Original Article

Financial Strain and Mental Health Among Older Adults During the Great Recession

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Abstract

Objectives: The economic recession has garnered the interest of many scholars, with much attention being drawn to how the recession has affected labor force participation, household wealth, and even retirement decisions. Certainly, the Great Recession has influenced the financial well-being of older adults, but has it had discernible effects on mental health?

Method: This study draws on 5,366 respondents from the Health and Retirement Study (2006–2010) to examine objective and subjective measures of financial well-being in the period surrounding the Great Recession. Guided by cumulative inequality theory, this research investigates whether the economic downturn contributed to worsening anxiety and depressive symptoms over a 4-year period.

Results: Results from linear fixed effects models reveal that decreases in objective financial resources were associated with increased financial strain during the Great Recession. Unlike the objective indicators, however, financial strain was a strong and robust predictor of worsening mental health between 2006 and 2010.

Discussion: Building on prior research, this study elucidates the factors that shape financial strain and provides evidence that the Great Recession not only affected the financial well-being of older adults but also had adverse effects on mental health.

Keywords: Financial strain—Great Recession—Mental health

The economic recession that began in late 2007 and ended in mid-2009 (dubbed the “Great Recession”) has had a pivotal effect on the lives of older Americans. Contrary to some previous studies, recent research reveals that financial strain, in fact, increases with age (Bierman, 2014), whereas a survey conducted by the American Association of Retired Persons (2011a) indicates that “the Great Recession drove millions of older Americans to deplete savings accounts, put off medical or dental treatment and reduce their retirement expectations.” The economic recession has garnered the interest of many scholars, with much attention being drawn to how the recession has influenced labor force participation, household wealth, and even retirement decisions (Gustman, Steinmeier, & Tabatabai, 2011; Hurd & Rohwedder, 2010; McFall, 2011). Certainly, the Great Recession has affected the financial well-being of older adults, but has it had discernible effects on mental health?

Kahn and Pearlin (2006) aptly observe that “among the array of chronic stressors that people may confront in their daily lives, there is probably none more pivotal than economic hardships and strain” (p. 18). Economic hardship not only acts as a stressor for individuals but places a substantial burden on their livelihood and most basic needs. More than four decades of research have revealed the negative consequences of financial strain, but a recession is distinctive and enables researchers to examine individual-level responses to a widespread economic decline spanning multiple years.
This study investigates financial strain during the period surrounding the Great Recession and poses two main research questions: Do changes in objective measures of financial well-being influence financial strain among older adults? If so, are changes in objective and subjective measures of financial well-being each consequential to the mental health of older adults? There has been extensive research on financial strain, but relatively few studies examine the consequences of the Great Recession for mental health. Life trajectories are shaped by historical times (Elder, 1998), and reminiscent of Elder’s (1974) children of the Great Depression, the Great Recession may leave an imprint on the lives of many older adults.

Background

Theoretical Framework

Guiding the present study is cumulative inequality theory—a theory that draws on cumulative disadvantage, life course, and stress-process theories and emphasizes positions of advantage and disadvantage in the accumulation of inequality over the life course (Ferraro, Shippee, & Schafer, 2009). Cumulative inequality theory is germane because it gives attention to both the structural determinants of life course inequality and the interpretive processes individuals use to respond to stressors. Specifically, this study draws on two axioms of the theory.

First, cumulative inequality theory highlights the importance of perceptions for life course inequality. Although the Great Recession is rooted in social systems, and financial strain is a direct response to one’s available resources, there is a subjective component to how economic hardship manifests in mental health that may not be captured by objective indicators of financial well-being. For instance, the theory specifies that “one’s view of his or her status […] can be understood only in light of the structure, but it is the perception of relative advantage or disadvantage that is most important” (Ferraro et al., 2009, pp. 426–427). Based on the theory, it is expected that financial strain will reflect changes in objective circumstances (e.g., income and assets), but that subjective measures of financial well-being will exert a distinct effect on mental health. Moreover, the theory posits that financial strain may even be a more powerful predictor of mental health compared with these more objective indicators (Ferraro & Shippee, 2009). Consistent with the Thomas Theorem (Merton, 1995), cumulative inequality theory prioritizes an individual’s perceptual evaluations—“real or imagined” (Ferraro et al., 2009, p. 427).

