

Key Findings from the Federal Reserve Board's Survey of Household Economics and Decisionmaking of 2014

June 11, 2015

Organized by the Board of Governors

The **Connecting Communities**[®] audio conference series is a Federal Reserve System initiative intended to provide timely information on emerging and important community and economic development topics with a national audience. The audio conference series complements existing Federal Reserve Community Development outreach initiatives that are conducted through our regional Reserve Bank offices and at the Federal Reserve Board of Governors in Washington, D.C.

Welcome

Thank you for attending today's session. How to join (remember, this session is being recorded)

- Call-in number: 888-625-5230
- Conference code: 59479051
- Webinar link: <https://www.webcaster4.com/Webcast/Page/584/8585>

You have two options to ask questions today:

**These questions may be part of the recorded archive for this session.*

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

An archived recording of this session will be available on the **Connecting Communities**[®] web site shortly after the session ends. Please visit www.stlouisfed.org/connectingcommunities/

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.

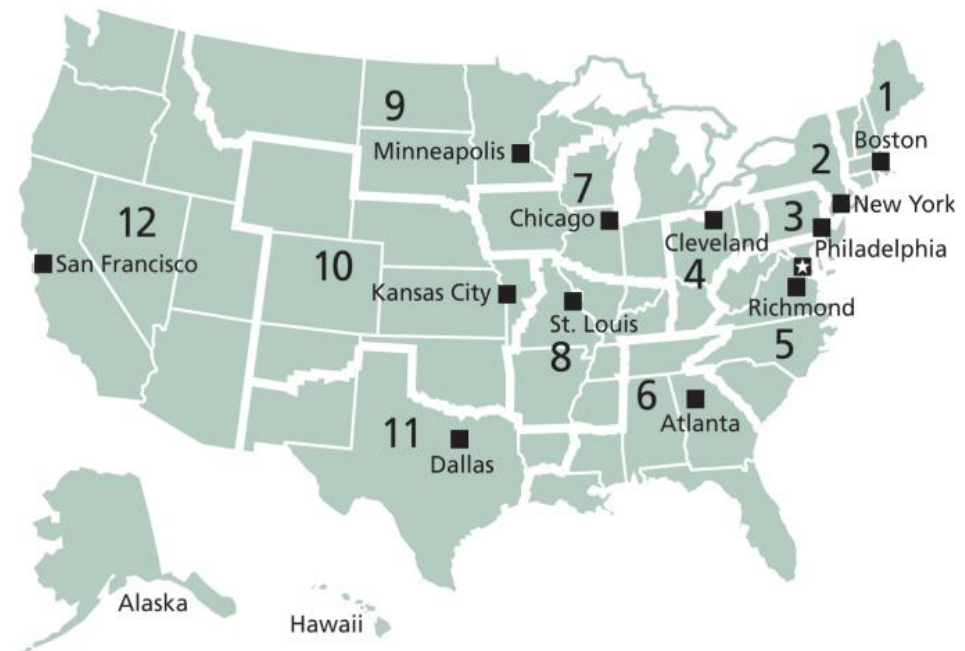
Legal Notices and Disclaimer

The information, analyses, and conclusions set forth are those of the presenters and do not necessarily indicate concurrence by the Board of Governors of the Federal Reserve System, the Federal Reserve Banks, or members of their staffs.

Community Development

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.**



Today's Presenters and Agenda

- Presenters:
 - David Buchholz, *Assistant Director*, Board of Governors
 - Arturo Gonzalez, *Manager*, Board of Governors
 - Jeff Larrimore, *Economist*, Board of Governors
- Agenda:
 - Economic well-being
 - Living arrangements
 - Economic fragility and emergency savings
 - Savings and spending
 - Banking and credit
 - Education and student loans
 - Retirement

