

Financial Strain and Student Loan Debt: Does Financial Literacy Play a Mitigating Role?

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Abstract

This study uses the most recent wave of the FINRA National Financial Capability Study (2015) to examine the association between student loan debt and financial strain of households. This study also examines whether the association with financial strain varies by student loan type (federal or private), and whether financial literacy or participation in a financial education course plays a mediating role in this process. Our results indicate that having private loans, and both private and federal loans were positively associated with financial strain of the respondents. We find that both perceived and measured financial literacy were negatively associated with financial strain among households. Overall, the findings of this study underscore the importance of financial literacy in the financial well-being of households.

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