This subjective component, however, may also lead to counterintuitive findings (e.g., Ruhm, 2003) because of how people interpret circumstances. For instance, if the actor perceives widespread trouble, his or her financial exigencies may appear not nearly as serious. The economic decline introduces a broader reference group through local and national media, making the role of subjective evaluations in predicting adult mental health a worthy inquiry. Szanton and colleagues (2008) suggest that “there is a subset of individuals who may answer that they have enough money when, by an objective measure, they do not. Conversely, there is also a subset of individuals who will answer that they do not have enough money when, by objective measures, they do” (p. 371). It is prudent, therefore, to consider the association between objective and subjective measures of financial well-being. In doing so, the present study investigates the extent to which objective financial resources shape financial strain and the relative importance of each for adult mental health.

A second axiom of cumulative inequality theory argues that exposure to disadvantage (e.g., loss of income or assets), oftentimes, leads to further disadvantage (Ferraro & Shippee, 2009). In particular, the theory refers to domain diffusion—the notion that inequality in one life domain may spill over into other domains of life. Indeed, Ferraro and colleagues (2009) recognize that “it is likely that disadvantage in one domain may influence other areas in one’s life” (p. 422); thus, it is “useful for gerontological research to monitor multiple life domains” (Ferraro & Shippee, 2009, p. 335). In the present study, disadvantage refers to changes in objective and subjective evaluations of financial well-being (e.g., job loss, loss of income and assets, and increased financial strain). Based on the theory, it is anticipated that disadvantage during the Great Recession will diffuse across domains to contribute to worsening mental health.

Historical Change and the Lives of Older Adults

Since the Great Recession began in late 2007, many studies have provided a window into the social and economic costs of the financial downturn. Using data from the Health and Retirement Study (HRS), Gustman and colleagues (2011) showed that during times when retirement wealth should be increasing for older adults, there was instead decline, albeit modest. There is also evidence that the Great Recession delayed retirement, increased unemployment, reduced savings, and contributed to greater uncertainties about the future (American Association of Retired Persons, 2011b; Gustman et al., 2011; McFall, 2011). Moreover, the Pew Research Center reported that the economic recession severely affected household wealth in the United States, with median household wealth decreasing by 66% and 53% among Hispanic and Black households, respectively, between 2005 and 2009, compared with a 16% decline in net worth for White households (Kochhar, Fry, & Taylor, 2011).

Certainly, the Great Recession has impinged on the lives of many people; however, there is some disagreement on the perceived vulnerability of individuals at varying stages of the life course, and whether older adults may have been somewhat “insulated” from the fluctuations in the economy (Ailshire, 2013, p. 3). For instance, adults over the age of 65 benefit from several advantages in resources,
including access to Medicare and Social Security (Litwin & Sapir, 2009; Mirowsky & Ross, 1999). Indeed, Morin and Taylor (2009) argue that older adults were “living through a kinder, gentler recession.” Compared with adults aged 65 and older, those between the ages of 50 and 64 experienced greater financial strain and faced significant investment losses (Morin & Taylor, 2009).

In addition, older adults may feel that their economic resources are adequate even when they are low (Stoller & Stoller, 2003). Francoeur (2002) suggests that older adults “increasingly accommodate in their perceptions about difficulties paying bills” (p. 463), which “may be reflected in more positive responses to subjective measures of economic well-being despite a lack of commensurate improvement in objective economic conditions” (p. 447). Changes in objective measures of financial well-being (e.g., job loss or declines in income or net worth), therefore, may not necessarily correspond to greater financial strain. Prior research has revealed some incongruities between objective and subjective measures of financial well-being, but relatively few studies have investigated the predictors of financial strain among older adults. In order to better understand the imprint of the Great Recession on the lives of older adults, it is prudent to identify the factors that shape financial strain, including the role of objective financial resources.

