Short-term debt and depressive symptoms may go hand-in-hand

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Results to be published in the *Journal of Family and Economic Issues* suggest that having short-term household debt—credit cards and overdue bills—increases depressive symptoms. The association is particularly strong among unmarried people, people reaching retirement age and those who are less well educated, according to a new study by lead author Lawrence Berger of the University of Wisconsin-Madison.

These are the first results to show the impact of different types of debt on depression and their effects on different sectors of the US population. Little evidence was found for an association with mid- or long-term debt.

"New debt contracts could be offered to vulnerable borrowers and the population sectors we identified could be targeted with help in building their financial capacity," says Berger. "The findings could also be used to help mental health practitioners better understand the impact of clients' borrowing habits on depression."

Debt contract provisions could include mandatory financial counselling and the right to rescind within a specified timeframe.

Those who had debt were younger, more likely to be male, less likely to be black or Hispanic, had more highly educated parents, were more highly educated themselves, were more likely to be married and working, had greater income and assets, and were in better health.

It was when the researchers began to adjust for measures of socio-economic status, and to refine their analysis to subgroups defined by age, education and marital status, that a negative association began to emerge. They also controlled for reverse causality to check that debt was causing depression and not vice versa.

The study was focused on around 8,500 working-age adults. The data were taken from two waves of the National Survey of Families and Households, conducted six years apart and ending in 1994. Overall findings included the fact that 79 percent of respondents had some debt, totalling an average of $42,000. Long-term debt accounted for by far the largest portion.

Spurred by increased homeownership and an increase in unsecured revolving credit card debt, household debt has increased dramatically in the last 40 years. While it has declined since 2008 as credit has become more difficult to obtain, it remains at historically high levels.

The researchers suggest that future research should include an analysis of whether the effects can be reversed and reducing short-term debt can help alleviate symptoms of depression.

More information: Berger L et al (2015). Household Debt and Adult Depressive Symptoms in the United States. *Journal of Family and Economic Issues*; DOI 10.1007/s10834-015-9443-6

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