Homeownership and Perceived Financial Satisfaction: Insights from the SHED

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Objective

Homeownership in the United States is often called "the American Dream," emphasizing the cultural significance of owning a home. The importance placed on home ownership in America suggests a possible link between homeownership and achieving a more satisfying life. However, financial constraints like the inability to afford a down payment are why many individuals chose to rent rather than purchase a home in 2022 (Board of Governors of the Federal Reserve System, 2023a). Inflation rose 6.5% on all consumer items in 2022, and the cost of shelter rose even faster than 7.5% (*Consumer Price Index: 2022 in Review*, 2023). As overall costs continue to rise, financial constraints may further constrict the affordability of purchasing and maintaining a home for some households. This study seeks to understand the relationship between homeownership and financial satisfaction.

If homeownership positively impacts self-perceived financial satisfaction, literacy initiatives, and policy interventions to expand homeownership opportunities for qualified home buyers may provide a pathway to increased self-reported financial satisfaction. Improvements in financial satisfaction may enhance financial and overall well-being within the United States. In 2022, self-reported financial well-being was the lowest since 2016 (Board of Governors of the Federal Reserve System, 2023a), and measures of financial well-being were predominantly unchanged in 2023 (Board of Governors of the Federal Reserve System, 2024). The Consumer Financial Protection Bureau's definition of financial well-being incorporates aspects of financial satisfaction by including "can make choices that allow enjoyment of life" as a component of financial well-being (Bureau, 2017, p. 4). Improvements in self-perceived financial satisfaction may contribute to more favorable financial well-being outcomes, positively influencing overall well-being. To understand the influence of home ownership on financial satisfaction, we propose and test the following hypothesis.

Hypotheses

H1: Homeownership status is positively associated with financial satisfaction.
H2: Mortgage status affects financial satisfaction, with homeowners without a mortgage reporting higher satisfaction.
H3: Rent status is negatively associated with financial satisfaction.
H4: Higher financial literacy is positively associated with financial satisfaction.
H5: Higher financial stress is negatively associated with financial satisfaction.
H6: Positive financial behavior is positively associated with financial satisfaction.
H7: Age, gender, marital status, presence of children, income, education level, employment status, and region are significantly associated with financial satisfaction.

Significance

Studies have shown a positive indirect and direct connection between homeownership and perceived financial satisfaction (Joo & Grable, 2004; Garrett & James, 2013; Tharp et al., 2020; Ong ViforJ et al., 2024). Through solvency ratios and other data, research has also shown that debt negatively impacts financial satisfaction (Garrett & James, 2013; Tharp et al., 2020; Ong ViforJ et al., 2024). However, another investigation suggested that a mortgage did not influence psychological well-being

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(Brown et al., 2005). This analysis seeks to expand upon previous foundational work to understand better how homeownership and associated factors (e.g., presence of a mortgage) affect perceived financial satisfaction using data from the SHED. We will build off the Joo and Grable (2004) framework and variations thereof (Garrett & James, 2013; Tharp et al., 2020), testing the impact of demographics, financial stressors, and financial knowledge factors on financial satisfaction. In addition to relying on the previous framework outlining determinants for financial satisfaction, this study also relies on the Life Cycle Hypothesis (LCH) (Modigliani & Brumberg, 1954) and the Behavioral Life Cycle Hypothesis (BLCH) (Shefrin & Thaler, 1988), both rooted understanding and explaining financial behavior.

This study also aims to address limitations found in prior research, such as age range exclusions and will utilize a unique dataset not previously explored in this manner. The results of this investigation could serve as practical guidance for prioritizing home ownership versus renting and the importance one should place on maintaining a mortgage versus paying off the loan in the pursuit of improvements in self-perceived financial satisfaction. Furthermore, the results of this study may guide policymakers in drafting legislation related to mortgage lending practices by providing insights into how homeownership, with or without a mortgage, impacts financial satisfaction and well-being.

