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The Emotional Effects of Debt

Debt can cause a lot of damage, and not just to your credit score. It can literally drive you crazy. Get help with credit card debt and find peace of mind.

Home > Debt Help Advice > The Emotional Effects of Debt

Table of Contents

Debt has long been a problem for many Americans, but the COVID-19 pandemic spread the misery to tens of millions more.

And it's not just the actual lack of money that's the problem.

A shortage of money led to a massive increase in anxiety. The emotional strain of dealing with debt can be almost damaging as getting your electricity cut off or having your car repossessed or seeing your credit score plunge to where you'll never get another loan.

With housing alone, a 2021 report by the Federal Reserve Bank of Philadelphia estimated that families owe about $11 billion in back rent. A study by the University of California put that figure at $20 billion.

Whatever the cost, whatever the cause, debt wreaks emotional havoc on our psyche.

Among the negative effects are low self-esteem and impaired cognitive functioning. That means you can't learn, remember, be attentive or solve problems as well when you're freaking out over your water bill.

And get this – debt can hurt. I mean, really hurt.

A study of 33,720 U.S. households published in the January 2016 edition of Psychology Science found that those with higher levels of unemployment were more likely to purchase over-the-counter pain killers.

That wasn't particularly surprising, but a research team discovered that simply thinking about the prospect of financial insecurity was enough to increase pain. People reported feeling almost twice as much physical pain after recalling a financially unstable time in their life compared to those who thought about a secure period.

It's rare for someone to never have money problems. Trouble happens, jobs disappear, marriages fail, people get sick, their homes lose value and bill just keep piling up. No one is immune, especially during and after a pandemic..

So what came first, the pain or the debt?

Responding to Debt

Debt FAQs Menu

Debt FAQs Menu

Debt FAQs

Annuities and Structured Settlements

Debt Myths

Building an Emergency Fund

Do I Have Too Much Debt?

Do I Need a Debt Lawyer?

That's the best answer researchers have come up with after years of study. Some research found that worrying about debt triggers stress, which reduces your resilience against mental health problems.

Other studies show mental health problems decrease self-control, increase spending and basically mess up a person's financial judgment. That would explain why Jack Nicholson didn't have a checking account in "One Flew Over the Cuckoo's Nest."

But when we say "mental illness" caused by debt, we're not talking about a full-bore disorder like schizophrenia that requires wearing a straitjacket. The problems are less glaring, but they can still take you to still tie you up in knots.

Behavior patterns that compel some to spend without restraint can drive a person into debt just as surely as a financial emergency caused by a car crash. Regardless of how someone falls behind, being in debt can trigger unsettling emotional responses.

Denial

No, it's not just a river in Africa. It's long been a way of fiscal life in Washington D.C., but the flow has turned into torrent due to COVID-19 relief bills.

The national debt surpassed $28 trillion in the spring of 2021. The Congressional Budget Office predicted the budget deficit for 2021 alone would be $2.3 trillion.

Consumers don't have the luxury of endless deficit spending, though many act as if they do. They spend compulsively while ignoring their deteriorating condition. They put off dealing with problems until some outside event – credit denied, threat of foreclosure, legal action, harassing phone calls from debt collectors – forces a change.

Some of the symptoms of debt denial are:

- Underestimating how much you owe.
- Not answering the phone when you suspect a collection agency is calling.
- Leaving bills unopened or just stuffing them in a drawer.
- Opening a new credit card when your old one is maxed out.
- Telling yourself that everyone is in the same situation.

Such behavior just leads to more debt as interest charges and late fees pile up. But ignoring reality is a handy defense mechanism for the brain. It's a way to rationalize mistakes and protect your ego. The problem is reality always sets in.

Stress

It's the opposite of denial, and there's plenty of it based on debt-management statistics. Debt and stress are like co-joined twins.

The average credit card debt for American families is $6,270, according to a 2021 study by Value Penguin. Overall, Americans owe $807 billion across almost 506 million credit card accounts.

The strongest predictor of financial strain is credit card debt, according to a study published in the October 2020 edition of Aging & Mental Health. It found that for every $10,000 in credit card debt, the odds increase 65% that

How Do Debt Relief Programs Work
The Truth About Dave Ramsey: A Review of Dave's Bad Math
Dave Ramsey's Zero-Based Budget: Is it Realistic?
The Truth About Dave Ramsey's Baby Steps: Do They Work?
Debt Snowball Method Works – But It Will Cost You $$$$
What Is the Debt Avalanche?
How To Get Out of Debt with Bad Credit
Envelope System Explained: Pros, Cons and Alternatives
The Best Ways to Consolidate Your Debt
Mortgage Debt Forgiveness & The Mortgage Debt Relief Act
The Best Debt Relief Companies
Financial Assistance for Single Parents
Financial Assistance for Widows
Financial Advice for Mental Diseases & Disorders
What to Do When You Can't Pay Your Utility Bill
Inheriting Debt
Emotional Effects of Debt
Good Debt vs. Bad Debt
How Do I Get Out of Debt?
What is Debt Recovery?
Financial Assistance for Senior Citizens
Financial Assistance for Special Needs

their general happiness,. One-third said it negatively affected their standard of living, and 1 in 5 said it harmed their health.

That is stress in action.

So what exactly is "stress?"

The term was coined by endocrinologist Hans Selye in 1936, who defined it as "the non-specific response of the body to any demand for change."

In modern financial terms, that means you hyperventilate when the Visa bill arrives.

Stress may be hard to define, but it manifests itself in obvious ways – lack of sleep, loss of focus, nagging worry.

