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# Financial Influences Impacting Young Adults' Relationship Satisfaction: Personal Management Quality, Perceived Partner Behavior, and Perceived Financial Mutuality


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# **Financial Influences Impacting Young Adults' Relationship Satisfaction: Personal Management Quality, Perceived Partner Behavior, and Perceived Financial Mutuality**

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*In this study, we investigated the extent to which young adults' (n=274) personal financial management quality and perceived partner's financial behavior were associated - both directly and indirectly - with relationship satisfaction via perceived financial mutuality for those in committed relationships. The study was grounded in Social Exchange Theory (SET). A path analysis revealed that perceived partner's financial behavior had a direct association with perceived financial mutuality, which in turn had a direct association with relationship satisfaction. In contrast, the participant's financial management quality and relationship satisfaction were neither directly nor indirectly associated through perceived financial mutuality. Perceived financial mutuality had the largest effect on relationship satisfaction. These findings indicate that perceived financial mutuality plays a key role, both directly and as a mediator, on relationship satisfaction for these young adults. The implications of these findings provide insights for designing preventive financial strategies early in romantic relationships.*

*Keywords: finances and relationships; financial management; financial behavior; financial values; relationship satisfaction; young adults*

## **INTRODUCTION**

The number of first marriages among couples is at an all-time low in the United States (Payne & Gibbs, 2011; Saad, 2015; Wang & Parker, 2014), particularly among young adult couples (ages 18-29). However, if one considers first entry into both marriage and marriage-

like relationships, the figures look similar to marriage rates of the past (Copen, Daniels, Vespa, & Mosher, 2012). Whether the shift emanates from changing social norms or macroeconomic instability (Halliday Hardie & Lucas, 2010; Settersten, 2012; Shanahan, Porfeli, Mortimer, & Erickson, 2005), finances are a significant concern for many couples (Dew, 2008; Stanley, Markman, & Whitton, 2002), and conflicts over finances are common across age, sex, relationship status, and family background (Romo, 2011). Although the negative association between financial conflicts and relationship satisfaction has been well-established (e.g., Archuleta, Grable, & Britt, 2013; Britt, Grable, Goff, & White, 2008), much less is known about the role of routine financial behaviors on relationship satisfaction, particularly among young adults. Yet 88 percent of young adults who are married or living with a partner report that finances are a source of tension in their relationship (Eiger & Schiavone, 2016). Further, many young adults have not yet acquired the financial knowledge and skills to effectively manage their finances (Lusardi, 2015; Lusardi, Mitchell, & Curto, 2010) and are less able to make ends meet (FINRA Investor Education Foundation, 2016). This study contributes to the literature by examining couple dynamics around finances that affect relationship satisfaction in newer-committed relationships of young adults.

From a developmental perspective, the formation of intimate relationships is an important goal of young adulthood (Erikson, 1993). As young adults move from casual dating to more committed relationships, the focus shifts from attraction to maintaining satisfaction within the relationship (Sabatelli & Shehan, 2004). In this sense, young adults' relationship satisfaction likely reflects the assessment of their own contribution to the relationship and perception of their partner's contribution (Sabatelli & Shehan, 2004). Although there is some evidence that romantic partners gain influence with respect to financial matters during the period in which the relationship is being established (Serido, Curran, Wilmarth, Ahn, & Shim, 2015), research examining the association between finances and relationship satisfaction among young adults is an understudied topic. We argue that examining this association in the early stages of a relationship (e.g., cohabiting or recently married) may be particularly helpful in identifying strategies that promote positive financial communication and problem-solving skills.

A critical component of continuing relationship satisfaction among adult couples is the sharing of financial values and discussions about important financial issues (Archuleta, 2013; Britt & Huston, 2012; Kerkmann, Lee, Lown, & Allgood, 2000). In turn, higher relationship satisfaction contributes to the overall well-being of individuals, couples and families (Amato & Rogers, 1997; Dyrdal, Roysamb, Nes, & Vitterso, 2010). For young adults in the early stages of a committed relationship, understanding what financial influences impact how they feel about their relationship is an important topic. Examining these influences early in the relationship, rather than later, may provide insights for helping young adults cultivate positive financial interaction skills. Such an approach may provide long-term benefits to the individual and the couple by identifying ways to avoid or at least identify potentially conflictual financial interaction patterns.

