

Money, Honey if You Want to Get Along With Me:  
Money Management and Union Dissolution in Marriage and Cohabitation

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**ABSTRACT**

Most U.S. analyses of household resource allocation ignore what couples do with their money—whether it is combined in a "common pot" or kept separate. However, there is good reason to believe that a better understanding of couples' money practices offers new insight into other family behaviors. This study uses Fragile Families and Child Wellbeing Study data (N = 1,448 couples) to analyze the association of couples' money management with subsequent union dissolution. Results show a strong association between moving money out of joint accounts, and consistently keeping money separate, and couple breakup. This association holds for married, but not for cohabiting couples.

**KEYWORDS:** Family economics; Family resource management; Divorce; Cohabitation; Fragile Families and Child Wellbeing

Couples' money practices—whether and how money is combined between partners, how it is labeled ("his, hers, ours")—are a crucial and under-examined intermediate step in household resource allocation—what Pahl (1990: 120) has called “a black box in the space between earning and spending.” Like the division of housework, what happens to money once it enters the household can be both the *result* of prior work and family behaviors by one or both partners and a *cause* of future work and family behaviors. Yet compared to the division of housework, whose determinants and consequences have been studied extensively, very little quantitative research on household behavior in the United States has examined the determinants of couples' control and management of money (exceptions include Treas 1993; Heimdal & Houseknecht 2003; and Kenney 2006). Even less research examines how couples' money practices may influence relationship outcomes. However, there is good reason to believe that a better understanding of couples' money practices may offer new insight into other family behaviors. For example, European evidence from qualitative studies suggests that money management may serve in couple households as a mechanism for the operation of gendered social norms and may constrain power negotiations within the household. Likewise, given some fairly dramatic differences in money management across population subgroups (one example is the substantial difference between African-American and White couples in the use of "common pot" management systems), a better understanding of couples' money practices may help explain previously unexplained differences in family behavior between such groups.

Some existing research provides preliminary evidence that money practices do, indeed, intervene in couples' relationships. This is may be because, by earmarking money for particular uses and setting limits on what can be bargained over, different money management systems effectively change the value of an individual's income once it enters the household. This effect

may be particularly relevant for understanding couples' union dissolution, an outcome of particular interest to both researchers and policymakers for its association with a variety of adverse outcomes for both the adults involved and their children. For example, women (or men) with the same earned income, but different control over or access to money within the household, may make different decisions about when divorce would make them better off. In addition, research has begun to establish that there are important differences in the determinants of union dissolution between married and cohabiting couples, and some of these differences appear to be associated with the ways in which income is earned and allocated in these different kinds of relationships (Brines & Joyner 1999; Kalmijn, Loeve & Manting 2007). Given that married and cohabiting couples also exhibit considerable differences in how they manage money (Heimdal & Houseknecht 2003; Kenney 2004, 2006), it is worth considering the extent to which such differences may help explain the relationship stability gap between the two types of unions as well as whether couples' financial arrangements appear to have the same association with union dissolution across marital statuses.

We use longitudinal data from four waves of the Fragile Families and Child Wellbeing Study (FFCW), to analyze the association between couples' use of different money management strategies at two points of time and their subsequent divorce or breakup. The FFCW is ideally suited for this research, as it is the first panel survey in the United States to ask both married and cohabiting couples at more than one point in time how they manage money. In addition to our focus on couples' financial management system as a predictor of union dissolution, we are also interested in the extent to which differences in money management may explain differences in union dissolution between married and cohabiting couples and whether the same or different factors are most strongly associated with union dissolution for the two groups.

## BACKGROUND

Theory has assumed and research has demonstrated that income—both overall amounts and which spouse or partner earns it—is an important factor in understanding marital dissolution. Overall household income is considered important in that poverty, hardship, and unemployment may lead to union dissolution through the stress and conflict they generate within couples (Jalovaara, 2003; Papp, Cummings & Goeke-Morrey, 2009; Osborne, Manning & Smock 2004). Theories based on household specialization, such as the "independence hypothesis," argue that increases in women's income reduce the gains to marriage inherent in a breadwinner-homemaker division of household labor, making divorce more likely (e.g., Becker, Landes & Michael 1977). Bargaining theories posit that changing the distribution of income between spouses can alter divorce "threat points," changing couple power dynamics and altering the likelihood of divorce (e.g., Lundberg & Pollak 1996). Less research has focused on determinants of union dissolution among cohabiting couples, but some studies suggest they differ from those for married couples, particularly regarding the importance of household specialization (Brines & Joyner 1999; Kalmijn, Loeve & Manting 2007).

However, although the implications of income (total and by earner) for divorce have received considerable attention, the implications of couples' money management systems have not. Instead, the assumptions (borrowed from economics) that married people pool their income and that even money held in separate accounts is, for practical purposes, fungible within marriage (see Zelizer (1994) for a discussion of these assumptions), have meant that analyses of union dissolution have ignored what couples do with their money (the exception is Oropesa & Landale (2005), discussed further below). This omission is a mistake for several reasons. First,

not all couples use pooled, joint or "common pot" money management systems. Even among couples in their first marriages, a substantial minority say they keep some or all of their money separate (Heimdal & Houseknecht 2003; Kenney 2004, 2006). In sub-groups of married couples making up substantial proportions of the population, including Blacks and the re-married, as well as in most cohabiting couples, a majority keep their money separate (Kenney 2006; Treas 1993). Second, increasing evidence suggests that money kept in separate accounts is not fungible, even for married couples. A considerable body of qualitative research conducted in Europe and Oceania (e.g., Elizabeth, 2001; Pahl, 1990, 2004; Vogler & Pahl, 1994; Vogler 2005), as well as a smaller number of newer quantitative studies (e.g., Kenney, 2008) suggests that different money management systems have different implications for individuals' access to resources and for expenditure decisions. And how couples manage money appears to matter beyond how much each spouse earns. For example, Kenney (2008) found that parents' money management system had an independent effect on children's food insecurity even when controlling for the proportion of household income derived from the woman's earnings.

