

The Economic Well-Being of U.S. Households

Findings of the Survey of Household Economics and Decision Making

August 26, 2014

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Division of Consumer and Community Affairs

Organized by the Federal Reserve Board of Governors

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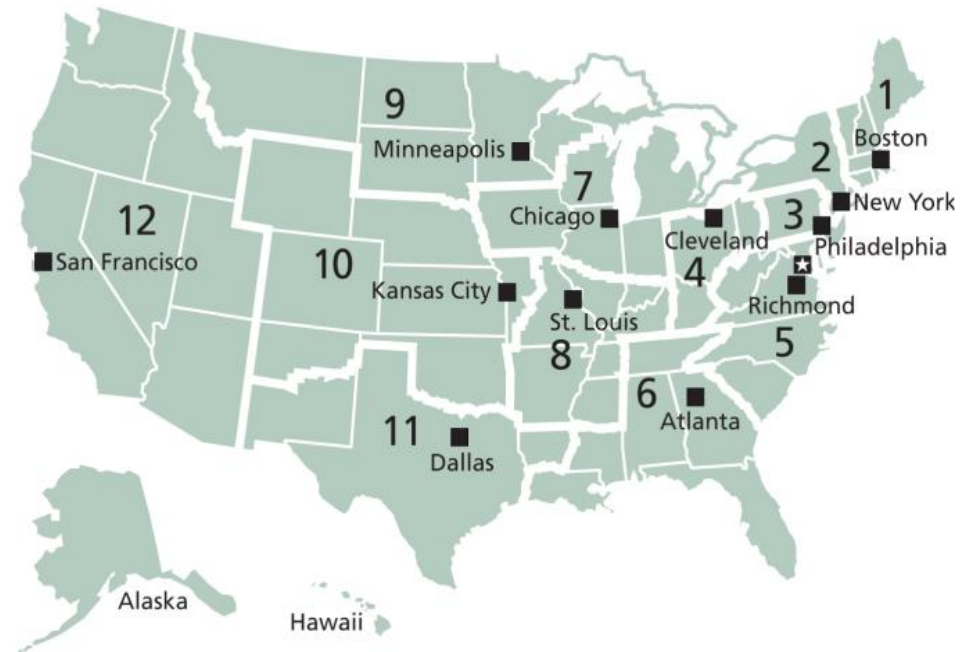
In connection with this session, you can find a variety of additional resources on this topic, available at www.fedcommunities.org. We encourage you to browse through this site and to contact your regional office if you would like additional information on any of these items.

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- The Community Development (CD) function within the Federal Reserve System – consisting of individual departments at each of the twelve Federal Reserve Banks as well as at the Board of Governors – promotes economic growth and financial stability for low- and moderate-income (LMI) communities and individuals through a range of activities, including:
 - **Convening stakeholders:** including practitioners, financial institutions, nonprofits, governmental agencies, and the philanthropic and private sectors,
 - **Conducting and sharing research** to examine economic challenges facing low- and moderate-income communities and attendant policy implications; and,
 - **Identifying emerging issues.**





Report on the Economic Well-Being of U.S. Households in 2013

July 2014

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

Full report available under the Community Development tab of the FederalReserve.gov website

Who We Are

- The Division of Consumer and Community Affairs ensures that the voices and concerns of consumers and communities are represented at the Central Bank of the United States.

So, Why Survey Consumers?

- Gives us the ability to go to consumers and ask questions directly about how they are faring and where there might be causes for concern
- Over time, we can track this information to see what new issues emerge and what trends look like
- Allows us to factor this information into our own policymaking
- Also provides new, publicly available information as a resource to researchers and others

Motivation for This Survey

- Cast light on current issues affecting consumer financial well-being and help us monitor recovery from the financial crisis
- Help monitor trends in consumer behavior and sentiment as they relate to household finances and the broader economy
- Fill data gaps and provide insights into questions for which there may not be other reliable data sources

Survey Methods

- The panel is designed to be representative of the U.S. adult population
- Survey was fielded during September and October 2013
- Total of 4,134 respondents
- Survey methodology described in further detail in the report

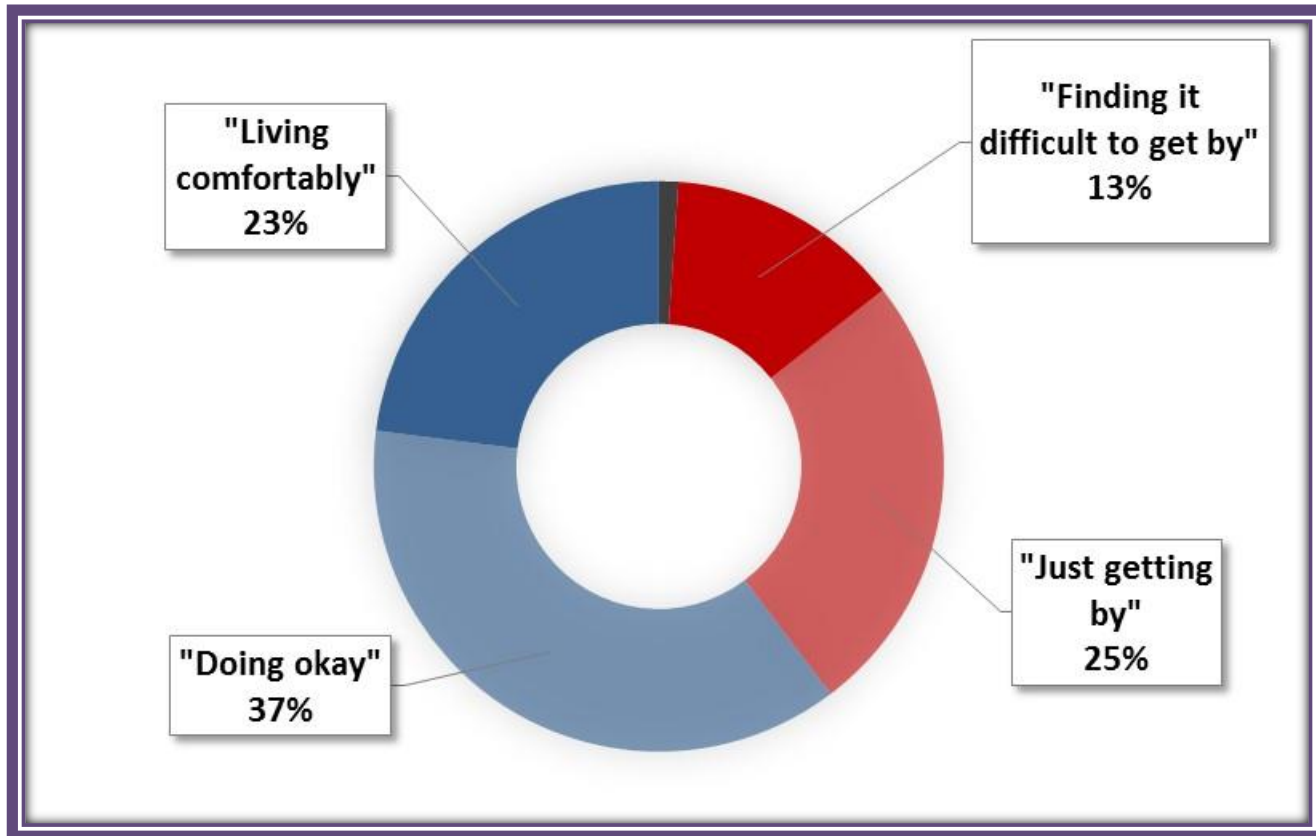
Major Survey Topics

- Household Economic Well-Being
- Housing and Living Arrangements
- Credit Behavior and Access to credit
- Savings
- Education and Student Loans
- Retirement
- Health Insurance Coverage and Expenses

Household Economic Well-Being

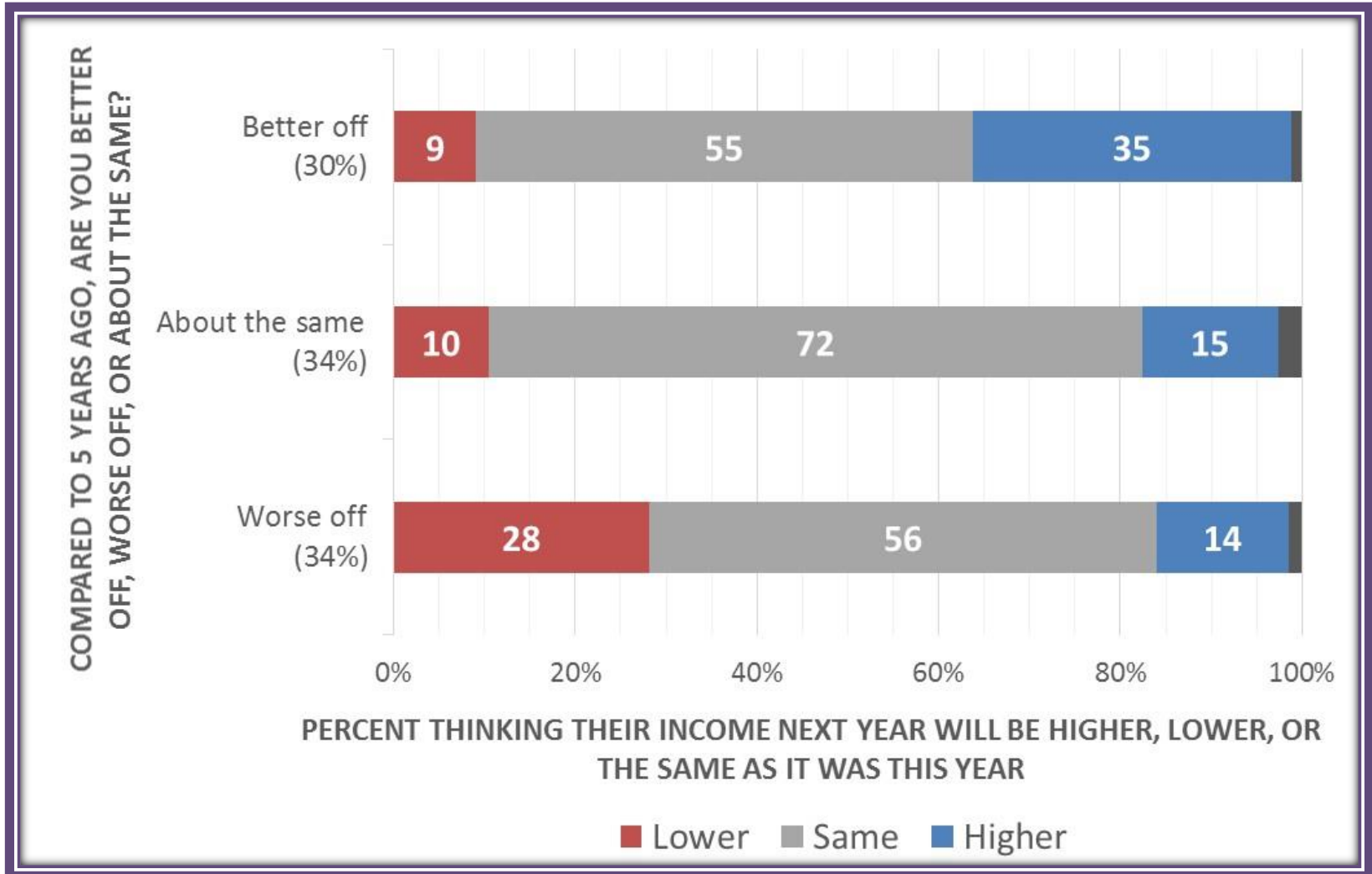
Household Economic Well-Being

Which one of the following best describes how well you are managing financially these days?