Given the importance of relationship formation and financial instability among young adults, the present study examines three potential financial influences of relationship

satisfaction (personal financial management quality, perceived partner financial behavior, and perceived financial mutuality) in a sample of young adults (N=274). Because there is limited empirical evidence on these associations, we relied on Social Exchange Theory (SET) as a guiding framework to describe how relationships develop through couple dynamics around finances and individual perceptions of those dynamics (Thibaut & Kelley, 1959).

### **THEORETICAL FRAMEWORK**

Social Exchange Theory (SET) focuses on how relationships develop and are experienced, the patterns and dynamics that emerge, and the personal and interpersonal factors that mediate the stability of the relationship (Sabatelli & Shehan, 2004). This study targets couple dynamics around finances in the early developmental stages of committed relationships. The theory addresses constraints and alternatives contributing to satisfaction that impact relationship stability. When couple members compare the constraints of the relationship to the satisfaction derived from it, SET refers to this as internal comparison level where the focus is internal to the couple. A related concept, comparison level for alternatives, is where couple members compare their current relationship to other alternative relationships. The former SET concept is the one that guided this study.

Members of a dyad are mutually reliant on the relationship for rewarding outcomes in that “the attractiveness of a relationship is determined by the degree to which its outcomes equal or exceed one’s expectations.” (Sabatelli & Shehan, 2004, p. 392). The SET concept of comparison level explains the role of expectations in a partner’s evaluation of the goodness of exchange outcomes (Thibaut & Kelly, 1959). “The comparison level is the standard by which people evaluate the rewards and costs of a given relationship in terms of what they feel is deserved and/or realistically obtainable.” (Sabatelli & Shehan, 2004, p. 398). That standard for comparison is a foundation to interpret their observations of their partner’s behavior rather than a means of judging the nature of that behavior. In this study, the quality of an individual’s financial management is the standard for comparison.

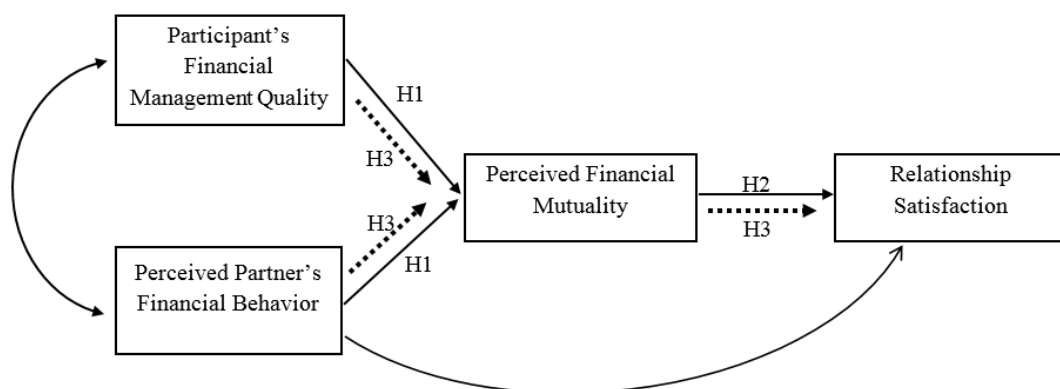
Sabatelli & Shehan (2004) indicate that each individual establishes a backlog of experiences and knowledge based on observations of their partner’s behavior. Those observations of their partner’s financial behavior are then compared to the individual’s standard. In doing so, they recognize the costs and rewards in this comparison and those costs and rewards are essential in establishing the nature of the satisfaction with their relationship. In our study, the observations are measured as the financial behavior that an individual perceives through interaction with their partner.

However, it is not just these personal components of the comparison level that contribute to relationship satisfaction. SET states that individual perceptions are rooted in and mediated by both cognitive and normative orientations (Sabatelli & Shehan, 2004). Normative orientations are contextually prescribed roles and expectations influencing relationship exchanges (Abramson, Cutler, Kautz, & Mendelson, 1958). Cognitive orientations are personal beliefs, values, and general relationship orientations that individuals develop through internalization of normative orientations (McDonald, 1981).

## Financial Influences Impacting Young Adults' Relationship Satisfaction: Personal Management Quality, Perceived Partner Behavior, and Perceived Financial Mutuality

When these normative and cognitive orientations related to finances meld in a relationship into a shared mutuality, that financial mutuality will mediate the relationship between the personal components of the comparison level and relationship satisfaction. In other words, young adults' perception of financial mutuality mediates the association between an individual's financial management quality and the perception of their partner's financial behavior on their relationship satisfaction.