There are theoretical reasons to expect that the same factors that lead money management to matter for individuals' access to resources within marriage and for household expenditure decisions would also be implicated in whether couples split up. For example, within a bargaining model of intrahousehold allocation and divorce, money management systems that rendered certain income illiquid (e.g., by "earmarking" it for particular purposes) or otherwise inaccessible might alter the impact of an individual's earnings on his or her divorce threat point. Alternatively, distribution of the gains to marriage envisioned by theories of specialization and exchange may depend in practice on the use of a fully integrated, jointly managed, common pot system of money management.

Explanations for why couples' money management might influence relationship stability can be divided into two categories. The first suggests that the use of certain money management systems itself leads couples to be more or less likely to break up. As Vogler (1998) argues, the money management system used "sets the agenda" for marital bargaining in ways that constrain the possible allocative outcomes. In other words, a dollar in the joint account might not mean the same thing as a dollar in his or her account, regardless of who initially earned the money. The second suggests that rather than being causal itself, couples' choice of money management system is a proxy for some underlying component of commitment, trust, or degree of mutuality as a couple that goes unobserved using conventional relationship measures. As Treas (1993) argues, couples may be choosing the common pot versus separate purses for their money as a deliberate strategy to minimize "transaction costs" within their relationship, given their level of joint investments and expected continuity. Regardless of the reason, however, knowing more about associations between couples' financial practices and union dissolution may prove valuable to researchers and policy makers alike.

For the most part, the implications of couples' money management for union dissolution have gone untested. One exception is a study of union dissolution among mainland Puerto Rican couples by Oropesa and Landale (2005), who find that couples using a joint pooling system are far less likely to break up than those using any other system. They argue that this is because the joint pooling system represents an "equality principle" within the relationship that contributes to greater relationship stability. In addition, they find that, at least for the sample of couples in their study, all of whom are parents, all of the difference in relationship stability between married and cohabiting couples is explained by the difference in their money management practices. That is,

cohabiting couples who employ the joint pooling system of money management are no more likely to break up than are married couples who use this system.

*Additional Factors Influencing Union Dissolution*

Perhaps because both money management and union stability are associated with the level of commitment within a couple, they share many common influences. One of the most significant among these is marriage (versus cohabitation), which prior studies show increases the likelihood of using a common pot system (Gray & Evans, 2008; Heimdal and Houseknecht 2003; Kenney 2004, 2006; Oropesa, Landale and Kenkre 2003) and decreases the likelihood of union dissolution (see, e.g., Osborne, Manning and Smock 2004). Another important factor is race or ethnicity. Prior research suggests that African American couples are more likely to keep money separate (Treas 1993; Kenney 2006) and that their unions are more likely to dissolve (Brines and Joyner 1999; Osborne, Manning and Smock 2004; Carlson, McLanahan and England 2004). Older couples are both more likely to use a common pot (Heimdal and Houseknecht 2003; Treas 1993) and less likely to separate or divorce (Brines and Joyner 1999; Manning and Smock 1995; Osborne, Manning and Smock 2004).

Perhaps due to differences in relationship investments or "sunk costs" (Treas 1993) couples' money management and relationship stability are also both affected by their prior relationship histories. Thus, couples who have been married before, or in which the man has had children in a previous relationship, are more likely to keep money separate (Burgoyne & Morison, 1997; Kenney 2006; Treas 1993) and more likely to divorce or separate (Brines and Joyner 1999; Osborne, Manning and Smock 2004; Carlson, McLanahan and England 2004), while those who have additional children together are more likely to use the common pot

(Oropesa, Landale and Kenkre 2003) and to stay together (Brines and Joyner 1999; Osborne, Manning and Smock 2004; Carlson, McLanahan and England 2004).

Prior studies have shown associations between money management and the man's education, employment, or earnings (Heimdal and Houseknecht 2003; Morris, 1984; Oropesa, Landale and Kenkre 2003; Treas 1993) and/or the woman's education, employment, or earnings (Oropesa, Landale and Kenkre 2003; Treas 1993; Kenney 2006), both of which have been associated with union stability (Brines and Joyner 1999; Smock and Manning 1997; Osborne, Manning and Smock 2004; Carlson, McLanahan and England 2004). Relationship quality, measured in terms of supportiveness and affection, is positively associated with the use of common pot money management (Kenney, 2006) and negatively associated with separation or divorce (Osborne, Manning & Smock, 2004; Carlson, McLanahan & England, 2004). Finally, prior evidence suggests that couples' gender role attitudes play a part not only in the management of finances (Kenney, 2006), but also in relationship stability (Hohman-Marriott, 2006; Kalmijn, DeGraaf, & Poortman, 2004).

