

Financial Issues and the Dissolution of Cohabiting Unions

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Abstract

Knowing that financial disagreements are highly related to marital distress (and possibly divorce), this study examined how financial disagreements and perceptions of financial inequity related to cohabitators' relationship dissolution. Proportional hazards models using the National Survey of Families and Households found that financial disagreements positively related to the hazard of participants separating from their partners as opposed to marrying or remaining together. Interestingly, finances were the only topic of disagreement related to relationship instability. Perceived financial inequity also positively predicted cohabiting unions breaking up; it was the only type of inequity that predicted breakup. Consequently, like married individuals, financial disagreements can be highly problematic for relationship stability among cohabitators.

Studies have shown that married couples' finances are a frequent topic of contention (Stanley, Markman, & Whitten, 2002; Oggins, 2003; Papp, Cummings, & Gocke-Morey, 2009). Further, financial disputes are often more contentious, continue unresolved for longer periods of time, and predict divorce better than many other areas of marital disagreement (Amato & Rogers, 1997; Dew, 2009; Papp et al., 2009).

Despite these findings, little information exists about the relationship implications of financial issues among cohabiting individuals. Some scholars have examined how cohabiting couples manage their finances (Heimdal & Houseknecht, 2003; Vogler, Brockmann, & Wiggins, 2006). However, with the exceptions of earnings (Oppenheimer, 2003; Smock & Manning, 1997), very little research has examined how financial wellbeing, financial disagreements, and perceived financial inequity relate to cohabiting individuals' union dissolution.

This oversight is problematic. Cohabitation has increased rapidly over the past few decades, has become the norm in marriage formation behavior, and is often used as an alternative to marriage (Bumpass, Sweet, & Cherlin, 1991; Teachman, 2003; Cherlin, 2004). Further, cohabiting individuals generally have fewer economic resources than married couples (Oppenheimer, 2003; Sessler & McNally, 2003) leaving open the possibility that financial issues will be even more salient to cohabitators than married individuals. Finally, cohabiting unions are less stable than marriages (Bumpass & Lu, 2000), and the consequences of cohabitation dissolution can be financially problematic for participants (Avellar & Smock, 2005). By examining the relationship between financial issues and cohabiting union dissolution this study addresses an important gap in the literature.

This study adds to past research on cohabiting individuals' union dissolution. First, it not only examines how actual earnings relate to cohabiting individuals union dissolution, but it

examines how other types of financial wellbeing, such as assets and consumer debt, are linked to dissolution. More importantly, it examines whether relationship processes that relate to finances, such as financial disagreements and perceived financial inequity, relate to cohabitators' union dissolution. Conflict and inequity are likely to be more proximal to the decision to leave a cohabiting union than variables that assess financial wellbeing. Second, this study compares the predictive strength of financial issues with other common or normative problems that couples face such as disagreement over spending time together, or perceived inequity in housework. Finally, this study tests a mediating mechanism that may link financial issues to cohabiting individuals' union dissolution.

This study used the National Survey of Families and Households (NSFH) to examine the research questions. I used the NSFH data for this study because of its many advantages. The NSFH is a nationally representative longitudinal data set with a subsample of cohabiting individuals. It is also unique in that it gathers detailed data on individuals' financial situations in addition to gathering detailed data on relationships. Most representative data sets that gather detailed relationship data has very little information on couples' financial situation. Controlling for financial wellbeing beyond income may help understand cohabiting couples' union transitions (Dew, 2007). The NSFH has been used in other heavily-cited studies of cohabiting dissolution (e.g., Brown, 2000; Sassler & McNally, 2003; Smock & Manning, 1997).

Cohabitor's Union Stability

Given the large increase in cohabitation over the past few decades, surprisingly little research has examined predictor's of cohabiting individuals' union stability/dissolution. A few scholars have focused on whether employment, education, and earnings contribute to union stability with some showing that socioeconomic stability positively predicts stability

(Oppenheimer, 2003; Sassler & McNally, 2003), and others showing no relationship (Brown, 2000; Smock & Manning, 1997). Few other studies of cohabitators' dissolution have gone beyond examining issues related to sociodemographic characteristics of cohabiters - with the exception of Brown (2000) and Brines & Joyner (1999).