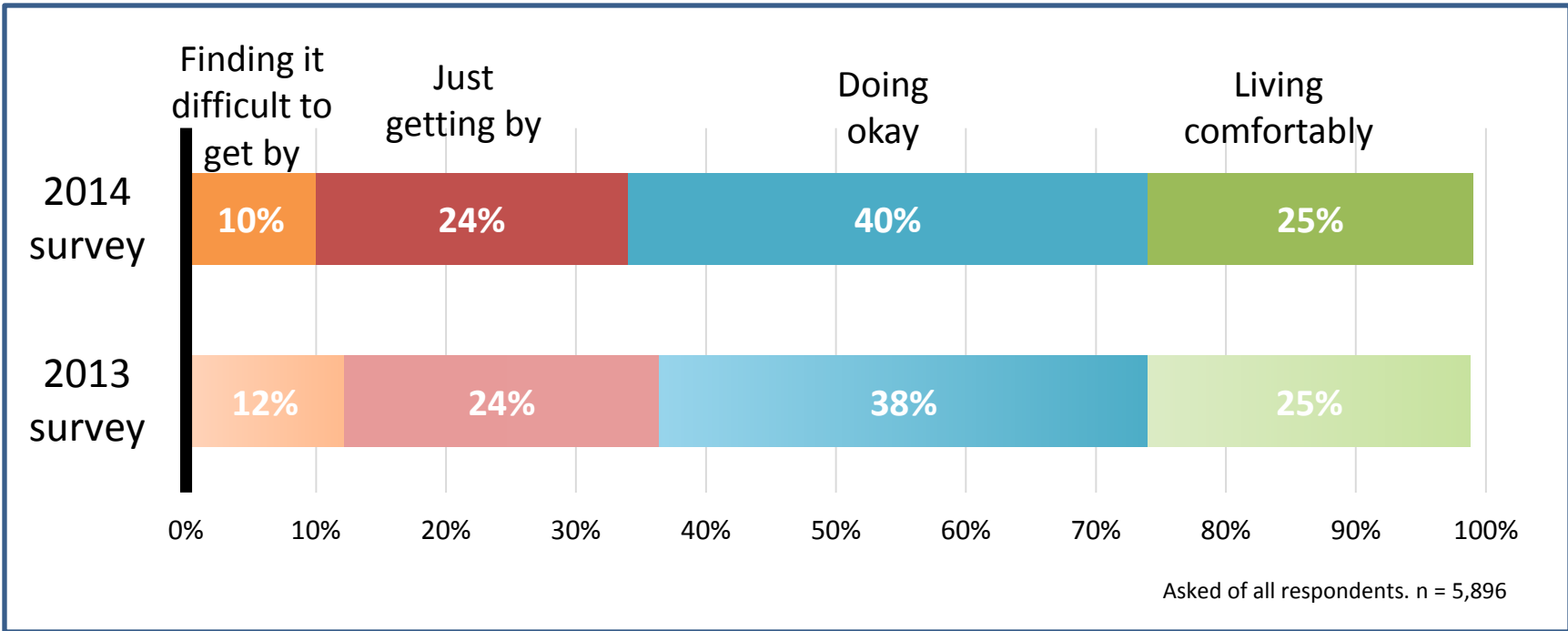
Motivation for Survey

- Cast light on current issues affecting consumer financial well-being and 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