## METHOD

### *Data*

Data for this study come from the first four waves of the Fragile Families and Child Wellbeing Study, an ongoing national birth cohort study of parents and their children (Reichman, Teitler, Garfinkel & McLanahan, 2001). Data were collected in 20 U.S. cities, which were stratified on the basis of their employment patterns and welfare generosity to be representative of large cities in the United States. At baseline, approximately 3,600 unmarried and 1,100 married women were interviewed in the hospital within 48 hours of the focal child's birth, and their

husbands or partners were interviewed either in the hospital or soon thereafter. Couples were re-interviewed when the focal child was approximately 12, 36, and 60 months old. These data are invaluable for the present research, because couples were asked questions regarding the system of money management they used at the 12, 36, and 60 month waves of the study. The study also includes extensive information on other factors found in previous studies to be associated with union dissolution and/or women's labor supply, including race and ethnicity, education, earnings, and relationship history and quality.

The sample used in this analysis is limited in several ways compared to the full FFCW sample. First, because the dependent variable was drawn from the 60-month survey, the sample is limited to respondents who were interviewed at 60 months ( $N = 4,139$ , or 84.5% of the original sample). Second, only couples who were married or cohabiting at the time of interview were asked questions about how they managed their money. Thus, the sample is limited to couples who were either married at both 12 and 36 months, cohabiting at 12 and 36 months, or made the transition from cohabitation at 12 to marriage at 36 months ( $N = 1,678$ ). Finally, in the 36-month survey, residents of two cities were not asked the money management questions, so the sample is further limited to those living in the other 18 cities ( $N = 1,448$ ). Rather than further reduce sample size (and possibly introduce bias) by limiting the sample to those for whom information was complete on the variables included in the analysis, we use multiple imputation techniques available in Stata (see Royston, 2005) to impute missing values.

Although it is a rich and valuable data set, it is important to note that, even without these sample limitations, the FFCW is not representative of all couples in the United States. Instead, these couples all have at least one young child together, live in large cities (over 200,000 population), and are heterosexual. However, the data do represent a substantial proportion of

couples with young children, a group whose union stability is of substantial theoretical and policy interest. In particular, because the presence of young children tends to exacerbate differences in men's and women's earnings, the role of money management in either alleviating or further exacerbating those differences by affecting women's access to household monies may have particularly significant effects on the wellbeing of mothers and young children.

### *Measures*

*Dependent variables.* In the analyses that follow, the dependent variable is an indicator equal to one if the couple have divorced or separated (if married) or broken up (if cohabiting). In order to maintain a plausible causal order from money management (and changes in money management) to union disruption, this measure is taken from the 60-month survey.

*Primary explanatory variable.* In the 12- and 36-month surveys, married and cohabiting FFCW respondents were asked, "Couples handle their money differently. Which of the following do you do? 1.) each keep your own money separate, 2.) put some of your money together but keep the rest separate, or 3.) put all your money together?" One issue of concern for understanding the relationship between money management and union dissolution is the extent to which couples already experiencing relationship problems may change how they handle money in anticipation of a breakup. To assess the extent to which this may be occurring, as well as whether any association with breakup exists for those who maintain a consistent management system over time, we combine the measures from the 12- and 36-month surveys to create a single categorical change variable. After collapsing the original categories for keeping some or all money separate and combining the results across time, the final variable includes the following four categories: 1) couples who kept all money together at both times, 2) couples who

put all money together at 12 months but kept some or all separate at 36 months, 3) couples who kept some or all money separate at both times, and 4) couples who kept some or all money separate at 12 months but put all money together at 36 months.

*Woman's sociodemographic characteristics.* Although union disruption is a couple process, and the characteristics of either or both partners can be relevant in predicting which couples break up, in the analyses that follow, we include only measures of the woman's (or the household's) sociodemographic characteristics. Because there is substantial overlap in the age, racial background, and education level of the members of these married or cohabiting couples, including such measures for both the woman and the man adds relatively little to the analysis while reducing the parsimony of the models. Our substantive findings did not differ in preliminary analyses that included measures of the men's characteristics. The woman's race and ethnicity are measured with 4 indicator variables for non-Hispanic white, non-Hispanic black, Hispanic, and other race/ethnicity. The woman's nativity is measured by an indicator equal to one if she was not born in the United States, zero otherwise. The woman's age is a continuous variable, measured at the time of the baseline survey. Education is measured using the following 4 indicator variables: less than a high school education; high school degree; some college or vocational training; or a college degree or more. Household income (measured in \$10,000 increments) is included as a continuous variable in the multivariate analysis. We also include a measure of the proportion of household income that comes from the woman's earnings.

*Changes in employment, 12-36 months.* Prior research suggests that changes in employment can be associated with union dissolution, both as cause (as when unemployment leads to stress, resulting in breakup) and as effect (as when women increase work hours in anticipation of divorce). Given the association between couples' employment and money management (Kenney,

2006; Treas, 1993), it also seems important to control for changes in employment. We include continuous measures, one each for the woman and the man, of the change in the number of hours worked per week between the 12-month and 36-month surveys.

*Relationship factors.* The couple's history of joint relationship investments, their history of other relationships, and their assessments of the quality of their relationship have been shown to be associated with union stability (see, e.g., Brines and Joyner 1999; Osborne, Manning and Smock 2004). First, in the models using the full sample, we include indicators for whether the couple was married at both times (N = 867), cohabiting at 12 months but married at 36 months (N = 101), or cohabiting at both times (N = 480). Because so few couples moved from cohabitation to marriage, we are not able to conduct a separate analysis for this group as we do for the couples who were either married or cohabiting at both times. Two dummy variables indicate whether either partner ever cohabited with a prior partner and whether either partner has a child by a prior partner. We include a continuous measure (in years) of the duration of the couple's co-residential relationship at the time of the 12-month survey. The woman's and the man's assessment of the quality of their relationship is assessed using two separate indices that are based on a series of questions asked of each partner: (1) how often is [he/she] fair and willing to compromise when you have a disagreement? (2) how often does [he/she] express love and affection for you? (3) how often does [he/she] encourage you to do things that are important to you? (4) how often does [he/she] listen to you when you need someone to talk to? (5) how often does [he/she] really understand your hurts and joys? For each question, the possible responses were often, sometimes, or never. After coding the responses so that 3 was equal to often and 1 was equal to never, responses to all five questions were combined into two "relationship supportiveness" scales—one for the woman's assessment and one for the man's—that were averaged across the 5

questions and take values between 1 and 3 (Cronbach's  $\alpha=.75$  on the women's measure;  $\alpha=.72$  on the men's measure). Finally, we include a continuous measure of the change in the number of children under 18 living in the household between the baseline survey and the 36-month survey.

