

Financial Independence and Mental Health of Young Adult College Students

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Abstract

This study explores the relationship between financial independence and mental health among emerging adult college students, focusing on two key psychological indicators: anxiety and flourishing. Drawing on data from 438 students across two U.S. universities, the research examines how varying levels of financial responsibility - measured through funding sources, itemized expenses, and self-reported motivation - relate to scores on the Generalized Anxiety Disorder Scale (GAD-7) and the Flourishing Scale (FS). While all financial independence indicators were not significantly associated with anxiety, percentage of financial responsibility was negatively associated with flourishing, suggesting that increased financial burden may reduce overall well-being. However, students who reported managing specific financial tasks themselves showed higher flourishing, indicating that autonomy and perceived control may buffer the negative effects of financial strain. These findings contribute to a nuanced understanding of how financial independence can function as both a stressor and a developmental asset during emerging adulthood.

Keywords: Financial independence, mental health, emerging adulthood, anxiety, college students

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As of 2023 data, over 60% of high school graduates immediately enroll in college (BLS 2023). For those emerging adults, college is often their first step in becoming financially independent from their families and households. While many college students commute instead of living on campus, both groups are often becoming more in charge of their own finances, from managing student loans to making decisions about living and meals. While different paths are in place, they often converge to full financial independence at or nearing graduation.

This study examines associations between financial independence factors and two mental health indicators of college students: the Generalized Anxiety Disorder Scale (GAD-7) and the Flourishing Scale (FS). Emerging adulthood, a developmental period spanning roughly ages 18–29 (Arnett, 2000), is characterized by intensified identity exploration, growing autonomy, and shifting financial demands. During this critical life-stage, increased financial responsibilities often intersect with identity formation and the subjective experience of becoming an adult. For young adults attending college, this period often involves moving out of the family home, managing their own time and activities, and paying new bills independently.

The GAD-7 scale is a widely used self-report questionnaire designed to screen for generalized anxiety disorder (GAD) and assess its severity. Developed by Spitzer, Kroenke, Williams, and Löwe in 2006, the GAD-7 consists of seven items that showed a strong correlation with overall anxiety symptoms. Each item asks respondents how often they have been bothered by specific symptoms over the past two weeks, using a 4-point scale ranging from "not at all" to "nearly every day." The scale has demonstrated excellent internal consistency (Cronbach's alpha = .92) and good test-retest reliability (intraclass correlation = 0.83), making it a reliable and valid tool for both clinical and research settings.

The FS (Diener et al., 2010) is an 8-item self-report measure assessing an individual's self-perceived success in key areas of psychological well-being, such as relationships, self-esteem, purpose, and optimism. Each item is positively worded and rated on a 7-point Likert scale ranging from "strongly disagree" to "strongly agree," producing a total score between 8 and 56. Higher scores indicate a greater sense of flourishing across multiple life domains. The FS was designed to complement existing measures of subjective well-being and has demonstrated strong psychometric properties, including high internal consistency (Cronbach's alpha = .87) and moderate temporal reliability over a one-month period (.71).

This study measures the financial independence of young adults based on several self-reported indicators while in college. These indicators include the self-rated level of financial independence, perceived importance of financial independence, and the number of financial responsibility items. The study explores how these factors are associated with their overall mental health using both anxiety and flourishing scales.

Significance

Young adult college students are often experiencing full or partial financial independence from their families. They are often charged with paying for several items for the first time of their lives: tuition, housing, meals, and other expenses. They might be reliant on their own work and student loans while in college. While these new responsibilities can be stressful, these college students are also facing a new form of financial freedom that reflects their emerging adulthood. There is potential for financial independence to be associated to either beneficial or detrimental based on each individual context. For instance, Xiao and Porto (2024) found that among college students, being a first-generation status or higher academic standing (juniors vs. freshmen) predicted higher levels of financial independence but also a higher degree of motivation being financially independent.

Evidence consistently links financial strain to psychological distress. Among the broader U.S. young adult population aged 18–26, high financial stress, characterized by worry about bills, rent, or healthcare, was associated with a sixfold increase in severe psychological distress (Potter et al., 2020). Within higher education contexts, Britt et al. (2016) reported that up to 71% of college students experience financial anxiety, which correlates with increased indebtedness, engagement in part-time work, reduced academic loads, and lower GPA.

Watson et al. (2015) provides compelling evidence for the direct impact of financial independence on student well-being. The study found that students living away from their parents reported significantly higher levels of perceived financial strain, along with increased depressed moods and lower life satisfaction. Conversely, Mielitz et al. (2021), applying Self-Determination Theory, found that more financial autonomy and perceived competence predicts financial well-being in student samples.