Economic Well-Being

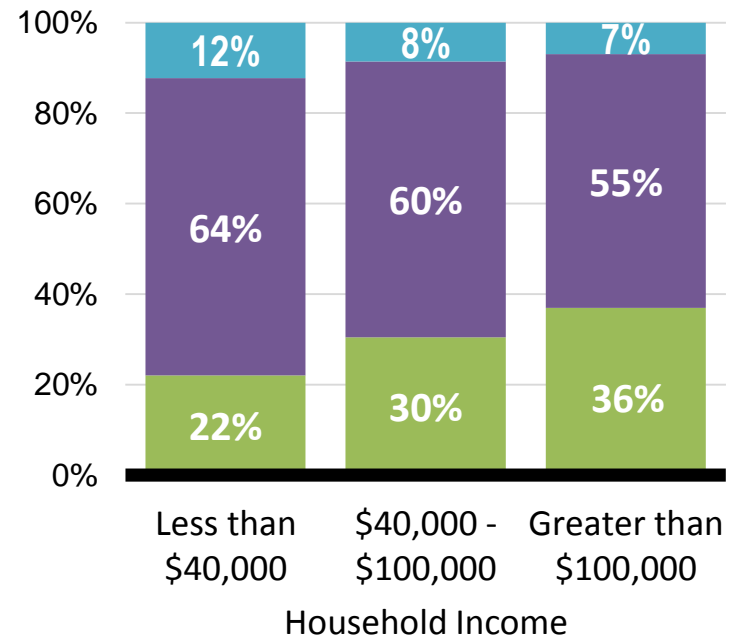
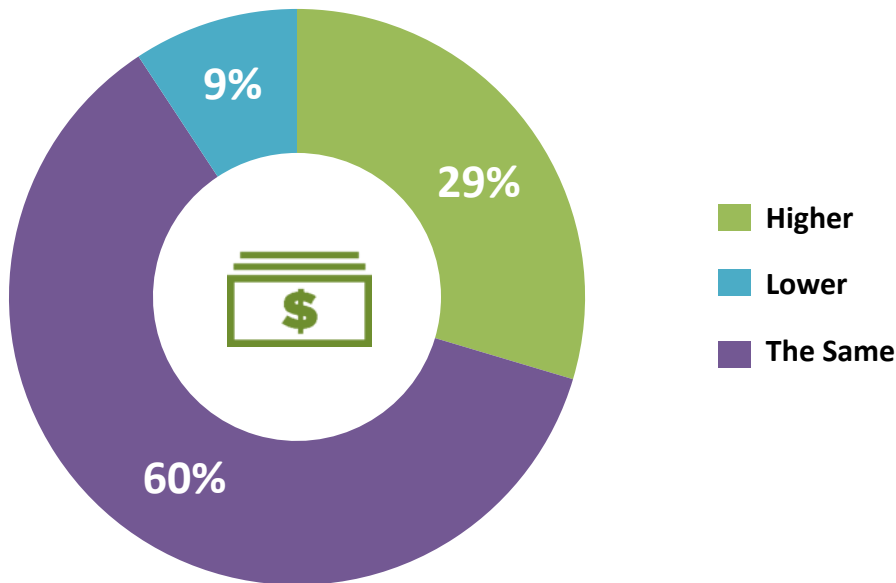
Measuring Financial Health

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



Expectations for Future Income

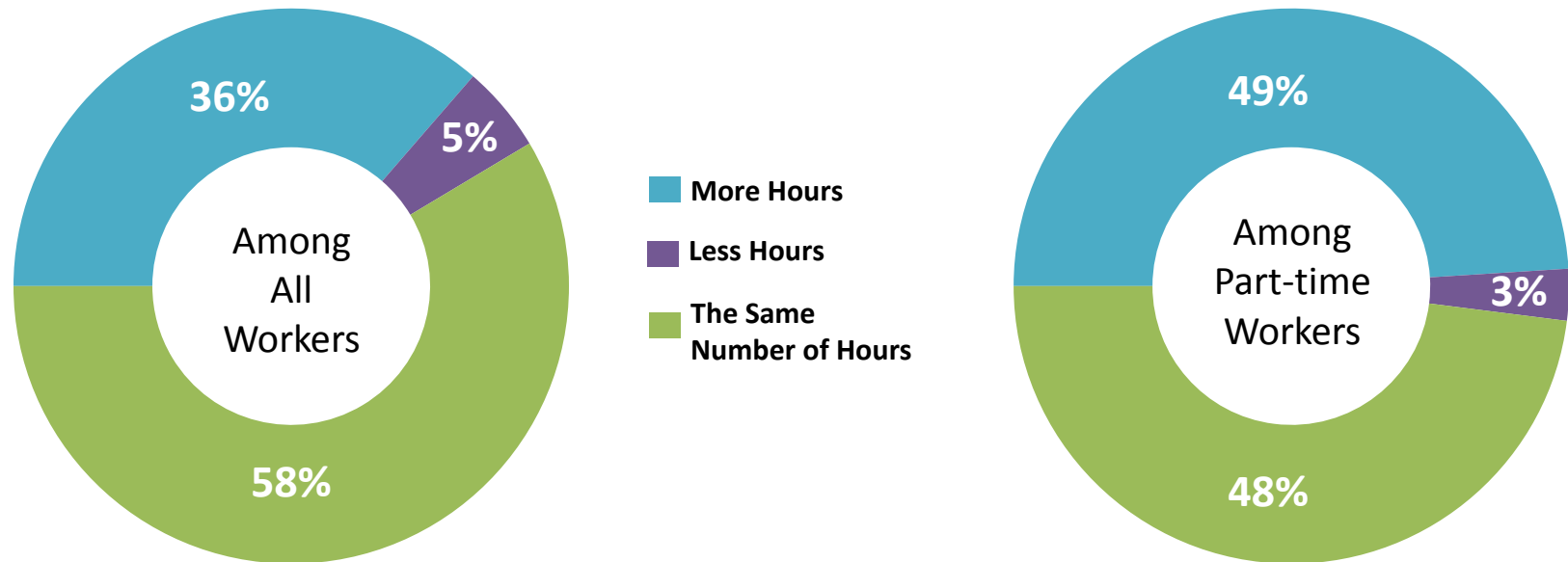
Next year, do you think your income will be higher, lower, or about the same as it was this year?