Asked of all respondents. n = 4,134

Recovery of Economic Well-Being



Asked of all respondents. n = 4,134

Housing and Living Arrangements

Housing and Living Arrangements

- 16 percent of respondents are living with individuals not in their immediate family
 - 51 percent are doing so to save money
 - 73 percent would live on their own if they could afford to do so

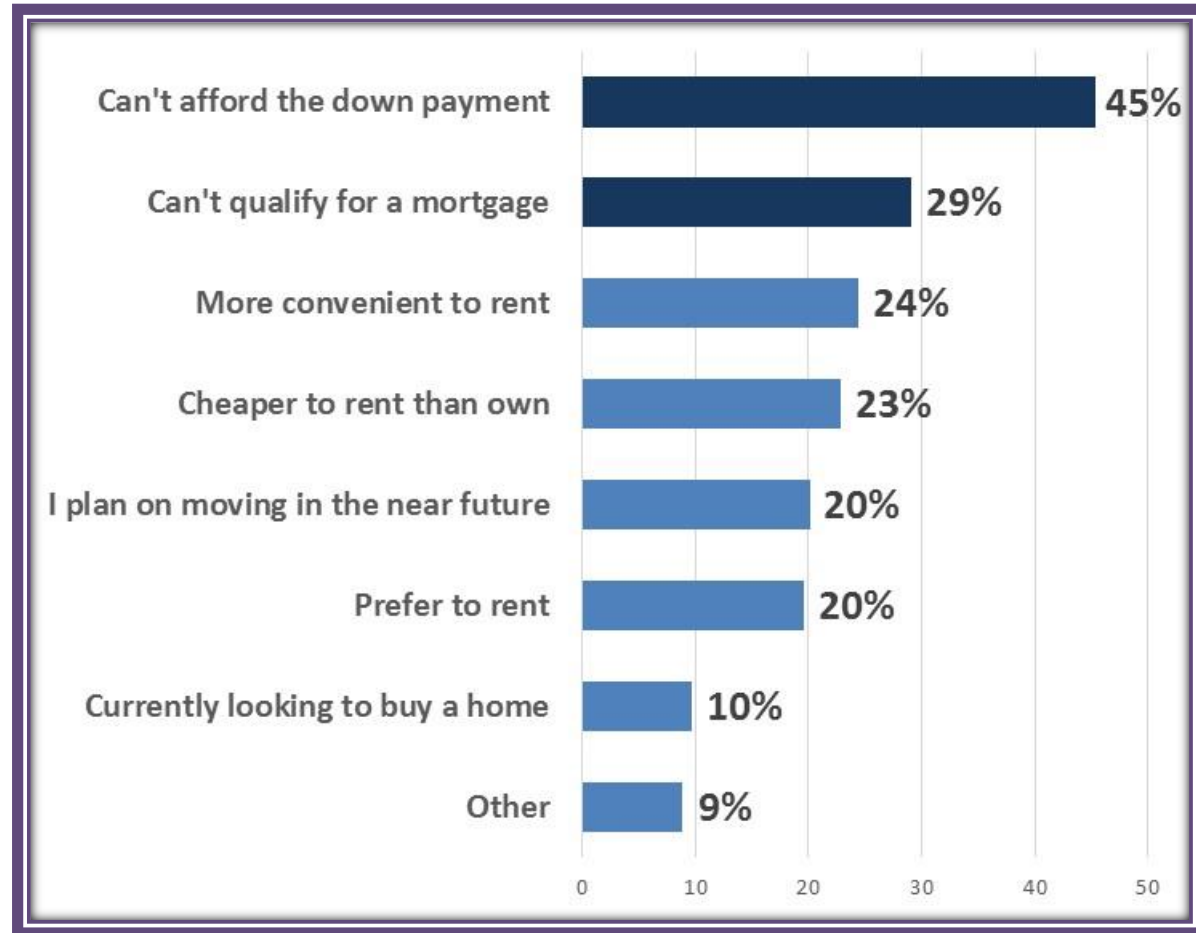
Sample limited to household head only:

Which one of the following best describes your housing arrangement?	
I (and/or my spouse/partner) own my home	65%
I (and/or my spouse/partner) pay rent	31%
I (and/or my spouse/partner) don't own my home or pay rent	3%
Among Household Heads. n = 3,411	

Note: Census reports homeownership rate of 65.3% in Q3 2013 (unadjusted).

Reasons for Renting

- Renters age 45 and older were more likely to say they “simply prefer to rent” or that it is “cheaper to rent than own”.
- Renters under age 45 were more likely to say they are “currently looking to buy” or that they “plan on moving in the near future”.



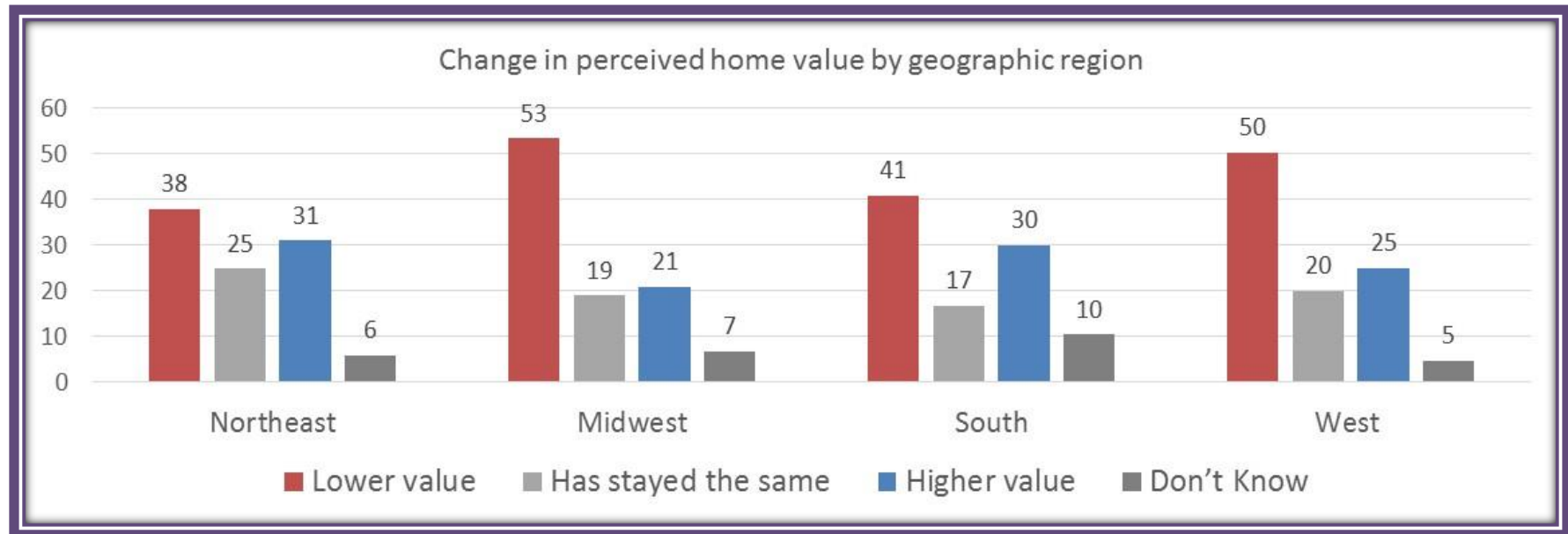
Asked of renters. n = 1,051

Housing and the Great Recession

Among homeowners prior to 2008:

Compared to five years ago (since 2008), do you think the value of your home today is higher, lower, or stayed the same?

	%
Lower value	45
Value has stayed the same	20
Higher value	27
Don't know	7

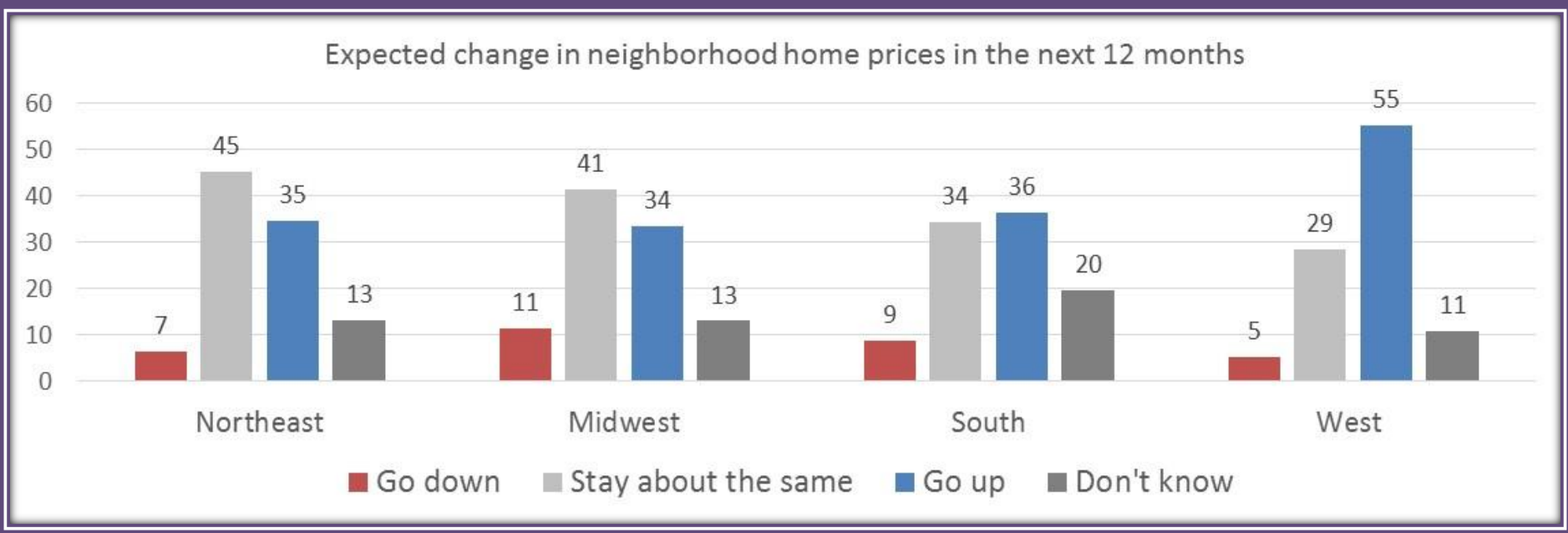


Asked of homeowners who owned since 2008. n=2,222

Housing

In the next 12 months, how much, if at all, do you think that home prices in your neighborhood will change?