Methods

This study examines the determinants of financial satisfaction, mainly focusing on homeownership, mortgage status, financial literacy, financial stress, and various socio-demographic factors. Data is drawn from the 2022 Survey of Household Economics and Decisionmaking (SHED), a nationally representative dataset with 11,667 respondents. The survey provides insights into financial well-being and key economic factors across U.S. households. The study utilized logistic regression models to analyze the relationship between financial satisfaction and key independent variables, focusing on the roles of homeownership and mortgage status. In addition to logistic regression, marginal effects were calculated to interpret the practical implications of these relationships on financial satisfaction. Odds ratios, robust standard errors, and marginal effects provided a multi-layered understanding of the factors affecting perceived financial well-being. Socio-demographic characteristics such as age, gender, income, education, and employment status were included as covariates to control for differences in financial satisfaction outcomes. Chi-square tests assessed significant associations between categorical variables and financial satisfaction, providing additional insights into the relationships between socioeconomic factors and financial well-being. The study's theoretical foundation was grounded in the Life Cycle Hypothesis (LCH), Behavioral Life Cycle Hypothesis (BLCH), and the Joo and Grable Financial Satisfaction Framework.

Results

Regression Analysis

Homeownership was a significant positive predictor of financial satisfaction, with an odds ratio of 1.92 ($p < .01$), indicating that homeowners are nearly twice as likely to report being financially satisfied compared to non-homeowners. This underscores the importance of homeownership in providing a sense of financial stability and asset accumulation, aligning with the Life Cycle Hypothesis (LCH). However, having a mortgage was found to decrease financial satisfaction, with an odds ratio of 0.67 ($p < .01$). This suggests that the financial burden of mortgage repayments may mitigate some of the positive effects of homeownership, pointing towards the need for targeted interventions to support mortgage holders and enhance their satisfaction. Renting status did not have a statistically significant effect on financial satisfaction, indicating that, compared to ownership or mortgage-holding, renting might not have a direct influence on individuals' perceived financial well-being.

Contrary to expectations, higher financial literacy was associated with lower financial satisfaction. Individuals with medium and high financial literacy reported odds ratios of 0.81 ($p < .01$) and 0.85 ($p < .05$), respectively. These findings suggest that while financial literacy can enhance decision-making skills, it may also increase individuals' awareness of financial risks, leading to heightened anxiety and lower satisfaction. This counterintuitive outcome emphasizes the dual nature of financial knowledge and calls for more balanced financial education programs focusing on stress management and resilience. Financial stress emerged as a strong negative predictor of financial satisfaction, with medium and high stress levels showing odds ratios of 0.24 ($p < .01$) and 0.15 ($p < .01$), respectively. The negative association indicates that individuals experiencing higher levels of financial stress are significantly less likely to report being financially satisfied. These findings highlight the need for stress management interventions to support financially strained individuals. Positive financial behaviors, such as budgeting and saving, were the most substantial positive predictors of financial satisfaction. The odds ratio for individuals practicing positive financial behaviors was 4.99 ($p < .01$), meaning they are nearly five times more likely to report high financial satisfaction than those engaging in negative financial behaviors. This result underscores the importance of fostering sound financial habits to improve financial well-being. Promoting financial education that encourages practical, responsible behaviors is key to achieving higher levels of financial satisfaction.