*Gender ideology, marriage beliefs, trust & trustworthiness.* A final set of control variables address a constellation of characteristics of either partner that seem likely to be associated both with how couples manage their money and whether or not they break up. These include gender role and marriage beliefs, trust, and aspects of self-control or trustworthiness. The first set of measures is a pair of indicator variables (one for each partner) taken from the baseline survey that are equal to one if the respondent agrees or strongly agrees that it is better if the man in a couple earns the living while the woman takes care of home and family, and equal to zero otherwise. The next is an indicator equal to one if the respondent agreed or strongly agreed (at baseline) that it is better to marry than to cohabit. An indicator for each partner is equal to one if that person agrees or strongly agrees that the opposite sex "can't be trusted to be faithful." The next measure is a scale (drawn from the 36-month survey) created from a series of questions asked of women about the extent to which they were satisfied with their partner as a co-parent to the focal child. This scale includes the following questions: "How often can you trust father to take good care of child?"; "How often does father act like the father you want for your child?"; "How often does father respect the schedules and rules you make for child?"; "How often does father support the way you want to raise child?"; "How often do you and father talk about problems raising child?"; and "How often can you count on father when you need someone to look after child?". After coding the responses so that 4 was equal to "always true" and 1 was equal to "never true," responses to all six questions were combined into a single "trust/agreement in parenting" scale that was averaged across the 6 questions and takes values between 1 and 4

(Cronbach's  $\alpha=.90$ ). For each partner, we create an "impulsiveness" scale based on questions in which the respondent was asked how much he or she agreed with the following set of statements: "I often say whatever comes into my head without thinking first"; "I don't spend enough time thinking over a situation before acting"; "I often say and do things without considering the consequences"; "I often get into trouble because I don't think before I act"; "Many times, the plans I make don't work because I haven't gone over them carefully enough"; and "I often make up my mind without taking the time to consider the situation from all angles." After coding the responses so that 4 was equal to "strongly agree" and 1 was equal to "strongly disagree," these items were combined into two scales taking values from 1 to 4 (Cronbach's  $\alpha=0.8363$  on the women's measure;  $\alpha=0.8418$  on the men's measure). Because of when the questions were asked, the men's scale is drawn from the 12-month survey, while the women's scale is drawn from the 36-month survey. For women and men, we create liberal measures of substance use. If the respondent said yes to *any* of a series of questions regarding use of either alcohol or drugs (such as whether their relationships or their work had been affected by the use of alcohol, whether they'd consumed 4-10 or more drinks in a day in the past month, etc.), the indicator is equal to one. Finally, a woman's sense of her partner's trustworthiness may be influenced by his history of incarceration. We include an indicator equal to one if the man had ever been incarcerated prior to the 12-month interview.

### *Analytic Approach*

Our analytic approach is guided by the fact that we have both a somewhat unusual sample and are analyzing the influence on union dissolution of a factor—couples' money management—that has received almost no prior attention in the literature for its role in this

regard. Thus, our first model is a logistic regression of couples' breakup on our full set of control variables, not considering money management. This allows us to examine the extent to which our results may be driven by factors specific to our sample—if, for example, our findings differ substantially from those of previous studies examining the association of these variables with dissolution. In the second model, we go in the opposite direction and present the results of a regression of breakup on the money management variables alone. The third model combines the first two and allows us to consider not only the effect on the association between money management and breakup of including controls (comparing model 3 with model 2), but also the effect of adding money management on the association between the more standard set of variables represented by the controls and breakup. Finally, evidence is accumulating that the factors associated with breakup differ for married and cohabiting couples (e.g., Brines & Joyner 1999; Kalmijn, Loeve & Manting 2007). Thus we separate the sample by marital status and analyze separately couples who were married at 12 and 36 months ( $N = 867$ ) and couples who were cohabiting at 12 and 36 months ( $N = 480$ ). Because relatively few couples made the transition from cohabitation to marriage in that time period ( $N = 101$ ), and only a tiny proportion of such couples broke up by 60 months, we do not analyze that group separately.

[INSERT TABLE 1 ABOUT HERE]

## RESULTS

### *Descriptive Statistics*

Some differences in the association between money management (or other variables) and breakup for married versus cohabiting couples may result from differences in who selects into these two relationship types. The descriptive statistics in Table 1 are presented first for the full

sample and then for married (12 & 36 months) and cohabiting (12 & 36 months) couples in order to illuminate some of these differences. About 15% of the overall sample of couples who were together at both 12 and 36 months had divorced or separated by the time of the 60-month survey, but married couples are far less likely (10%) than cohabiting couples (25%) to break up. Most prior research has only considered couples' money management systems at a single point in time. The results presented here show that married couples are not only more likely to keep all their money together than cohabiting couples, as has been shown previously (e.g., Heimdal & Houseknecht 2003; Kenney 2004) but also less likely to change their money management system. Nine percent of married couples switched from together to separate, compared to 15% of cohabiting couples; 7% of married couples switched from separate to together, compared to 13% of cohabiting couples.