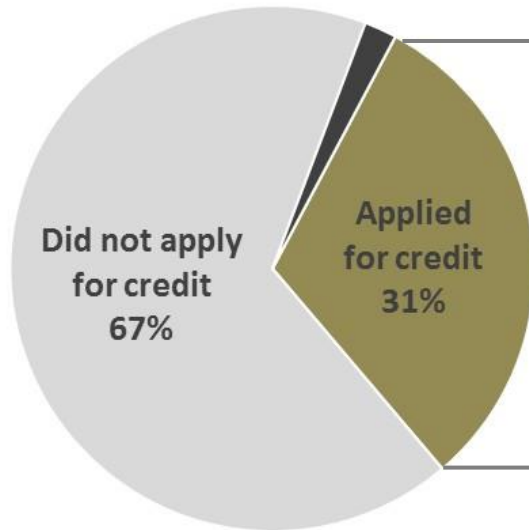
	%
Go down by more than 5 percent	3
Go down by 5 percent or less	5
Stay about the same	37
Go up by 5 percent or less	26
Go up by more than 5 percent	14
Don't know	15



Asked of all homeowners. n = 2,732

Credit Behavior and Access to Credit

Access to Credit



<u>Among those who applied for credit</u>	<u>%</u>
Approved	64
Denied or offered less credit than applied for	33
<u>Also put off applying for some other credit</u>	<u>26</u>

Among the two-thirds of respondents who did not apply for credit:

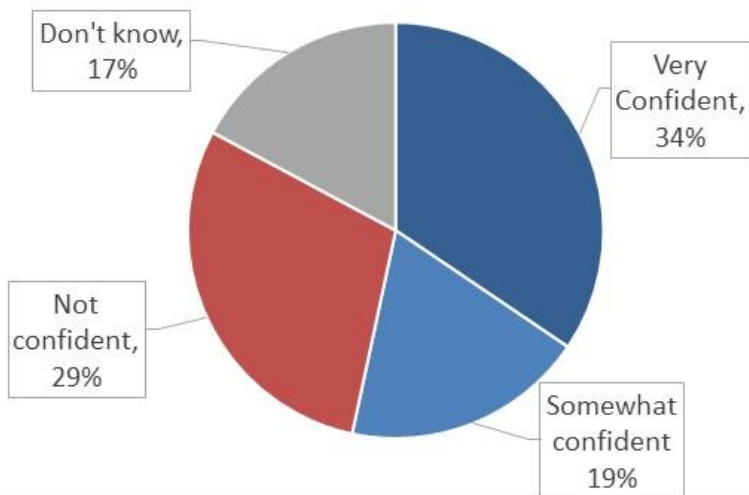
- 15 percent had put off applying for fear of denial

Overall, 23 percent of all respondents were either denied credit, offered less credit than they requested, or put off applying for fear of denial

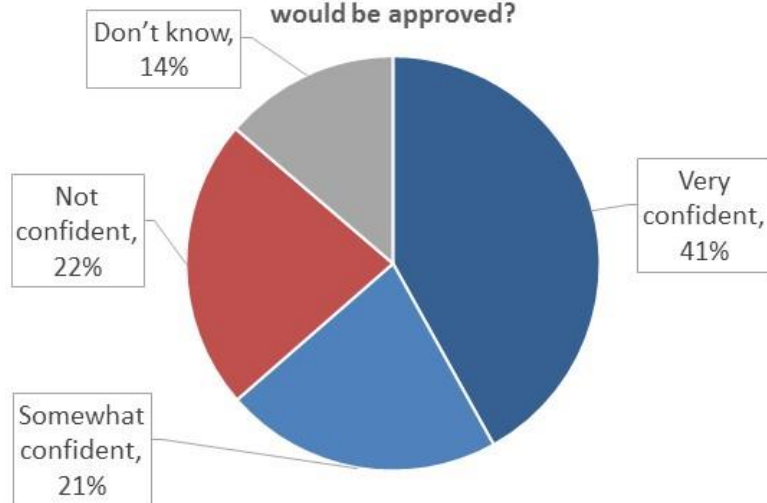
Among all respondents. n = 4,134

Access to Credit (continued)

If you were to apply for a mortgage today, how confident are you that your application would be approved?



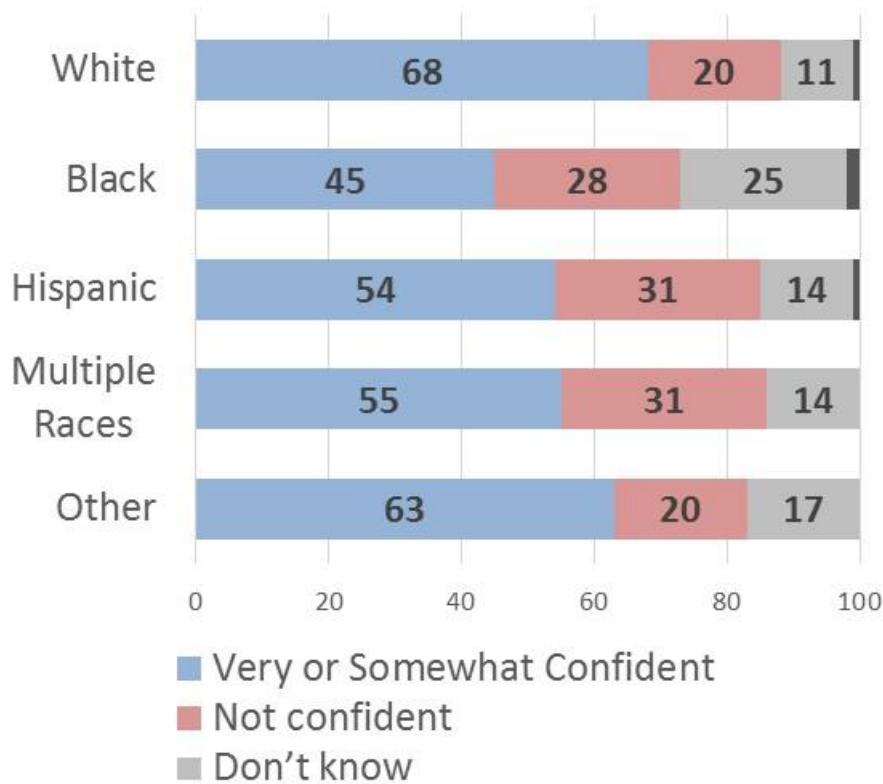
If you were to apply for credit or a loan today (other than a mortgage), how confident are you that your application would be approved?



Among all respondents. n = 4,134

Credit Confidence, by Race/Ethnicity

Confidence that a non-mortgage credit application would be approved if you applied today

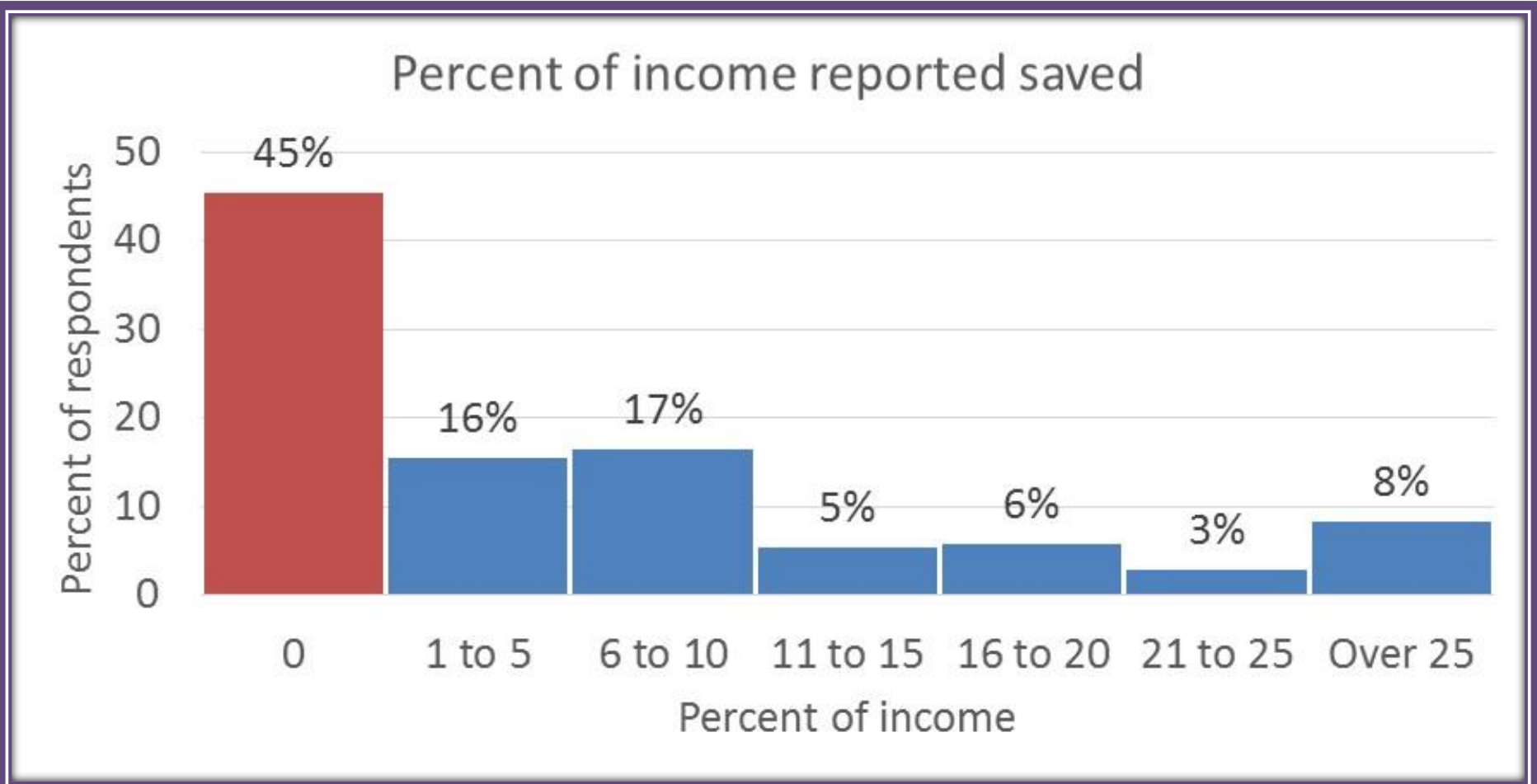


Among all respondents. n = 4,134

- Blacks and Hispanics were also more likely than Whites to:
 - Report being denied credit
 - Have put off applying for credit because they thought they would be turned down
 - Lack confidence that a mortgage application would be approved
 - Report that their credit score is “poor” or “fair” or that they don’t know
- But results are partially attributable to factors correlated with both race/ethnicity and credit

