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The Effects of Debt on Newlyweds and Implications for Education

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The Effects of Debt on Newlyweds and Implications for Education

Abstract
The study discussed here examines the relationship between newlywed debt, selected demographic variables, and newlywed levels of marital satisfaction and adjustment. The study used survey data gathered from 1,010 randomly sampled newlywed couples. The findings from this study indicate that entering marriage with consumer debt has a negative impact on newlywed levels of marital quality. Extension educators are in a unique position to provide local high schools, colleges, and the public with information on debt management and its impact on marriage relationships.

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Introduction

The U.S. Department of Health and Human Services Administration for Children and Families has as one of its key priorities to be instrumental in "helping couples who choose marriage for themselves to develop the skills and knowledge to form and sustain healthy marriages" (U.S. Department of Health and Human Services, Administration for Children and Families Web site). Money problems have frequently been cited as one of the leading causes of marital stress and divorce (Schaninger, 1986; Benjamin, 2001); however, the influence of debt, in particular, has not received as much attention. The study discussed here describes findings regarding debt brought into marriage and the impact this has on marital quality (e.g., marital adjustment and satisfaction) during the first few months of marriage.

Review of Literature

Research shows that marriages are most fragile during the first few years, with 20% of divorces occurring within the first 5 years of marriage (National Center for Health Statistics, 2001). Money is one of the topics couples fight about most often during the newlywed years and is a contributing factor in many divorces (Amato & Rogers, 1997). Stanley, Markman, and Whitton (2002) found that money was the most frequently reported issue that couples argue about, and Terling-Watt (2001) found that for both married males and females, disagreements over money were significant predictors of desired divorce.

One aspect of a couple's financial situation that may lead to relationship difficulties early in marriage is the amount of debt husbands and wives bring into the marriage. Researchers have found that debt brought into marriage is especially troublesome as couples struggle with financial issues in early marriage (Filsinger & Wilson, 1984; Huston, Caughlin, Houts, Smith, & George, 2001). According to the Center for Marriage and Family (2000), debt brought into marriage is a primary problem area for newlyweds. In addition, Carlson (2002) found that indebtedness caused many college graduates to delay marriage and having children because they did not want to be burdened by debt as they entered these new phases of life. Worry about debt has also been linked to negative health and emotional outcomes, such as depression, for many individuals (Reading, 2001).

David Olson (2003) found in a study of over 21,000 couples that 66% had problems associated with major debt and that debt was one of the top five financial stumbling blocks in marriage. Conversely, one of the unique strengths of the majority of happily married couples was that they did not have major debt. The study discussed here adds to existing literature details about the effect of sources and amounts of debt and selected demographic variables on newlyweds' levels of marital satisfaction and adjustment.

Purpose of the Study and Methodology

A larger study revealed that debt brought into marriage was the number one problem area for newlyweds (Schramm, Marshall, Harris, & Lee, 2004). The purpose of this study was to examine the relationship between newlywed debt, selected demographic variables, and newlywed levels of marital adjustment and satisfaction using the same data.

A 38-item survey was mailed to a random sample of 2,823 newlywed couples in a western state. The couples' names were randomly chosen from the marriage licenses that were filed within the state during a six-month period. Husbands and wives were asked to complete their surveys separately.

The response rate was 40%, with 1,010 couples responding. Respondents ranged in age from 16 to 87 years, with the majority (69%) between 20 and 30 years of age. The median age for wives was 23 years, and the median for husbands was 25 years. The sample included husbands and wives from both first marriages (67%) and remarriages (23%). All respondents had been married from 2 to 9 months.

Marital satisfaction was measured using the Kansas Marital Satisfaction Scale (KMSS) (Schumm et al., 1986), and marital adjustment was measured using the Revised Dyadic Adjustment Scale (RDAS) (Busby, Crane, Christensen, & Larson, 1995). The KMSS and RDAS are established measures for assessing marital satisfaction and adjustment, both having correlation coefficients above .78.

Respondents were asked to indicate their levels of debt with regard to medical bills, credit card debt, auto loans, and school loans. Respondents were not asked to provide information about home mortgage debt. Home mortgage debt was excluded because we were primarily interested in sources of consumer debt. Homes are often viewed as investments with the potential to appreciate in value, whereas consumer debt is not.

Findings

This study provides general information about debt, selected demographic characteristics, and the levels of marital satisfaction and adjustment for the newlyweds who participated in this study.

Amount of Debt Brought into Marriage

Seventy percent of the husbands and wives who participated in this study brought debt into the marriage. Thirty-five percent of husbands and wives had more than $5,000 debt when they got married.

College Attendance and Debt Brought into Marriage

We found that 24% of husbands and wives in the study with a high school degree brought no debt into the marriage, whereas, 36% of husbands and wives who had at least a bachelor's degree brought no debt into the marriage. Although we are not able to say for sure why college graduates were less likely to bring debt into marriage than high school graduates, other research shows that, on average, college graduates earn more money than high school graduates. Therefore, college graduates may have been better able to pay down their debt prior to marriage, even if a portion of that debt was a result of paying for their college education. It may also be that college graduates, through their coursework, are provided with more opportunities to gain knowledge about finances and debt management than high school graduates who marry.