Mental Health Consequences of Financial Strain

There are a growing number of studies on the Great Recession, but relatively few examine the consequences for adult mental health. Of those that do, there is some evidence that the economic downturn has had a harmful effect on the mental health of older adults. McInerney, Mellor, and Nicholas (2013), for example, used the HRS and found that the recession contributed to lower wealth for many older adults, and subsequently greater depressive symptoms and use of antidepressants. In a related study, McInerney and Mellor (2012) used restricted data from the Medicare Current Beneficiary Survey to examine state unemployment rates and revealed that higher unemployment was associated with greater incident mental health diagnoses for adults aged 65 and older. Other studies similarly expose the deleterious effects of the Great Recession; for instance, Ailshire (2013) discovered an inverse association during the recession between financial well-being and feelings of depression among of sample of older adults. Taken together, these studies provide evidence regarding objective measures of financial well-being and mental health, but none cover the duration of the recession (years 2006–2008, 1994–2008, and 2009, respectively).

The recession began in December 2007, but for many the blow of the economic decline was not felt until much later. One notable exception is a recent study by Riumallo-Herl, Basu, Stuckler, Courtin, and Avendano (2014) that spans the years 2004–2010; wherein, the authors reveal the negative effect of job loss on increased depressive symptoms among older adults. Unlike Riumallo-Herl and colleagues (2014), however, the present study utilizes data from the 2006 and 2010 waves of the HRS to examine both objective and subjective evaluations of financial well-being.

An examination of both indicators is necessary because exposure to financial strain has repeatedly been linked to a multitude of mental health outcomes among Black, White, and Hispanic older adults, including depressive symptoms and anxiety (e.g., Angel, Frisco, Angel, & Chiriboga, 2003; Ferraro & Su, 1999; Kahn & Fazio, 2005; Kahn & Pearlin, 2006; Keith, 1993; Krause, Jay, & Liang, 1991; Mirowsky & Ross, 2001; Pudrovskia, Scheman, Pearlin, & Nguyen, 2005; Sun, Hilgeman, Durkin, Allen, & Burgio, 2009; Szanton, Thorpe, & Whitfield, 2010). Studies suggest that more recent spells of economic hardship have a greater effect on depressive symptoms than those experienced in the more distant past (Kahn & Pearlin, 2006).

While investigating the effect of financial strain on depressive symptoms and anxiety, however, Pudrovskia and colleagues (2005) demonstrate a “chain of adversity,” where earlier hardship may channel through later hardship to affect mental health (p. 655). Notably, the effects of financial strain produce an effect on mental health even after controlling for household income and wealth (Sun et al., 2009). Krause and colleagues (1991) further argue that “these perceptual measures are needed in stress research because [...] the impact of stress on well-being depends on how events are appraised” (p. 173). Thus, financial strain is a perceptual measure of one’s financial situation, regardless of the actual resources available to the respondent.

The present study builds on existing research to explicate the relationships among objective and subjective measures of financial well-being and mental health in the period surrounding the Great Recession. Drawing on the subjective element of financial strain, this research examines psychological outcomes such as anxiety and depressive symptoms. The contributions of this study are fourfold. First, “little research has fully examined the factors that influence financial strain among older adults” (Alley & Kahn, 2012, p. 3). The incongruities between objective and subjective indicators of financial well-being among older adults have been revealed, but less is known about the precise nature of this relationship using multiple indicators of economic resources, as well as the factors shaping financial strain.