Social Exchange Theory

Social exchange theory offers a process through which individuals become unhappy in and dissolve their romantic unions. Social exchange theory asserts that individuals compare the actual "outcomes", or benefits minus costs, of their relationship with the expectations that they have – called the Comparison Level or CL (Nye, 1979; Thibault & Kelley, 1959). The theory posits that when then outcomes meet or exceed the CL, individuals will be happy in their relationship. If, however, the outcomes fail to meet the CL then they will become unhappy in their relationship and begin evaluating the alternatives to their union. Unhappy individuals have a minimum level of outcomes that they will accept (CL_{Alt}) such that if their outcomes fall below it they will dissolve the union. Below the CL_{Alt} individuals feel that the alternatives to their union offer better outcomes than remaining in the union (e.g., the CL_{Alt} exceeds the outcomes of their current relationship).

Social exchange presents a useful framework for the research question of how different domains of financial issues relate to cohabiting individuals' union stability. First, social exchange theory is not specifically tied to any one family structure. Rather, social exchange principles are assumed to apply to any romantic relationship including dating, cohabiting, and marital relationships (Thibault & Kelley, 1959). Second, rather than forcing a dyadic or interdependent structure on unions, social exchange theory allows one individual to unilaterally

dissolve the union (Nye, 1979). Such unilateral action is common in divorce, and is also likely to be common among cohabiting couples.

Expectations in Cohabitation

In social exchange theory, union dissolution begins with a comparison between relationship expectations and the reality of the union. Thus, identifying expectations that cohabiting individuals have for their unions helps generate hypotheses that link financial issues and union dissolution. Cohabiting individuals represent a diverse group (Bumpass & Lu, 2001) and their reasons for cohabiting likely vary across age, socioeconomic status, and prior relationship history. However, research has shown that many cohabiting individuals share the following relationship expectations.

Financial Stability. One of the main expectations that cohabiting individuals have is that their union will bring financial benefits, if not financial stability. By living together, cohabiting individuals gain economies of scale that married couples enjoy. That is, cohabiting individuals have fewer expenses living together than if they were living apart. In a seminal study of cohabiting individuals, “Being able to share living expenses” received the second highest number of endorsements as an important reason to cohabit (Bumpass et al., 1991). Thus, cohabiting individuals are likely to expect that cohabitation will ease their living expenses.

Cohabitation also provides economic benefits beyond economies of scale. For example, earnings have been shown to be negatively associated with cohabiting individuals’ breakups (Oppenheimer, 2003; Sassler & McNally, 2003). This suggests that the more a partner earns, the greater standard of living an individual obtains through cohabitation. Qualitative work among working and lower-middle class cohabitators has also shown that couples may use cohabitation as a time to accumulate savings for a home or wedding, or to pay down debt in anticipation of

marriage (Smock, Manning, & Porter, 2005). Saving money or paying down debt brings about obvious financial benefits.

Lower-income individuals will also dissolve a cohabiting union if it is not offering financial benefits. Qualitative work on low-income, single mothers shows if women are not realizing economic benefits in their cohabitations they will dissolve the union (Edin, 2000). These women acted strategically to enforce an ethic of having their partners bring in economic support. For example, women would lease an apartment under their own name while they were cohabiting. Having the lease in their own name allowed them to evict their partner if he stopped economically contributing to the household.

These studies indicate that cohabiting individuals expect to gain financially from their union. Consequently, markers of financial wellbeing should be negatively associated with cohabiting union dissolution.

Hypothesis 1: Assets and income negatively predict the hazard of union dissolution among cohabiting individuals; consumer debt positively predicts the hazard of union dissolution.

Compatibility. Many individuals (though certainly not all) cohabit to assess whether they are compatible in ways that would enable them to have a happy marriage (Bumpass et al. 1991). Contemporary young adults seek to marry an emotionally compatible and financially stable partner “the first time around” to avoid the emotional and financial difficulties of divorce (Oppenheimer, 1988). Cohabitation thus becomes an evaluation period for partners to test whether they would be able to have a successful marriage.

Over the past few decades, the standards for marrying a partner have become higher than in the past. The symbolic meaning of marriage has shifted. Rather than marriage marking the transition to adult life, marriage is now viewed as the “capstone” of adult life (Cherlin, 2004,

855). It showcases the fact that one has been successful as an adult with respect to relationship, financial, and perhaps even parental endeavors (Cherlin, 2004). Further, potential spouses cannot just have acceptable characteristics (e.g., responsible, attractive, loving, financially stable, etc); they have to be one's "soulmate" (Amato 2009; Coontz 2005; Whitehead & Popenoe 2001). Between the changing symbolic value of marriage, and the increased desire for soulmate marriages, cohabiting individuals may have to meet higher standards to prove themselves to their partner. Consequently, the importance of compatibility evaluations in cohabiting relationships has likely increased.