It can affect big things like your job, since you fear losing it would make your financial situation even worse. It can affect small things like lunch, since you feel guilty for ordering a $2.19 iced tea instead of water. You don't need an endocrinologist to tell you that's no way to live.

Fear and Panic

This is stress with the scab torn off. The thought of getting a late payment notice doesn't just make you uncomfortable, it gives you a rapid heartbeat, shortness of breath, dry mouth, a headache and the shakes.

On top that, debt gives skittish people one more reason not to walk down the marriage aisle. Researchers at the University of Wisconsin found that high levels of debt contributed to reduced marriage rates among young adults.

And once people got married, their money problems didn't go away. A 2019 report in Business Insider found that financial problems contributed to about 36% of divorces.

They were not "the most pertinent reason for divorce," but money problems "increased stress and tension within the relationship."

Similarly, a 2019 report in the Journal of Family and Economic Issues found that each additional $1,000 in student loan debt with 6% higher odds of financial worry, and each additional $1,000 in credit card debt with a 4% higher chance of financial worry.

Considering the U.S. Department of Education reported the average student loan debt was $39,351 at the start of 2020, that adds up to a lot of sleepless nights.

The National Institute of Mental Health estimates 40 million Americans suffer from anxiety. Financial worries are a massive trigger for those disorders.

You assume the worst, like that you'll be homeless if your house gets foreclosed, or your car is going to break down on the way to work and you're going to get fired for being late.

Nobody wants to live like that.

And apparently, they don't want to marry anyone who lives like that, either.

Anger

As the economy sagged, anger issues rose. The phenomenon got its own name in medical circles: Debt-Anger Syndrome.

Rental Assistance Programs & Organizations
What to Do About an Eviction
How to Avoid Landing in Debt
What to Tell Your Aging Parents about Debt
How to Tell Your Kids about Your Debt
How Consumers Can Use Groupons to Save Money
Americans in Debt: How Do You Compare?
Timeline of U.S. Federal Debt Since Independence Day 1776
10 Biggest Mistakes People Make When Paying Off Debt
Adding a Teenager to Your Car Insurance Policy
Phone Bills Bring a Holiday Surprise: 62 Percent in Fees
10 Things to Know When Shopping for a Car
Compound Interest: How It Works
The Dos and Don'ts of Investing
Financial Concerns of Caring for a Child with Autism | Real People, Real Life
Hidden Cellphone Costs Can Pull You into a Financial Black Hole
These 7 Habits Will Help You Become Rich
What To Do with Gift Cards if a Store is Out of Business?
How to Cut Your Utility Bills This Winter, No Matter Your Heating Fuel
Debt FAQs Menu

themselves for getting into this fix.

In short, they are mad at life.

This not only can ruin relationships, the physiological effects can lead to migraines, heart disease and reduce your resistance to infections.

A 2016 report from the Federal Reserve Bank of Atlanta linked debt to higher death rates. Becoming seriously delinquent on a debt increased the mortality risk 5% in the first three months after the bill became delinquent. But a 100-point increase in a person's credit score led to a 4.38% decline in the mortality risk.

Somewhat surprisingly, suicide rates actually dropped during the pandemic. The Centers for Disease Control reported suicides in the U.S. were down 6% in 2020. That was the largest annual drop in almost 40 years.

Researchers aren't sure what led to the welcome decline, since overall mental-health issues skyrocketed due to the shutdown. They speculate increased treatment availability helped, along with a different overall perception of suicide.

With so many people suffering emotionally, the stigma associated with seeking medical help decreased.

Depression

People deny, freak out and lash out over debt. After they work through those stages, the bills are still staring them back in the face. That's when depression sets in.

It spread like a virus during the pandemic. A 2020 KFF Health Tracking Poll found that households experiencing income or job loss caused them to experience at least one adverse effect on their mental health. That included difficulty sleeping or eating, increases in alcohol consumption or substance use, and worsening chronic conditions.

Hopelessness sets in, as does low self-esteem. It can lead to even more debt, since sufferers sometimes try to relieve their depression by treating themselves to a shopping spree or some other mental getaway.

But all that does is lead to more debt, which leads to more depression and despair. At that point, people don't care whether their pain is caused by debt or debt is causing their pain.

They just want the pain to end.

Relief

The good news about debt and mental illness is the treatment can be pretty simple. You don't need to spend money on medication or spend time on a psychiatrist's couch.

You just need to get out of debt. Easier said than done, of course. But it can be done if you get a plan and stick to it.

The federal government has passed six major COVID-19 bills worth $5.3 trillion to help people and institutions deal with the pandemic. But ultimately, getting out of debt and its emotional turmoil is up to the individual.

The mere act of starting to dig out of a financial hole is a positive first step that will make you feel better. Many consumers have done that by contacting a debt management agency.

Credit counselors work with them to set up a budget, and they work with creditors to reduce interest rates. That mountain of depressing bills is consolidated into one monthly payment, and the non-profit agency distributes the funds to creditors.

So, if debt is driving you crazy, take heart. Solutions for your credit woes are within reach.

ABOUT THE AUTHOR

Bill Fay

Bill "No Pay" Fay has lived a meager financial existence his entire life. He started writing/bragging about it in 2012, helping birth Debt.org into existence as the site's original "Frugal Man." Prior to that, he spent more than 30 years covering the high finance world of college and professional sports for major publications, including the Associated Press, New York Times and Sports Illustrated. His interest in sports has waned some, but he is as passionate as ever about not reaching for his wallet. Bill can be reached at bfay@debt.org.

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