Savings Behavior

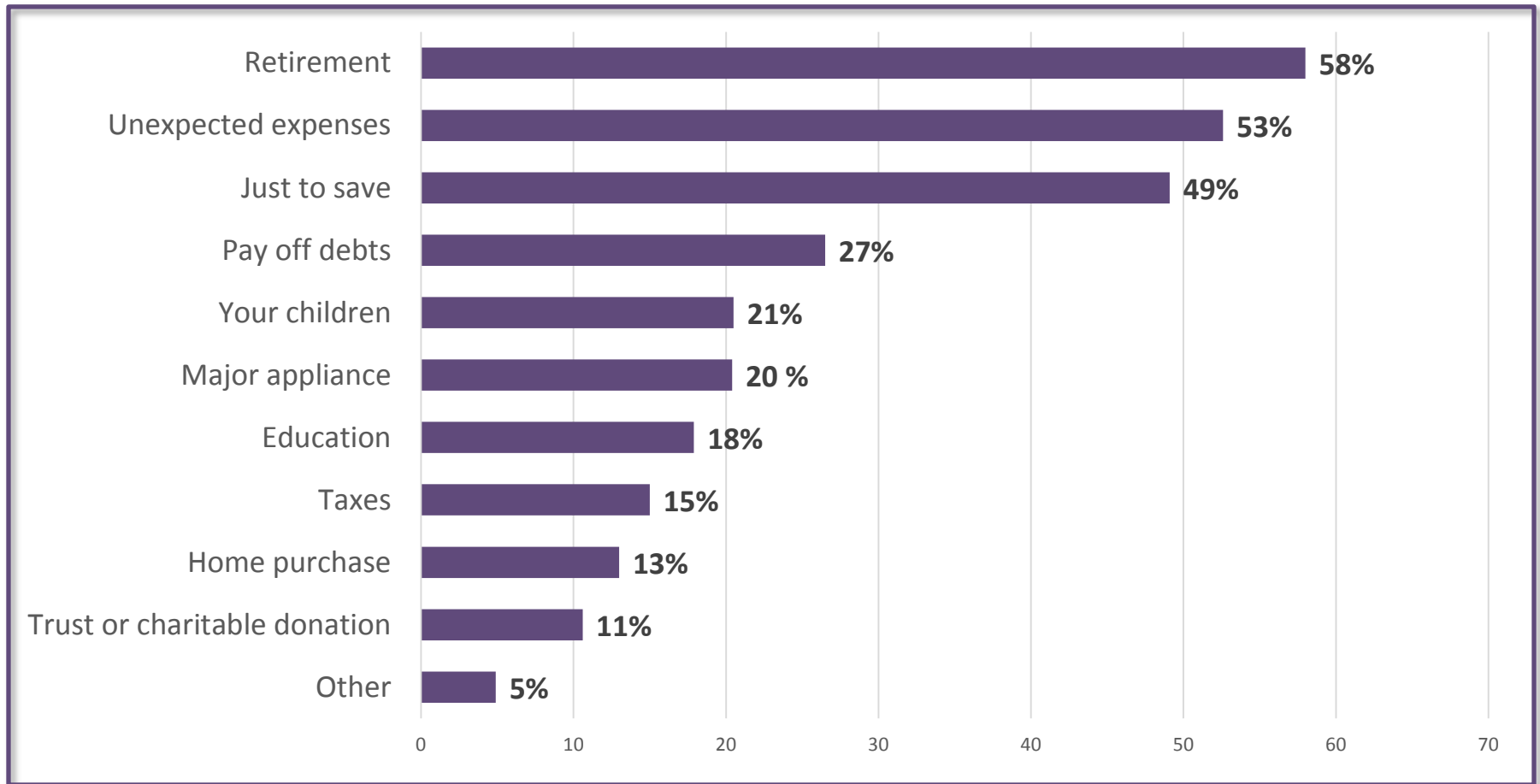
Savings Behavior



Asked of all respondents. n = 4,134

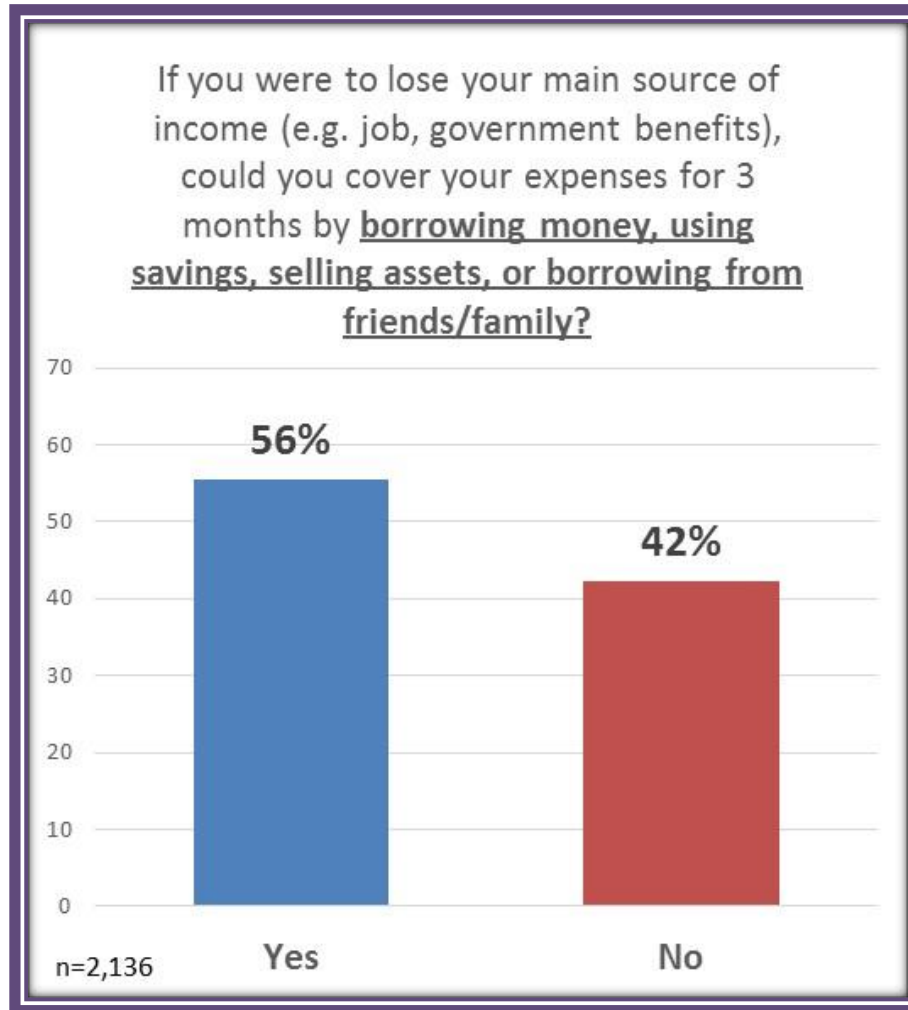
Reasons for Saving

“Which of the following categories, if any, are you saving money for?”



Asked of those who reported saving a positive portion of their income. n=2,270

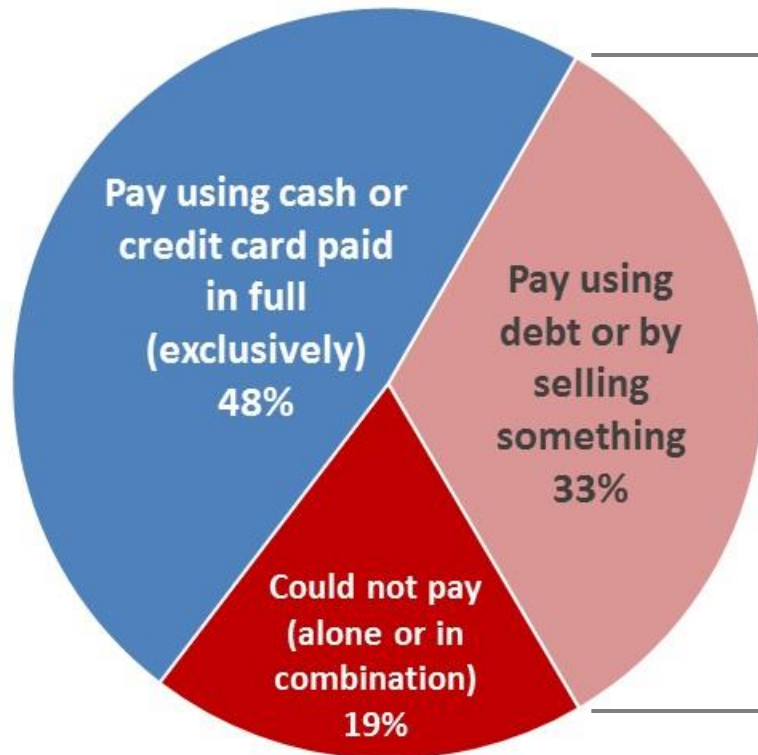
Emergency Savings



Asked of approximately ½ of respondents, randomly selected

Ability to Cover \$400 Expense

Suppose that you have an emergency expense that costs \$400. Based on your current financial situation how would you pay for this expense?



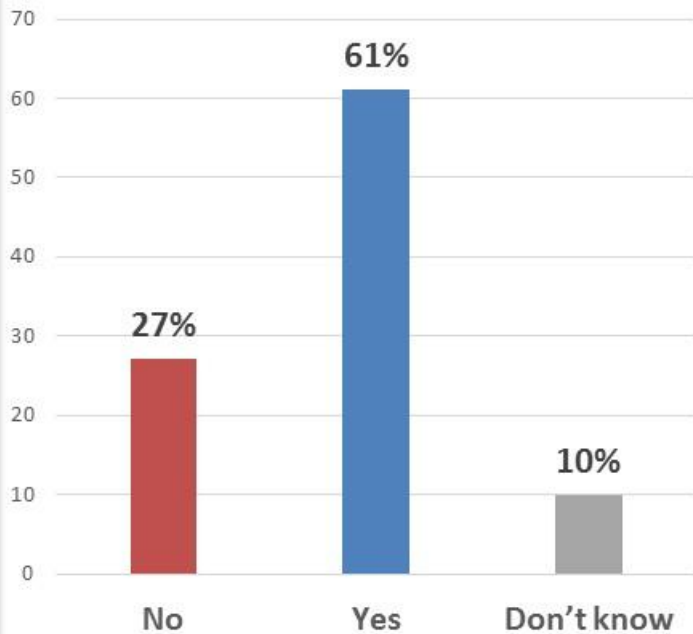
Among the 33% of respondents who could pay but would use some form of debt or sell something (respondents can choose multiple options)

	%
Credit card – paid off over time	49
Borrow from friends or family	27
Sell something	20
Use a bank loan	9
Use a payday loan	8
Other	6
Use cash or credit card paid in full (in combination with one or more forms of debt or sales)	27

Asked of all respondents. n = 4,134

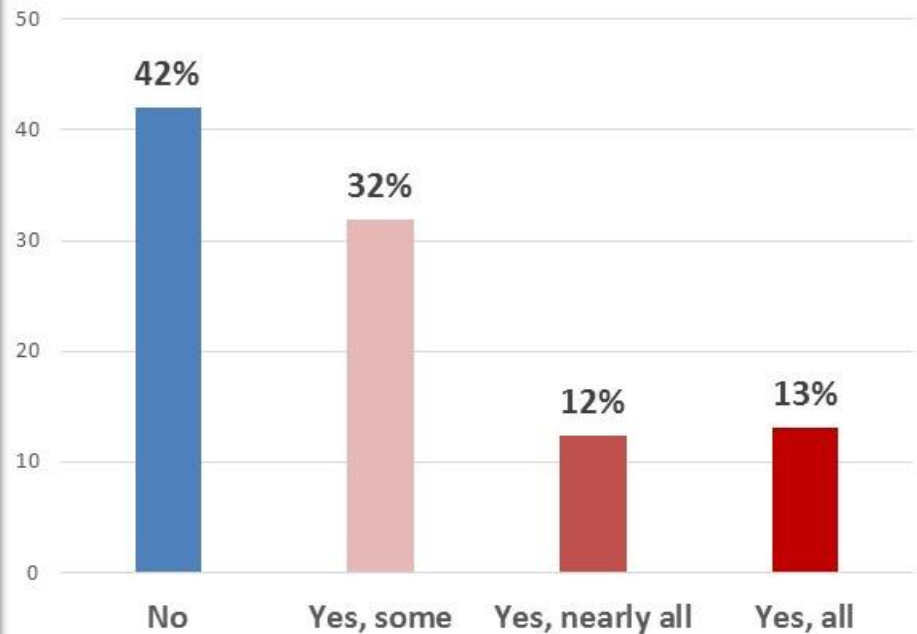
Savings and the Great Recession

Before 2008, did you or your household have any savings, including stocks, money in a savings account, or pensions?