Measures of the woman's sociodemographic characteristics confirm that this urban sample of new parents differs from the nation as a whole in a number of ways, and that cohabiting women are substantially more disadvantaged than married women. For example, in the full sample, non-Hispanic black and Hispanic women are overrepresented relative to the overall U.S. population, and cohabiting women are less likely to be non-Hispanic white, less likely to be highly educated (only 3% have a college degree or more, compared to 34% of married women), and have substantially lower household income than married women (\$32,100 vs. \$66,400 for married women). Consistent with research showing greater gender equity with regard to earning in cohabiting couples, women in cohabiting couples earned 31% of household income, compared to 27% for married women. This finding is consistent with the attitudinal difference regarding breadwinning between married and cohabiting women: 35% of the married women, but only 27% of the cohabiting women, agree that it is better if the man is the main

earner while the woman takes care of home and family. Married and cohabiting men did not differ significantly from one another on this measure, but men in general were considerably more likely to agree with this view than were women.

On most of the measured relationship factors, as well as the other measures of gender ideology, marriage beliefs, and trust, there are also substantial differences between married and cohabiting couples. Cohabitors are substantially more likely to have previously lived with a partner or to have had a child with a prior partner. Among both men and women, cohabiting individuals appear to be considerably more concerned about infidelity, while married men and women score lower, on average, on the impulsiveness scales than do cohabitators. Cohabiting men are more than three times more likely than married men ever to have been incarcerated.

[INSERT TABLE 2 ABOUT HERE]

#### *Union Dissolution*

Table 2 presents multiple imputation parameter estimates (in the form of odds ratios) from logistic regressions of couple breakup by 60 months on various combinations of explanatory variables. The first three models show results for the full sample of couples, those who were married or cohabiting at 12 and 36 months. As discussed above, model one includes the full set of control variables without money management, in order to assess the extent to which prior research on relationship stability is borne out using this sample. We first consider the association of our set of sociodemographic characteristics with couple breakup. Consistent with the findings of other studies, our results show that the odds of breakup are 1.65 times higher for non-Hispanic Black couples than for their non-Hispanic White counterparts. Hispanic couples are also more likely to break up, although this result is significant only at the .10 level.

It is worth noting that, given our inclusion of a control for "foreign-born" (the majority of whom are Mexican and/or Central American in origin) the Hispanic "effect" shown here largely represents Puerto Rican (and some native-born Mexican-American) couples, whose family behaviors (in particular with regard to cohabitation) differ substantially from those of foreign-born Hispanics (Oropesa, 1996). Indeed, as expected, couples in which the woman is foreign-born are substantially less likely (odds ratio .45) than the native born to break up. Also consistent with prior research, there is a negative relationship between the woman's age and the odds of union dissolution. One of the strongest predictors of couple breakup in the first model is the proportion of total household income that is derived from the woman's earnings. This finding could be interpreted as evidence for an "independence effect"—that increases in the woman partner's earnings relative to the man's reduce the gains to specialization in the relationship and therefore lead to increased breakup. However, given that, particularly in this sample of urban new parents, households in which the woman earns the majority of income tend to be those in which the man is unemployed and the household experiences a variety of other hardships and stressors, not all of which can be controlled here, we interpret this result with caution.

Among the relationship factors included in this model, the odds of breakup are 1.49 times higher for those who were cohabiting at both earlier times (as opposed to married). This result is consistent with, but not as strong as, evidence from prior research on the likelihood of breakup among married and cohabiting couples, most likely because our sample selection criteria excluded cohabitators who broke up after the baseline or 12-month surveys, and union dissolution tends to happen quickly among cohabitators. Consistent with Brown (2000), we find that the woman's assessment of relationship quality is a stronger predictor of breakup than the man's.

Among the measures of gender ideology, marriage beliefs, and trust, there are a few that stand out: If the woman believes that it is better to marry than to cohabit, the couple is more likely to break up by 60 months (a somewhat counter-intuitive finding we explain later), and the higher than man scores on the impulsiveness scale, the more likely the couple is to break up. Finally, there is a marginally significant negative association between the woman's support for a male breadwinner division of labor and couple breakup—that is, the odds of couple breakup are reduced when the woman says it is better if the man earns the money while the woman takes care of home and family.

The second model in Table 2 shows that the bivariate association between couples' breakup and their money management systems at 12 and 36 months is strong and significant. The odds of breakup by 60 months are 3.74 times higher among couples who kept their money together at 12 months and kept some or all separate at 36 months than they are among those who kept their money together at both times. It seems likely that these results reflect, at least in part, a pattern of behavior in which couples are separating their finances in anticipation of their breakup. More interesting, then, perhaps, is the finding that those who kept their money separate at both earlier points in time—those with a pattern of stable, but independent, finances—also have far higher odds of breakup (2.84 times higher than for those who kept money together). Finally, in this model with no other controls, even couples who combined their finances by 36 months, after earlier keeping them separate, are more likely to break up than those who kept their money together at both times.

