

CFFC data note: Effect of financial stress on inter-personal relationships

Data drawn from the CFFC Financial Capability Barometer Survey, January-August 2020

Respondent total: 3132

Analysis by CFFC Research Lead, Dr Celestyna Galicki

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Good relationships with partners, family and friends support good mental health and resilience. Yet the CFFC's Financial Capability Barometer Survey of 3132 adult New Zealanders¹ found that 1 in 5 (19%) respondents had problems with interpersonal relationships (partners, family or close friends) due to financial concerns.

The rate of problems was highest among the youngest age group and decreased with age (see table below). While 24% of those aged 18-34 reported relationship strain due to financial stress, only 7% of respondents aged 65+ reported such problems. The likely explanation is that people learn to manage their finances better as they age and learn to communicate better with their partner (or leave the relationship).

While those with little or no income (under \$10,000 per annum) were most likely to experience financially-driven interpersonal problems (28%), high income did not protect from money conflicts - 21% of those earning \$150,000 to \$200,000 reported financially-driven inter-personal problems.

Other groups with high rates of interpersonal issues due to financial stress included respondents who had children aged 0-4 years (27%), Māori (27%), Pacific Peoples (28%) and those renting (25%).

Data also showed that such conflicts correlated with lack of long-term financial planning, propensity to spend rather than save, and reluctance to discuss money. This suggests that some of these interpersonal problems could be avoided by improving people's financial knowledge, behaviour, and communication about money.

From other research:

- In a study of 4574 couples in the US, financial disagreements, especially perceptions of one's partner's overspending, were found to be more likely to predict divorce than any other kind of disagreement.²
- Perceiving that one's spouse spends money foolishly was, along with infidelity and alcohol/drug abuse, among the strongest predictors of divorce.³

¹ The sampling method is the same as described in <https://cffc-assets-prod.s3.ap-southeast-2.amazonaws.com/public/Uploads/Research-2020%2B/CFFC-Barometer-Report-2018-2019.pdf>

² Dew, J., Britt, S., & Huston, S. (2012). Examining the relationship between financial issues and divorce. *Family Relations*, 61(4), 615-628; Dew, J. (2011). Financial issues and relationship outcomes among cohabiting individuals. *Family Relations*, 60(2), 178-190.

³ Amato, P. R., & Rogers, S. J. (1997). A longitudinal study of marital problems and subsequent divorce. *Journal of Marriage and the Family*, 612-624.

- Consumer debt was also found to be associated with divorce.⁴
- Higher financial knowledge was associated with higher relationship satisfaction.⁵
- Compared to non-money issues, conflict about money in relationships lasted longer and triggered more angry behaviours.⁶ This may be due, generally, to couples arguing about spending without discussing and resolving underlying issues, such as different financial goals or the meaning they assign to money.
- Based on Linda Skogrand's research of successful relationships,⁷ the financial recipe for a great relationship is:
 - the couple has little or no debt, or a plan to pay off debt
 - each partner has equal access to financial resources (having joint or separate accounts was not as important as actual access)
 - partners keep each other informed about all financial developments
 - partners do not make large purchases without the approval of the other partner.

CFFC Barometer Survey tables

Age group	18 to 34 yrs	35 to 54 yrs	55 to 64 yrs	65 +	Total (sample average)
% of age group who experience relationship strain due to financial stress	24%	21%	14%	7%	19%

Ethnic group	Pacific Peoples	Maori	Total (sample average)
% of ethnic group who experience relationship strain due to financial stress	28%	27%	19%

Housing situation	I live in my own home with a mortgage	I live in my own home without a mortgage/freehold	I live in a rented home/flat	I live with my parents /guardians	Something else (rent free, boarding house, hostel etc.)	Total (sample average)
% of people in this housing situation who experience relationship strain due to financial stress	17%	9%	25%	21%	28%	19%

⁴ Dew, J. (2011). The association between consumer debt and the likelihood of divorce. *Journal of Family and Economic Issues*, 32(4), 554-565.

⁵ Totenhagen, C. J., Wilmarth, M. J., Serido, J., Curran, M. A., & Shim, S. (2019). Pathways from financial knowledge to relationship satisfaction: The roles of financial behaviors, perceived shared financial values with the romantic partner, and debt. *Journal of Family and Economic Issues*, 40(3), 423-437.

⁶ Papp, L. M., Cummings, E. M., & Goeke-Morey, M. C. (2009). For richer, for poorer: Money as a topic of marital conflict in the home. *Family Relations*, 58(1), 91-103.

⁷ Skogrand, L., Johnson, A. C., Horrocks, A. M., & DeFrain, J. (2011). Financial management practices of couples with great marriages. *Journal of Family and Economic Issues*, 32(1), 27-35.

Family composition	Children aged 0-4 years living in your household	No Children aged 0-4 years living in your household	Total (sample average)
% of people with this family composition who experience relationship strain due to financial stress	27%	17%	19%

Personal income	% of this income group who experience relationship strain due to financial stress
Under \$10,000	28%
More than \$10,000 but less than \$20,000	16%
More than \$20,000 but less than \$30,000	16%
More than \$30,000 but less than \$50,000	20%
More than \$50,000 but less than \$70,000	19%
More than \$70,000 but less than \$100,000	17%
More than \$100,000 but less than \$120,000	12%
More than \$120,000 but less than \$150,000	15%
More than \$150,000 but less than \$200,000	21%
More than \$200,000	20%
I'd prefer not to answer	21%
I'm not sure	22%
Total (sample average)	19%

I set long term financial goals and strive to achieve them	Responses of people who do NOT experience relationship strain due to financial stress	Responses of people who experience relationship strain due to financial stress
Completely Disagree	3%	7%
Disagree	10%	14%
Neither Disagree or Agree	31%	30%
Agree	37%	34%
Completely Agree	19%	15%
Total	100%	100%

I keep a close personal watch on my financial affairs	Responses of people who do NOT experience relationship strain due to financial stress	Responses of people who experience relationship strain due to financial stress
Completely Disagree	1%	2%
Disagree	3%	7%
Neither Disagree or Agree	14%	15%
Agree	41%	41%
Completely Agree	40%	35%
	100%	100%

I tend to live for today and let tomorrow take care of itself	Responses of people who do NOT experience relationship strain due to financial stress	Responses of people who experience relationship strain due to financial stress
Completely Disagree	17%	13%
Disagree	33%	27%
Neither Disagree or Agree	28%	30%
Agree	17%	23%
Completely Agree	5%	7%
	100%	100%