Asked of all respondents. n = 4,134

Since 2008, have you or your household had to use up some, nearly all, or all of your savings to pay for bills and expenses?



Asked of respondents who had savings in 2008. n = 2,845

Student Loans and Education

Student Loans

Do you currently owe any money or have any loans that you used to pay for the education of anyone below:

(respondents could choose all that apply)

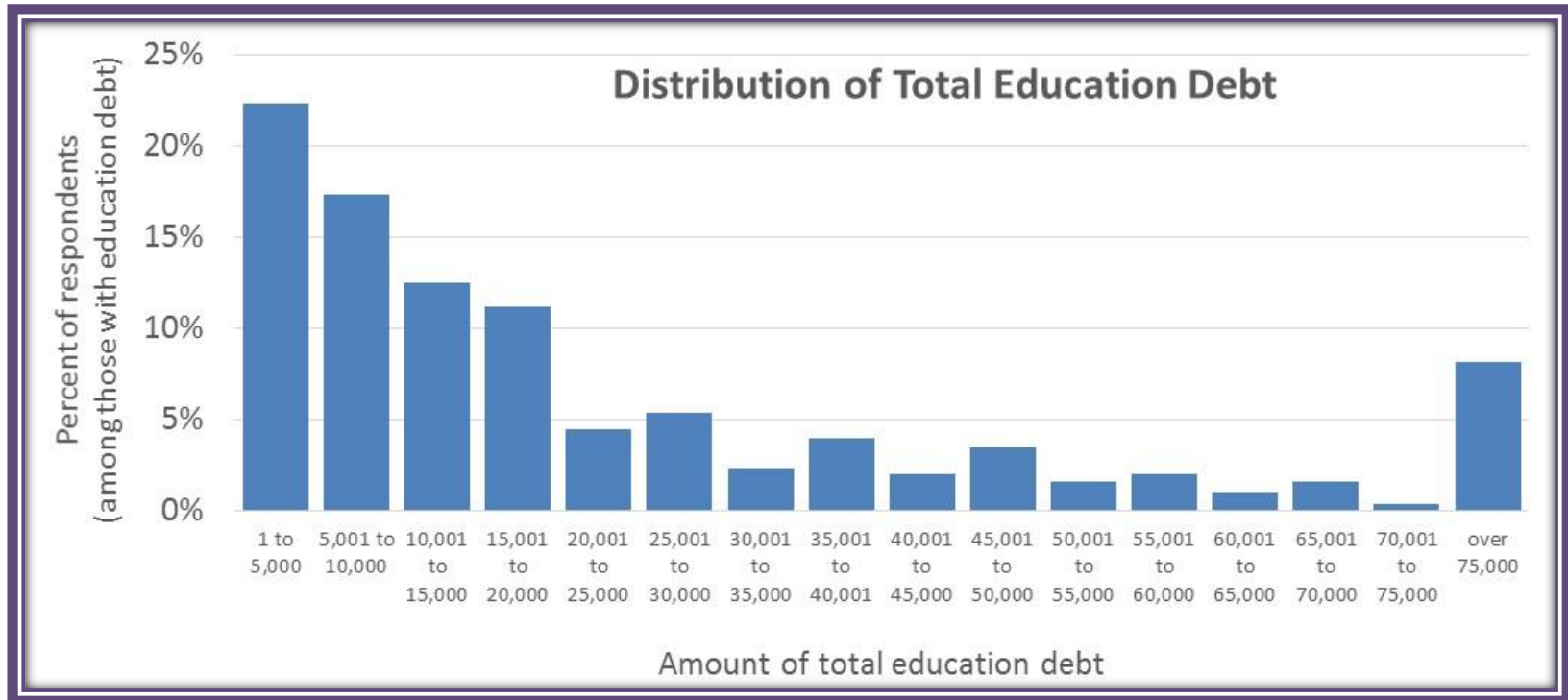
%

Your own education	16
Spouse/Partner's education	7
Child's education	6
Grandchild's education	1
Share with any education debt	24

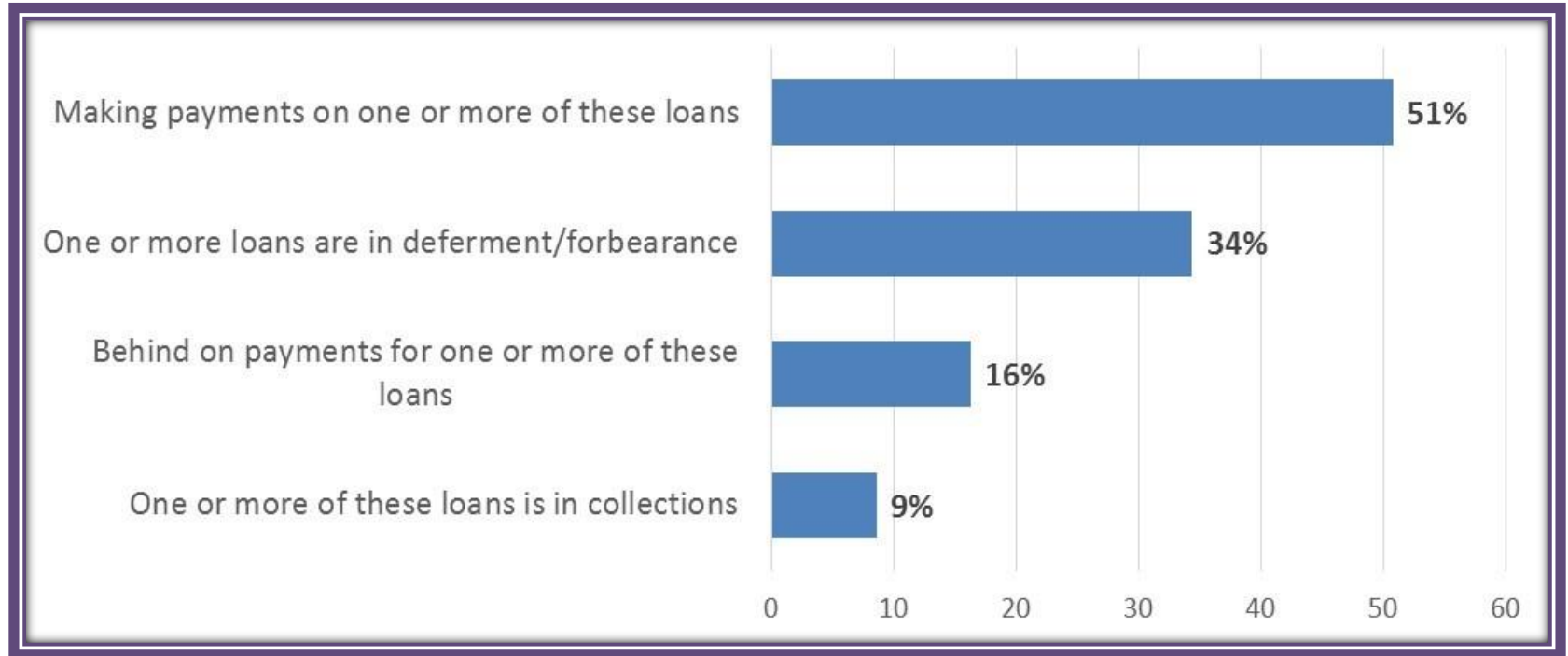
Asked of all respondents. n = 4,134

Student Loans (continued)

Total Debt	Mean	Median	N
For your education	\$25,750	\$13,000	514
Total education debt (for own, spouse's, child's, and/or grandchild's education)	\$27,840	\$15,000	849



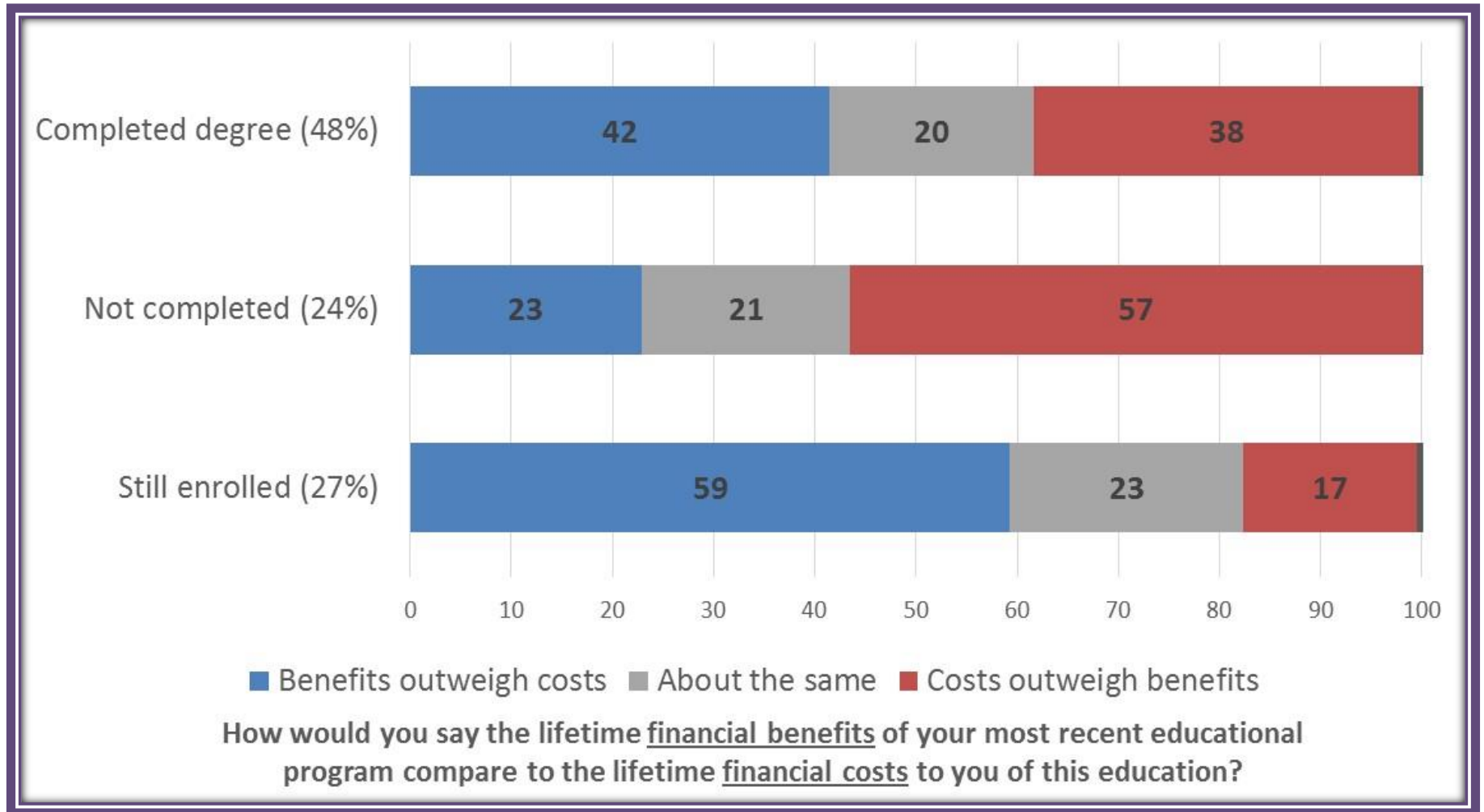
Payment Status of Own Student Loans



18 percent of those with debt for their own education were either behind on the loan or had a loan in collections