If couples have frequent disagreements over finances, they may perceive that they are incompatible and may be prone to separation. The reason that financial disagreements might be more strongly related to relationship dissolution than disagreements about other issues is because finances present frequent opportunities for disagreement. For example, individuals frequently have to make consumption decisions, and bills come in on a monthly or even weekly basis. They also last longer, be less easily resolved, and elicit more negative conflict responses than other types of disagreements (Papp et al., 2009). Further, because many cohabiting individuals are financially disadvantaged, financial issues may lead to disagreements more easily than other topics (Edin, 2000; Smock et al., 2005).

Hypothesis 2: Financial disagreements are more strongly associated with cohabitators ending their relationship than other topics of disagreement.

Equity. Finally, many cohabiting individuals expect their relationships to be equitable. Much like social exchange theory, distributive justice theory posits that individuals expect their relationships to be equitable (Major, 1987). If individuals perceive inequity in their relationship

they will act to modify the dynamics, or will leave the relationship (Deutsch, 1985; Major, 1987).

Cohabiting individuals are more likely to embrace ideals of autonomy and equality in their relationships as opposed to the interdependence that marriage often fosters (Brines & Joyner, 1999; Clarkberg, Stolzenberg, & Waite, 1995). Equitable living and work arrangements have predicted stability for cohabiting couples whereas specialization promotes stability among married couples (Brines & Joyner, 1999). Consequently, because cohabiting couples' behavior reflects distributive justice norms more than married couples; inequity is likely to be a strong predictor of union dissolution among cohabiting couples.

Financial inequity might be a particularly potent predictor cohabitators' union dissolution. Money is associated with decision-making power within romantic relationships (Zelizer, 1994; though see Tichenor, 1999 who believes that gender is a larger factor). If one individual in the cohabiting relationship wields their relative financial advantage over their partner to gain greater decision-making power, this might induce their partner to end the cohabitation. Further, given that many cohabiting individuals are financially disadvantaged, equitable control of financial resources within the relationship is a salient issue for cohabiting individuals (Edin, 2000). Thus, if one partner perceives financial inequity they may seek to dissolve the relationship.

Hypothesis 3: Perceptions of financial inequity to oneself are more strongly associated with cohabiting individuals ending their relationship than other types of perceived inequity.

Relationship Satisfaction

Relationship satisfaction and union alternatives are the two most proximal issues to union dissolution in social exchange theory. That is, as individuals fail to meet their expectations, they become unhappy in their relationships. When unhappy, they begin investigating alternatives to

their unions and may ultimately dissolve the union. Brown (2000) found that relationship satisfaction was one of the strongest predictors of cohabiting couples' separations.

Although union alternatives are important in social exchange theory, the NSFH does not measure cohabiting individual's union alternatives. Consequently, in this study, cohabiting individuals' relationship satisfaction is likely to mediate the association between financial issues and union dissolution.

Hypothesis 4: Relationship satisfaction will mediate the association between cohabiting individuals' financial issues and union dissolution.

Method

Data and Sample

I used data from the first and second waves of the National Survey of Families and Households (NSFH) for this project. The first wave of the NSFH (W1) was conducted in 1987 and 1988 and interviewed over 13,000 individuals. W1 of the NSFH used a stratified probability sample and random digit dialing to generate the nationally representative sample. Between 1992 and 1994, researchers conducted a follow-up interview with 10,000 of the original participants to create the second wave (W2). The sample consisted of all individuals who were cohabiting at W1 and who completed the W2 survey ($N = 483$).

The NSFH began with 625 cohabiting individuals, but only 483 individuals participated in W2 of the NSFH. An attrition analysis (not shown) indicated that those who left the sample had less education and slightly less savings than those who stayed in the sample. African-American participants or members of other race/ethnic minority groups were also less likely to participate in the second wave of the sample. Interestingly, none of the other financial wellbeing variables (e.g., income) nor the relationship variables (e.g., perceived unfairness) were associated

with attrition. Non-random attrition may limit the generalizability of the findings. That is, the findings from this study may be less generalizable to cohabiting individuals who are African-American or members of other race/ethnic minority groups.

Table 1 gives descriptive statistics for the sample. Participants reported disagreeing over finances and spending time together the most. Despite this, participants saw the division of housework as the least fair. The descriptive statistics also showed that cohabiting individuals had total household incomes of \$12,000 (\$22,400 in 2008 dollars) and very little savings. However, they also had low levels of consumer debt. On average, participants had been in their cohabiting relationship for nearly three years.

