observational/informational, and social engagement influence. Normative influence explains that individuals exhibit behaviours because they believe that it is socially accepted by their peers, and so they follow in the peers' footsteps to be liked (Cladini *et al.* 1990; Deutsch & Gerard 1955). With observational influence, individuals engage in behaviour because their peers are doing it. These individuals engage in these behaviours because they believe their peers have more information than they do, and as such, will engage in their peers' behaviours to avoid making a mistake (Bandura 1977; Deutsch & Gerard 1955). Social engagement, on the other hand, stems from doing shared activities with peers to reinforce peer belonging or identity, so these individuals adopt these behaviours to foster emotional closeness and a sense of belonging (Laursen & Veenstra 2021).

Peer influence plays a significant role in shaping various financial behaviours and decision-making of individuals regarding debt, spending, saving, and investments. This influence can be beneficial or detrimental to their financial health. For instance, with debt, past studies have shown that individuals that are more prone to peer influence borrowed more (Georgarakos *et al*.

2014) and used overdrafts (Berlemann & Salland 2016) to 'keep up with the Joneses' when they perceived that their peers earned more. However, Breza (2010) found that individuals are less likely to default if their peers made full repayment. Similarly, Maturana and Nickerson (2019) observed that homeowners were more likely to refinance their mortgage and increased their potential savings if their workplace peers also refinanced. With spending, Agarwal *et al*. (2016) discovered that neighbours of lottery winners increased their consumption and spending when the lottery winner wins, and even bought new cars (Kuhn *et al*. 2011). On a positive note, Agarwal *et al*. (2021) observed that when individuals have experienced bankruptcy, their peers and neighbours decreased their credit card usage and consumption.

Peer influence also plays a role in portfolio allocation, investment choices, and strategies. With geographic peers, for instance, Kaustia and Knupfer (2012) showed that individuals are more likely to invest in the stock market if their local peers experienced higher stock returns. Work peers also influence individual investment decisions. Hvide and Ostberg (2015) discovered that individuals invest in similar stocks that their coworkers do, including participating in the employee stock purchase plan (Ouimet & Tate 2020). Furthermore, focusing on investment strategies, Han *et al*. (2021) investigated the effect of discussing strategies amongst peers and social networks and how that might relate to adoptions of trading strategies. They found a positive association between these two phenomena. Also, Heimer (2016) found peer influence to relate positively with disposition effect.

The majority of the literature on the relationship between peer influence and age is not focused on the personal finance field. Most of the existing studies on peer influence have found the most significant effect of peer influence in the adolescent stage. One such study (Foulkes *et al*. 2018) explored age differences in the tendency to adjust one's behaviour to align with others' positive behaviour. The study discovered that children and adolescents were more likely to align their behaviours with perceived social norms. Focusing on risky behaviour, Gardner and Steinberg (2005) showed that peers influence adolescents in risky decision-making situations. This increased risk-taking behaviour in peer presence was established in their experimental study. The findings of Gardner and Steinberg (2005) are broadly consistent with Powers *et al*. (2022), who also performed a meta-analysis and found that when peers observe, younger adults make more risky financial decisions.

Peer Influence and Financial Anxiety Across Generations

Social comparison theory provides a mechanism through which peer influence can influence financial anxiety. According to Festinger (1954), social comparison theory explains that individuals gauge their opinions and abilities by comparing themselves to their peers. This evaluation of themselves then influences their emotional and psychological states. Applying this to personal finances, based on this theory, individuals evaluate their financial situations, and decision-making based on the decisions of others, which may in turn lead to financial anxiety.

Empirical studies linking peer influence to financial anxiety is limited. A study that hints at an association between social influence and financial anxiety is that of She *et al.* (2021), whose sample was collected in China. The study explored how financial comparisons through excessive social network use can influence financial anxiety. She *et al*. (2021) found that using social network sites excessively was positively associated with financial anxiety both directly and through compulsive buying online.