The analysis of socio-demographic characteristics provides additional context regarding financial satisfaction. Compared to the reference group (18–29 years), individuals aged 30–44 and 45–59 were less likely to report financial satisfaction, with odds ratios of 0.77 ($p < .01$) and 0.56 ($p < .01$), respectively. The age group 60+ also had a lower likelihood of satisfaction (odds ratio = 0.77, $p < .05$). These findings suggest that middle-aged individuals may experience greater financial pressures—such as raising children and preparing for retirement—which reduce financial satisfaction. Females were slightly more likely to report financial satisfaction than males, with an odds ratio of 1.11 ($p < .05$). This indicates potential differences in financial attitudes or expectations between genders. While the effect size is modest, it suggests that women may value stability more than wealth accumulation. Divorced individuals had significantly lower odds of financial satisfaction (odds ratio = 0.78, $p < .01$), likely due to the financial disruptions often accompanying divorce. Being widowed, separated, or never married did not yield statistically significant results for financial satisfaction, suggesting that different life events and circumstances may uniquely impact financial well-being. Household income was positively related to financial satisfaction. Respondents earning $75,000 or more had significantly higher odds of being satisfied, with odds ratios of 1.87, 2.33, and 4.25 for the $75,000–$99,999, $100,000–$149,999, and $150,000+ income brackets, respectively (all $p < .01$). This positive correlation emphasizes the role of higher income in enhancing financial stability and well-being, supporting previous literature on income and satisfaction. Education did not have a statistically significant direct effect on financial satisfaction. This finding suggests that the benefits of education might work indirectly through other factors, such as income or employment opportunities, rather than directly influencing satisfaction. Individuals who were not working were more likely to report higher financial satisfaction than those employed full-time (odds ratio = 1.21, $p < .01$). This could reflect higher satisfaction among voluntarily unemployed individuals, such as retirees, who may have stable financial resources and fewer financial pressures. Individuals residing in the Midwest and South were more likely to report financial satisfaction than those in the Northeast, with odds ratios of 1.28 ($p < .01$) and 1.16 ($p < .05$), respectively. This could be related to lower living costs and regional attitudes towards financial well-being.

Average Marginal Effects

The marginal effects provided further insights into the practical implications of the findings by estimating the change in the probability of being financially satisfied in response to a unit change in each explanatory variable. Unlike odds ratios, which describe relative likelihoods, marginal effects quantify the probability, making the findings more accessible and actionable for policy implications.

Homeownership increased the likelihood of being financially satisfied by 10% while having a mortgage reduced satisfaction by 5.9%. These figures emphasize the trade-offs between the stability of owning a home and the financial burden of mortgages. Financial Stress was associated with substantial decreases in the probability of financial satisfaction: 17.9% for medium stress and 27.3% for high-stress levels. This highlights the significant negative impact of stress on well-being, emphasizing the need for targeted interventions to reduce financial stress. Positive Financial Behavior increased the likelihood of financial satisfaction by 31.3%, underscoring the strong impact of proactive financial management on well-being. This result indicates that fostering positive financial behaviors is a critical avenue for improving financial satisfaction at both individual and community levels. Income Levels also showed significant positive marginal effects, with higher income levels leading to increased probabilities of financial satisfaction. For instance, respondents in the $150,000+ income category had an 18.7% higher probability of being financially satisfied than lower-income groups.

Conclusion

The findings highlight several critical determinants of financial satisfaction. One of the most notable findings is the positive association between homeownership and financial satisfaction, reinforcing that homeownership is a key component of wealth accumulation and financial stability (Joo & Grable, 2004; Garrett & James, 2013). This outcome underscores the value of promoting affordable homeownership to enhance financial well-being. Homeownership is often linked to long-term security, which, in turn, contributes positively to financial satisfaction. This suggests that policies focused on making homeownership more accessible could significantly improve individuals' financial well-being.

Interestingly, the study also reveals that homeowners without mortgages report higher satisfaction than those with mortgages, highlighting the potential negative effect of carrying debt on financial well-being. This aligns with the LCH's emphasis on debt reduction for greater financial security, particularly in the later stages of life. The findings suggest that financial planners and policymakers should consider promoting strategies encouraging accelerated mortgage repayment or management support to enhance financial satisfaction, particularly for older homeowners nearing retirement (Garrett & James, 2013; Tharp et al., 2020).

The negative association between renting and financial satisfaction adds to the existing literature by emphasizing the financial disparity between renters and homeowners (Ong ViforJ et al., 2024). Renters were less likely to report high financial satisfaction than homeowners, suggesting that asset ownership plays a significant role in determining well-being. This highlights the importance of developing programs that support renters by improving housing stability or creating pathways to homeownership, which could contribute to increased financial satisfaction.

The findings regarding financial literacy offer a nuanced perspective. Higher financial literacy was not consistently associated with greater financial satisfaction. Those with medium and high levels of financial literacy were found to have lower financial satisfaction in some cases. This suggests that increased financial awareness can lead to heightened anxiety or concern over financial risks, which may negatively affect satisfaction. This underscores the importance of balanced financial literacy programs that educate individuals about financial concepts and help them manage the stress associated with complex financial decisions.

