

# Financial Well-Being in the United States

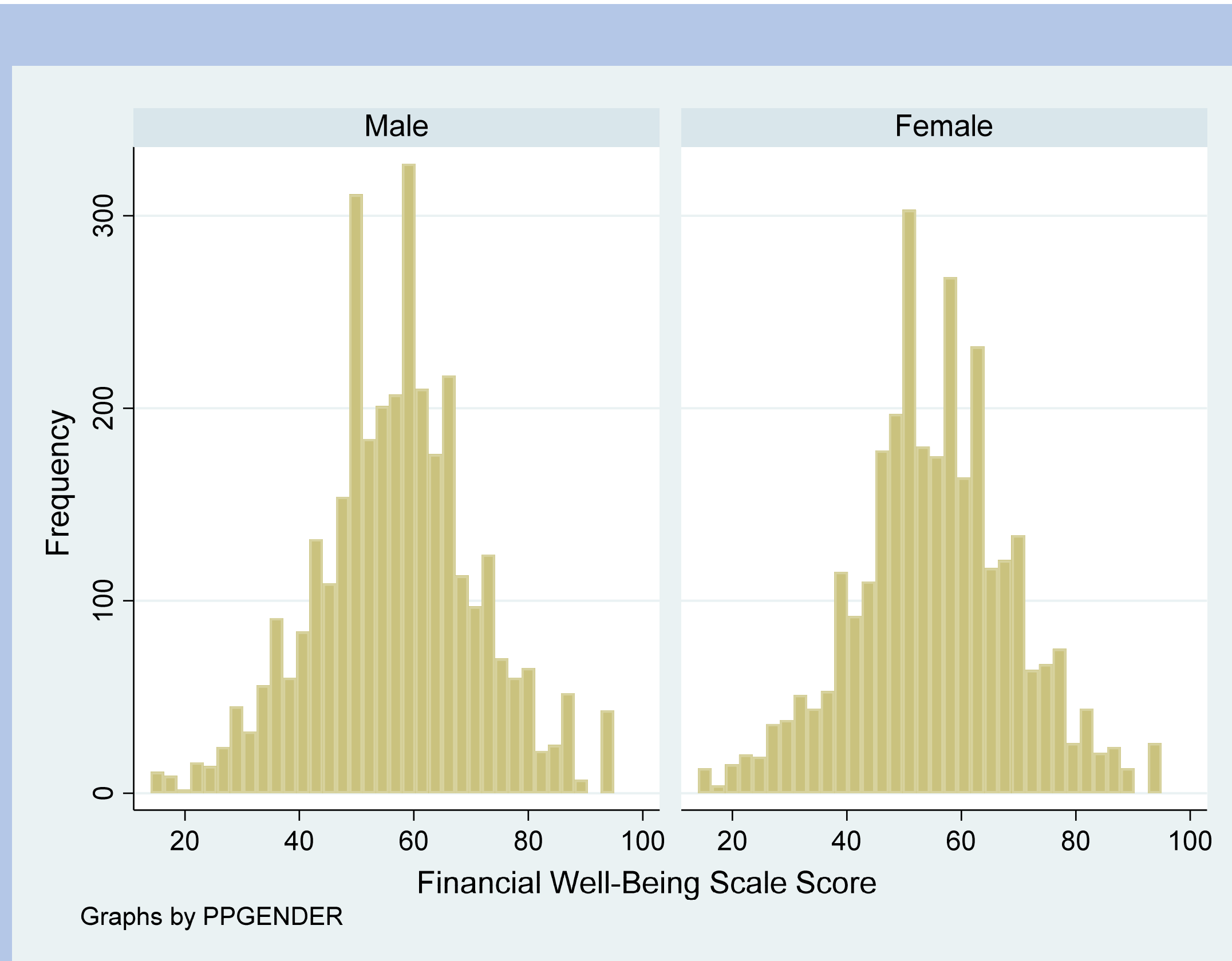
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## Abstract

The goal of our research project is to discover the factors that contribute to financial well-being in the United States. We used an interaction term to see how the effect of marriage on financial well-being changes by gender. We found that the socio-economic variables were statistically significant in explaining the financial well-being score. The financial skills score allowed us to control for additional factors that are subjective assessments from respondents. The interaction term is statistically significant and illustrates that women of all marital statuses have lower financial well-being scores than men of the same marital status.