Generation classifications are also important, and studying how financial anxiety may vary across generations, and how the relationship between peer influence and financial anxiety may vary across generation classifications, may be beneficial. According to Eyerman and Turner (1998), the term generation explains a group of individuals who were born around the same time period, and who, based on their age proximity, have experienced similar life events and experiences. Mannheim's (1952) theory on generations supports this perspective and frames generational classifications as a cohort of individuals shaped by historical and cultural experiences. These unique experiences may influence their decision-making, behaviour, peer comparisons, and the perception of different situations, including financial risk-taking and personal finances, which could cause financial anxiety (Rudolph & Zacher 2017). Although no study has examined the role of generation classification in explaining the relationship between peer influence in investing and financial anxiety, the aforementioned perspectives highlight the moderating role of generation classification, especially as it shows how financial anxiety might differ across shared social and historical experiences.

Past studies have explored peer influence in personal finance and determinants of financial anxiety like debt, financial literacy, and other socioeconomic and demographic factors. However, there is a paucity in the literature linking peer influence in the choice to invest and financial anxiety, particularly how this differs across generation classifications, creating a gap this study aims to fill. Specifically, we examine the moderating role of generation classification in the relationship between peer influence in investing and financial anxiety. Based on the conceptual framework above, this study tests the following hypotheses:

H1: Financial anxiety differs across generations.

H2: Peer influence in investing is associated with financial anxiety.

H3: The relationship between peer influence in investing and financial anxiety differs across generations.

Methods

Data and Sample

In this analysis, data were combined from the 2021 National Financial Capability Study (NFCS) State-by-State and Investor Surveys. The Investor Survey is a follow-up to the NFCS State-by-State Survey, focusing on individuals with investments held outside of retirement accounts (N = 2,824). These data were merged using identification numbers provided by the NFCS (NFCSID). Data from the American Community Survey were used to form survey weights, which are included in the analysis. Except as noted below, the responses 'I don't know' and 'prefer not to say' were treated as missing data. After dropping missing responses, the final sample used in analysis had 2,329 respondents.

Variables

For the dependent variable, respondents indicated how strongly they agreed or disagreed with the following statement: 'Thinking about my personal finances can make me feel anxious.' Responses ranged from 1 (strongly disagree) to 7 (strongly agree), with 1 as the reference category.

The key explanatory variables in this study are peer influence on investment behaviour and generation classification. For peer influence on investment behaviour, respondents stated whether they invested because 'My peers are doing it/social activity/connecting with others.' Responses ranged from 1 (does not describe at all) to 3 (describes very well), with 1 as the reference category. This measure likely blends the three aspects of peer influence: observational, normative influence, and social engagement. Generation classification was formed by creating the following series of dummy variables: Gen Z (ages 18-24), Millennials (ages 25-40), Gen X (ages 41-56), Baby Boomers (ages 57+) (Dimock, 2022). As the surveys were administered in 2021, these groups have been created based on respondent ages as of 2021. The reference category for generation classification was the Baby Boomer group.

Investment literacy was measured, as well as comfort making investment decisions. Respondents were asked to assess their level of comfort making investment decisions on a scale from 1 (very low) to 10 (very high). Comfort investing entered the model as a continuous variable. Then, to measure investment literacy, respondents answered ten questions in the NFCS Investor Survey. These questions focused on such topics as fundamentals of stock and bond ownership, bankruptcy, risk and return, and the performance of asset classes (for exact language of investment literacy questions and answer responses, see Appendix A). Where respondents stated 'I don't know,' responses were marked incorrect. Correct answers were tallied per respondent, resulting in scores ranging from 0/10 to 10/10. This score entered the model as a continuous variable.

Risk tolerance[1], gender[2], race/ethnicity[3], marital status[4], and non-retirement account value[5] were also included in the model.

Data Analysis

Descriptive statistics are provided for the overall sample, as well as each generation classification in Table 1. Due to the ordinal nature of the outcome variable (financial anxiety), this study estimates two ordered logit models. The first model (first column of Table 2) includes peer influence, investment literacy, comfort with investment decisions, risk tolerance, gender, race/ethnicity, marital status, and non-retirement account value. To test how the relationship between peer influence and financial anxiety differs by generation, in a separate model (Model 2) an interaction variable is added to the first model. Odds ratios are provided in Table 2.