Second, most studies focused on the health consequences of the Great Recession do not capture the entirety of the recession. According to Burgard and colleagues (2013), there are few studies that evaluate “health change in individuals before and after macroeconomic downturns, among those who do and do not experience obvious recessionary shocks” (p. 199). Notable exceptions include recent studies on job loss (Riumallo-Herl et al., 2014), sense of control (Meija, Settersten, Odden, & Hooker, 2015), and health behaviors (Macy, Chassin, & Presson, 2013), but this is one of the first studies to my knowledge to investigate mental health over the course of the economic downturn. Third, the...
vast majority of studies use measures of unemployment or job loss to gauge the impact of the recession on health, but Catalano and colleagues (2011) call for research that taps other indicators of economic adversity. This study captures subjective dimensions of the recession not incorporated in most previous studies of the Great Recession. Fourth, the present study draws on data from the HRS that provides not only a closer examination of older adults during the recession but also a racially diverse and national sample to better clarify the consequences of the recession for adult health.

Sample
The present study draws on data from the HRS to examine the effect of financial strain on the mental health of older adults. The HRS is the largest, nationally representative longitudinal study (1992 and ongoing) of adults aged 51 and older living in the United States, with oversamples of Black and Hispanic Americans. This study uses a subsample of data collected in 2006 and 2010 to examine financial well-being and mental health over the course of the economic downturn (the recession began in late 2007 and ended in mid-2009 according; National Bureau of Economic Research, 2008). The subsample is based on a random one-half sample of respondents who were preselected to complete an enhanced face-to-face interview and the self-administered Psychosocial and Lifestyle Questionnaire in 2006. The Psychosocial and Lifestyle Questionnaire was integrated into the study in 2006 and taps questions about life stressors, subjective well-being, and psychosocial resources. The respondents completed a second self-administered questionnaire in 2010, and the analytic sample is composed of all respondents who completed the questionnaire at both waves (N = 5,366). Multiple imputation then deletion was used to handle missing data (von Hippel, 2007). The substantive conclusions, however, were unchanged using listwise deletion.

Measurement
Mental Health Outcomes
Anxiety is measured using five items from the Beck Anxiety Inventory. Respondents were asked to reflect on the past week and read the following five statements: (a) “I had fear of the worst happening”; (b) “I was nervous”; (c) “I felt my hands trembling”; (d) “I had fear of dying”; and (e) “I felt faint.” Response categories ranged from 1 “never” to 4 “most of the time.” A scale was computed from these five items using the row mean (α in 2006 = 0.80; α in 2010 = 0.83).

Depressive symptoms are measured using an abbreviated 8-item index from the Center for Epidemiological Studies-Depression (CES-D) scale. Respondents were asked to think about whether each of the following statements were true during the past week: (a) “felt depressed”; (b) “everything was an effort”; (c) “could not get going”; (d) “enjoyed life” (reverse-coded); (e) “felt happy” (reverse-coded); (f) “felt lonely”; (g) “sleep was restless”; and (h) “felt sad.” The items were coded 1 for an affirmative response (0, otherwise) and summed together to create a count of depressive symptoms.

Financial Measures
There are four sets of objective indicators used to examine financial well-being: (a) labor force participation, (b) household income, (c) financial wealth, and (d) net home equity. Labor force participation is measured using a series of binary variables and distinguishes between being employed, unemployed, retired, and nonemployed (reference group; not in the labor force). Household income is the sum of all income earnings from the respondent and his/her partner, if applicable. This measure includes not only income from wages/salary but also income from sources that are especially important to older adults (e.g., income from investments, pensions and annuities, and government benefits). Financial wealth is the sum of all nonhousing assets—including stocks, bonds, and bank accounts—minus any debts. Net home equity is the value of the respondent’s primary residence minus any mortgages and home loans. Household income, financial wealth, and net home equity are each coded in thousands of dollars and log-transformed.