Beyond objective financial indicators, subjective perceptions such as self-efficacy, locus of control, and autonomy play a crucial role in shaping financial well-being. Xiao et al.'s (2014) emphasized that motivation, parental support, and self-rated autonomy can moderate the effects of financial independence on mental health. Cadaret and Bennett (2019) provide strong, albeit indirect, support for both hypotheses by utilizing 'first-generation status' and 'family support' as proxies for financial independence. The study found that first-generation students, who typically receive less family support and are thus more financially independent, reported significantly higher levels of current and past financial stress, greater family distress, higher academic distress, and increased anxiety compared to continuing-generation students. The research established a link between financial stress and psychological distress, demonstrating that both past and current financial stress were positively correlated with every measure of psychological distress, including depression, generalized anxiety, social anxiety, and family distress (Cadaret & Bennett, 2019; Spătaru et al., 2024). These studies collectively point toward pathways linking subjective, motivated financial autonomy to both reduced anxiety and enhanced flourishing.

The emerging adult stage may heighten susceptibility to financial stress due to ongoing identity consolidation and potentially inconsistent external support (Arnett, 2000). Research indicates that family support and identity status influence mental health outcomes among emerging adults (Shulman et al., 2009). Moreover, socio-demographic variables like income, housing status, and employment can moderate the link between financial stress and anxiety. For instance, a national study found that renters, individuals earning less than \$35,000, and unmarried individuals exhibited stronger associations between financial stress and psychological distress (Potter et al., 2020). These contextual factors suggest that identity consolidation and the availability of support significantly influence how financial independence affects students' well-being.

Drawing together these strands, the literature provides support for both proposed hypotheses. First, financial independence - particularly when accompanied by low levels of subjective autonomy and perceived competence - appears to be positively associated with anxiety (**H1**). Second, financial independence is negatively associated with flourishing (**H2**), suggesting that increased financial burden may diminish overall well-being. Theoretical integration across Self-Determination Theory and the Emerging Adulthood framework, supported by findings from Xiao et al. (2014) and Mielitz et al. (2021), underscores the critical role of subjective financial agency and identity development in shaping mental health outcomes during this life stage.

Methods

Data

Data were collected via online surveys at two American universities during the Spring of 2025. Participants were recruited from personal finance courses as part of their coursework and from an online panel of psychology students seeking extra credit. Respondents represented a variety of departments and majors across both institutions. A total of 438 students completed the survey; however, the final analytic sample was restricted to students under the age of 25 who completed the entire survey. Institutional Review Board (IRB) approval was obtained prior to data collection.

Variables

Table 1 display how the main variables used in this study were collected. Financial independence was assessed using three survey items. First, students were asked: *“Based on your best guess, considering income from your own work, loans, scholarships, and investments, what percentage of your finances are your responsibility?”* Responses ranged from 0% to 100% in 10% intervals. Second, students were presented with a list of 11 typical college expenses (e.g., tuition, housing, books) and asked: *“What are you financially responsible for now?”* with the option to select *No Financial*

Responsibilities. Third, students rated their motivation to become financially independent by responding to the statement “*Being financially independent is important to me*” using a 5-point Likert scale ranging from *Somewhat Disagree* to *Strongly Agree*.

Mental health was measured using two validated scales – the GAD-7 Anxiety Scale and the Flourishing Scale mentioned previously - which were included in their original format and scored according to standard procedures. The GAD-7 scale is a self-report questionnaire designed to screen for generalized anxiety disorder (GAD) and assess its severity. Developed by Spitzer, Kroenke, Williams, and Löwe in 2006, the GAD-7 consists of seven items that showed a strong correlation with overall anxiety symptoms. Each item asks respondents how often they have been bothered by specific symptoms over the past two weeks, using a 4-point scale ranging from “not at all” to “nearly every day.” The FS (Diener et al, 2010) is an 8-item self-report measure assessing an individual's self-perceived success in key areas of psychological well-being, such as relationships, self-esteem, purpose, and optimism. Higher scores indicate a greater sense of flourishing across multiple life domains.

The survey also collected socio-economic and academic background variables, including income, employment status, GPA, first-generation college student status, academic year, and others. Table 1 presents detailed descriptions of selected variables used in this study.

Table 2 presents summary statistics for the key variables used in the analysis. The mean score on the GAD-7 was 6.77, indicating mild anxiety. Only 37 students (8.5% of the sample) scored in the range associated with severe anxiety. Encouragingly, the average score on the Flourishing Scale (FS) was 47.29, with scores above 45 considered indicative of high psychological well-being. Thirteen students scored 30 or below on the FS, suggesting lower levels of flourishing.

The average financial independence score was 56.46, indicating that, on average, students were responsible for just over half of their college expenses. On the itemized financial responsibility measure, students reported being responsible for an average of 5 out of 12 expense categories. Notably, 30 students indicated they had no financial responsibilities while in college.

Table 1 also shows that 20% of respondents identified as first-generation college students. The sample was predominantly female, white, and non-Hispanic/Latino. Nearly all students reported working during the summer, and 68% were employed during the academic year. Academic performance was high, with more than half of the sample reporting a GPA of 3.5 or higher.