Results

Descriptive Statistics

A statistical comparison of means between the full sample and generational subgroups can be seen in Table 1. Notably, generational differences in financial anxiety are particularly

[1] On a scale from 1 (not at all willing to take risks) to 10 (very willing to take risks)

[2] Male/Female (ref: Male)

[3] White/Non-White (ref: White)

[4] Single, Married, Divorced/Separated, and Widowed (ref: Single)

[5] Ten categories ranging from less than $2,000 to $1,000,000 or more (ref: less than $2,000)

Table 1. Descriptive statistics: Full sample compared to generational groups.

Variables	Full Sample (N = 2,329)	Gen Z (N = 69)	Millennials (N = 370)	Gen X (N = 496)	Baby Boomers (N = 1,394)	*p-Value*
Financial Anxiety (Scale: 1-7)	3.615	4.703	4.940	3.996	3.049	***
	(0.050)	(0.278)	(0.123)	(0.104)	(0.057)	
Why Invest: Peer Influence						***
Not at all	0.760	0.298	0.410	0.744	0.892	
	(0.011)	(0.067)	(0.031)	(0.023)	(0.010)	
Somewhat	0.161	0.361	0.333	0.197	0.088	
	(0.009)	(0.066)	(0.032)	(0.021)	(0.009)	
Very well	0.079	0.341	0.257	0.059	0.021	
	(0.007)	(0.068)	(0.027)	(0.011)	(0.005)	
Investment Literacy Score (Scale: 0-10)	5.209	3.837	4.324	5.157	5.558	***
	(0.060)	(0.272)	(0.146)	(0.134)	(0.075)	
Investment Decision Comfort (Scale: 1-10)	6.960	7.023	7.465	7.022	6.794	***
	(0.053)	(0.258)	(0.147)	(0.109)	(0.067)	
Risk Tolerance (Scale: 1-10)	6.169	6.873	7.405	6.544	5.653	***
	(0.057)	(0.272)	(0.138)	(0.116)	(0.071)	
Gender						***
Male	0.638	0.623	0.694	0.678	0.610	
	(0.012)	(0.069)	(0.029)	(0.026)	(0.015)	
Female	0.362	0.377	0.306	0.322	0.390	
	(0.012)	(0.069)	(0.029)	(0.026)	(0.015)	
Race/Ethnicity						***
White	0.723	0.351	0.606	0.664	0.799	
	(0.012)	(0.063)	(0.034)	(0.028)	(0.015)	
Non-White	0.277	0.649	0.394	0.336	0.201	
	(0.012)	(0.063)	(0.034)	(0.028)	(0.015)	
Marital Status						***
Single	0.195	0.891	0.359	0.240	0.090	
	(0.010)	(0.037)	(0.032)	(0.023)	(0.009)	
Married	0.663	0.076	0.615	0.654	0.715	
	(0.012)	(0.029)	(0.032)	(0.026)	(0.014)	
Divorced/Separated	0.094	0.015	0.022	0.094	0.120	
	(0.007)	(0.015)	(0.009)	(0.015)	(0.010)	
Widowed	0.048	0.018	0.004	0.013	0.075	
	(0.005)	(0.018)	(0.004)	(0.005)	(0.008)	

(*Continued*)

Table 1. Continued

Variables	Full Sample (N = 2,329)	Gen Z (N = 69)	Millennials (N = 370)	Gen X (N = 496)	Baby Boomers (N = 1,394)	*p-Value*
Non-retirement Account Value						***
< $2,000	0.065	0.279	0.121	0.081	0.031	
	(0.007)	(0.066)	(0.022)	(0.014)	(0.006)	
$2,000-$5,000	0.052	0.127	0.118	0.061	0.026	
	(0.006)	(0.044)	(0.023)	(0.013)	(0.005)	
$5,000-$10,000	0.047	0.094	0.080	0.069	0.027	
	(0.006)	(0.045)	(0.019)	(0.015)	(0.005)	
$10,000-$25,000	0.069	0.185	0.085	0.075	0.055	
	(0.006)	(0.060)	(0.018)	(0.013)	(0.008)	
$25,000-50,000	0.072	0.097	0.099	0.072	0.064	
	(0.006)	(0.038)	(0.017)	(0.013)	(0.008)	
$50,000-$100,000	0.132	0.104	0.186	0.141	0.116	
	(0.008)	(0.037)	(0.024)	(0.018)	(0.010)	
$100,000-$250,000	0.180	0.052	0.164	0.157	0.201	
	(0.010)	(0.026)	(0.024)	(0.020)	(0.013)	
$250,000-$500,000	0.150	0.032	0.077	0.153	0.176	
	(0.009)	(0.021)	(0.015)	(0.020)	(0.012)	
$500,000-$1,000,000	0.113	0.028	0.051	0.102	0.139	
	(0.007)	(0.021)	(0.012)	(0.015)	(0.011)	
$1,000,000	0.119	0.000	0.020	0.089	0.164	
	(0.008)	(omitted)	(0.010)	(0.016)	(0.011)	