Asked of all respondents. n = 5,896

Desire for Additional Employment

At your current wage, would you prefer to work more, less, or about the same amount as you currently work?



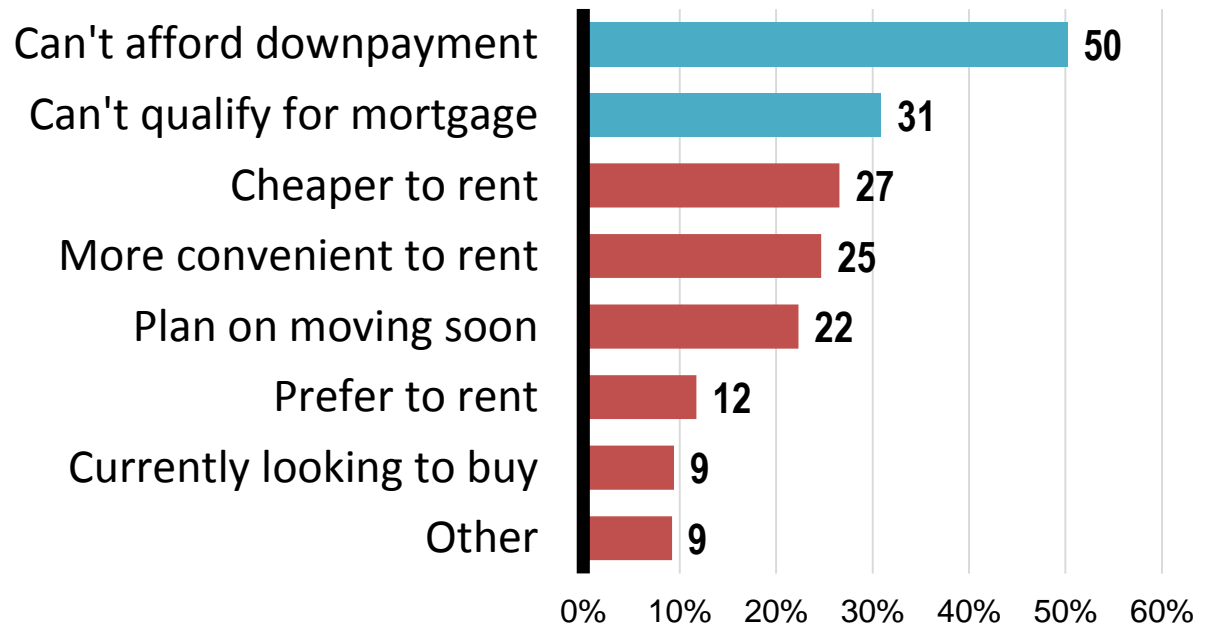
Asked of employed respondents. n = 2,846

