The Association between Marital Status and Household Financial Confidence Levels in the U.S.

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Introduction

- Financial confidence is a critical component of an individual's overall financial health and well-being, and can influence an individual's decision-making, financial behaviors, and future financial outcomes (Xiao et al., 2014; Jackson et al., 2017).
- Marital status is a significant demographic factor that can influence an individual's financial situation (Lupton & Smith, 2013; Kim & Sorhaindo, 2015). According to the U.S. Census Bureau, married individuals are more likely to have higher household incomes and accumulate more wealth compared to unmarried individuals (U.S. Census Bureau, 2021).
- The association between marital status and household financial confidence has been extensively studied in the United States. Research consistently shows that married individuals tend to have higher levels of financial confidence compared to unmarried individuals, including those who are divorced/separated, widowed, living with a partner, or never married (Khor et al., 2018; Brown et al., 2017). However, the relationship between marital status and financial confidence may be more nuanced than previously thought, depending on other demographic factors such as gender, age, education, and income (Xiao et al., 2014; Tumin & Han, 2019).

Research Questions

- Is there an associations between marital status and household financial confidence levels in the United States, and if so, what are the mechanisms that underlie this relationship?
- Do other demographic factors, such as gender, affect the association between marital status and household financial confidence levels?

Methods

Sample

- The data for this study is derived from the 2018 National Financial Capability Study (NFCS), which is a nationally representative survey of 6,394 individuals aged 18 and above conducted by the Consumer Financial Protection Bureau (CFPB).

Measures

- Marital status is categorized as married, divorced/separated, widowed, never married, or living with a partner.
- Financial confidence is assessed using the sum of six questions about financial stability and confidence. Each response is coded on a scale of 1 to 5, then summed. Mean scores range from 6 (least confident) to 30 (most confident).

Results

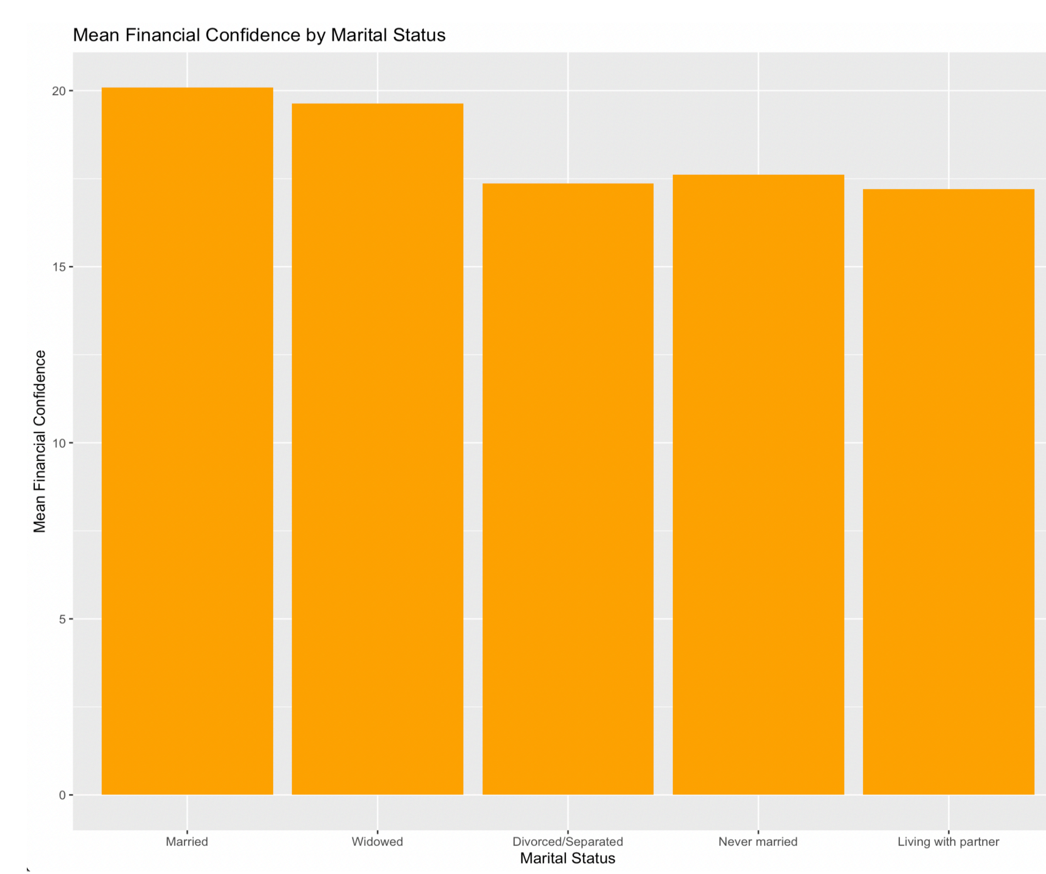
Univariate

- 59.8% of respondents are married, 5.6% are widowed, 10.8% are divorced, 18% are never married, and 5.8% are living with a partner
- Respondents on average have a confidence score of 19.16 out of 30

Bivariate

- An ANOVA test shows that there is an overall significant association between marital status and mean financial confidence levels ($F(4, 6372) = 88.3$, $p < .001$).

Figure 1.