Note: Data from the 2021 National Financial Capability Study and Investor Survey. Standard errors in parentheses. Chi-squared test performed. ***$p < .001$; **$p < .01$; *$p < .05$.

large when comparing Millennials and Gen Z (4.940/7 and 4.703/7, respectively); with Gen X and Baby Boomers (3.996/7 and 3.049/7, respectively. Conversely, peer influence appears to be substantially greater among the Gen Z and Millennials, with 70% of Gen Z and 59% of Millennials reporting that peer influence describes why they invest somewhat or very well, while only 25% of Gen X and 11% of Baby Boomers report the same. Risk tolerance was highest among Millennials, who reported an average of 7.405/10 and Baby Boomers reported the lowest of 5.653/10. Non-retirement account values were lowest among the Gen Z and Millennials.

Investment literacy scores were lower among the Gen Z and Millennials (3.837/10 and 4.324/10) when compared with Gen X and Baby Boomers (5.157/10 and 5.558/10). Recognizing that the sample is composed of individuals who held non-retirement accounts, comfort making investment decisions was relatively high among all generations, with Baby Boomers ranking lowest at 6.794/10 and Millennials ranking highest at 7.465/10 (with 10 being the highest level of comfort making investment decisions).

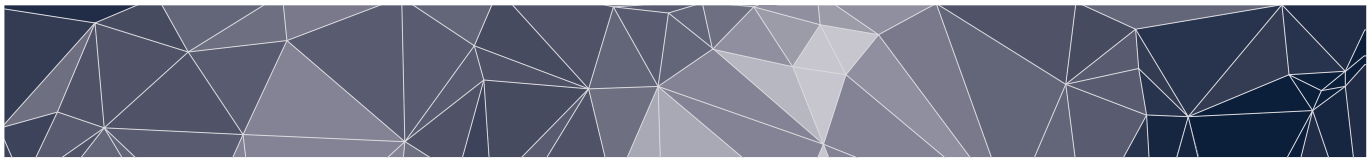

Table 2. Ordered Logistic Regression Results on Financial Anxiety.

Variables	Model 1		Model 2	
	Odds Ratio/Std. Err.		Odds Ratio/Std. Err.	
Why Invest: Peer Influence (Ref: Not at all)				
Somewhat	2.322	***	2.218	***
	(0.318)		(0.460)	
Very well	4.103	***	1.157	
	(0.973)		(0.748)	
Generation (Ref: Baby Boomers)				
Gen Z	1.424		1.995	
	(0.484)		(1.189)	
Millennials	2.905	***	2.288	***
	(0.462)		(0.427)	
Gen X	1.873	***	1.792	***
	(0.218)		(0.229)	
Group (Peer Influence × Generation) (Ref: Not at all, Baby Boomers)				
Somewhat × Gen Z			**0.661**	
			(0.490)	
Somewhat × Millennials			**1.453**	
			(0.547)	
Somewhat × Gen X			**1.018**	
			(0.318)	
Very well × Gen Z			**1.949**	
			(1.969)	
Very well × Millennials			**6.095**	*
			(4.403)	
Very well × Gen X			**5.932**	*
			(4.713)	
Investment Literacy Score (Scale: 0-10)	0.910	***	0.916	***
	(0.020)		(0.020)	
Investment Decision Comfort (Scale: 1-10)	0.845	***	0.841	***
	(0.024)		(0.025)	
Risk Tolerance (Scale: 1-10)	1.030		1.026	
	(0.027)		(0.027)	
Gender (Ref: Male)				
Female	1.079		1.093	
	(0.102)		(0.104)	
Race/Ethnicity (Ref: White)				
Non-White	0.965		0.983	
	(0.118)		(0.121)	
Marital Status (Ref: Single)				
Married	1.012		1.002	
	(0.140)		(0.141)	