Living Arrangements

Why People Rent

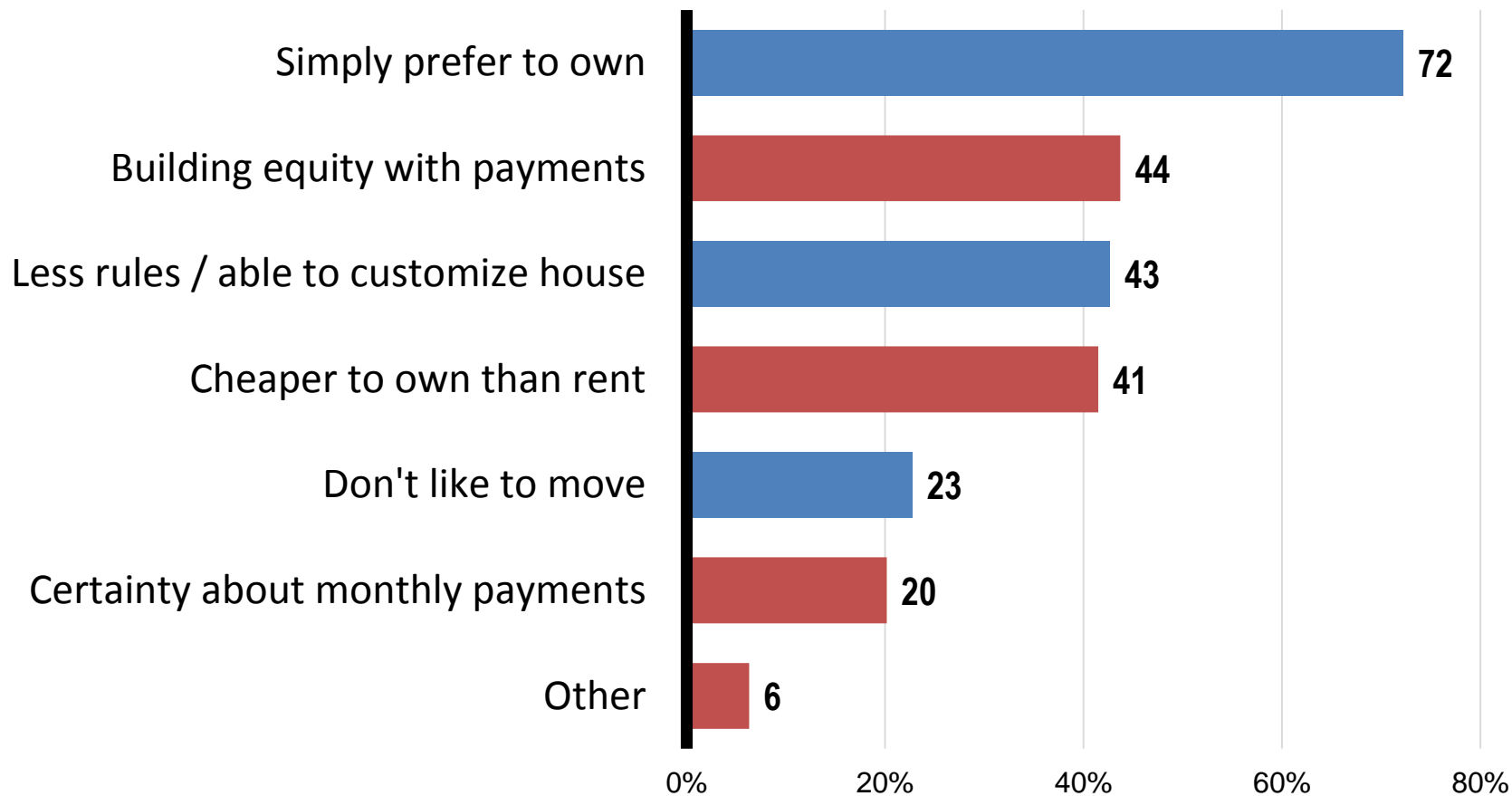
81 percent of renters would prefer to own their home if they could afford to do so

Please select all the reasons below for why you rent rather than own your home:



Asked of renters. n = 1,769

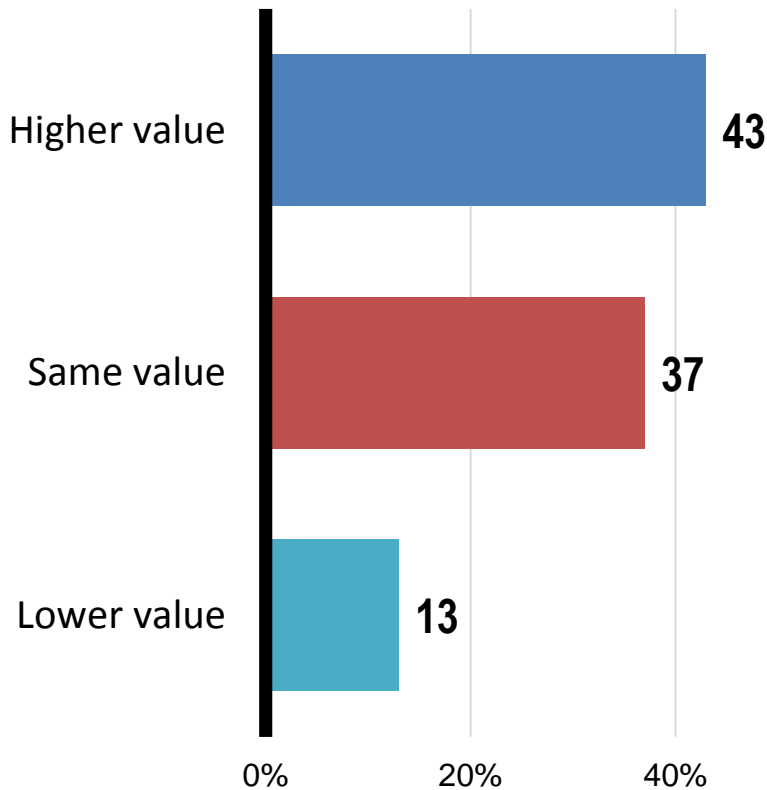
Why People Own



Asked of homeowners. n = 3,638

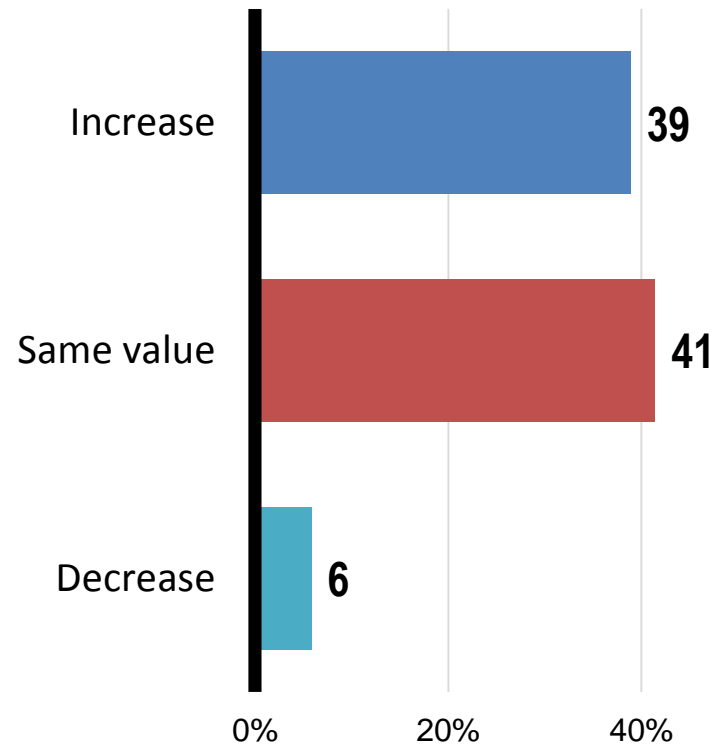
Perceived Home Values Increasing

Compared to 12 months ago, do you think the value of your home today is higher, lower or stayed the same?



Asked of homeowners who owned since 2012. n=3,402

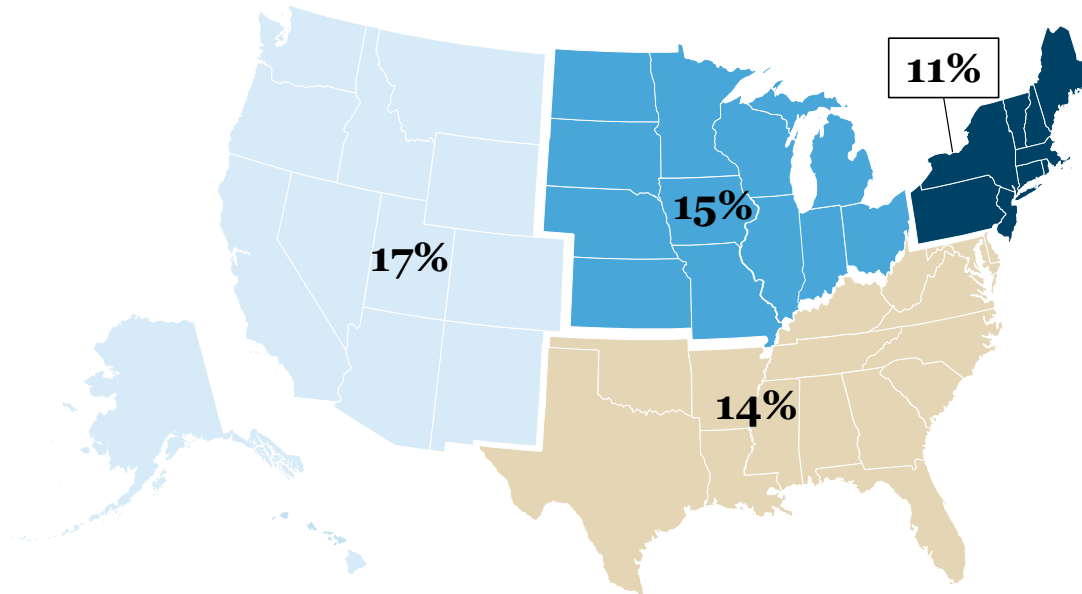
In the next 12 months, how do you think that home prices in your neighborhood will change?