Measures

Dependent Variable. Because the analyses were Proportional Hazards models (e.g., Cox Regressions), the dependent variable was the number of months that the cohabiting individuals remained in the sample before breaking up with their partner, marrying their partner, or finishing W2 of the survey. If an individual broke up with their partner, I subtracted the W1 month of their filling out the survey from the month of the break up. If they married, I subtracted the month of their filling out the W1 survey from the month of the marriage. If they remained cohabiting, I subtracted the month of the W1 survey from the month of the W2 survey. The dependent variable compared the likelihood of breaking up with their partner to the likelihood of marrying their partner or staying with their partner.

Independent Variables. Because some cohabiting individuals have financial difficulties that prevent them from marrying (and may precipitate breakup) financial wellbeing variables were important. Including them in later models allowed the relationship between disagreement, inequity, and relationship dissolution to be independent from participant's actual financial

situation. The financial variables were income, savings, and consumer debt. Income was based on W1 reports of total household income. Savings was an item that asked participants how much money they had in savings and checking accounts. Consumer debt was the sum of credit card debt, installment loans, and past due bills. Because these variables were highly skewed, I used the log 10 transform to get these variables to have a more normal distribution.

Relationship disagreements were measured using variables that assessed how frequently participants reported disagreeing about five different topics with their partner (finances, household chores, spending time together, sex, and issues with each other's parents). The response set for these variables ranged from disagreeing about these topics 1 (*Never*) to 6 (*Almost Everyday*).

Another important independent variable was perceptions of inequity to oneself in the cohabiting union. This variable was created from items that asked participants whether they felt two different areas of their relationship were unfair (spending money, chores). The scale ranged from 1 (*Very Unfair to Me*) to 5 (*Very Unfair to My Spouse/Partner*), with 3 indicating (*Fair to both*). Because the perceptions of unfairness to oneself is what is important in Hypothesis 3, I reverse coded the variables so that higher scores indicated higher unfairness to oneself. I then subtracted 3 from each score and any value below 0 was set to 0 (because all these responses indicate no unfairness to oneself). Thus, the item runs from 0 – 2 and higher scores represent more perceived unfairness.

I also controlled for other covariates that might have influenced financial and/or relationship stability. Education was the number of years of education a participant had completed. The number of cohabitations variable assessed how many cohabiting unions participants had been in. Relationship duration was the length of time (measured in years) that

individuals had been together. Religious attendance assessed how often individuals attended religious worship services. The scale ranged from 1 (*Never*) to 9 (*More than Once Per Week*). I also controlled for the gender¹ of the participant (0 = *Male*, 1 = *Female*). Finally, I created two dichotomous variables that assessed race/ethnicity. One variable indicated whether the participant was African-American and the other variable indicated whether the participant was of a different race/ethnic minority group (the omitted category was European-American, Non-Hispanic).

Because some of the cases had missing values on some of the variables, I used multiple imputation techniques to generate possible values. The percent of missing values for each variable ranged from 0 – 15%.

Analysis

Mediation models can be demonstrated through a series of analysis. First, the independent variables have to be associated with the purported mediator (Baron & Kenny, 1986). Consequently, the first step of the analysis was to regress relationship satisfaction (the mediator) on the financial wellbeing variables, the relationship disagreement variables, and the perceived inequity variables (the main independent variables). I used a hierarchical strategy and tested the financial wellbeing variables first, added the disagreement variables next, and finally added the inequity variables. The control covariates were in all three analyses.

The second step in demonstrating a mediator relationship is to establish a relationship between the main independent variables and the outcome variable (Baron & Kenny, 1986). To

¹ This study fails to assess whether gender moderates the association between financial issues and union dissolution. Given the traditional power imbalance vis-à-vis gender and money in relationships (Tichenor, 1999; Zelizer, 1994), some of these financial issues may have more salience to women than to men, or vice-versa. For example, women may be especially sensitive to financial inequity and so it is likely that financial inequity will be more closely related to union dissolution for women than for men. I will run gender interactions (or even separate gender models) prior to the PAA conference and incorporate any gendered findings into the presentation.

do this, I used proportional hazard models on the likelihood of the cohabiting couple breaking up. Proportional hazard models are a type of event history analysis. That is, they are survival analyses based on the length of time that individuals remain in a given state (Blossfeld and Rohwer 2002). As I noted, in this study, the dependent variable was how long individuals stayed with their partner before they broke up with their partner. The omitted category was marrying or staying with their partner.