Model 3 introduces the full set of control variables to our analysis of the association between money management and couple breakup. What couples do with their money remains important in this analysis; indeed, both dividing finances and keeping money separate at both

times appear to be among the factors most strongly associated with couple breakup. Compared to those who kept their money together at both earlier time periods, the odds of breakup are 2.37 times higher for those who changed their money management from pooled to separate between 12 and 36 months and 1.92 times higher for those who kept their money separate at both times. With the full set of sociodemographic and relationship factors controlled, however, the odds ratio for those who combine their finances by 36 months after keeping them separate at 12 months is reduced substantially and no longer reaches significance. It is also worth considering the effect of including money management on the association of the other variables with breakup. First, once differences in couples' money management are accounted for, the odds of breakup for non-Hispanic Blacks are reduced relative to non-Hispanic Whites and the difference no longer reaches significance. Second, like Oropesa and Landale (2005), we find that introducing the money management measure into our analysis of union dissolution explains the difference in likelihood of breakup between married and cohabiting couples that remains once other differences in their characteristics are controlled. As discussed above, prior research has shown that both non-Hispanic Black couples and cohabiting couples are substantially less likely than their White and married counterparts to combine finances in a "common pot." The results presented here suggest that this difference may help to explain some of the difference in the likelihood of breakup for these groups. The introduction of the money management measures also slightly attenuates the association between the proportion of household income earned by the woman and couples' breakup, reducing the odds ratio from 2.65 to 2.37. This suggests that money management does, to a certain extent, intervene between the woman's earnings and their effect on the likelihood of breakup.

Finally, in Models 4 and 5, we divide the sample by marital status and find that all of the association between money management and union dissolution is to be found among married couples. Indeed, among cohabiting couples, the odds of breakup are not even significantly higher among those who moved their money from together at 12 months to separate at 36 months than they are for those who kept their money together at both earlier points in time. By contrast, among married couples, the odds of breakup are 3.6 times higher for couples who have made this change in financial management than for those who kept their money together, and 2.45 times higher for those who kept their money separate at both earlier times. Considering the other factors in the model, it remains the case for both married and cohabiting couples that with money management controlled, race is not a significant predictor of couple breakup. Consistent with prior research on differences in the significance of specialization for predicting union dissolution between married and cohabiting partners (e.g., Brines & Joyner, 1999; Kalmijn, Loeve & Manting, 2007), the proportion of household income earned by the woman is a substantially stronger predictor of breakup among married than among cohabiting couples. The results show several other interesting differences in the predictors of union dissolution by marital status. In these samples, at least, it appears that multi-partner fertility is associated with higher odds of breakup among cohabiting couples (odds ratio 1.75), but not among married couples (odds ratio 1.08). In addition, it is among cohabiting, but not married, couples that the woman's belief that marriage is better than cohabitation is associated with breakup. Finally, the man's scoring higher on the impulsiveness scale is associated with breakup for married but not for cohabiting couples.

## DISCUSSION

Couples' financial arrangements have not been a focus of research on union dissolution. Yet results presented here suggest a strong association between money management systems other than the "common pot" and divorce. Our results also show that the difference in money management practices between married and cohabiting couples can explain remaining differences in union dissolution between the two relationship statuses when the "usual suspect" factors have been controlled, and that when married and cohabiting couples are analyzed separately, the association between money management and breakup holds only for married couples. The first implication of these findings, before interpreting them any further, is that the relationship between couples' financial arrangements and their relationship stability merits further research attention. The strength of the association among married couples, and its robustness to the inclusion of extensive controls, suggests that money management has practical and/or symbolic meaning in marriage with real consequences for union stability.

What are the likely explanations for the association between financial management and divorce? First, in the case of married couples who started with their money in a common pot at the 12-month survey and switched to separate monies by the 36-month survey, it seems relatively straightforward to assume that these were couples whose relationships were in trouble already between those two waves of data collection. Divorce takes time, and couples make changes in anticipation of it from adjusting their labor supply (South, Bose, & Trent, 2004) to disentangling their finances. Even if it is the case that the association is due only to couples' preparations for an already-anticipated divorce, this information is nonetheless useful to researchers interested in better understanding the process of union dissolution or trying to predict which couples are most likely to break up. It also seems possible that in some cases, one

partner's decision to withdraw from joint financial management might precipitate conflict leading to a breakup.

In the case of couples who kept their money separate at both the 12- and 36-month surveys and were also more likely to divorce than those who combined money, further explanations seem possible. First, they could simply, like the couples who changed their money management between 12 and 36 months, have shifted to separate accounts at some earlier (and for our purposes unobserved) time in anticipation of eventual breakup. Although this would mean they would have to be aware of their pending separation up to three years before it happened, this is certainly not impossible. Second, it may be the case that for married couples in particular, the decision to use a "separate purses" system of money management is symbolic of or a marker for couples who are less committed to the relationship, more open to or more concerned about protecting against the possibility of future divorce, or otherwise less willing to bind themselves to their spouse. Because "common pot" money management is normative among (non-Black) married couples in the United States, keeping money separate may be a strong signal that the couple have chosen a different kind of relationship that offers less entanglement and also less stability. Finally, there is the possibility that couples' money management has an independent, causal effect on their subsequent breakup. Under this scenario, money management acts on the likelihood of divorce by influencing individuals' access to resources within the marriage, in some cases potentially counteracting the influence of each person's earnings on their bargaining position. Prior studies that show an influence of money management on household expenditures, above and beyond individual spouses' earnings, suggest that this may be the case (e.g., Kenney 2008). The results above provide modest evidence in favor of this explanation, as well. Introducing money management reduced the odds ratio on our

measure of the proportion of household income derived from the wife's earnings, suggesting that couples' money management practices may "intervene" in the association between women's share of income and divorce. Adjudicating among these explanations is beyond the scope of this paper. However, given researchers' and policy makers' strong interest in better understanding the antecedents of divorce, we argue that the evidence presented here provides a strong case for further research into these associations.