A conceptual model, based on the above SET assumptions, is depicted in Figure 1. The following pathways were hypothesized: individual financial management quality and perceived partner financial behavior will contribute to perception of perceived financial



*Note.* Dotted line for hypothesis 3 is the indirect effect

*Figure 1.* Conceptual model of participant management quality and perceived partner financial behavior predicting relationship satisfaction mediated by perceived financial mutuality.

mutuality, which will mediate the association with relationship satisfaction.

## LITERATURE REVIEW

### Financial Behavior and Relationship Satisfaction

The extant literature indicates an inverse association between negative financial interactions (e.g., financial problems, conflict over finances) and relationship satisfaction in established marital relationships. Overall, these studies have found that adults who experience negative financial interactions with the relationship also report lower relationship satisfaction (Conger et al., 1990; Johnson, Lee, Lee, & Schramm, 2006; Steuber & Paik, 2014). There is also evidence that emotional distress regarding the financial situation or financial management within such relationships directly erodes relationship satisfaction (Conger et al., 1990; Dew, 2008).

Recently researchers have begun to investigate specific aspects of financial interactions and their impact on relationship satisfaction. For example, Diamond and Hicks (2011) in examining financial problems (defined as partner fault-finding), found that when an individual perceived that a partner was at fault for their household financial problems and blamed the partner for it, the individual's relationship satisfaction diminished. Likewise, Archuleta et al. (2013), in an investigation of negative communication strategies associated with financial management and relationship satisfaction, found that participants who engaged in negative communal strategies also reported a lowered relationship satisfaction. In contrast, Kerkmann et al. (2000) investigated the association between quality of financial management and relationship satisfaction and found that participants who reported a positive perception of the quality of their financial management also reported higher marital satisfaction than those who did not.

The present study adds to this body of literature in several ways. First, previous studies typically relied on adult samples in long-established, committed relationships (e.g., married 25 years on average). In contrast, this study examined these associations in a young adult sample. Further, past research typically focused on the specific financial tasks that were carried out by individuals acting as members of a couple (Archuleta, 2013; Archuleta et al., 2013). As suggested by SET framework, when individuals in a committed relationship engage in managing their finances, they also engage in an ongoing comparison between what they do and what they perceive their partner does. To fill this gap in the literature, this study considers how an individual's observations of the financial behavior of their partner may influence how they evaluate their satisfaction with the couple relationship (Sabatelli & Shehan, 2004).

This study also extends the extant literature by incorporating constructs that take into account multiple item-measures rather than a single item (Kerkmann et al., 2000) or an index of dichotomous items (Britt et al., 2008). Adding both a frequency and degree dimension to the measures could provide additional insight into the magnitude of the association between specific financial influences and perceived relationship satisfaction.

### **Shared Financial Values**

We are aware of two studies that investigated the association between shared financial values (assessed as couples who had joint versus separate bank account) and relationship satisfaction (Addo & Sassler, 2010; Steuber & Paik, 2014). Both studies found that participants who pooled their finances reported a higher relationship satisfaction than did those who did not. However, Steuber and Paik (2014) provided further insight in a study of cohabiting couples; specifically, engaged-to-be-married couples were generally happier with their relationship irrespective of their financial arrangement. The reason for this may be as Erez, Gopher, and Arzi (1990) contend, that although people pursue multiple goals simultaneously, they tend to focus on one goal at a time because of limitations in cognitive capacity. If so, then engaged couples may be happier because they focused on one goal (i.e., planning the wedding) and put aside concerns about future financial arrangements.

However, Archuleta (2013) found that individuals who shared the same views as their partner about financial management roles, goals, and values reported higher relationship satisfaction. In a follow-up study using the same sample, Archuleta and colleagues (2013) examined the mediating effect that shared goals and values have on the association between financial satisfaction and relationship satisfaction. Although no significant direct association was found to exist between financial satisfaction and relationship satisfaction, shared goals and values were found to mediate the relationships between financial satisfaction and relationship satisfaction. The authors suggested that when an individual in a committed relationship has the same goals and values as their partner, the individual tends to be more satisfied with the financial situation. If this is so, then shared values apparently play a role in how individuals evaluate relationship satisfaction. This same study also found that shared goals and values mediated the relationship between negative communication tactics and relationship satisfaction. Since negative communication tactics were found to have a significant and negative direct association with relationship satisfaction, this finding suggests that when couples have shared goals and values, the partners are less likely to use negative communication tactics (e.g., argue with, blame, criticize, or denigrate each other) and thus, tend to be more satisfied with their relationship.

