

The Effect of Financial Well-being on Young Adults' Mental and Physical Well-being: Evidence from a Multi-year Panel Study

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Abstract

The purpose of the current study is to examine the debt burdens, perceived financial capability, and the physical as well as psychological well-being of young adults. This study uses a panel data constructed from the 2009-2013 waves of the Panel Study of Income Dynamics (PSID) Transition to Adulthood (TA) supplement. Results from this study suggest that after controlling for other factors, the amount of revolving debt is negatively associated with flourishing psychological state of young adults. Amount of credit card debt is also negatively associated with improving mental health of young adults. Perceived capabilities in being able to manage one's finances, solve problems, and being responsible were significant and positively associated with both flourishing mental health as well as self-reported excellent health of the respondents.

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