

Financial hardship, financial advice seeking, and mental health during COVID-19

Isha Chawla, University of Maryland-College Park¹

Jinhee Kim, University of Maryland-College Park²

Swarn Chatterjee, University of Georgia³

Sae Chung, University of Georgia⁴

Background

According to the PULSE survey conducted in October 2021, approximately 12 million experienced severe debt due to stalled economic growth characterized by expiring unemployment benefits and supply chain problems that added to soaring prices of goods (Center On Budget and Policy Priorities, 2021). The impacts of the pandemic have been widespread; however, they particularly remain prevalent among Black people, Latino people, and other people of color. These disproportionate impacts are reflective of long-standing inequities largely stemming from structural racism (Center On Budget and Policy Priorities, 2021). While the link between financial hardship and health has long been recognized (Adler et al., 1994; Adler & Stewart, 2010; Sweet et al., 2013), there is little evidence on the role of financial advice on financial difficulty and mental health during COVID-19. With the rise in economic burden during COVID-19, it becomes crucial to understand financial advice seeking role. In examining this relationship, this study explores the moderating role of financial advice seeking between financial difficulty and mental health during COVID-19.

Method

This study utilizes the data collected from 3,598 respondents between November 17, 2021, and December 15, 2021, in the United States using Qualtrics. The survey contained questions related to the health and financial impact of COVID-19. For this study, we used step hierarchical regression to examine the moderating role of financial advice within financial difficulties and mental health. In doing so, we restricted our analyses to the entire sample, followed by people of color, to see if there were any specific differences in these sub-samples. Using hierarchical regression, we run the analysis with the dependent variable, mental health, that gauges the respondents' overall health on a scale ranging from (1) excellent to (5) poor. The independent variable in the study is financial hardship which asked participants to what extent they experienced difficulty meeting necessary costs during COVID-19. It was coded so that higher scores represented more serious financial difficulties. The moderator in this study was financial advice seeking, asking participants their approach to advice seeking where one represented "I would never consider financial advice" and four represented "I have already received financial advice." Further, our analysis accounted for employment change in the pandemic, age, income, gender, and race/ethnicity.

¹Isha Chawla (isha@umd.edu) Doctoral Candidate, Department of Family Science

²Jinhee Kim (jinkim@umd.edu) Professor, Associate Dean and Associate Director, University of Maryland, Extension

³Swarn Chatterjee (swarn@uga.edu) Professor and Department Head, Department of Financial Planning, Housing, and Consumer Economics

⁴Sae Chung (saeddong@uga.edu) Postdoctoral Research Associate, Health Policy and Management Department

Table1
Sample characteristics (N= 3306)

Variables	SD	Min	Max	% /Mean
Age				
18-24 years				18%
25-34 years				31%
35-44 years				24%
45-54 years				12%
55-64 years				7%
65 years or older				8%
Gender				
Male				49%
Female				49%
Other				2%
Race/ethnicity				
Non-Hispanic White				40%
Hispanic				20%
Non-Hispanic Black				20%
Asian, Native Hawaiian, Pacific Islander (ANHPI)				11%
Multi-Racial				4%
American Indian or Alaska Native				4%
Other				2%
Income	1.92	1	7	3.60
Employment Change				
Lost job	.39	0	1	.18
Quit job	.31	0	1	.11
Furlough	.26	0	1	.07
No change	.49	0	1	.57
Other	.18	0	1	.04
Mental health	1.17	1	5	2.89
Financial advice seeking	.83	1	4	2.33
Financial hardship during COVID-19	1.15	1	5	3.36

Results

Our preliminary analysis shows that nearly half of the sample was non-Hispanic White (40%), followed by non-Hispanic Black (20%), Hispanic (20%), and Asian, Native Hawaiian, and Pacific Islander (ANHPI) (11%). Approximately 31% of the respondents were in the age range of 25-34 years, and 24% were 35-44 years old. Equal distribution of males and females was evident in the sample. Furthermore, most of the sample reported no change in employment during the pandemic period. The average mental health score was 2.89 on a scale range of 1-5.

The results revealed that financial hardship was positively associated with mental health suggesting poor mental health outcomes corresponded with increased financial difficulties during COVID-19 for the entire sample and people of color. Financial advice had a negative association with mental health suggesting that a higher inclination towards financial advice corresponds with better mental health. This result was consistent among people of color and the entire sample. The interaction between financial advice and financial difficulties revealed significant moderation of financial advice in all interest groups.

The significant and negative interaction term indicated that financial advice seeking could be a possible way to improve mental health outcomes from the economic burden.

Furthermore, it was evident that compared to males, females reported worse mental health during COVID-19. Those with higher incomes had better mental health outcomes. Lastly, those identifying as Multiracial and American Indian or American Native had higher poor mental health relative to the rest of the sample, including Hispanic and Non-Hispanic White.