## **Hypotheses**

Because an individual's financial management quality and perception of their partner's financial behavior form the internal basis for assessing relationship satisfaction (Sabatelli & Shehan, 2004), we hypothesized that individual financial management quality and perceived partner's financial behavior would both be positively associated with perceived financial mutuality (Hypothesis 1). Because shared views about financial values have been associated with higher relationship satisfaction (Archuleta, 2013), we further hypothesized that perceived financial mutuality would be directly and positively associated with relationship satisfaction (Hypothesis 2). Finally, we tested for the mediating effect of perceived financial mutuality on the association between the personal components of the comparison level (participant's financial management quality and perceived partner's financial behavior) and relationship satisfaction (Sabatelli & Shehan, 2004) (Hypothesis 3).

## **METHODOLOGY**

### **Study Design**

The data for the present study were selected from the third wave of a longitudinal study launched in 2008, which was designed to understand the financial factors that shape and guide individual life trajectories (Shim, Barber, Card, Xiao, & Serido, 2010). After receiving Human Subjects approval, the first-wave invitations were sent to approximately 6,000 incoming freshmen who had been enrolled full-time at a major land-grant, public university. Participants had been recruited via various methods including university emails, class announcements, flyers, and campus media.

Interested participants were directed to complete the survey questionnaire online at any time during an 8-week period. A paper-and-pencil survey was administered to interested participants who had not completed the online survey in the classroom during the last weeks of the data collection. The majority (85.7%) of the participants completed the survey online, while the remaining (14.3%) completed the paper-and-pencil version. Of the 6,000 freshmen who were asked to participate in the study, 2,098 (approximately 35%) participated. Thus, the wave 1 sample included 2,098 participants.

The second wave of the study (wave 2) occurred during the fall semester of the student's fourth year of college. Wave 1 participants were contacted via their university emails. Participants were asked to complete an online survey questionnaire (which was similar in scope and length to that used in wave 1). Of the 2,098 participants who participated in wave 1, 1,563 (approximately 81%) completed the wave 2 survey, resulting in 1,511 useable surveys.

The third wave of the study (wave 3) occurred in 2013. The research team contacted 1,848 (88%) of the original 2,098 wave 1 participants using the email addresses provided from the previous wave. The participants were invited to complete the wave 3 survey questionnaire online. Of the 1,848 participants that were invited to complete the survey questionnaire, 1,010 (55%) completed the survey.

### Current Study Participants

Individuals who participated in the current study were drawn from wave 3 of the study. Because the focus of the study was on the financial interactions occurring between members of young-adult couples, we selected participants who indicated that they were either married or cohabiting (in a committed romantic relationship and living together) at the time of the survey. The criteria yielded a subsample of 274 individuals who participated in the present study. Of these participants, 192 (70.1%) were women and 82 (29.9%) were men. In terms of marital status, 103 (37.6%) participants stated that they were married and 171 (62.4%) stated that they were not married. The majority of participants (97%) were between 23-27 years of age. The racial/ethnic composition of the subsample included White (71.9%), Hispanic/Latino (14.6%), Asian/Pacific Islander (5.8%), African American/Black (1.1%), Native American (1.5%), and Other (4.7%). (See Table 1 for a complete list of the characteristics of the sample).

### Measures

**Relationship satisfaction.** Relationship satisfaction assessed participants' subjective evaluation of their romantic relationship. Participants were asked to use a seven-point, Likert-type scale from *extremely dissatisfied* (1) to *extremely satisfied* (7) to express their level of satisfaction with respect to three questions concerning relationship satisfaction: (a) how satisfied are you with your romantic relationship, (b) how satisfied are you with your romantic partner, and (c) how satisfied are you with your relationship with



Financial Influences Impacting Young Adults' Relationship Satisfaction: Personal Management Quality, Perceived Partner Behavior, and Perceived Financial Mutuality

your romantic partner (Schumm, et al. 1986). The Cronbach's alpha coefficient for the relationship satisfaction scale was 0.95.