Financial strain is measured using a 2-item scale. These items are part of the Psychosocial and Lifestyle Questionnaire introduced to the study in 2006. The first item is a measure of difficulty meeting monthly payments, with response categories ranging from 1 “not at all difficult” to 5 “completely difficult.” The second item is a measure of satisfaction with one’s present financial situation, with response categories ranging from 1 “not at all satisfied” to 5 “completely satisfied” (reverse-coded). A scale was computed from these two items using the row mean (α in 2006 = 0.81; α in 2010 = 0.79).

Control Measures
The HRS provides an array of time-varying prerecession and postrecession characteristics that are used in the analysis. Marital status is a binary variable coded 1 if married and 0, otherwise. Health insurance is represented by a binary variable: coded 1 for health insurance from one or more sources and 0, otherwise.

Positive social support and negative social support are both derived using multi-item scales. The former is based on three items: (a) “How much do they really understand the way you feel about things?” (b) “How much can you rely on them if you have a serious problem?” (c) “How much can you open up to them if you need to talk about your worries?” The latter is based on four items, including (a) “How often do they make too many demands on you?” (b) “How much do they criticize you?” (c) “How much do they let you down
when you are counting on them?” (d) “How much do they get on your nerves?” Response categories range from 1 “not at all” to 4 “a lot.” Questions were asked about the respondent’s spouse/partner, children, family, and friends separately. Scales were computed from these items using the row mean (positive support $\alpha = 0.81$; negative support $\alpha = 0.86$).

Several additional covariates were tested, including more detailed indicators for marital status and health insurance. Whereas the substantive conclusions were unchanged, these variables were excluded from the analysis for parsimony.

Table 1 provides the range, mean, and standard deviation for all variables in the analysis.

Analysis

Drawing on the longitudinal design, I used a series of fixed effects models to examine the relationships among objective and subjective measures of financial well-being and mental health in later life. Using two waves of data, this is known as first differencing. I divided the analysis into two main stages. First, I regressed change in financial strain between 2006 and 2010 on objective indicators of financial well-being—first separately, and then simultaneously—using linear fixed effects models to demonstrate the extent to which change in each of these indicators contributes to change in financial strain over the period of the Great Recession. The analysis takes the following form (Allison, 2009):

$$\Delta y_i = \Delta \mu + \beta \Delta x_i + \Delta \epsilon_i$$

where, for a set of individuals ($i = 1, \ldots, n$), $\Delta$ denotes a difference score; $y$ is financial strain; $\mu$ is the intercept; $\beta$ represents a vector of time-varying variables; and $\epsilon$ is the error term. The strength of using this approach is simple (Allison, 2009, p. 1): “Use each individual as his or her own control.” In effect, all observed and unobserved time-stable characteristics are controlled for in the model. This provides a robust set of controls that can be used to more carefully examine whether change in objective financial resources between 2006 and 2010 influences change in financial strain over this same period of time.

Second, I used change in objective financial resources and financial strain between 2006 and 2010 to predict change in anxiety and depressive symptoms separately over the 4-year period. Each analysis draws on linear fixed effects models, using the same equation from above. This time, however, change in anxiety and depressive symptoms each represent $\Delta y_i$, and change in the objective and subjective evaluations of financial well-being are included in the vector of time-varying variables ($\beta \Delta x_i$). Modeling change in depressive symptoms as a count variable resulted in the same set of findings. Because modeling it as a count variable was either less straightforward for large data sets or, in some cases, precluded the model from accounting for clustering and stratification, I chose a linear model.

I used respondent-level survey weights that adjust for differential probability of selection into the subsample of data and differential nonresponse in estimating the univariate descriptive statistics. I did not, however, use weights in the multivariate analysis because models yield unbiased parameter estimates when covariates related to selectivity bias are included in the model (Winship & Radbill, 1994). In addition, weighting is especially complicated in longitudinal analysis, and recent studies using the HRS have not
Results

In 2006, the mean score on anxiety among older adults was 1.532. By 2010, the mean score was roughly the same, but with a small increase in the standard deviation. In 2006, the mean score on depressive symptoms was 1.323. By 2010, the mean score had decreased slightly to 1.266.