(*Continued*)

Table 2. Continued

Variables	Model 1		Model 2	
	Odds Ratio/Std. Err.		Odds Ratio/Std. Err.	
Divorced/Separated	1.033		1.043	
	(0.206)		(0.212)	
Widowed	0.695		0.676	
	(0.170)		(0.166)	
Non-retirement Account Value (Ref: < $2,000)				
$2,000-$5,000	1.005		1.009	
	(0.332)		(0.337)	
$5,000-$10,000	0.725		0.754	
	(0.225)		(0.236)	
$10,000-$25,000	0.536	*	0.543	
	(0.169)		(0.170)	
$25,000-50,000	0.518	*	0.532	*
	(0.152)		(0.158)	
$50,000-$100,000	0.692		0.696	
	(0.190)		(0.192)	
$100,000-$250,000	0.467	**	0.466	**
	(0.128)		(0.128)	
$250,000-$500,000	0.482	**	0.488	**
	(0.131)		(0.133)	
$500,000-$1,000,000	0.404	**	0.400	**
	(0.117)		(0.116)	
$1,000,000	0.273	***	0.272	***
	(0.080)		(0.080)	
Pseudo R^2	0.083		0.084	

Note: Data from the 2021 National Financial Capability Study and Investor Survey. Full sample size = 2,329. ***$p < .001$; **$p < .01$; *$p < .05$.

Model Results

Odds ratios estimated from the first ordered logistic regression model (Model 1 in Table 2). Participants who reported being influenced by their peers regarding investment decisions were over four times more likely to experience higher financial anxiety (OR = 4.103, $p < .001$ for 'Very well'; OR = 2.322, $p < .001$ for 'Somewhat'). Compared with Baby Boomers, Gen X and Millennials had significantly higher odds of reporting financial anxiety (OR = 1.873, $p < .001$ for Gen X; OR = 2.905, $p < .001$ for Millennials).

Investment literacy and comfort making investment decisions were each significantly associated with lower odds of financial anxiety. Non-retirement account value was also associated with a lower likelihood of being financially anxious, with most groups reporting significantly lower odds of financial anxiety compared to those with less than $2,000 of non-retirement investment assets. No statistically significant results were found for risk tolerance, gender, race, or marital status.

In a separate model, an interaction term between peer influence and generation classification was included alongside all variables from Model 1 (Model 2 in Table 2). Statistically significant results were found only among Millennials and Gen X. When compared to Baby Boomers, who reported no peer influence, Gen X and Millennials who reported investing due to peer influence were each about six times more likely to report experiencing financial anxiety (OR 5.932, $p = .025$ for Gen X; OR 6.095, $p = .012$ for Millennials).

Discussion

This study sought to investigate how financial anxiety levels might differ across generation groups, the association peer influence has with financial anxiety, and how this might differ based on generation classification.

As expected, financial anxiety was found to differ significantly across generations. Specifically, compared to the Baby Boomer generation, Millennials are almost three times, and Gen X are almost two times more likely to experience higher financial anxiety levels. This finding, which provides evidence for *H1*, is consistent with that from Cwynar (2020), who found similar generational differences in Poland. These higher financial anxiety levels among Millennials may result from the economic challenges they have experienced during their critical formative years. Many Millennials entered the job market for the first time during the aftermath of the 2008 recession, only to face yet another economic crisis with COVID-19. Previous studies have shown that individuals employed for the first time during economic downturns are typically behind financially since they experience lower earnings and slower wealth accumulation (Friedline *et al*. 2020; Kahn 2010). This finding is particularly interesting, as these Millennials report the highest comfort in making investment decisions, while reporting the highest financial anxiety, with one of the lowest investment literacy scores. The ease of access to digital trading platforms may have helped Millennials feel more comfortable with investing, without necessarily improving their knowledge of investment decisions, which could be reflected in their higher financial anxiety levels. Future research could explain other drivers of financial anxiety, particularly in investment decisions of Millennials.