Financial stress was a significant negative predictor of financial satisfaction, demonstrating that higher stress levels substantially reduce satisfaction. This finding is consistent with the BLCH, which posits that psychological factors like stress significantly influence financial well-being. Addressing financial stress through targeted interventions, such as counseling, support programs, or financial planning services, could be crucial for enhancing overall financial satisfaction.

Positive financial behavior emerged as the strongest positive predictor of financial satisfaction. Individuals who engaged in positive behaviors, such as saving and budgeting, were significantly more likely to report higher financial satisfaction. This emphasizes the value of fostering good financial habits and highlights the importance of financial education programs that encourage disciplined financial practices.

The study also finds that socio-demographic characteristics, such as age, income, marital status, and employment, play a significant role in shaping financial satisfaction. Older individuals and those with higher incomes report higher satisfaction levels, aligning with the LCH's assertion that financial satisfaction increases with accumulated wealth over the life cycle. Additionally, married individuals have higher satisfaction, likely due to shared financial responsibilities and greater stability.

Implications

1. The positive association between homeownership and financial satisfaction suggests that increasing access to affordable homeownership should be a key policy goal. Programs targeting first-time homebuyers, such as down payment assistance or lower-interest mortgages for low-income families, could help bridge the gap between renters and homeowners, enhancing financial well-being.
2. The findings indicate that mortgage debt can detract from the financial satisfaction benefits of homeownership. Financial planners should focus on developing mortgage management strategies to alleviate the debt burden, including accelerated repayment plans and refinancing options. Policies that incentivize early mortgage payoff or offer support for managing mortgage payments could help improve satisfaction among homeowners.

3. Given the mixed findings regarding financial literacy, education programs should evolve to address increased financial awareness's positive and negative aspects. Financial education should aim to equip individuals with coping strategies to manage financial anxiety and reduce stress. By focusing on knowledge resilience and stress management, these programs could enhance financial satisfaction more effectively.
4. The disparity in satisfaction between homeowners and renters highlights a need for targeted programs that improve renters' financial security. Policymakers could explore rent-to-own programs, rental subsidies, or savings incentives to help renters transition into homeownership, enhancing their financial satisfaction.
5. The influence of age, marital status, and income on financial satisfaction suggests that different population segments require tailored approaches. Middle-aged individuals, who often report lower satisfaction due to financial pressures, could benefit from targeted retirement planning support and family budgeting resources. Interventions to support divorced individuals with financial counseling could also help improve their financial satisfaction outcomes.

The results directly affect policymakers and financial educators aiming to enhance financial well-being. Policies promoting affordable homeownership, reducing financial stress, and supporting positive financial behaviors can improve financial satisfaction across diverse populations. Future research should explore the dynamic nature of financial satisfaction through longitudinal studies, allowing for a better understanding of how financial satisfaction evolves over time and in response to life events. Additionally, further exploration into the psychological aspects of financial decision-making, including how risk tolerance and anxiety affect satisfaction, could enrich the understanding of financial well-being determinants. Incorporating regional economic differences and analyzing their impact on financial satisfaction may yield more comprehensive insights, ultimately informing more targeted and effective interventions to enhance financial satisfaction.

Table 1: Regression models for SWB

Variable	Odds Ratio (OR)	Robust Coeff. (β)
Homeownership		
Homeowner	1.916 **	0.650 **
	(0.231)	(0.126)
Mortgage Status		
Mortgage	0.666 **	-0.406 **
	(0.053)	(0.077)
Rent		
Renting	1.025	0.025
	(0.106)	(0.109)
Financial Literacy		
Medium	0.806 **	-0.215 *
	(0.066)	(0.085)
High	0.848 *	-0.165 *
	(0.065)	(0.081)
Financial Stress Category		
Medium	0.238 **	-1.435 **
	(0.018)	(0.076)