Table 1

*Demographic Characteristics of Participants (N = 274)*

| Characteristic                    | n   | %    |
|-----------------------------------|-----|------|
| Gender                            |     |      |
| Female                            | 192 | 70.1 |
| Male                              | 82  | 29.9 |
| Marital status                    |     |      |
| Married                           | 103 | 37.6 |
| Not Married                       | 171 | 62.4 |
| Ethnicity                         |     |      |
| White                             | 197 | 71.9 |
| Hispanic/Latino                   | 40  | 14.6 |
| Asian/Pacific Islander            | 16  | 5.8  |
| African American/Black            | 3   | 1.1  |
| Native American                   | 4   | 1.5  |
| Other                             | 13  | 4.7  |
| Missing                           | 1   | 0.4  |
| Age                               |     |      |
| 23 – 27                           | 266 | 97   |
| > 27                              | 5   | 2    |
| Missing                           | 3   | 1    |
| Highest education level completed |     |      |
| Graduated from college            | 243 | 88.7 |
| Still taking classes              | 23  | 8.4  |
| Did not graduate                  | 7   | 2.6  |
| Missing                           | 1   | .4   |
| Annual income (\$)                |     |      |
| Less than \$24,999                | 110 | 40.1 |
| \$25,000-\$39,999                 | 86  | 31.4 |
| \$40,000-\$59,999                 | 54  | 19.7 |
| \$60,000-\$74,999                 | 13  | 4.7  |
| More than \$74,999                | 11  | 4.0  |

**Participant's financial management quality.** This measure assessed participants' self-evaluation of how well they handled their finances. Using a five-point, Likert-type scale ranging from *strongly disagree* (1) to *strongly agree* (5), participants were asked to rate three items: (a) I am satisfied with the way I pay my bills, (b) I feel good about my money management abilities, and (c) sometimes I don't like the way I manage my finances (reversed) (Shim et al., 2010). Higher values represented more positive behavior. The Cronbach's alpha coefficient for the financial management scale was 0.79.

**Perceived partner's financial behavior.** This measure quantified participants' assessment of the degree to which their partner engaged in six financial behaviors, using a five-point, Likert-type scale ranging from *never* (1) to *always* (5): (a) track monthly expenses, (b) spend within the budget, (c) pay credit balance in full each month, (d) save money each month for the future, (e) invest for long-term financial goals regularly, and (f) learn about money management regularly (Serido et al., 2015). The Cronbach's alpha coefficient for the scale was 0.83.

**Perceived financial mutuality.** This measure assessed the extent to which participants felt that their partner shared similar cognitive and normative values regarding personal finances. The measure consisted of five items, each measured on a five-point, Likert-type scale ranging from *strongly disagree* (1) to *strongly agree* (5): (a) we have similar financial values and goals, (b) we share and manage our household finances jointly, (c) we often talk about the importance of financial security for later life, (d) we make financial decisions jointly, and (e) my partner has a positive influence on me when it comes to managing money (Serido et al. 2015). The Cronbach's alpha coefficient for the scale was 0.82.

**Control Variables** We controlled for gender and marital status as dichotomous variables: Gender (men = 0; women = 1); Marital status (not married = 0; married = 1). We also controlled for financial factors that have been associated with relationship outcomes, specifically participants' annual income (1 = Less than \$24,999; 2 = Between \$25,000 - \$39,999; 3 = Between \$40,000 - \$59,999; 4 = Between \$60,000 - \$74,999; 5 = More than \$74,999) and student loan debt (no = 0; yes = 1).

## Analysis

Prior to testing our conceptual model, we first conducted descriptive analyses and bivariate correlations to describe the sample and evaluate the associations among the variables examined. We then tested the hypotheses in the conceptual model using path analysis. One strength of path analysis is that it allows for the testing of process (or chain) of influence (Streiner, 2005). That is, it enables us to test the direct and indirect (mediating) effect of multiple independent variables (e.g., financial management quality, perceived partner's financial behavior, and perceived financial mutuality) on the dependent variable (e.g., relationship satisfaction) (Stage, Carter, & Nora, 2004). SET suggests that, in a committed relationship, an individual's evaluation of his/her relationship satisfaction is a process that begins with the assessment of the interactions that occur between the individual and his/her partner. These individual components of couple interaction contribute to the cognitive and normative orientations measured by perceived financial mutuality. Both the interactions of the individual and the partner, as well as the perceived financial mutuality, in turn impact how an individual evaluates his/her relationship. Thus, to understand the associations among financial influences and relationship satisfaction, it is necessary to follow this process of investigating the direct and indirect relationships of path analysis to reflect the assumptions of SET.