Baseline financial strain was, on average, between “not all that strained” and “somewhat strained.” There was a small decrease in the average financial strain score over time (mean in 2006 = 2.407; mean in 2010 = 2.266), with 41% of respondents indicating a decrease in financial strain over the 4-year period. By comparison, about one quarter of respondents indicated an increase in financial strain between 2006 and 2010, with another one third of respondents indicating that they had stayed the same.

Employment decreased among older adults over the 4-year period, whereas retirement increased. One half of the sample was retired in 2006, and approximately two thirds were retired by 2010. Unemployment was steady, but low at both waves of study (less than 2%). In addition, objective financial resources such as household income, financial wealth, and net home equity all decreased, on average, between 2006 and 2010. Gleaned from the non-transformed difference scores, the greatest average loss was observed in net home equity, followed by financial wealth, and then transformed difference scores, the greatest average loss was observed in net home equity, followed by financial wealth and household income.

The majority of respondents were married (67%) in 2006, with still 64% of the sample married in 2010. More than three quarters of respondents had health insurance at baseline, and this proportion was even greater in 2010. Overall, the respondents had relatively high levels of positive social support and low levels of negative social support.

The first stage of the analysis aims to examine whether change in objective financial resources contributes to change in financial strain during the period surrounding the Great Recession. Table 2 presents results of a linear fixed effects model, with measures of objective financial resources—labor force participation, household income, financial wealth, and net home equity—introduced separately before being estimated altogether. Models 1 through 4 indicate that all four sets of indicators were predictive of change in financial strain: becoming unemployed was associated with increased financial strain, whereas increases in household income, financial wealth, and net home equity between waves each reduced change in financial strain. When estimated altogether in Model 5, all but household income remained significant. The standardized coefficients (not presented, but available upon request) reveal that change in financial wealth had the greatest influence on financial strain between 2006 and 2010; indeed, financial wealth was nearly 2–3 times more potent than net home equity or unemployment in shaping financial strain. In addition, positive social support had a protective effect, whereas increased negative social support contributed to worsening financial strain.

The second stage of the analysis investigates whether objective and subjective measures of financial well-being each influence mental health. The objective and subjective indicators were entered into the model separately to isolate their effects, before being estimated together. Table 3 presents results from the linear fixed effects regression of anxiety. Whereas none of the objective measures were significant in Model 1, Model 2 reveals a significant effect of change in financial strain. Moreover, the effect

| Table 2. Fixed Effects Regression Model of Financial Strain (N = 5,155) |
|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
|                   | Model 1            | Model 2            | Model 3            | Model 4            | Model 5            |
|                   | Coefficient        | SE                 | Coefficient        | SE                 | Coefficient        | SE                 |
| Financial measures|                   |                    |                   |                    |                   |                    |
| Employed          | -0.026             | 0.059              |                   |                    | -0.019             | 0.059              |
| Unemployed        | 0.348**            | 0.126              |                   |                    | 0.344**            | 0.124              |
| Retired           | -0.007             | 0.046              |                   |                    | -0.002             | 0.046              |
| Natural log household income | -0.048** | 0.017              |                   |                    | -0.030             | 0.018              |
| Natural log financial wealth |                   |                    | -0.052*** | 0.006              |                    | -0.049*** | 0.007              |
| Natural log net home equity |                   |                    |                   | -0.033*** | 0.007              |                    | -0.029*** | 0.007              |
| Control measures  |                   |                    |                   |                    |                   |                    |
| Married           | 0.007              | 0.043              | 0.033              | 0.043              | 0.007              | 0.041              | 0.033              | 0.043      | 0.023              | 0.043      | 0.027              | 0.043      |
| Health insurance  | -0.043             | 0.048              | -0.052             | 0.047              | -0.050             | 0.046              | -0.053             | 0.046      | -0.053             | 0.046      | -0.040             | 0.047      |
| Positive social support | -0.124*** | 0.032              | -0.120**            | 0.032             | -0.117**            | 0.032             | -0.120**            | 0.032      | -0.119***            | 0.031      |
| Negative social support | 0.110**         | 0.036              | 0.113**            | 0.036              | 0.108**            | 0.035              | 0.110**            | 0.036      | 0.106**            | 0.035      |
| Constant          | -0.132***          | 0.014              | -0.130***          | 0.013              | -0.135***          | 0.013              | -0.140***          | 0.014      | -0.150***          | 0.014      |