Variable	Odds Ratio (OR)	Robust Coeff. (β)
High	0.153 **	-1.881 **
	(0.011)	(0.075)
Financial Behavior		
Positive Behavior	4.989 **	1.607 **
	(0.382)	(0.079)
Age - 4 Categories		
30-44	0.773 **	-0.257 **
	(0.071)	(0.095)
45-59	0.561 **	-0.578 **
	(0.055)	(0.102)
60+	0.772 *	-0.258 *
	(0.083)	(0.112)
Gender		
Female	1.114 *	0.108
	(0.061)	(0.055)
Marital Status		
Widowed	0.943	-0.059
	(0.119)	(0.128)
Divorced	0.784 **	-0.243 **
	(0.068)	(0.088)
Separated	0.718	-0.332
	(0.139)	(0.206)
Never married	0.965	-0.036
	(0.077)	(0.083)
Living with Children < 18		
Yes	0.798 **	-0.225 **
	(0.059)	(0.075)
Household Income		
\$10,000 to \$24,999	0.701 **	-0.355 *
	(0.094)	(0.144)
\$25,000 to \$49,999	0.825	-0.192
	(0.104)	(0.134)
\$50,000 to \$74,999	1.300 *	0.262
	(0.172)	(0.139)
\$75,000 to \$99,999	1.873 **	0.627 **
	(0.265)	(0.148)

Variable	Odds Ratio (OR)	Robust Coeff. (β)
$100,000 to $149,999	2.331 **	0.846 **
	(0.334)	(0.150)
$150,000 or more	4.248 **	1.446 **
	(0.658)	(0.162)
Education		
High school diploma	0.858	-0.153
	(0.092)	(0.114)
Some college/Associate degree	0.926	-0.077
	(0.102)	(0.116)
Bachelor's or higher	1.201	0.183
	(0.140)	(0.121)
Employment Status		
Working part-time	0.867	-0.142
	(0.071)	(0.083)
Not working	1.212 **	0.192 **
	(0.085)	(0.073)
Region		
Midwest	1.275 **	0.243 **
	(0.108)	(0.086)
South	1.163 *	0.151 *
	(0.088)	(0.077)
West	1.097	0.093
	(0.092)	(0.084)
Intercept	1.791 **	0.583 *
	(0.395)	(0.232)
Number of Observations	11,667	

*Note: Standard errors in parentheses. * p<.001, ** p<.05, *** p<.01*

Table 2: **Average Marginal Effects**

Variable	Marginal Effect (dy/dx)	Standard Error
Homeownership		
Homeowner	0.100 **	(0.020)
Mortgage Status		
Mortgage	-0.059 **	(0.012)
Rent		
Renting	0.004	(0.015)

Variable	Marginal Effect (dy/dx)	Standard Error
Financial Literacy		
Medium	-0.030 **	(0.011)
High	-0.023 *	(0.010)
Financial Stress Category		
Medium	-0.179 **	(0.010)
High	-0.273 **	(0.011)
Financial Behavior		
Positive Behavior	0.313 **	(0.018)
Age - 4 Categories		
30-44	-0.033 **	(0.011)
45-59	-0.082 **	(0.013)
60+	-0.033 *	(0.013)
Gender		
Female	0.015 *	(0.008)
Marital Status		
Widowed	-0.008	(0.018)
Divorced	-0.037 **	(0.014)
Separated	-0.051	(0.033)
Never married	-0.005	(0.011)
Living with Children < 18		
Yes	-0.034 **	(0.011)
Household Income		
$10,000 to $24,999	-0.075 **	(0.027)
$25,000 to $49,999	-0.039	(0.025)
$50,000 to $74,999	0.048	(0.025)
$75,000 to $99,999	0.104 **	(0.026)
$100,000 to $149,999	0.131 **	(0.025)
$150,000 or more	0.187 **	(0.025)
Education		
High school diploma	-0.023	(0.016)
Some college/Associate degree	-0.011	(0.016)
Bachelor's or higher	0.025	(0.017)
Employment Status		
Working part-time	-0.022	(0.013)
Not working	0.027 **	(0.010)

Variable	Marginal Effect (dy/dx)	Standard Error
Region		
Midwest	0.035 **	(0.012)
South	0.022	(0.011)
West	0.014	(0.013)

*Note: Standard errors in parentheses. * p<.001, ** p<.05, *** p<.01*

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