I used proportional hazards models instead other types of analyses commonly used in cohabitation research (e.g., multinomial logistic regressions) for three reasons. First, hazards models explicitly measure the timing of an event rather than just whether an event occurred. Thus, they can show how financial issues relate to the timing of the union dissolution in addition to showing whether or not it occurred. Second, proportional hazard models statistically correct the coefficients for the fact that some of the cohabiting couples who are still together at W2 of the NSFH will eventually split up (Blossfeld and Rohwer 2002). Finally, proportional hazards models do not require choosing the underlying shape of the hazard of union dissolution (Allison 1995; Blossfeld and Rohwer 2002). Because results can change in parametric event history models depending on the hazard shape chosen, this is a useful property (Blossfeld and Rohwer 2002).

I used a hierarchical series of proportional hazards models to assess whether financial wellbeing, disagreement, and inequity predicted union dissolution. The first proportional hazards model examined whether financial wellbeing was a significant predictor of the hazard of union dissolution. In the second model, I added the different types of disagreement. The third model added the two types of inequity in the data.

The final step of testing a mediator model is to add the mediating variable. If the mediator variable is a significant and if adding it to the model reduces the relationship between the independent and dependent variables to zero, then it is a probable meditative variable (Baron & Kenny, 1986). Thus, in the fourth proportional hazards model I added relationship satisfaction. I also conducted follow-up Sobel tests to ensure that the mediating association between the financial variables, relationship satisfaction, and the hazard of divorce was statistically tenable.

Results

Financial Issues Predicting Marital Satisfaction

The first step of setting up the mediation model was to test whether the independent variables were related to the mediator – relationship satisfaction. In a series of OLS regressions I tested whether financial wellbeing, the frequency of different types of disagreements, and perceived inequity, were associated with participant's relationship satisfaction. Consumer debt was the only financial wellbeing variable related to relationship satisfaction (see Table 2, Model 1). The more consumer debt individuals had, the less satisfied they were with their cohabiting relationships ($b = -.08, p < .05$).

Levels of how frequently individuals disagreed with their partner over different topics were better predictors of relationship satisfaction than financial wellbeing. Financial disagreement was one of three types of disagreements that predicted relationship satisfaction (see Table 2, Model 2). The frequency of financial disagreement was related to marital satisfaction at about the same level as the frequency of disagreeing about household chores and disagreeing about sex (-.20, -.23, -.15, respectively). Because the magnitude of the disagreement coefficients

were about equal, Hypothesis 2 – that financial disagreement will predict union dissolution more strongly than other types of disagreements – may not be validated in the hazards models.

In the final OLS model, perceived inequity regarding finances and inequity regarding housework were both strongly related to relationship satisfaction (Table 2, Model 3). For every one point increase in perceived inequity (either financial or housework), relationship satisfaction was predicted to go decline between .47 - .51. Like Hypothesis 2, finding that the coefficients were roughly equal indicates that Hypothesis 3 – inequity over finances will predict dissolution better than other types of inequity – may not pan out.

Cohabiting Breakup

In the first propensity hazard analysis, I tested whether different markers of financial wellbeing predicted the hazard of cohabiting individuals breaking up as opposed to staying together or marrying. Financial wellbeing was unrelated to the dissolution of the cohabiting unions (Table 3, Model 1). Consequently I rejected Hypothesis 1. Financial stability, at least in this sample, was unrelated to whether cohabiting individuals broke up. This finding is similar to articles authored by Brown (2000) and by Smock and Manning (1997), which both used the NSFH and found that earnings were unrelated to breaking up.

In contrast, financial disagreements were the only type of disagreement that was related to cohabiting individuals breaking up with their partners. For every one step increase in the frequency of financial disagreement, the hazard of breaking up with one's partner (instead of staying together or marrying) was 16% higher ($p < .05$; Table 3, Model 2). None of the other types of disagreements predicted breaking up. These results support Hypothesis 2 that financial disagreements would be the type of disagreement most strongly related to union dissolution.

The third proportional hazards model showed that perceived financial inequity was positively associated with union dissolution (Table 3, Model 3). For every one step increase in cohabiting individual's perceptions of financial unfairness, the hazard of dissolution was estimated to increase by over 60% ($p < .001$). Further, when perceived inequity was added the association between financial disagreement and union dissolution went to zero. Although this seems to indicate a mediation effect, since this finding was not hypothesized, I did not run follow up Sobel tests.

Interestingly, financial inequity was also the only type of perceived inequity that predicted the hazard of cohabiting individuals breaking up with their partner (Table 3, Model 3). Even though perceived inequity in housework was a strong predictor of relationship satisfaction, it failed to predict union dissolution. These findings support Hypothesis 3 that financial inequity would be the strongest type of perceived inequity to predict union dissolution.