## Introduction

Overall, this project is to discuss financial well-being in the United States. We took a look at the effect of marriage on the financial well-being as it differs based on gender. To explain the financial well-being, we will be observing these explanatory variables; age, gender, education, household income, census region, financial skills score, and marital status. Then we ran a regression to explain if the variables are significant and if so, why they are to the financial well-being in the United States. We created an interaction term using the gender and marital status explanatory variables. There are interesting results in the regression when looking at female's financial well-being based on her marital status versus male's financial well-being based on his marital status.



## Data

The data for our study came from the Consumer Financial Protection Bureau (CFPB). The CFPB constructed a survey with 6,394 participants recorded in the database and the results were posted; we were able to utilize the Stata data they had already organized. The survey was conducted online between October 27, 2016 and December 5, 2016 in both English and Spanish. It was also designed to represent the adult population of the 50 U.S. states and the District of Columbia.

## Selected Results

To estimate our regression, we used Ordinary Least Squares Methodology (OLS). Our results showed that a person's income is positively related to a person's financial well-being. We expected these results because as a person's income increases, we would presume their financial well-being score would also increase. We also found that the higher age groups held more statistical significance than the lower age groups. The area that we focused on is our interaction term between gender and marital status. Interestingly, our regression showed females of all marital statuses had a lower financial well-being score than males of the same marital status. This supported our hypothesis that gender makes a difference in the relationship between marital status and the financial well-being score.

Variables	(1)	(2)
Female	-0.0821 (0.274)	0.821** (0.351)
Widowed	-1.864*** (0.672)	2.697** (1.156)
Divorced/Separated	-2.504*** (0.483)	-1.046 (0.681)
Never Married	-0.527 (0.464)	0.961* (0.531)
Living with Partner	-2.940*** (0.622)	-1.063 (0.812)
Female Widow		-5.916*** (1.335)
Female Divorced/Sep		-1.808** (0.898)
Female Never Married		-1.934*** (0.727)
Female Living with Partner		-2.976** (1.170)

## Conclusion

Our results show that the socio-economic characteristics, specifically the effect of gender on marital status had an impact on financial well-being. Since all categories of marital status showed that women scored lower on the financial well-being score it makes us wonder why this occurs. It is typically believed that men and women think and behave differently so in general there are gender differences in every aspect of life. Other reasons could be that women have lower employment rates, lower income, and take on less risk. The interaction between gender and marital status on the financial well-being scores was highly interesting and statistically significant.

## Selected References:

- Financial Well-Being Survey Data. (n.d.). Retrieved December 5, 2019, from Consumer Financial Protection Bureau website: <https://www.consumerfinance.gov/data-research/financial-well-being-survey-data/>
- FONSECA, R., MULLEN, K. J., ZAMARRO, G., & ZISSIMOPOULOS, J. (2012). What Explains the Gender Gap in Financial Literacy? The Role of Household Decision Making. *The Journal of Consumer Affairs*, 46(1), 90–106.
- Theodos, B., Kalish, E., McKernan, S.-M., & Ratcliffe, C. (n.d.). *Do Financial Knowledge, Behavior, and Well-Being Differ by Gender?*

Variable	Male			Female		
	n	Mean	S.D.	n	Mean	S.D.
FWBscore	3350	56.77	14.06	3039	55.32	14.04
PPGENDER	3352	0	0	3042	1	0
PPMARIT	3352	2.03	1.43	3042	2.06	1.36
PPINCIMP	3352	5.76	2.6	3042	5.23	2.72
PPEDUC	3352	3.32	1.16	3042	2.98	1.18
Agecat	3352	4.38	2.1	3042	4.53	2.14
PPREG4	3352	2.68	1.03	3042	2.61	1.03
Fsscore	3347	51.53	12.61	3039	49.96	12.4