



The Association Between Self-Reported Life Satisfaction and Number of Financial Shocks

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Introduction

- Studies indicate that financial shocks have a correlation to life satisfaction.
- Income shocks have been shown to correlate to high decrease in satisfaction, while expense shocks correlate with a mild decrease (Bufo et al., 2021).
- One study found that positive surprises (increases in wealth) were associated with decreased subjective well-being, and "vice-versa for negative surprises" (Ekic & Koydemir, 2016).
- Various studies have found that factors such as financial resources, as well as gender provide correlation to reported satisfaction (Charles et al., 2019).
- It is unclear whether there is difference in satisfaction among specific events of shock, beyond the dichotomous categories of wealth vs. income shocks.

Research Questions

- Do events such as a divorce, the death of a primary breadwinner, a health emergency, or the loss of a job, have different outcomes with regards to self-reported life satisfaction?
- Is the number of shocks a given person goes through associated with their self-reported life satisfaction?

Methods

Sample

- National Financial Well-Being Survey
- The data set includes data collected from the National Financial Well-Being survey, aimed to help researchers understand what contributes to an individual's financial well-being. The survey was conducted via web mode between October 27, 2016 and December 5, 2016. The data includes information about one's income, employment, financial behaviors and attitudes.
- The samples include "General population", "Age 62+ oversample", and "Race/ethnicity and poverty oversample."
- Includes 6394 participants.

Measures

- Life satisfaction:** ranking of the statement "I am satisfied with my life". Life satisfaction was measured on an ordinal scale from 1 (not at all satisfied) to 7 (extremely satisfied).
- Shocks:** Participants were asked yes or no, if in the past 12 months they or the members of their household experience any of the following: death of a breadwinner, got a divorce, health emergency, or lost a job.
- Number of shocks** ranged from 0 (no shocks reported) to 4 (all above shocks reported).

References

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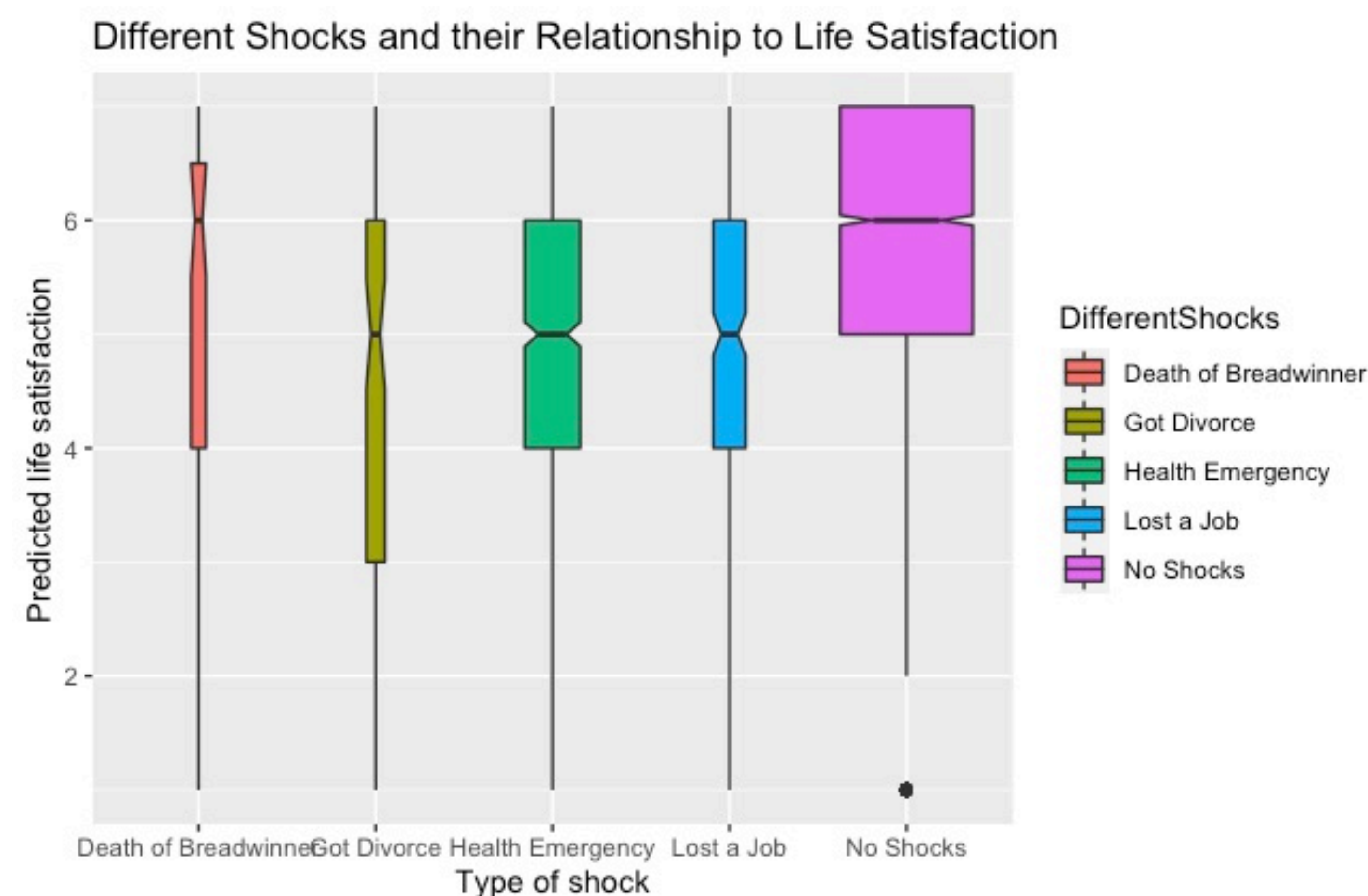
Results

Univariate

- 79% of respondents had experienced 0 shocks in the past 12 months.
- 76.5% of respondents ranked their life satisfaction with a 5 or higher.