Results

Preliminary results from the mental health study show different patterns for anxiety and flourishing. We tested two hypotheses: (H1) more financial independence leads to higher anxiety, and (H2) more financial independence leads to lower flourishing on Table 3. Using Seemingly Unrelated Regression (SUR) makes sense for this analysis because it involves estimating two mental health related outcome variables - Anxiety and Flourishing - that are likely influenced by overlapping predictors but may have correlated error terms. While each equation has its own dependent variable, the same individuals provide data for both models, and unobserved factors (like personality traits or life circumstances) could affect both outcomes simultaneously. SUR is also more efficient than Ordinary Least Squares or other model choice because many of the predictors (e.g., financial responsibility, GPA, gender) are shared across both models.

We found no significant relationship between financial independence and anxiety. This might indicate that anxiety, as measured in the GAD-7 Scale, is influenced by factors other than financial responsibility in this college context. Further, the non-significant results might be due to the scale not being particularly sensitive to our measurements of financial independence. Female and First-Year students displayed a higher level of anxiety while higher GPAs were associated with lower levels of anxiety.

In contrast, flourishing scores were more sensitive to financial variables. Students who carried a larger share of total financial responsibility had lower flourishing scores; supporting the idea that financial strain can reduce overall well-being. However, students who reported handling a larger number of specific financial tasks themselves (such as rent or tuition) showed higher flourishing. This suggests that when students take on financial roles by choice or with a sense of control, it may support well-being rather than harm it. Together, these findings indicate that financial independence may act as both a burden and a motivator.

Conclusion/Relevance

This study highlights the complex and context-dependent nature of financial independence in the lives of young adults college students. While financial responsibility can introduce stress, especially when it is involuntary or unsupported, it can also foster a sense of competence and autonomy that enhances psychological well-being. The findings underscore the importance of distinguishing between objective financial burden and subjective financial agency. For educators, counselors, and policymakers, these insights suggest that promoting financial literacy and autonomy - while ensuring adequate support systems - can help students navigate the challenges of emerging adulthood more successfully. As institutions seek to improve student mental health outcomes, understanding the dual role of financial independence is essential for designing effective interventions and support services.

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Appendix

Table 1: Selected Survey Questions

Question Number	Question Text	Response Options
Q2	Based on your best guess, considering incomes from your own work, loans, scholarships, and investments, what is the percentage of your responsibility for your own finances?	0–100 scale
Q4	Being financially independent is important to me	Strongly disagree, Somewhat disagree, Neither agree nor disagree, somewhat agree, strongly agree.
Q5	What are you financially responsible for now?	Multiple select from 11 options (e.g., Tuition, Books, Food). Sum of total options selected
Q31	Anxiety items (7 total)	0 = Not at all to 3 = Nearly every day
Q32	Flourishing items (8 total)	1 = Strongly Disagree to 7 = Strongly Agree

Source: 2025 Financial Independence Survey

* $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$

Table 2: Descriptive Statistics of Key Variables

Variable	N	M / %	SD
Financial Independence Indicators:			
Financial Independence	438	56.46	29.40
Financial burden (1-12)	438	5.08	2.73
Motivation Financial Independence	438	8.07	5.54
No financial responsibility	438	0.07	0.26
Mental Health Indicators			
GAD-7 scale (0-21)	433	6.77	5.38
Flourishing scale (8-56)	437	47.29	7.37
Controls			
First Generation	438	20%	0.404
Do you work in summer?	438	92%	0.323
Do you work in academic year?	438	68%	0.500
GPA	438	3.44	0.87
Female only	438	73%	0.43
Race (white)	438	83%	0.38
Latino/Hispanic	438	11%	0.31
Age	438	20.54	1.79

Source: 2025 Financial Independence Survey

* $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$

Table 3: Seemingly Unrelated Regression - Mental Health and Financial Independence

	Anxiety b/se	Flourish b/se
Percentage Fin. Resp. (0-100)	-0.017 (0.011)	-0.054*** (0.016)

Sum of Fin Resp (0-11)	0.127 (0.138)	0.549** (0.190)
No Financial Responsibilities	0.895 (1.092)	-0.908 (1.502)
Motivation Fin Ind	0.563 (0.755)	1.054 (1.039)
Female	3.301*** (0.561)	-0.235 (0.771)
White	1.060 (0.824)	-2.474* (1.133)
First Year Student	1.211* (0.611)	0.024 (0.841)
Age	-0.037 (0.054)	0.040 (0.075)
Work Academic Year	0.778 (0.631)	0.590 (0.868)
Work Summers	0.461 (0.953)	0.599 (1.311)
First Generation Student	1.176 (0.672)	-0.814 (0.924)
GPA	-1.051*** (0.300)	2.036*** (0.413)
Income Levels (included / not shown)	-	-
Constant	5.980** (2.233)	39.990*** (3.071)
N	422	422
Chi-Square / p-value	61.03 (0.000)	54.37 (0.000)
Adjusted R ²	0.14	0.12

Source: 2025 Financial Independence Survey

* $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$