Similarly, Gen X experiences significant financial anxiety, particularly because of where they are in their life cycle. These individuals have to juggle short- and long-term financial commitments while supporting their children and possibly aged parents. Aside from being responsible for daily expenses, these individuals have to save and pay for their children's education and plan for retirement, as they are closer to retirement. In addition to the 2008 recession and COVID-19, Gen X also experienced the dot-com crash during their peak earning years.

In support of *H2*, a focal finding of this study is that individuals susceptible to peer influence in investing are four times more likely to be financially anxious. Similar results were found by She *et al*. (2021), who focused on the influence of excessive social media use and compulsive buying on younger Chinese individuals' financial anxiety. The concern is that peer influence can lead to herding, where individuals replicate decisions made by their peers without fully understanding the risks involved, which may, in turn, cause regret and other adverse psychological outcomes like financial anxiety. For instance, individuals who are more likely to be influenced highly by their peers may engage in very risky investment decisions, which possibly do not match their

risk profiles. Due to the nature of risky investments, these individuals may experience losses and internalize these as failures, thereby causing financial anxiety (Shapiro & Burchell 2012).

Additionally, the positive association between peer influence and financial anxiety was observed to be only significant among Millennials and Gen X, therefore supporting *H3* partially. Aside from the aforementioned circumstances faced by Gen X and Millennials, a possible explanation is social media-induced financial comparison. Social media creates an avenue for individuals to share curated successes, including financial success, and allows individuals to compare themselves to their peers, which can exacerbate feelings of inadequacy, which has been found to be especially true among Millennials and Gen X (Olajide *et al.*, 2024). In this situation, making investment decisions may not just be about growing wealth, but can feel like a reflection of a person's intelligence, social standing, and even self-worth. This could mean that when an investment does not go as planned, the emotional impact may be much more profound, leading to feelings of failure that go beyond just financial loss, possibly causing financial anxiety.

This study has some limitations. First, this study measures the three different aspects of peer influence (normative, observational, and social engagement) using a single item, making the disentanglement of these mechanisms difficult. Secondly, the relatively small sample of Gen Z respondents made it difficult to detect differences in generational classification. Also, the cross-sectional nature of the analysis limits causal inference. These limitations are a result of the secondary nature of the data set. Future research would benefit from gathering primary data to ensure measurement of peer influence as a multi-item construct that disentangles the three different aspects of peer influence, and more Gen Z representation, especially as these individuals grew up in the social media age, which often accelerates peer influence. Furthermore, a longitudinal approach to this study would be beneficial for future research, as it could provide insight into how generational differences in peer influence and financial anxiety may change over time.

Conclusions and Implications

Utilizing data from the 2021 National Financial Capability Study (NFCS), this study contributes to a growing literature on financial anxiety by exploring the relationship between peer influence in investing and financial anxiety across generation groups. Findings from this study indicate that financial anxiety is different across generation classifications, with Millennials and Gen X reporting higher financial anxiety levels compared to Baby Boomers. Also, peer influence has a significant positive association with financial anxiety, particularly among Millennials and Gen X. These findings have implications for individuals and financial professionals.

A practical implication for individuals is to reduce peer-driven financial comparison, for example, on social media, recognizing that their peers primarily curate information they share to depict success. Also, when setting financial goals and tracking progress towards financial goals, focus should be on value-based goal setting instead of peer-induced goals and benchmarks, particularly with Millennials and Gen X. With Gen Z, an early understanding of how peers might influence financial anxiety could positively shape their decision-making as they grow older.

Financial professionals could tailor recommendations and strategies to the different generation groups. As mentioned in the discussion section, each generation classification has unique circumstances that shape how they approach financial and investment decision-making. When

working with clients, financial professionals could address the psychological burden of peer pressure, financial regret, and the fear of being left behind. These financial professionals can do this by working with their clients to differentiate between their financial goals and peer-induced financial behaviours, and help them set, implement, and review these tailored financial goals. For clients who have already been negatively affected by peer influence in investing, financial professionals can incorporate financial therapy strategies like motivational interviewing or cognitive reframing to help these clients process their regrets or shame. For financial professionals who are not trained in financial therapy, referrals to financial therapists would benefit their clients.