Formal Marriage Education in College and Debt Brought into Marriage

Although one might expect that level of education would be related to debt brought into marriage, we also found that 37% of husbands and wives who had some kind of formal marriage education in college, regardless of whether they completed a bachelor's degree, brought no debt into marriage. However, only 29% of those who completed a bachelor's degree, but did not take a marriage education class in college, brought no debt into the marriage. Although we do not know whether the marriage education classes in which respondents participated included a unit on financial/debt management, we do know that husbands and wives who participated in a marriage education class in college were significantly less likely to enter marriage with debt than other respondents, even those who completed college but did not participate in marriage education.

Major Sources of Debt

We found that 55% of husbands and wives had automobile debt, 48% had credit card debt, 23% had school debt, and 12% had medical debt as they entered marriage. Of the individuals who brought debt into marriage, 57% brought one of the above types of debt, 35% brought two types of debt, and 9% brought three types of debt. Of the four types of debt, credit card and automobile loan debt had the highest correlations with lower marital satisfaction and adjustment scores, for both husbands and wives. While still perceived as somewhat problematic, medical bills and school loans, often viewed as "necessary debt," did not have as high a correlation to low levels of marital satisfaction and adjustment.

Marital Adjustment and Marital Satisfaction

Wives who did not bring any debt into marriage had statistically significant ($p < .05$, two-tailed) higher marital adjustment and marital satisfaction scores than wives who entered the marriage with any amount of debt. Husbands who did not bring any debt into marriage had statistically significant ($p < .05$, two-tailed) higher marital adjustment and marital satisfaction scores than husbands who entered the marriage with debt amounts as small as $1,000. Therefore, both husbands and wives who brought even relatively small amounts of debt (e.g., $1,000 - 5,000) into the marriage had significantly lower ($p < .05$, two-tailed) marital adjustment and marital satisfaction scores than those with no debt. In addition, husbands and wives who entered marriage with the highest amounts of debt (e.g., $20,000 - 50,000) had the lowest marital satisfaction and adjustment scores of all participants.

Conclusions

The large majority (70%) of newlyweds in this study brought debt into their marriage relationship. More than one-third of the husbands and wives had more than $5,000 in debt, not including a home mortgage, as they entered marriage. This amount of debt, along with other expenses associated with couples beginning their lives together, are likely to distract couples from the developmental task of building a strong marriage relationship during the first few months and years of marriage. Debt brought into marriage was seen by the husbands and wives in this sample as being the most problematic of the many difficulties they encountered during their first months of marriage. Entering the marriage with any amount of debt was associated with lower levels of marital adjustment and marital satisfaction for both husbands and wives in this study. Indeed, debt is an issue that requires further attention in marriage research.

College attendance in general and, specifically, participating in a marriage education class in college were associated with lower levels of debt being brought into marriage. Those who attended college and took a marriage education course were least likely to have debt as they entered marriage. Whether this difference is due to the marriage education course itself, or whether couples who plan for marriage by taking a course are less likely to bring debt into marriage, we cannot tell from this data. We do know, however, from meta-analytic review that those who participate in a marriage education program are significantly better off afterward than 79% of people who do not participate (Carroll & Doherty, 2003). It is logical to assume that information provided in those courses contributed to planning for the marriage in very positive ways.

The most common sources of debt cited by both husbands and wives in this study were for automobiles, credit cards, school loans, and medical bills, in that order. School loans can be viewed as an investment in the future, and medical bills may be seen as a necessity. Automobile loans and credit card debt may be areas where financial education could provide information about less costly options for individuals preparing for marriage.

Implications for Extension

1. Because many individuals marry with no more than a high school education, educating individuals about debt and its potentially negative impact on marriage relationships should begin in high school. This may be one way to help couples achieve healthier marriages. Some high schools offer courses that address financial management, but many do not. Effective financial education should include discussions about credit card use and other financial decision-making issues as they relate to healthy marriages. Extension educators may be in a prime position to partner with schools in their community to provide information on finances and family life issues, or other appropriate course offerings.

2. Because many individuals marry either during or soon after their college years, colleges and

universities are another setting in which to offer skill-based relationship building and marriage preparation courses that include information about finances and debt. Extension specialists may have appropriate resources to contribute to these courses.

3. Because debt and its relationship to marital quality is a critical aspect of healthy family life, Extension educators should seek to provide information about debt in marriage in family education programming for the youth and adult groups they serve.

Extension-Based Financial Education Curricula

The following list is an example of some of the research-based financial education resources available to the public and to Extension professionals through the Cooperative State Research, Education, and Extension Services (CSREES) Web site.

National Endowment for Financial Education:
http://www.csrees.usda.gov/nea/economics/sri/security_sri_nefe.html or http://www.nefe.org

Youth Financial Education:
http://www.csrees.usda.gov/nea/economics/in_focus/ security_if_youth.html

Financial Tools for Consumers and Educators:
http://www.csrees.usda.gov/nea/economics/fsll/fsll.html

On-line Tools for Later Life Financial Planning:
http://www.csrees.usda.gov/nea/economics/fsll/cons_planning.html

The Road to Financial Security in Later Life:
http://www.csrees.usda.gov/nea/economics/fsll/edu_roadtofsll.html

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