Asked of those with debt for their own education. n=568

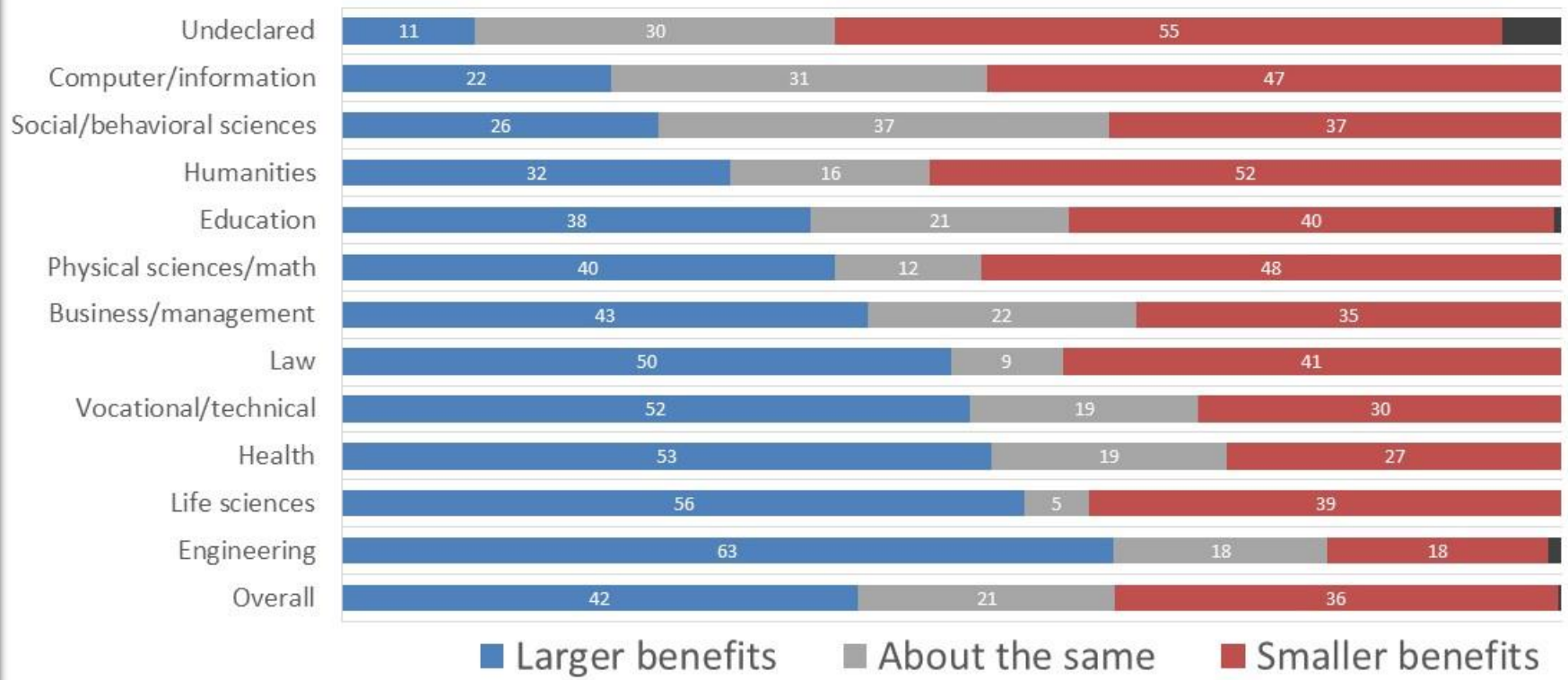
Degree Completion: Self-Perceived Value (of Those with Education Debt)



Asked of those with debt for their own education. n=568

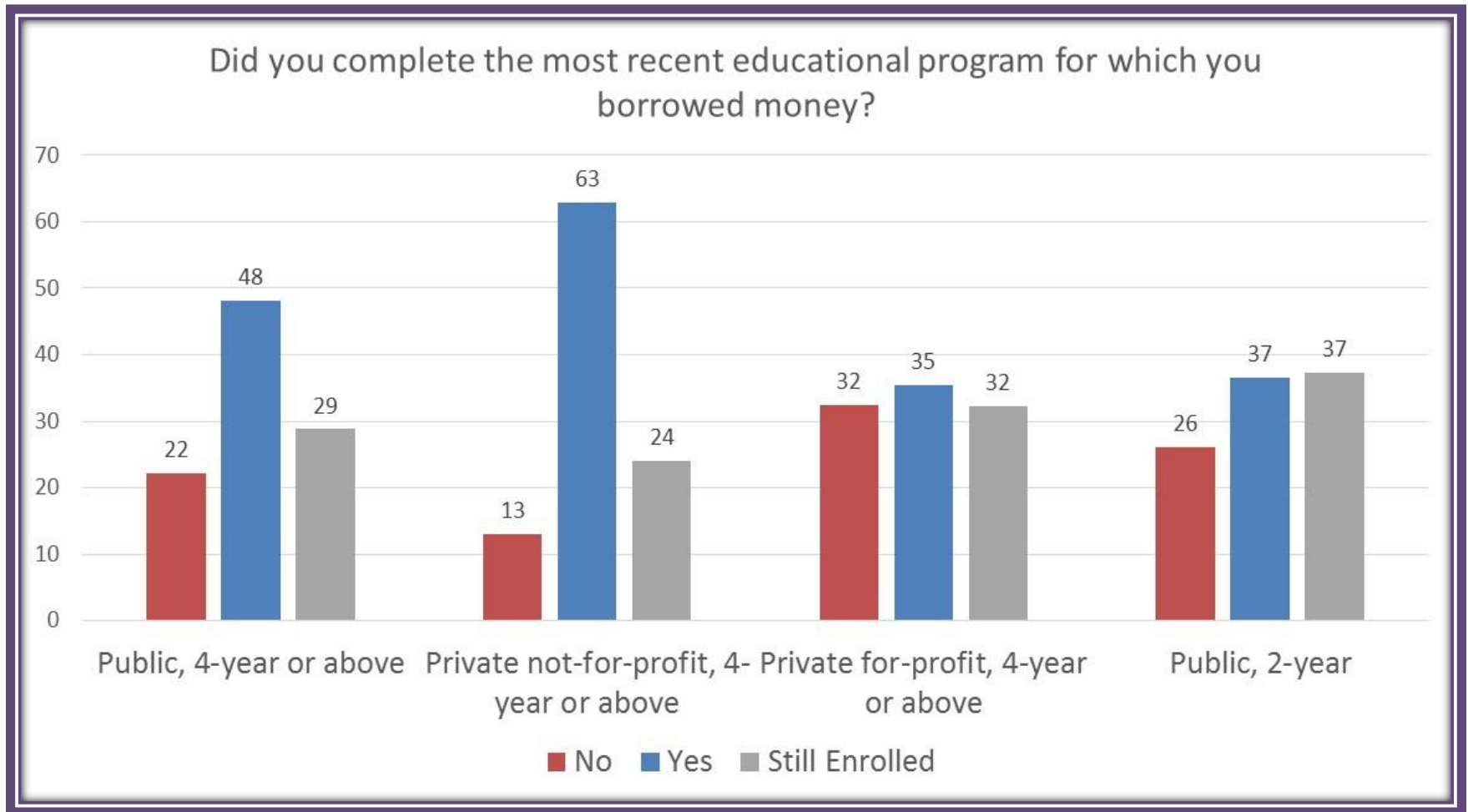
Field of Study: Self-Perceived Value (of Those with Education Debt)

Overall, how would you say the lifetime financial benefits compare to the lifetime financial costs of most recent education program?



Asked of those with debt for their own education. n=568

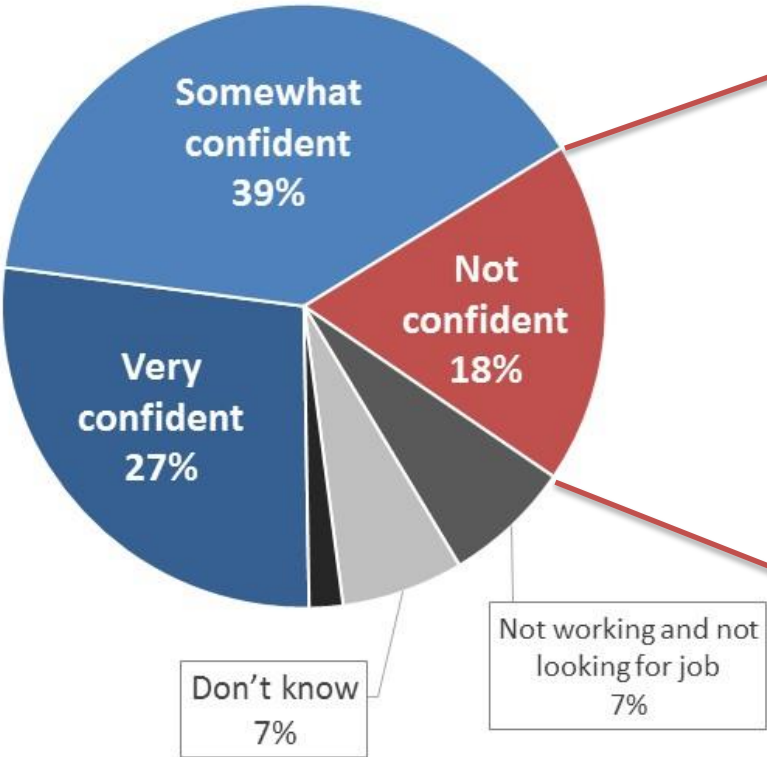
Type of Institution: Completion of Degree



Asked of those with debt for their own education who report the latest school they borrowed money to attend. n=473

Labor Market Skills

How confident are you that you have the skills necessary to get the kinds of jobs you want now?