Bivariate

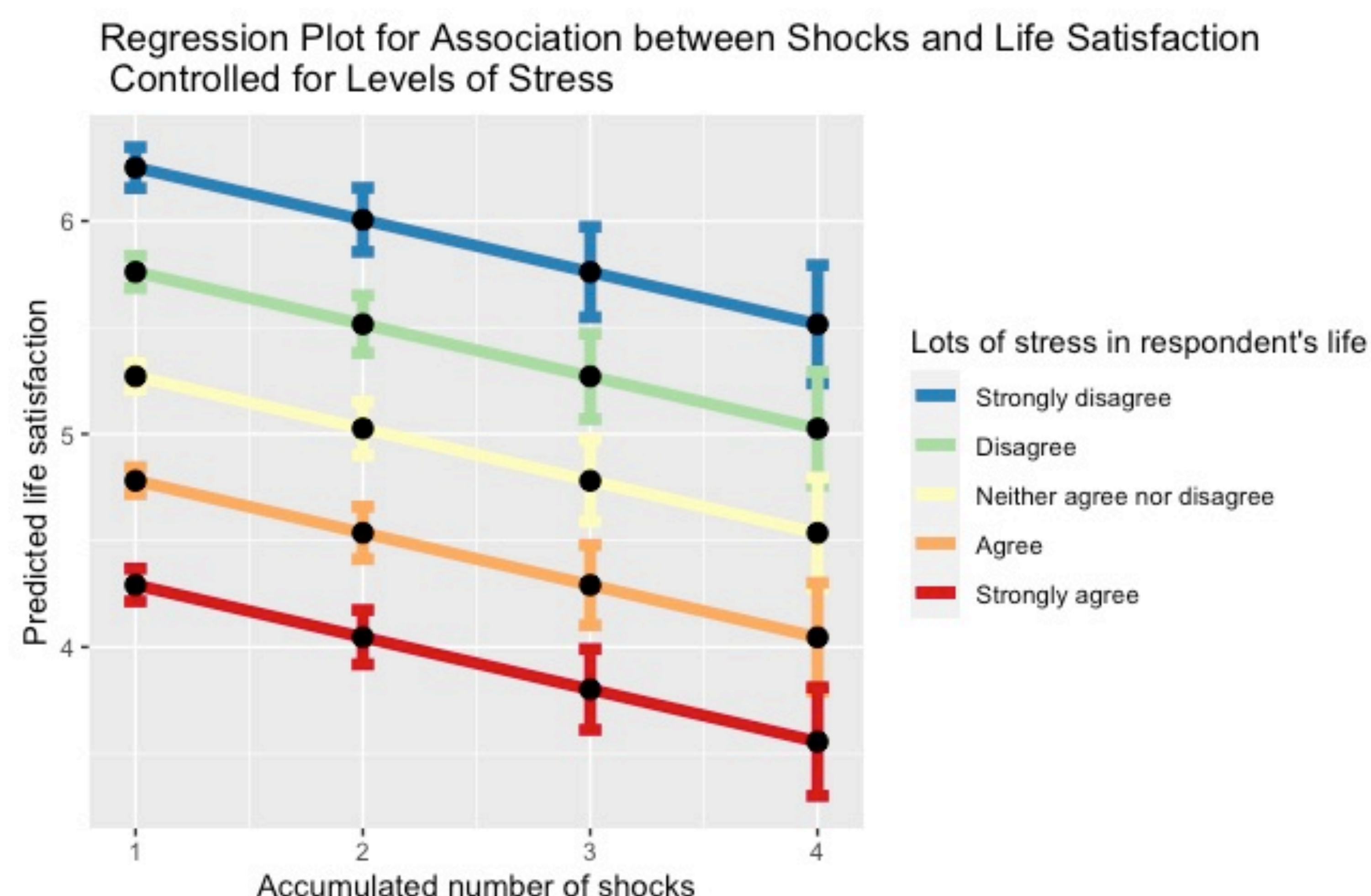
- A Pearson correlation test showed that **self-reported life satisfaction** was significantly and negatively associated with **number of accumulated shocks** ($r=-0.15$, $p<2.2e-16$).
- ANOVA analysis showed that there is a significant association between **type of shock** and **self-reported life satisfaction** ($F=41.7$, $p<2e-16$).



- Yet a Post-Hoc analysis demonstrated that between certain shocks, there is not a significant association with life satisfaction. Examples include "death of breadwinner" with "health emergency" ($p=.99$), "death of breadwinner" with "no shocks" ($p=.03$), and "lost a job" with "got a divorce" ($p=.85$). The lack of association between these shocks indicates a unreliability with claiming a strong association between **type of shock** and **life satisfaction**.

Multivariate

- When including levels of distress as a potential confounding variable, the association between self-reported life satisfaction and number of accumulated shocks remains unchanged ($r=-0.15$, $p<2.2e-16$).



- After controlling for levels of distress and accumulated shocks, predicted life satisfaction is negatively and significantly associated with both higher levels of distress ($P < 2e-16$) and accumulated number of shocks ($r=-0.15$, $p<2.2e-16$).

Discussion

- There is a strong negative association between number of shocks a person has undergone in the past 12 months and the level at which they rank their life satisfaction.
- As per the specific kind of shock in the prediction of life satisfaction, the association is less strong within certain comparisons, such as death of breadwinner with health emergency, and losing a job with getting a divorce. These pairings aren't easily divisible into income vs. income shock.
- Further research is required to see what warrants resiliency to financial shocks, in the outlier cases of high life satisfaction and high levels of shocks.