Notes: SE = standard error.
**p < .01; ***p < .001 (two-tailed tests).
of financial strain is unchanged in Model 3 after accounting for the objective indicators. In addition, becoming married was negatively associated with anxiety, whereas negative social support contributed to increases in anxiety.

Table 4 presents results from the linear fixed effects regression of depressive symptoms. Once again, whereas none of the objective measures of financial well-being were significant in Model 1, Model 2 reveals a significant effect of change in financial strain that is unchanged in Model 3 after accounting for the objective indicators. Also, similar to the previous model, becoming married contributed to decreases in depressive symptoms, whereas increased negative social support was associated with increased depressive symptoms. In addition, positive social support exerted a protective effect among older adults.

In supplementary analyses, I tested a moderating effect due to age between the objective and subjective measures and each of the outcome variables. Evidence suggests, however, that the mental health effects did not differ by age.

### Discussion

The purpose of this study was to systematically examine the relationships among objective and subjective indicators of financial well-being and mental health among older adults using two waves of data from the HRS. Few studies on the economic downturn examine the mental health consequences of the Great Recession, especially among older adults. Based on cumulative inequality theory, I anticipated that both objective and subjective evaluations of financial well-being would contribute to worsening mental health.

The results indicate that financial strain decreased, on average, between 2006 and 2010. Approximately 41% of respondents experienced a decrease in financial strain, compared with 26% of respondents who experienced an increase. Moreover, it is surprising that this decrease occurred during a severe economic decline. During this period in time, home values were declining substantially, which accounts for much of the net worth of older adults, and many faced a whole host of other challenges brought on by the recession, including delays in retirement and job loss (American Association of Retired Persons, 2011b; Gustman et al., 2011; McFall, 2011). It is difficult to determine precisely why so many adults would experience lower financial strain in 2010, but one possible explanation may be the perceptual nature of these evaluations. The recession represents a historical time that affected a great number of people. Perhaps knowing that others were struggling may have reduced the stress felt by individuals. For instance, younger adults arguably experienced a harsher recession; by comparison, older adults fared better, and the decrease in financial strain may be a reflection of these social comparisons.

Indeed, Stoller and Stoller (2003) argue that financial strain is a “function of relative deprivation and ‘perceived distributive justice’ [..]” and that if older adults feel that “they are financially as well off as their peers, they are likely to be financially satisfied, even at relatively low levels of income” (p. 231). Financial strain is a subjective measure of economic well-being, and social comparisons play a major role in shaping perceptions (Festinger, 1954). In addition, Mirowsky and Ross (1999) emphasize the influence of public discourse and indicate that economic advantage (whether at the individual or community level) may raise expectations about standards of living. Accordingly, lower expectations brought on by an economic recession may actually reduce financial strain. Nonetheless, the power of perceptions in shaping mental health outcomes is clear, and
this evidence supports elements of cumulative inequality theory. Cumulative inequality theory emphasizes the importance of subjective evaluations for health and well-being, which may lead to counterintuitive findings such as these.