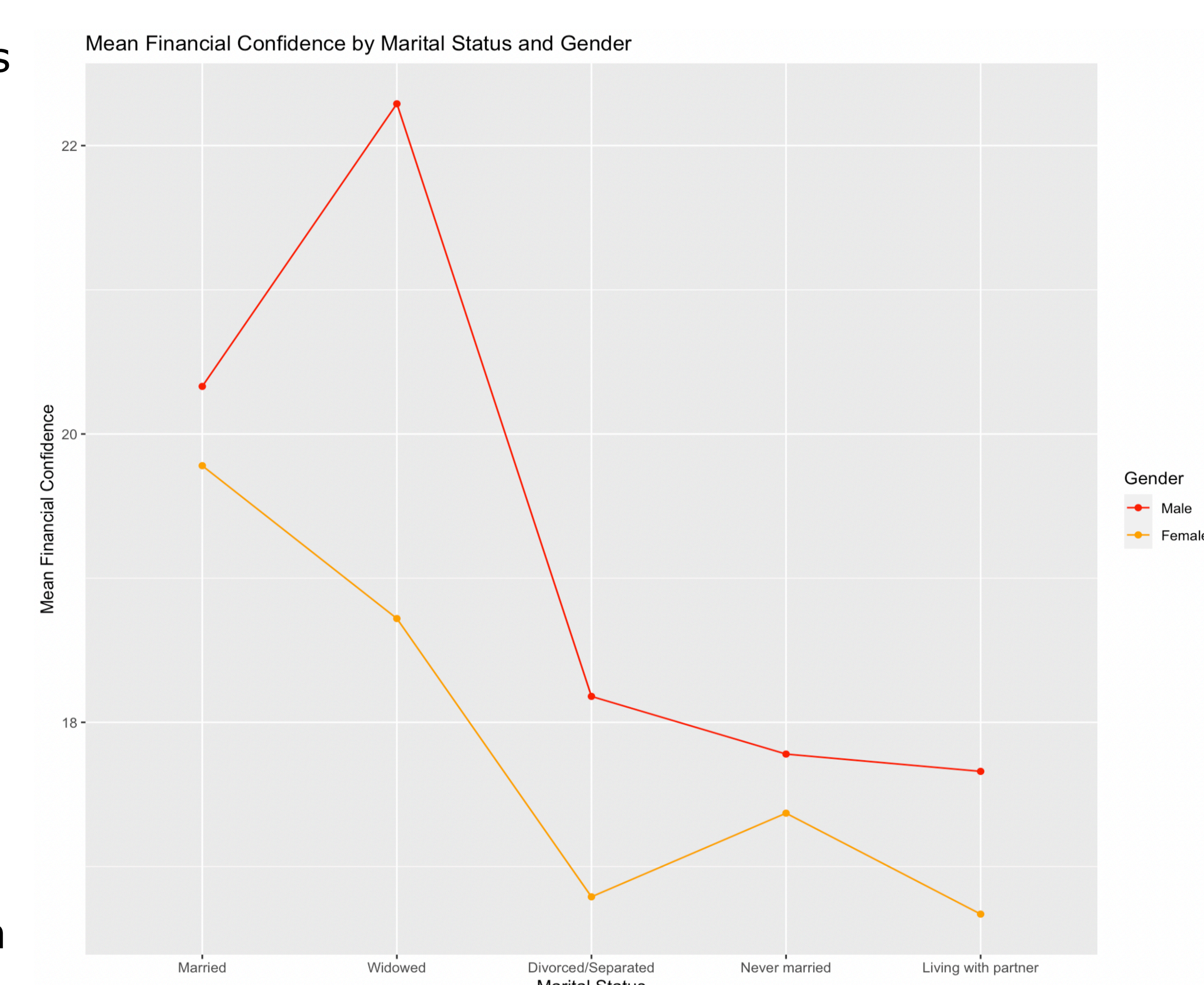


- A linear regression, where the independent variable is marital status and the dependent variable is mean financial confidence, reveals the adjusted R-squared for the model is 0.05192, indicating that marital status accounts for 5.2% of the variation in financial confidence levels. The baseline for comparison is being married, and on average, individuals who are divorced/ separated (-2.6), never married (-2.5), or living with a partner (-2.7) have lower financial confidence. Being widowed, however, is not significantly associated with financial confidence levels ($p > 0.05$).

Multivariate

- A multivariate analysis shows that there is an overall significant association between mean financial confidence, marital status and gender ($p < .05$).
- The association between marital status and financial confidence score is not the same for males and females, which means the interaction term has a statistically significant effect on mean financial confidence score ($p < .05$).
- Male respondents across every level of marital status score higher on average than female respondents in financial confidence. The largest gap in mean financial confidence is between widowed male (22.3) and female (18.7) respondents.

Figure 2.



- Among married individuals, the mean financial confidence score for males is significantly higher than that for females with a p-value of less than 0.05. Female respondents have a 0.7 lower mean financial confidence than male respondents.

Discussion

- Consistent to prior research, the results show that there is a significant difference in financial confidence between males and females among marital statuses.
- Understanding the interaction effect between marital status and gender is important for identifying potential gender differences in financial confidence and for developing tailored interventions to improve financial confidence among different subgroups of the population.
- The findings can be useful for policymakers and financial educators in designing and implementing programs that target different demographic groups to improve their financial well-being. However, the analysis is limited by the cross-sectional nature of the data, which cannot establish causality, and by the limited number of variables included in the analysis.

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