Finding that financial disagreement and financial inequity were predictors of cohabiting union dissolution, I tested whether the relation between those two variables and union dissolution varied over time. Time by financial disagreements and time by financial inequity interaction terms were not significant (not shown). Although this means that the hazard models meet the proportionality assumption (Allison 1995), it also means that financial disagreement and inequity do not do anything to alter the timing of the dissolution. Rather, they simply make it more likely that a dissolution will occur in every month of the study.

In the fourth model, I added relationship satisfaction. In line with social exchange theory, and Hypothesis 4, when relationship satisfaction was added to the inequity model (Table 3, Model 4), the association between financial inequity and union dissolution became less significant. Because financial inequity predicted relationship satisfaction, and because

relationship satisfaction almost completely eliminated the association between financial inequity and union dissolution, relationship satisfaction meets the qualifications of being a partial mediator (Baron & Kenny, 1986). Follow-up Sobel tests (not shown) confirmed that relationship satisfaction could be considered a mediator variable ($p < .05$).

Discussion

This study examined the association between three financial domains (wellbeing, disagreement, perceived inequity) and cohabiting individuals' union dissolution. Proportional hazards models revealed that income, assets, and consumer debt were unrelated to cohabitor's dissolving their union. However, hazard modeling also showed that financial disagreement was the only type of disagreement that predicted union dissolution. Likewise, perceived financial inequity was the only type of perceived inequity that predicted union dissolution. A mediation model showed that relationship satisfaction partially mediated the association between perceived financial inequity and the hazard of union dissolution. These findings suggest that relationship dynamics regarding financial issues are salient to cohabiting individuals' relationship happiness and relate to whether they end the union.

These findings extend knowledge of issues related to cohabitor's union dissolution. First, like other studies (e.g., Brown, 2000; Smock & Manning, 1997) the findings suggest that, on average, cohabiting individuals do not end the relationship because of financial wellbeing *per se*. Rather, relationship processes that relate to financial issues such as disagreement and perceptions of inequity are more closely associated with union dissolution. Although many cohabiting individuals have lower levels of economic wellbeing relative to married couples, relationship issues themselves are more strongly associated with ending the relationship than socioeconomic and demographic characteristics. Indeed, with the exception of how many cohabiting unions an

individual had been in, none of the other demographic/socioeconomic variables predicted the hazard of union dissolution.

This study also adds to the literature by demonstrating that financial issues are problematic for cohabiting individuals, just like they are for married individuals. Studies have shown that financial issues (both wellbeing and the relationship domains related to finances) predict relationship distress and divorce among married couples (Amato & Rogers, 1997; Dew, 2009; Papp et al., 2009). This study showed that relationship problems related to financial issues also predict lower relationship satisfaction and union dissolution among cohabiting individuals. Interestingly, however, unlike married couples financial wellbeing was not related to cohabiting individuals' union dissolution.

Apart from showing similarities and differences between cohabiting and married individuals, this finding is interesting because the majority of cohabiting individuals try to avoid relationship problems related to finances by keeping their financial resources separate (Blumstein & Schwartz, 1983; Heimdal & Houseknecht 2003). Unfortunately, the NSFH did not have data on whether each cohabiting participant was pooling their financial resources with their partner. Consequently, I could not directly assess whether pooling positively or negatively influenced union dissolution. However, this study suggests that keeping finances separate does not necessarily keep cohabiting individuals from arguing about finances and from feeling that money is being handled inequitably. In fact, the analyses showed that these two problems are associated with cohabitators ending their relationship.

One reason that cohabiting individuals may argue about finances or feel that financial issues are inequitable is because they often split the costs of their relationship (Blumstein & Schwartz, 1983). In romantic relationships, it may be difficult to be interdependent in bearing

the costs of the relationship while remaining independent with regard to resources. This explanation is speculative because I did not have the data to test it. However, future research might examine whether the strategy of keeping financial resources separate but splitting costs helps prevent cohabiting individuals from having relationship problems with their finances.

Another major addition this study makes is demonstrating the power of financial problems in cohabiting relationships compared to other relationship problems. Of the five different common disagreement topics tested (chores, finances, spending time together, sex, parents) only financial disagreements predicted union dissolution. Further, perceived inequity in financial issues predicted union dissolution whereas inequity in housework did not. These findings support a growing body of literature that suggests that financial issues may be qualitatively different for couples than are other issues (Dew & Dakin, Under Review; Papp et al., 2009). As noted in the introduction, among married couples financial disagreements take longer to resolve and generate more heated arguments than other types of disagreements (Papp, et al., 2009). Financial issues may also be more difficult on cohabitators' relationship quality than other issues because they may need to make financial decisions more often than other types of decisions, and because financial issues often involve differing perceptions/meanings of money (Shapiro, 2007), and power and gender issues (Tichenor, 1999; Zelizer, 1994).