Table 2
Hierarchical regression for examining the moderating role of financial advice

Variables	Full model (n=3107)			People of Color (n= 1860)		
	Model 1	Model 2	Model 3	Model 1	Model 2	Model 3
Financial hardship during COVID-19		.248*** (.019)	.277*** (.019)		.224*** (.025)	.241*** (.026)
Financial advice seeking		-.053* (.024)	-.038 (.024)		-.046 (.032)	-.039 (.032)
Interaction Term			-.026*** (.005)			-.014* (.007)
Employment (ref: Job Loss)						
Quit Job	-.015 (.072)	-.014 (.070)	.008 (.070)	.080 (.087)	.083 (.086)	.091 (.086)
Furlough	-.211** (.081)	-.178* (.079)	-.149 (.079)	-.185 (.100)	-.141 (.098)	-.126 (.099)
No change	-.230*** (.050)	-.100* (.050)	-.097 (.049)	-.129 (.066)	-.011 (.065)	-.010 (.065)
Other	-.211 (.132)	-.106 (.129)	-.117 (.128)	-.160 (.161)	-0.68 (.158)	-.078 (.158)
Age	-.116*** (.015)	-.109*** (.015)	-.112*** (.015)	-.087*** (.022)	-.098*** (.021)	-.100 (.021)
Race/ethnicity (ref: Non-Hispanic White)						
Hispanic	-.205*** (.057)	-.214*** (.056)	-.210*** (.055)	.148* (.161)	.093 (.064)	.096 (.064)
Non-Hispanic Black	-.369*** (.057)	-.312*** (.056)	-.312*** (.056)			
Asian, Native Hawaiian, Pacific Islander	-.087 (.071)	-.084 (.069)	-.072 (.069)	.253** (.078)	.214** (.077)	.221** (.077)
Multiracial	.128 (.108)	.129 (.105)	.150 (.105)	.489*** (.114)	.441*** (.111)	.452** (.111)
American Indian or American Native	.245* (.113)	.227 (.110)	.220* (.109)	.611*** (.119)	.553*** (.117)	.549*** (.117)
Other	.140 (.171)	.138 (.166)	.162 (.165)	.492** (.176)	.452** (.172)	.465** (.172)
Gender (ref: males)						
Females	.287*** (.042)	.231*** (.041)	.224*** (.041)	.239*** (.054)	.207*** (.053)	.205*** (.053)
Other	.348** (.142)	.283* (.138)	.296* (.137)	.313 (.183)	.261 (.179)	.269 (.179)
Income	-.098*** (.011)	-.064*** (.010)	-.041*** (.011)	-.068*** (.015)	-.038* (.015)	-.032* (.015)
Intercept	3.686	2.732	2.682	3.101	2.348	2.325
F Statistic	24.379***	96.423***	24.662**	9.775***	14.644***	13.995***
R Square	.099	.152	.159	.064	.106	.108
R Square Change		.053	.007		.042	.002

Note. * p < 0.05; ** p < 0.01; *** p < 0.001, Standard error in parentheses

Conclusion and Implications

Our findings suggested that increased financial advice seeking significantly moderated the relationship between financial difficulties and mental health during COVID-19 suggesting the increase financial advising could potentially reduce effects of financial difficulties on mental health outcomes. Our findings have important implications for financial practitioners and educators. Practitioners could stress the use of a more proactive approach to seeking financial advice when needed in tackling poor mental health related to financial difficulties.

References

- Adler, N. E., Boyce, T., Chesney, M. A., Cohen, S., Folkman, S., Kahn, R. L., & Syme, S. L. (1994). Socioeconomic status and health: the challenge of the gradient. *American psychologist*, 49(1), 15.
- Adler, N. E., & Stewart, J. (2010). Health disparities across the lifespan: meaning, methods, and mechanisms. *Annals of the New York Academy of Sciences*, 1186(1), 5-23.
- Center On Budget and Policy Priorities. (2021). *Tracking the COVID-19 Economy's Effects on Food, Housing, and Employment Hardships* (Center on Budget and Policy Priorities. United States.[Web Archive] Retrieved from: <https://www.cbpp.org/research/poverty-andinequality/tracking-the-covid-19-economyeffects-on-food-housing-and>, Issue. <https://www.cbpp.org/research/poverty-and-inequality/tracking-the-covid-19-economys-effects-on-food-housing-and#:~:text=The%20COVID%2D19%20pandemic%20and,unemployment%20remained%20high%20throughout%202020>.
- Sweet, E., Nandi, A., Adam, E. K., & McDade, T. W. (2013). The high price of debt: Household financial debt and its impact on mental and physical health. *Social Science & Medicine*, 91, 94-100. <https://doi.org/https://doi.org/10.1016/j.socscimed.2013.05.009>