Investment literacy, comfort in making investment decisions, and portfolio values were each found to be significantly associated with financial anxiety. While investment literacy and portfolio values had negative associations with financial anxiety, being female was positively related to higher financial anxiety levels. The significance of both investment literacy and comfort making investment decisions in explaining financial anxiety is profound, as it indicates that while increasing objective financial literacy is important, boosting individuals' confidence is also critical, an area in which financial professionals would be helpful. These can be done through tailored financial education, Solution-Focused Financial Therapy (SFFT), and building confidence in such knowledge by using checklists to celebrate small wins, like checking off a financial goal as being met, all while accounting for different generation groups.

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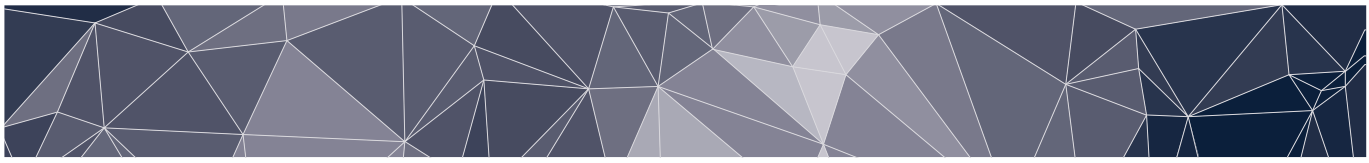

Appendix

Investment Literacy Questions Used in Analysis (Correct Answers Bolded)

1. If you buy a company's stock…
   - **a. You own a part of the company**
   - b. You have lent money to the company
   - c. You are liable for the company's debts
   - d. The company will return your original investment to you with interest
   - e. Don't know
   - f. Prefer not to say
2. If you buy a company's bond…
   - a. You own a part of the company
   - **b. You have lent money to the company**
   - c. You are liable for the company's debts
   - d. You can vote on shareholder resolutions
   - e. Don't know
   - f. Prefer not to say
3. If a company files for bankruptcy, which of the following securities is most at risk of becoming virtually worthless?
   - a. The company's preferred stock
   - **b. The company's common stock**
   - c. The company's bonds
   - d. Don't know
   - e. Prefer not to say
4. In general, investments that are riskier tend to provide higher returns over time than investments with less risk.
   - **a. True**
   - b. False
   - c. Don't know
   - d. Prefer not to say
5. The past performance of an investment is a good indicator of future results.
   - a. True
   - **b. False**

c. Don't know

d. Prefer not to say

6. Over the last 20 years in the US, the best average returns have been generated by:

a. Stocks

b. Bonds

c. CDs

d. Money market accounts

e. Precious metals

f. Don't know

g. Prefer not to say

7. What is the main advantage that index funds have when compared to actively managed funds?

a. Index funds are generally less risky in the short

b. Index funds generally have lower fees and expenses

c. Index funds are generally less likely to decline in value

d. Don't know

e. Prefer not to say

8. Which of the following best explains why many municipal bonds pay lower yields than other government bonds?

a. Municipal bonds are lower risk

b. There is a greater demand for municipal bonds

c. Municipal bonds can be tax-free

d. Don't know

e. Prefer not to say

9. You invest $500 to buy $1,000 worth of stock on margin. The value of the stock drops by 50%. You sell it. Approximately how much of your original $500 investment are you left with in the end?

a. $500

b. $250

c. $0

d. Don't know

e. Prefer not to say

10. Which is the best definition of 'selling short'?

    a. Selling shares of a stock shortly after buying it

    b. Selling shares of a stock before it has reached its peak

    c. Selling shares of a stock at a loss

    d. Selling borrowed shares of a stock

    e. Don't know

    f. Prefer not to say

11. If you own a call option with a strike price of $50 on a security that is priced at $40, and the option is expiring today, which of the following is closest to the value of that option?

    a. $10

    b. $0

    c. -$10

    d. Don't know

    e. Prefer not to say