Prior to conducting the path analysis, we first tested the veracity of the following main assumptions of path analysis: linear relationship among the variables, no interactions among

the variables, and continuous endogenous variables. After determining that these assumptions were valid, we used the statistical software IBM SPSS 22 for Windows and AMOS – which is an add-on component of the IBM SPSS software – to conduct the path analysis. Missing data (less than 2%) were handled using stochastic regression imputation. We performed a sensitivity test by conducting multiple iterations of the imputation, and we then ran the calculations for each imputation in order to determine the variation between the results. Our calculations revealed very little variation between the result obtained from one imputation and the result obtained from another. For model estimations, we used maximum likelihood with bootstrapping. To assess degree of model fit, we used the following indexes: root mean square residual (RMR), goodness of fit index (GFI), comparative fit index (CFI), and Root Mean Square Error of Approximation (RMSEA). The RMR determines whether a difference exists between the estimated variances and covariances and the observed variances and covariances. Ideally, this value should be less than 0.05 (Tabachnik & Fidell, 2007). GFI tests for the proportion of the variances in the sample that is accounted for by the model. Ideally, this value should be more than 0.90 (Tanaka & Huba, 1985). The CFI compared the default or hypothesized model against an independent reasonable baseline model. Ideally, this value should be more than 0.90 (Bentler, 1990). Finally, the RMSEA provides calculations for the size of the standardized residual correlations. Ideally, this value should be less than .06 (Hu & Bentler, 1999). The model fit indexes for our model are: RMR = 0.00, GFI = 1.00, CFI = 1.00, and RMSEA = 0.00.

### **Preliminary Analyses**

Table 2 shows the mean, standard deviation, and intercorrelations among the variables used in the study. On average, all the variables proved to be slightly above midrange: participants' financial management quality ( $M = 3.84$ ,  $SD = 0.82$ ; range: 1-5); perceived partner's financial behavior ( $M = 3.42$ ,  $SD = 1.02$ ; range: 1-5); relationship satisfaction ( $M = 6.28$ ,  $SD = .99$ ; range: 1-7). The higher mean for relationship satisfaction may reflect the fact that the participants in this study were in early stages of a relationship and thus, tended to be happier with the relationship (Glass & Wright, 1997).

The results of the correlational analyses were in the expected direction, with one exception. The association between participants' financial management quality and relationship satisfaction was not significant. It is worth noting that the strongest associations were found between perceived partner's financial behavior and relationship satisfaction ( $r = 0.29$ ,  $p < 0.01$ ) and between perceived financial mutuality and relationship satisfaction ( $r = 0.49$ ,  $p < 0.01$ ).

Table 2  
*Correlations among constructs in the current study's model*

| Constructs  | M    | SD   | 1      | 2      | 3     | 4     | 5      | 6    | 7     |
|---|------|------|--------|--------|-------|-------|--------|------|-------|
| 1. Participant's financial management quality (1-5) | 3.84 | 0.82 | —      |        |       |       |        |      |       |
| 2. Perceived partner's financial behavior (1-5)     | 3.42 | 1.02 | .209*  | —      |       |       |        |      |       |
| 3. Perceived financial mutuality (1-5)              | 3.91 | 0.90 | .184*  | .523*  | —     |       |        |      |       |
| 4. Relationship satisfaction (1-7)                  | 6.28 | 0.99 | .120*  | .290*  | .489* | —     |        |      |       |
| 5. Gender   |      |      | -.026  | .109   | .096  | .068  | —      |      |       |
| 6. Marital Status                                   |      |      | .043   | .129*  | .353* | .051  | -.052  | —    |       |
| 7. Student Loan                                     |      |      | -.222* | -.122* | -.014 | .033  | .033   | .030 | —     |
| 8. Annual Gross Income                              |      |      | .225*  | .159*  | .107  | -.034 | -.193* | .075 | -.105 |

NOTE: Please refer to table 1 for the frequencies of the categorical variables

\*  $p < 0.05$  (2-tailed)