Our results also contribute to the growing body of evidence suggesting that the causes of union dissolution differ for married versus cohabiting couples (e.g., Brines & Joyner, 1999; Kalmijn, Loeve, & Manting, 2007). Unlike among married couples, what cohabiting couples did with their money—even if they switched from common pot to separate purses between 12 and 36 months—had no influence on their likelihood of breakup. Likely explanations are that it is both less normative for cohabiting couples to combine their finances in the first place (see, e.g., Singh & Lindsay, 1996) and that the less-institutionalized nature of cohabitation means that "violations" of whatever norms for money management may exist are less likely to be indicative of a relationship problem. Another difference between married and cohabiting couples, which is consistent with previous findings, is that the proportion of household income derived from the woman's earnings is not nearly as strong a predictor of breakup for cohabitators as it is for married couples (and it is only marginally significant). Again, the implication is, possibly, that household specialization is less of a binding force for cohabiting than for married couples (Brines & Joyner 1999; Kalmijn, Loeve & Manting, 2007). By contrast, multi-partner fertility was more disruptive of relationships for cohabiting than for married couples. Finally, it was only among cohabitators, and not for married couples, that the woman's belief that marriage is better than cohabitation is associated with breakup. By the time women in the FFCW have reached the

60-month survey, if they preferred marriage at baseline but have still not achieved it, the fact that they have ended this relationship (perhaps to continue their search for one more likely to result in marriage) is perhaps not surprising.

This study represents an important first step in understanding the association between couples' financial management and their relationship stability. Given the limitations of the sample and the available variables, there are important limitations to the conclusions we can draw about this association. For example, while it seems important to understand whether the presence of children influences the association between money management and divorce, this sample includes only parents, making such an analysis impossible. In addition, as noted above, the cohabiting couples analyzed here are somewhat unusual relative to the overall population of cohabitators in that they not only have a child together but were living together at both 12 and 36 months following the birth of that child. If possible, it would be a good idea to replicate this study on a more representative sample of married and/or cohabiting couples. At this time, however, the FFCW is the only large U.S. data set that includes information about couples' money management over more than one time period. Despite these limitations, the results presented here are strong enough to suggest that researchers and policymakers interested in union dissolution may want to pay more attention to the issue of household financial management. In order for such research to be fruitful, we need to move beyond merely assuming income pooling and fungibility of household monies, and more large surveys in the United States need to collect information on how couples—both married and cohabiting—are managing their money.

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Table 1

*Descriptive Statistics (Means or Proportions) on Variables Used in the Analysis.*

	All Couples	Married	Cohabiting
		12 & 36	12 & 36
		months	months
Variables	(N = 1,448)	(N = 867)	(N = 480)
<i>Dependent Variable</i>			
Divorce or separation at 60 months	0.15	0.10**	0.25
<i>Independent Variables</i>			
<i>Money management</i>			
All money together at both times	0.55	0.66**	0.36
Money together 12 mo., separate 36 mo.	0.11	0.09**	0.15
Money separate both times	0.25	0.18**	0.37
Money separate 12 mo., together 36	0.09	0.07**	0.13
<i>Woman's sociodemographic characteristics</i>			
Non-Hispanic white	0.34	0.44**	0.19
Non-Hispanic black	0.34	0.23**	0.44
Hispanic	0.28	0.24**	0.35
Other race/ethnicity	0.05	0.07**	0.02
Foreign-born	0.20	0.23**	0.14
Age	28.14	30.01**	25.29

## Table 1, continued

Less than high school education	0.23	0.14**	0.38
High school degree	0.28	0.23**	0.36
Some college or vocational	0.28	0.29*	0.24
College degree or more	0.21	0.34**	0.03
Household income at 36 months, \$10k	5.32	6.64**	3.21
Proportion of income from mother's earnings	0.28	0.27*	0.31

*Changes in employment, 12-36 months*

Change in woman's hours worked per week	-0.24	0.21	-0.26
Change in man's hours worked per week	0.45	-0.91**	2.77

*Relationship factors*

Married at 12 and 36 months	0.60		
Cohabiting at 12 months, married at 36	0.07		
Cohabiting at 12 and 36 months	0.33		
Either partner cohabited with prior partner	0.49	0.44**	0.55
Either partner has child with prior partner	0.37	0.26**	0.54
Duration of coresidence	3.67	4.69**	2.14
Woman's relationship quality 36 months	2.65	2.67**	2.61
Man's relationship quality 36 months	2.69	2.71**	2.66
Change in # children under 18 since baseline	0.36	0.36	0.35

*Gender ideology, marriage beliefs, trust & trustworthiness*

Woman agrees better if male breadwinner	0.31	0.35**	0.27
Man agrees better if male breadwinner	0.42	0.43	0.40
Woman agrees better to marry than cohabit	0.63	0.72**	0.49
Woman: men can't be trusted to be faithful	0.12	0.09**	0.18
Man: women can't be trusted to be faithful	0.08	0.06*	0.11
Woman: scale of trust/agreement in parenting	3.78	3.80*	3.76
Man's impulsiveness scale (x months)	1.90	1.85†	1.98
Woman's impulsiveness scale (x months)	1.93	1.87**	2.02
Man's substance use	0.35	0.34	0.36
Woman's substance use	0.14	0.13	0.14
Man ever incarcerated	0.15	0.08**	0.25

Note: Asterisks in column 2 represent the results of significance tests (t-tests) for differences between means (or proportions) for married versus cohabiting.