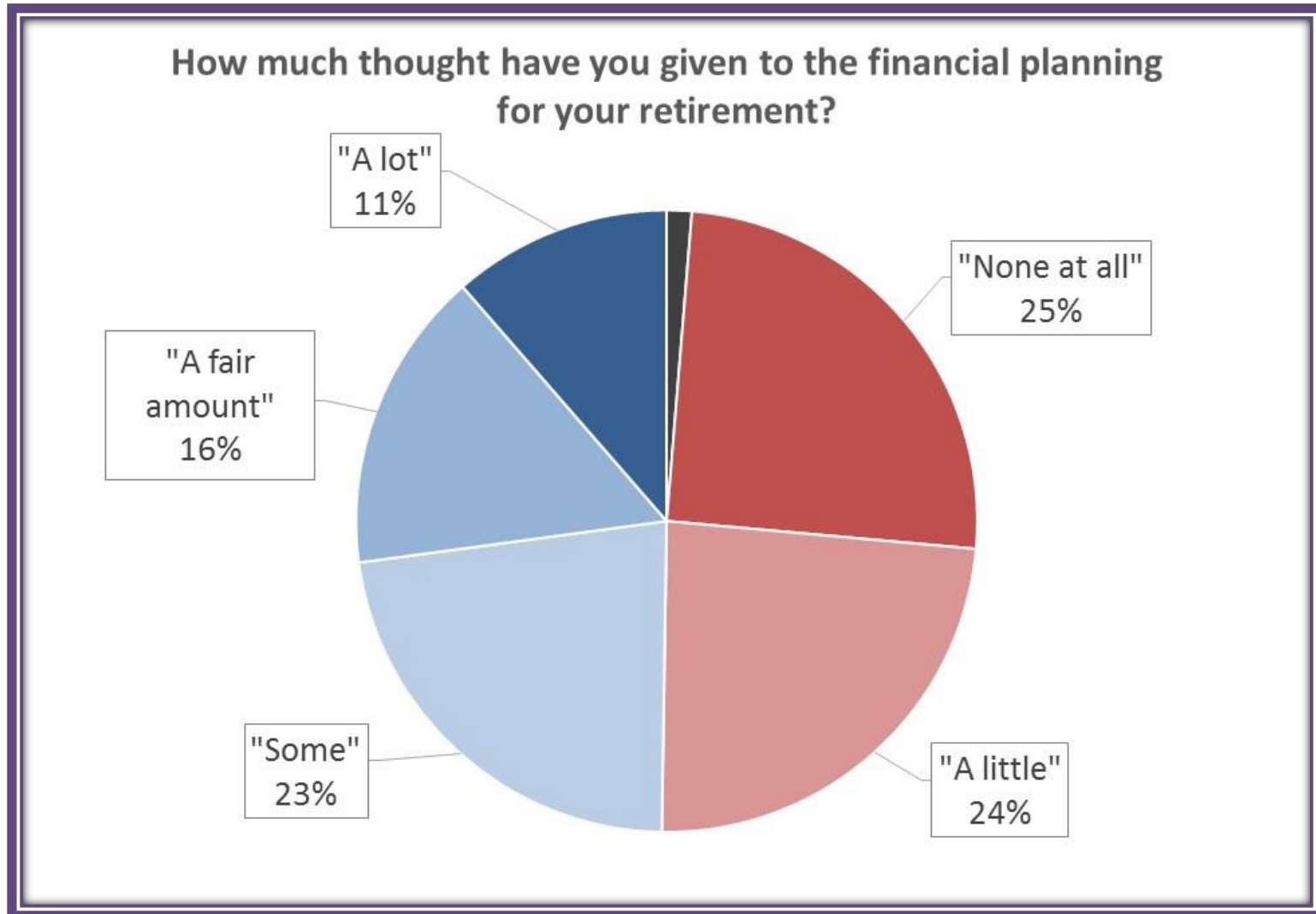
Reason(s) for lack of confidence in ability to get the jobs you want	%
I need more education or another degree	49
I need more job training	40
I can't keep up with changing job market	25
The kind of job I'm qualified for is not available	21
My skills are out of date	20

Asked of a subset of those who are not confident that they have the skills necessary to get the job they want. n=295

Asked of those who are not retired or disabled. n=2,684

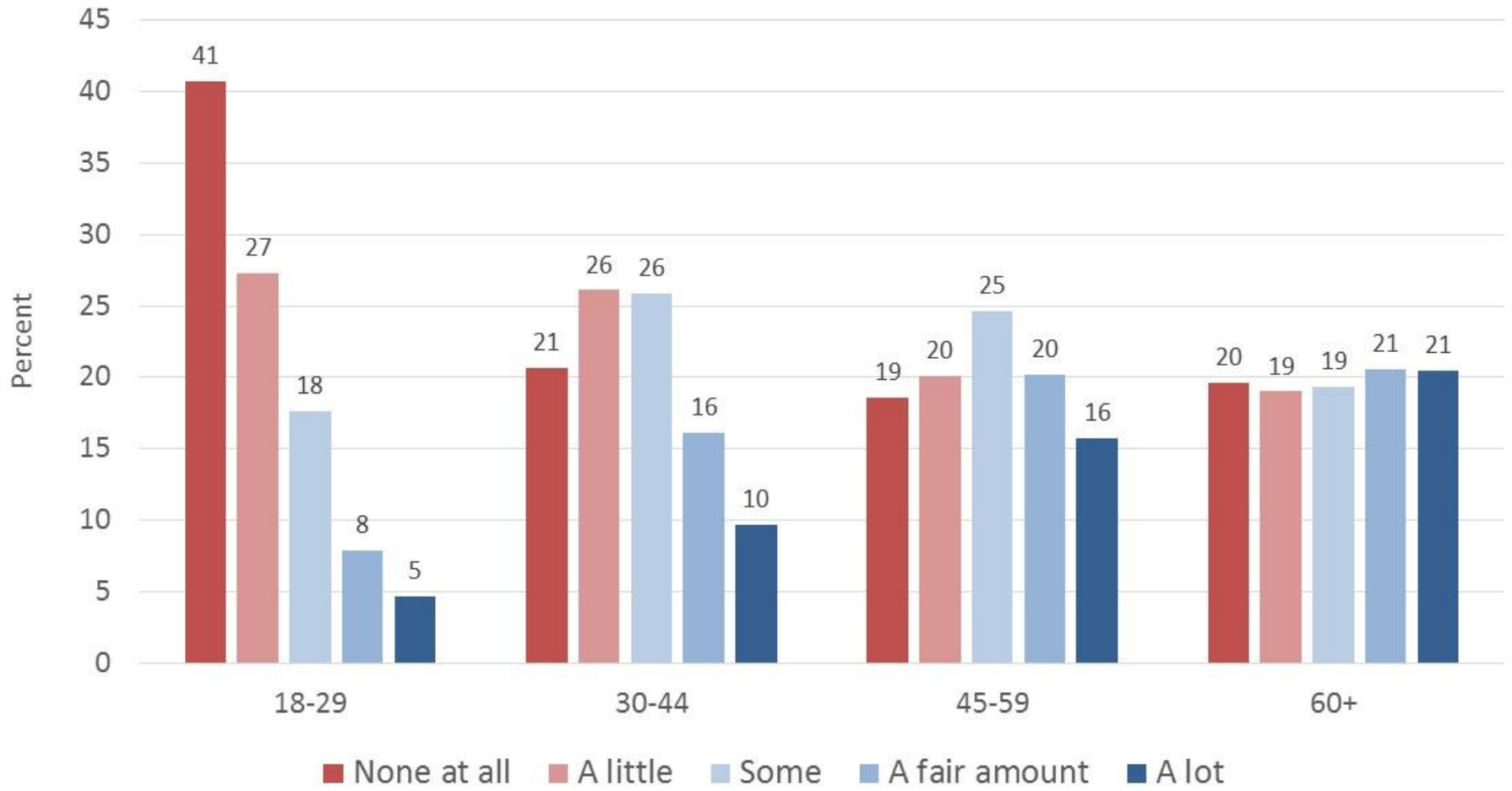
Retirement

Retirement Planning



Asked of those not currently retired. n=3,163

Retirement Planning by Age



Asked of those not currently retired. n=3,163

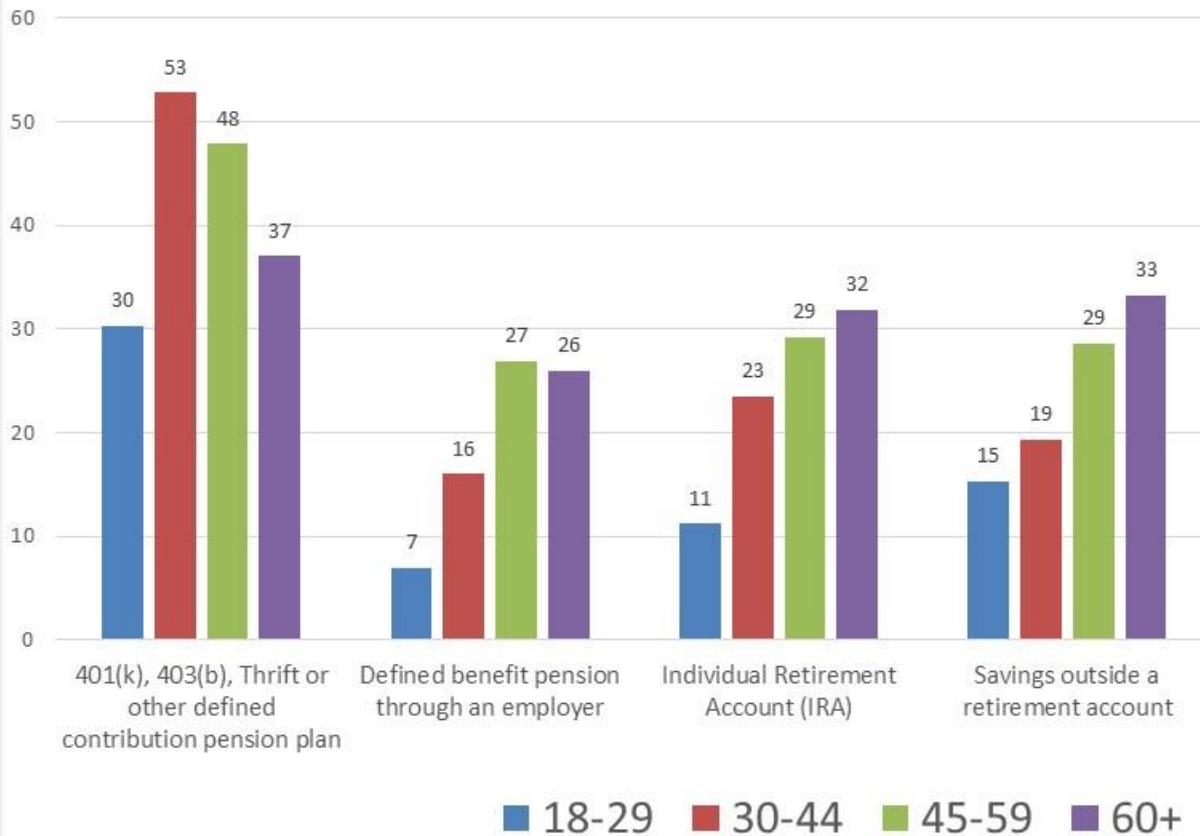
Retirement

Which one of the following best describes your plan for retirement?	18-29 %	30-44 %	45-59 %	60+ %	Total %
I do not plan to retire	5	6	8	3	6
Work fewer hours as I get close to retirement	14	10	6	14	10
Retire from my current career, but then find a different full-time job	5	4	4	0	4
Retire from my current career, but then find a different part-time job	15	13	18	17	16
Retire from my current career, but then work for myself	10	11	10	6	10
Work full time until I retire, then stop working altogether	35	29	22	15	25
Keep working as long as possible	16	22	21	28	21
Other	1	4	10	16	7