Finally, this study contributes to the literature by linking financial issues to couples' relationships using theoretically derived mechanisms. Scholars have done less research on the mechanisms that link financial issues to relationship difficulties. This study suggests that, in part, financial disagreement and inequity violate individuals' expectations which results in lower relationship satisfaction and a greater propensity to dissolve the union. Although financial disagreement was no longer significantly related to union dissolution once perceived inequity

was added to the models it is likely that marital satisfaction mediates that relationship. Financial disagreement did negatively predict relationship satisfaction. Further, a separate analysis (not shown) demonstrated that if relationship satisfaction were added before perceived inequity then it completely mediated the relationship between financial disagreement and union dissolution. Thus, relationship incompatibility (as measured by financial disagreement) likely decreases satisfaction for cohabiting individuals and increases the hazard of dissolution. These findings support social exchange theory.

Alternatively, at least for cohabiting couples, it may actually be that financial disagreements feed perceptions of relationship inequity. When financial inequity was added to the relationship, the association between financial disagreements and the hazard of breaking up was reduced to nonsignificance. Thus, it may be that the more frequently an individual disagrees with their partner about finances, the more likely they may to perceive that finances are handled unfairly in their relationship. Interestingly, perceived inequity was only partially mediated by marital satisfaction. Since cohabiting unions thrive when partners achieve equity, financial inequity may be particularly deleterious for these couples.

This study had a number of problems that limit the conclusions that can be drawn. First, the sample of cohabiting individuals is small. This makes it nearly impossible to assess whether the relationship between financial issues and union dissolution vary by different types of cohabiting couples. For example, financial issues may be more strongly related to individuals who are cohabiting following a divorce than to cohabiting college students. Even if these cohabiting couples could be divided up into different groups, any null findings would be suspect because such findings would confound substantive issues with a lack of statistical power.

Sample attrition is also problematic. The sample became less diverse and representative between waves 1 and 2 of the NSFH. This somewhat limits the generalizability of the findings to cohabitators of race and ethnic minority backgrounds (although some minority individuals were still in the analysis). Further, those who left the sample had lower levels of savings than individuals who stayed in the sample. Because the NSFH lost individuals who had lower levels of assets, the association between financial wellbeing and cohabitation dissolution may be understated.

A final limitation is that with only two longitudinal panels, none of the variables are time varying. A better test of whether relationship satisfaction mediates the relationship between financial issues and cohabitor's union dissolution would be to assess whether changes in financial issues covary with changes in relationship satisfaction. Further, it would be interesting to assess whether changes in financial wellbeing relate to changes in relationship-related financial domains. Future research using different data might successfully explore these questions.

Despite these limitations, this study represents a first step into scholarship that examines how financial issues relate to cohabiting couples' relationship quality. Although some studies have examined how cohabiting couples handle their finances (cite), very little research has examined how financial issues might be associated with cohabitators' union quality and dissolution. Findings suggest that relationship processes related to finances are important to cohabiting individuals. When cohabiting individuals find that they are less compatible regarding finances, or when they perceive financial inequity in their union, they are more likely to split up. That these problems are more predictive of cohabiting individuals' union dissolution than other issues such as housework or sex demonstrates that financial issues are particularly salient.

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Table 1

Descriptive Statistics

	<i>M</i>	<i>StD</i>	Range
Income ^a	\$12,000	\$15315	\$0 – 110,000
Savings ^a	\$0	\$12,222	\$0 – 150,000
Consumer Debt ^a	\$100	\$2,156	\$0 – 22,000
Financial Disagreements	2.18	1.21	1 – 6
Housework Disagreements	2.01	1.10	1 – 6
Disagreements over Spending Time Together	2.18	1.41	1 – 6
Disagreements over Sex	1.92	1.30	1 – 6
Disagreements over Parents	1.44	.85	1 – 6
Financial Inequity to Self	.16	.43	0 – 2
Housework Inequity to Self	.28	.58	0 – 2
Employment Inequity to Self	.14	.42	0 – 2
Education	12.19	2.50	0 – 20
Number of Cohabitations/Marriages	1.41	.92	1 – 5
Relationship Duration	2.87	3.24	0 – 18.42
Female ^b	0.52	.50	0 - 1
Religious Attendance	3.45	2.41	1 – 9
African-American ^c	.18	.39	0 – 1
Other Minority Race/Ethnicity ^c	.10	.30	0 – 1

^a Sample Median ^b Omitted Category is Male ^c Omitted Category is Non-Hispanic, European-American.