Each of the objective financial measures, however, influenced financial strain. Somewhat surprisingly, the objective evaluations of financial well-being had little effect on the mental health outcomes. Instead, financial strain was a robust predictor of worsening anxiety and depressive symptoms. Overall, the findings support cumulative inequality theory by demonstrating the power of perceptions (relative to more objective measures) for mental health and provide evidence of how inequality can diffuse across domains.

One of the major advantages of the present study is the observation period available in the HRS. The HRS enabled me to examine financial well-being and mental health in 2006 (prerecession) and 2010 (postrecession) and isolate changes in objective financial circumstances from financial strain. This is one of the first studies, to my knowledge, to do so over the duration of the recession. Most prior research has stopped short of examining mental health through the end of the recession (Ailshire, 2013; McInerney & Mellor, 2012; McInerney et al., 2013), which may underestimate the true impact of the Great Recession on the mental health of older adults. In addition, this study provided an examination of factors that shape financial strain among older adults during an economic decline. Despite research that suggests a weakening of the relationship between objective and subjective evaluations of financial well-being with age (Francoeur, 2002), changes in objective financial circumstances were indeed reflected in the financial strain of older adults.

The present study, however, is not without limitations. First, although the HRS provides observations before and after the Great Recession, a longer window with more frequent measurement occasions would be ideal. Previous research suggests that the effects of financial strain are long-lasting, yet tend to weaken over time (Kahn & Pearlin, 2006; Pudrovská et al., 2005). In addition, there have been a total of five economic recessions since 1980 (National Bureau of Economic Research, 2010), although the Great Recession is viewed by many as the worst economic decline since the Great Depression of 1929. Indeed, many people are still struggling to recover economically. Thus, the present study is likely to be capturing short-term effects of the Great Recession. Second, although fixed effects methods control for all observed and unobserved time-stable characteristics, there is still the possibility of reverse causation. In supplementary analyses, however, alternative modeling strategies supported the same substantive conclusions.

Despite these limitations, the present study provides compelling evidence that the Great Recession has affected not only the financial well-being of older adults as shown by previous studies but has also had discernible effects on mental health.

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Table 4. Fixed Effects Regression of Depressive Symptoms (N = 5,229)

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<td>−0.132</td>
<td>0.140</td>
<td>−0.131</td>
<td>0.138</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Retired</td>
<td>−0.027</td>
<td>0.032</td>
<td>−0.023</td>
<td>0.031</td>
<td></td>
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</tr>
<tr>
<td>Natural log household income</td>
<td>−0.007</td>
<td>0.012</td>
<td>0.000</td>
<td>0.012</td>
<td>0.006</td>
<td>0.012</td>
</tr>
<tr>
<td>Natural log financial wealth</td>
<td>0.002</td>
<td>0.012</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Control measures</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Married</td>
<td>−0.707***</td>
<td>0.106</td>
<td>−0.722***</td>
<td>0.107</td>
<td>−0.712***</td>
<td>0.105</td>
</tr>
<tr>
<td>Health insurance</td>
<td>−0.089</td>
<td>0.094</td>
<td>−0.095</td>
<td>0.093</td>
<td>−0.084</td>
<td>0.092</td>
</tr>
<tr>
<td>Positive social support</td>
<td>−0.158*</td>
<td>0.065</td>
<td>−0.142*</td>
<td>0.065</td>
<td>−0.141*</td>
<td>0.065</td>
</tr>
<tr>
<td>Negative social support</td>
<td>0.285***</td>
<td>0.060</td>
<td>0.271***</td>
<td>0.058</td>
<td>0.270***</td>
<td>0.058</td>
</tr>
<tr>
<td>Constant</td>
<td>0.007</td>
<td>0.024</td>
<td>0.009</td>
<td>0.025</td>
<td>0.028</td>
<td>0.025</td>
</tr>
</tbody>
</table>

Notes: SE = standard error.
* p < .05; ** p < .01; *** p < .001 (two-tailed tests).
References