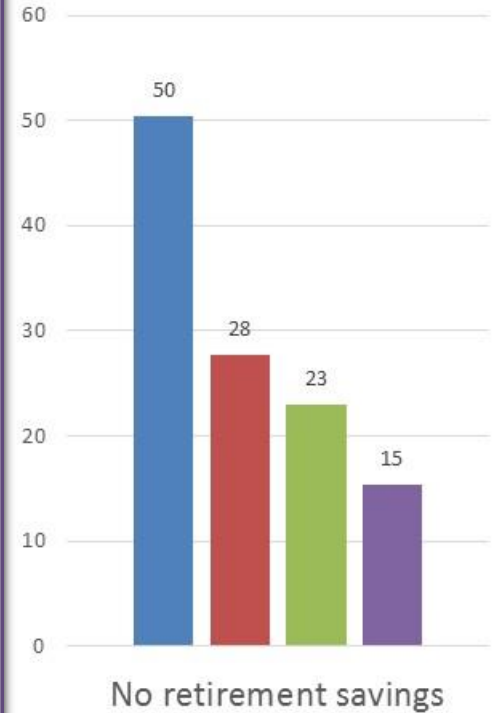
Asked of those not currently retired who have given at least “some” thought to retirement. n=1,766

Retirement Savings Types by Age

Do you have the following type of retirement savings



No retirement savings



Asked of those not currently retired. n=3,163

Retirement Income

How are you planning to pay expenses during retirement / How are you paying for expenses in retirement?	Planning (among non-retired)		Actual (among retired)
	Age 45-59	Age 60+	
Social Security Old-Age benefits	58	74	74
I will continue working	25	30	6
Spouse/partner will continue working	11	7	12
Defined benefit pension from work	27	29	44
401(k), 403(b), or other defined contribution pension	44	30	18
Individual Retirement Account (IRA)	26	29	29
Savings outside a retirement account	25	29	32
I don't know	16	9	n/a
N	1,122	426	971

Retirement and the Great Recession

Among those not retired who had given at least “some” thought to retirement:

Compared to your retirement plans before 2008, would you say that you now plan to retire...	Age		All Respondents
	45-59	60+	
	%	%	%
Plan to retire earlier	5	6	5
Plan to retire at the same age	34	27	33
Plan to retire later	41	41	36
Didn't think about retirement prior to 2008	19	25	24

Asked of those not currently retired who have given at least “some” thought to retirement. n=1,766

Among those who retired since 2008:

- 15 percent said they retired earlier because of the recession
- 4 percent said they retired later because of it

Health Care Expenses

Health Expenses

Respondent avoided any treatment because of cost in the past 12 months

	%	N
No	66	2,862
Yes	34	1,272

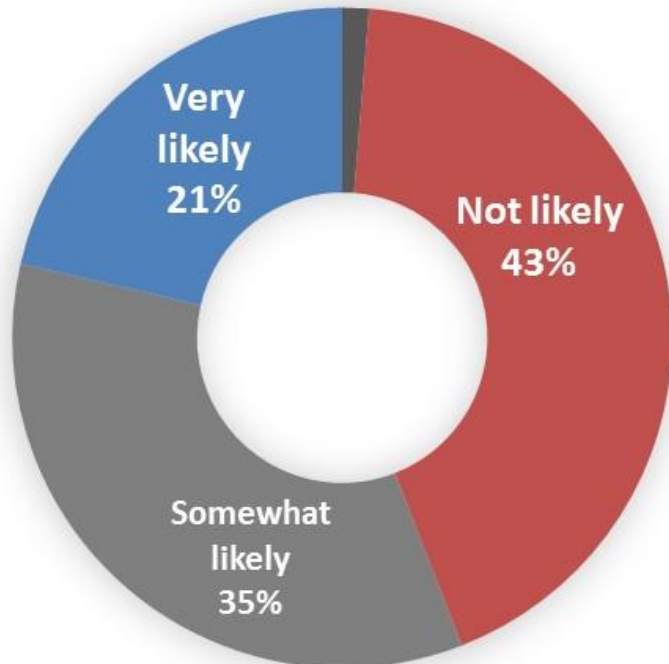
During the past 12 months, was there a time when you needed any of the following, but didn't get it because you couldn't afford it?

	%
Dental care	26
To see a doctor	18
Prescription medicine	15
To see a specialist	11
Follow-up care	10
Mental health care or counseling	7

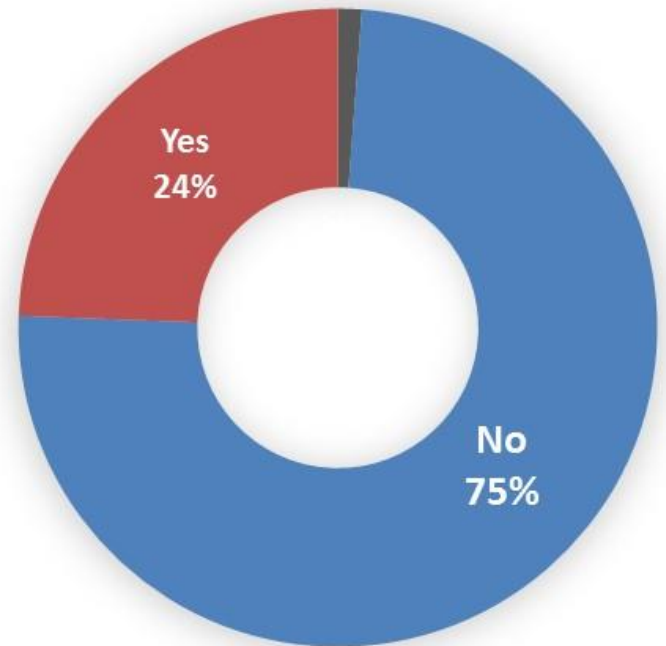
Asked of all respondents. n = 4,134

Health Expenses (continued)

If you were to have a major unexpected medical expense that you had to pay for out of pocket, how likely is it that you that you would be able to pay your medical bills?



During the past 12 months, have you had any unexpected major medical expenses that you had to pay out of pocket (that were not completely paid for by insurance)?



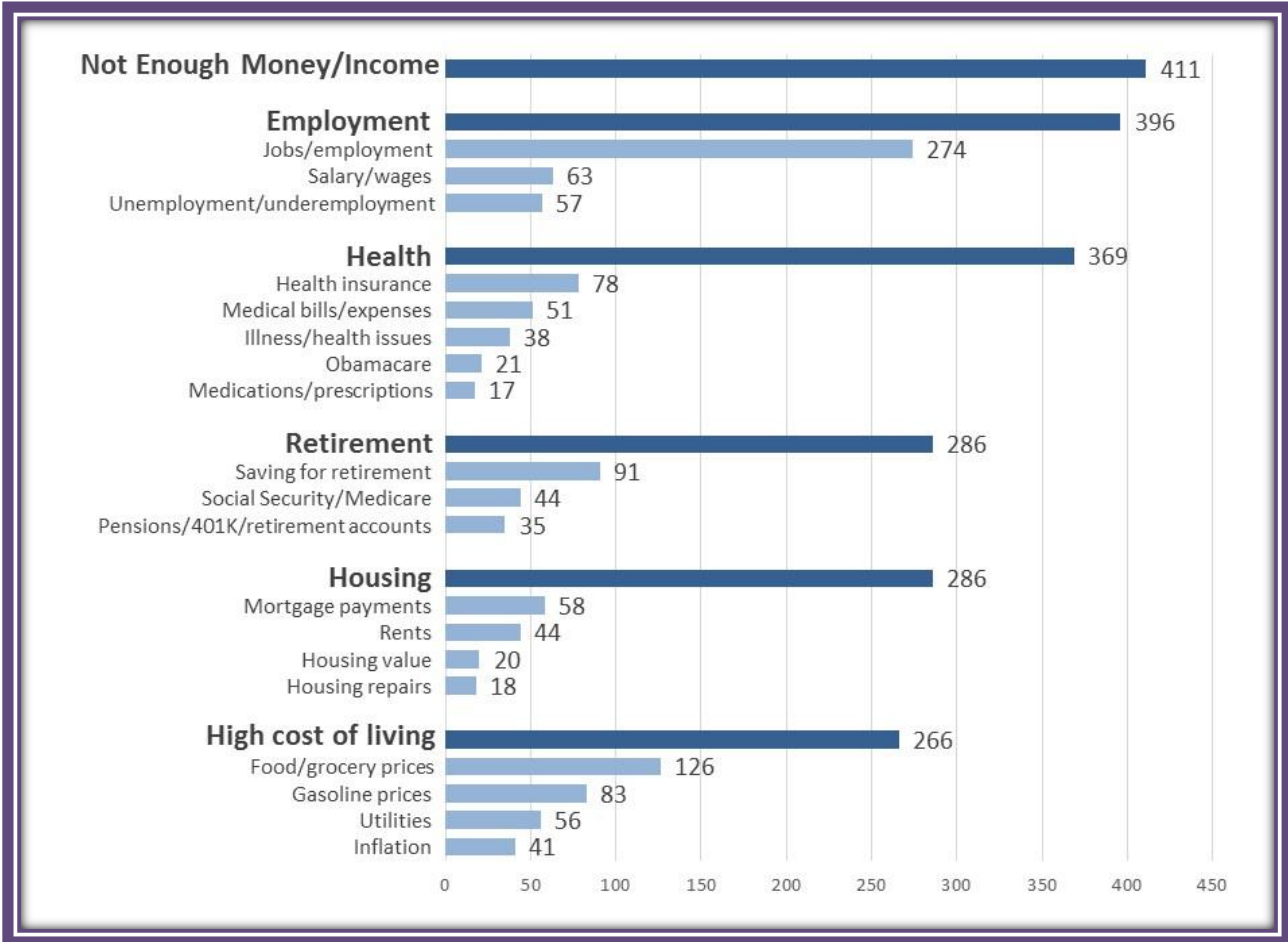
Asked of all respondents. n = 4,134

Self-Described Financial Challenges

- “In a sentence or two please describe the main financial challenges or concerns facing you or your family?”
- 1,616 respondents indicated that they currently had none
- 2,265 provided a written response

Self-Described Financial Challenges (continued)

**Top
Issues**



Among those who offered a response. n = 2,265

Questions?

You have two options to ask questions today:

1. Email us at: communities@stls.frb.org.
2. Type your question into the chat box of the webinar.

Wrap Up/Closing

Thank you to today's presenters and to all participants for joining this session.

Next steps:

- All session materials are available on our web site and in the next few days we will be posting an audio file of today's session.
- If you have topical suggestions for future sessions, or any questions about this program, please feel free to contact us at communities@stls.frb.org
- Information about future sessions will be posted on our website along with archived materials from past sessions:
www.stlouisfed.org/connectingcommunities/

Related Resources



In connection with this session, you can find a variety of additional resources on this topic , available at **www.fedcommunities.org**.

It provides an array of practical resources to help you in your role as a community development professional, whether you work involves supporting people, places, the practice of community development, or small business development.