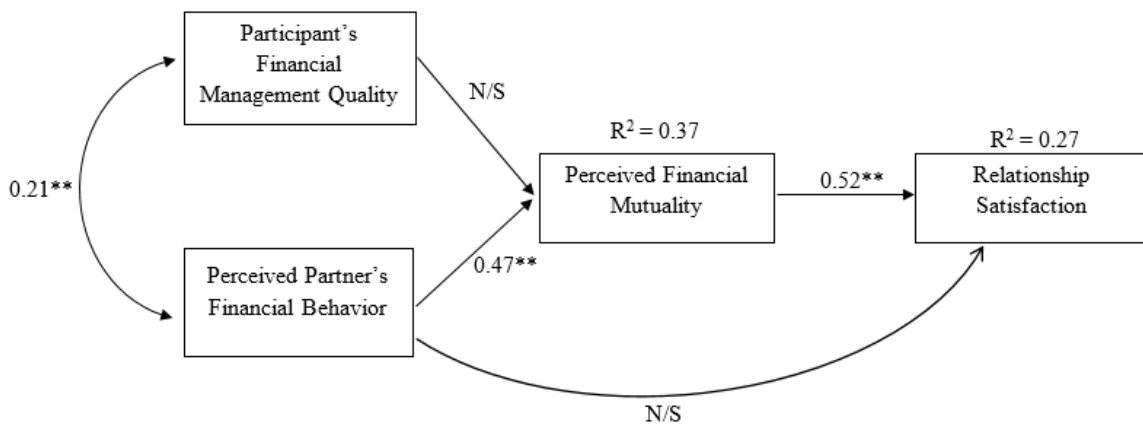
## RESULTS

### Path Analysis

Figure 2 shows the standardized beta coefficients obtained from the path analysis when controlling for gender, marital status, income, and student loan debt. The results indicated that perceived partner's financial behavior ( $\beta = 0.47, p < 0.01$ ) was significant and positively associated with perceived financial mutuality, accounting for 37% of the variance in perceived financial mutuality, partially confirming our first hypothesis. The second part of our first hypothesis, a positive and significant association between participants' financial management quality and perceived financial mutuality, was not supported.

The results of the path model also provided full support for Hypothesis 2. Perceived financial mutuality was significantly and positively associated with relationship satisfaction ( $\beta = 0.52, p < 0.01$ ). The standardized indirect (mediated) effect that the perceived partner's financial behavior had on relationship satisfaction through perceived financial mutuality proved to be 0.24 ( $p < 0.01$ ). Thus, support was also found for Hypothesis 3. Overall, the full model accounted for 27% of the variance in relationship satisfaction.

Of the controls, marital status was the only significant variable. There was a positive relationship with perceived financial mutuality ( $\beta = .29, p < 0.001$ ) and a negative relationship with relationship satisfaction ( $\beta = -.13, p < 0.01$ ). Those who were married had a higher level of financial mutuality than those who were cohabitating. Those who were cohabitating had a higher relationship satisfaction than those who were married. These results are similar to those of Steuber and Paik (2014) and of Erez, Goper, and Arzi (1990).



Note. \* $p < 0.05$ , \*\* $p < 0.01$ , N/S = Nonsignificant

Figure 2. Standardized path coefficients for participants' financial management quality, perceived partner's financial behavior, perceived financial mutuality, and relationship satisfaction controlling for gender, marital status, educational loans, and annual gross income.

## DISCUSSION

To better understand the association that exists between finances and relationship satisfaction among young adults in cohabiting and married relationships, we examined the influence of personal components of financial management quality and perceived partner's financial behavior on perceived financial mutuality as a potential mediating mechanism on relationship satisfaction. Relying on Social Exchange Theory (SET), we conceptualized an individual's financial management quality as the comparison standard for assessing a partner's financial behavior and in turn, the influence of perceived partner behavior on relationship satisfaction. Our testing of this proposed model showed it to be both valid and strong. A further discussion of these findings follows.