\*\*  $p < 0.01$ , \*  $p < 0.05$ , †  $p < 0.1$

Table 2

*Multiple Imputation Parameter Estimates (Odds Ratios) from Logistic Regression of Union Dissolution at 60 Months on Couples' Money Management at 12 and 36 Months and Other Explanatory Variables*

	All couples (N = 1,448)			Married 12 & 36 months (N = 867)	Cohabiting 12 & 36 months (N = 480)
	Model 1 Control variables only	Model 2 Money management variables only	Model 3 Full model	Model 4 Full model	Model 5 Full model

VARIABLES

*Money management at 12 & 36*

*months*

Together to separate	3.74** (0.00)	2.37** (0.00)	3.60** (0.00)	1.32 (0.44)
Separate both times	2.84** (0.00)	1.92** (0.00)	2.45* (0.01)	1.11 (0.74)
Separate to together	2.01** (0.01)	1.25 (0.45)	1.26 (0.69)	0.81 (0.60)

*Woman's sociodemographic characteristics*

Non-Hispanic Black	1.65*	1.35	1.26	1.23
	(0.03)	(0.21)	(0.55)	(0.56)
Hispanic	1.50†	1.40	1.41	1.17
	(0.10)	(0.18)	(0.41)	(0.66)
Other race/ethnicity	1.38	1.29	1.99	0.74
	(0.56)	(0.65)	(0.33)	(0.80)
Foreign-born	0.45**	0.50*	0.53	0.18**
	(0.01)	(0.02)	(0.14)	(0.00)
Age	0.94**	0.93**	0.92*	0.94*
	(0.00)	(0.00)	(0.02)	(0.03)
High school degree	0.79	0.82	1.01	0.77
	(0.27)	(0.37)	(0.98)	(0.36)
Some college/vocational	0.81	0.82	0.82	0.87
	(0.37)	(0.40)	(0.63)	(0.69)
College degree or more	0.54	0.58	0.84	0.75
	(0.12)	(0.18)	(0.74)	(0.74)
Household income, 36 mo.	0.95	0.95	0.90†	0.98
	(0.15)	(0.11)	(0.05)	(0.71)
Prop. of hh income from her	2.65**	2.37**	3.46*	1.99†
	(0.00)	(0.00)	(0.01)	(0.09)

Table 2, continued

*Changes in hours worked per week, 12-36 months*

Change in her work hours	1.00 (0.87)	1.00 (0.98)	1.01 (0.21)	1.00 (0.57)
Change in his work hours	0.99 (0.16)	0.99 (0.15)	0.99 (0.21)	1.00 (0.67)

*Relationship factors*

Cohabiting to married	0.99 (0.97)	0.93 (0.82)		
Cohabiting both times	1.49* (0.04)	1.34 (0.13)		
Cohabited w/ prior partner	1.16 (0.44)	1.15 (0.46)	1.67 (0.12)	0.92 (0.78)
Child w/ prior partner	1.32 (0.16)	1.36 (0.12)	1.08 (0.83)	1.75* (0.05)
Duration of coresidence	1.00 (0.88)	1.00 (1.00)	0.98 (0.64)	1.02 (0.75)
Her relationship quality	0.52** (0.01)	0.58* (0.03)	0.53 (0.15)	0.64 (0.20)
His relationship quality	0.62† (0.06)	0.65 (0.10)	0.54 (0.13)	0.64 (0.25)

Table 2, continued

Child(ren) since focal child	1.09 (0.61)	1.20 (0.31)	1.64† (0.08)	1.00 (0.99)
<i>Gender ideology, marriage beliefs &amp; trust</i>				
She: male breadwinner best	0.72† (0.09)	0.72 (0.11)	0.61 (0.12)	0.98 (0.93)
He: male breadwinner best	1.19 (0.34)	1.22 (0.27)	1.22 (0.52)	1.28 (0.35)
She: marriage better	1.47* (0.03)	1.47* (0.03)	1.35 (0.33)	1.61* (0.04)
She: men not faithful	1.10 (0.71)	1.09 (0.75)	2.23† (0.08)	0.79 (0.47)
He: women not faithful	0.92 (0.78)	0.89 (0.70)	1.09 (0.86)	0.77 (0.54)
She: trust in parenting	1.14 (0.67)	1.24 (0.48)	0.96 (0.94)	1.42 (0.41)
His impulsiveness scale	1.44** (0.01)	1.46** (0.00)	1.59* (0.04)	1.16 (0.43)

Table 2, continued

Her impulsiveness scale	1.10 (0.49)		1.09 (0.56)	0.97 (0.90)	1.37 (0.14)
His substance use	1.31 (0.13)		1.30 (0.15)	0.98 (0.96)	1.56† (0.08)
Her substance use	0.87 (0.55)		0.83 (0.44)	1.89† (0.07)	0.51† (0.07)
Man ever in jail?	0.81 (0.32)		0.82 (0.36)	0.66 (0.33)	0.91 (0.73)
Constant	2.58 (0.46)	0.10** (0.00)	1.04 (0.98)	5.38 (0.46)	0.92 (0.96)
Pseudo R2	0.1469	0.0440	0.1598	0.2280	0.1019
LR Chi2	178.8***	54.5***	198.3***	126.8***	55.0*

*Note:* Couple kept money together at both times is omitted category for money management.

Non-Hispanic White is omitted category for woman's race-ethnicity. Less than high school is omitted category for education. Married at both 12 and 36 months is omitted category for marital status.

\*\* p<0.01, \* p<0.05, † p<0.1