Table 2

The Relationship between Financial Status, Perceptions of Equity, Arguments, and Relationship Satisfaction

	Model 1		Model 2		Model 3	
	<i>b</i>	<i>Stb</i>	<i>b</i>	<i>Stb</i>	<i>b</i>	<i>Stb</i>
Intercept	6.13***	.40	7.50***	.39	7.23***	.37
Income ^a	-.04	.05	-.04	.04	-.03	.04
Savings ^a	.01	.04	.02	.04	.01	.04
Consumer Debt ^a	-.08*	.04	-.06	.04	-.05	.03
Hours of Employment	-.01	.01	.01	.01	-.01	.01
Arguments over Finances	--	--	-.20***	.05	-.16**	.05
Arguments over Housework	--	--	-.23***	.06	-.14*	.06
Arguments over Time	--	--	-.07	.05	-.07	.04
Arguments over Sex	--	--	-.15**	.05	-.14**	.05
Arguments over Parents	--	--	-.06	.06	-.02	.06
Financial Inequity to Self	--	--	--	--	-.51***	.13
Housework Inequity to Self	--	--	--	--	-.47***	.10
Employment Inequity to Self	--	--	--	--	-.01	.15
Education	.02	.03	.01	.03	.01	.02
Relationship Duration	-.005***	.002	-.004**	.001	-.003**	.001
Number of Cohabitations	-.15*	.07	-.11*	.06	-.11	.06
Religious Attendance	.04	.03	.03	.02	.03	.02
Female ^b	-.06	.13	-.06	.11	.13	.12
African-American ^c	-.02	.18	.16	.19	.14	.15
Other Minority Race/Ethnicity ^c	-.18	.23	-.21	.21	-.24	.20
R ²	.05		.25		.32	

^a Log 10 Transform ^b Omitted Category is Male ^c Omitted Category is Non-Hispanic, European-American.

* $p < .05$, ** $p < .01$, *** $p < .001$

Table 3

The Relationship between Financial Status, Perceptions of Equity, Arguments, and the Hazard of Cohabiting Unions Breaking Up

	Model 1		Model 2		Model 3		Model 4	
	<i>Log</i>	<i>SE b</i>	<i>Log</i>	<i>SE b</i>	<i>Log</i>	<i>SE b</i>	<i>Log</i>	<i>SE b</i>
	<i>Hazard</i>		<i>Hazard</i>		<i>Hazard</i>		<i>Hazard</i>	
Income ^a	1.01	.06	1.01	.06	.99	.06	.98	.06
Savings ^a	.99	.05	.99	.05	.99	.06	.99	.06
Consumer Debt ^a	.99	.05	.98	.05	.98	.05	.97	.05
Hours of Employment	1.01	.01	1.01	.01	1.01	.01	1.01	.01
Arguments over Finances	--	--	1.16*	.08	1.12	.08	1.06	.08
Arguments over Housework	--	--	1.01	.08	1.01	.09	.99	.09
Arguments over Time	--	--	1.06	.06	1.07	.06	1.06	.06
Arguments over Sex	--	--	.99	.07	.99	.07	.96	.07
Arguments over Parents	--	--	.98	.09	.96	.09	.93	.10
Financial Inequity to Self	--	--	--	--	1.60**	.17	1.43*	.18
Housework Inequity to Self	--	--	--	--	.94	.16	.86	.16
Relationship Satisfaction	--	--	--	--	--	--	.84***	.07
Education	.98	.04	.98	.04	.99	.04	.99	.04
Relationship Duration	.99*	.002	.99	.01	.99	.01	.99	.01
Number of Cohabitations	1.31***	.07	1.31***	.07	1.32***	.07	1.31***	.07
Religious Attendance	1.01	.03	1.01	.04	1.02	.04	1.02	.04
Female ^b	1.09	.17	1.09	.17	1.04	.18	1.12	.18
African-American ^c	1.06	.21	1.06	.22	.90	.22	.97	.22
Other Minority	.68	.35	.68	.35	.71	.36	.67	.36
Race/Ethnicity ^c								

^a Log 10 Transform ^b Omitted Category is Male ^c Omitted Category is Non-Hispanic, European-American.

* $p < .05$, ** $p < .01$, *** $p < .001$