### **The Power of Perceived Financial Mutuality**

Because financial conflict may erode relationship satisfaction (Archuleta et al., 2013; Britt et al., 2008; Britt & Huston, 2012; Diamond & Hicks, 2011; Kerkmann et al., 2000), we focused on identifying financial factors that might influence relationship satisfaction. Our analyses showed that perceived financial mutuality exerted the greatest influence on relationship satisfaction. This finding provides evidence that a sense of shared or similar financial values and goals between romantic partners (a dynamic association within financial decision-making) provides a stronger foundation for relationship satisfaction than financial management quality or perceived behavior of partner. In this sense, although financial management quality and behavior are important individual skills to acquire, if the couple is to flourish, both partners must cultivate a financial mutuality while acknowledging potential differences in skills or goals. Also, it may be helpful to establish an interdependent, collaborative negotiation style about financial topics early in the relationship before individual patterns of behavior become entrenched. As one of its principle assumptions, SET posits the need for ongoing negotiations to take place between interdependent actors, inclusive of personal and interpersonal factors; in this sense, the collaborative dynamic remains equally important as the relationship matures. This study suggests that to sustain relationship satisfaction, dialogue about financial behaviors and life goals need to be part of ongoing decision making and early relationship discussions.

### **Personal Management Quality as a Comparative Standard**

Given the assumptions laid out by SET, each partner would establish a separate comparison threshold as a standard for evaluating a relationship (Sabatelli & Shehan, 2004). We presumed one's own financial management quality to be the standard by which one evaluates the financial behavior of a partner, and per SET, that standard creates expectations in a partner's evaluation of the value of the exchange outcomes (Thibault & Kelly, 1959). The significant correlation between participant's financial management quality and perceived partner's financial behavior is indicative of the comparison occurring between the participant's standard and their partner's behavior. It is important to note that individual financial attitudes and financial practices develop within the family of origin and provide a lens for evaluating financial interaction (Gudmunson & Danes, 2011). That lens no doubt

shapes how an individual interprets a partner's behavior. Although the parental influences on young adults' financial management quality and behavior diminish as young adults form romantic relationships, it does not disappear entirely (Serido et al., 2015). Misunderstandings caused by the sort of miscommunication that may arise when addressing conflict, especially those concerning money, could, over time, erode relationship satisfaction if those misunderstandings are not discussed and reconciled to form a financial mutuality for the couple early in the relationship.

### **Implications for Practitioners**

Our study provides two insights for professionals working with couples to manage relationship problems in the context of financial constraints, particularly the growing number of young couples who have yet to establish financial stability. For example, by explaining how financial mutuality can protect relationship satisfaction in the face of financial adversity, family professionals can facilitate open financial dialogue to prevent the formation of negative financial-interaction patterns. This may be an effective strategy to use early in a relationship, when both partners may be more willing to see the best in the other and more willing to work together to change behaviors.

Our findings also provide a theoretical and empirical basis for encouraging couples to examine not only what they do when it comes to finances, but also to consider how those behaviors affect their mutual goals, and then to negotiate ways to integrate their differences into workable solutions. That financial norms reflect early family socialization may be obvious, but that these norms may differ between partners is often not self-evident, at least until conflicts arise. Encouraging couples to talk about financial management tasks (e.g. paying bills; maintaining either joint or separate accounts) within the context of mutual financial goals could be used as a starting point for discussing the interdependent nature of a couple's financial interactions and the couple's level of relationship satisfaction.

### **Limitations**

Although the findings derived from the current study provide important insights pertaining to the links between finances and relationship satisfaction among young adults, several limitations warrant consideration. Foremost, we want to emphasize that the data we used were derived from individual self-reports obtained from only one of the members of a given couple; hence, our interpretation of these findings in the context of interactions between the couple is speculative. Any future study seeking to confirm (or refute) our findings should obtain data from both members. Future researchers citing our findings should also refrain from presuming a causal ordering of the pathways we included in our model. Our data were cross-sectional; understanding how these variables change over time and whether those changes alter the presumed pathways in the cross-sectional model will require longitudinal data that captures the unfolding relationships that exist among the variables. We also note that, because we relied on a sample that was comprised predominately of White, college-educated young adults, our findings may not reflect the

dynamics at play in the romantic relationships of young adults whose cultural and religious mores and traditions are likely different.

### **CONCLUSION**

Based on the findings from this study, we conclude that the foundation linking finances and relationship well-being are forged early in the relationship. When seen from this perspective, encouraging open dialogue about finances before there are disagreements may be an effective relationship maintenance strategy.



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Financial Influences Impacting Young Adults' Relationship Satisfaction: Personal Management Quality, Perceived Partner Behavior, and Perceived Financial Mutuality

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