Asked of all homeowners. n = 3,638

Underwater on Mortgage Balance

- Does the total amount of money you currently owe on your primary home exceed the current value of your home?

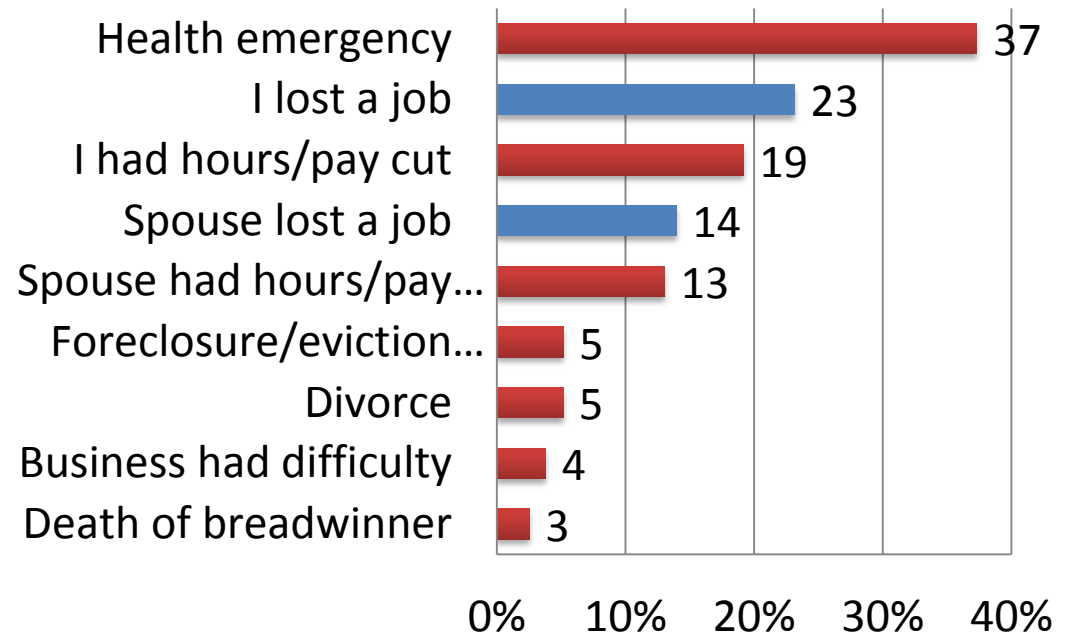
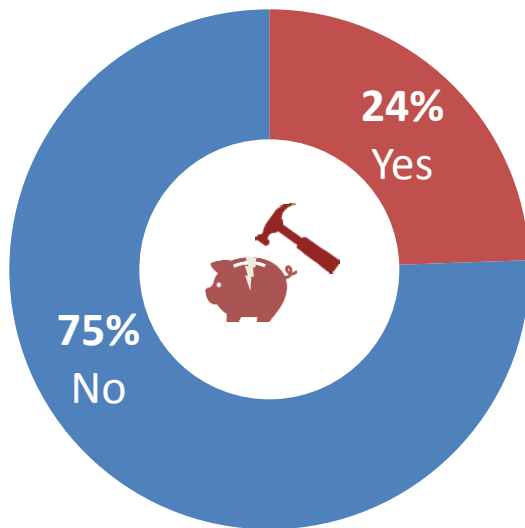


Asked of homeowners with a mortgage. n = 2,016

Economic Fragility and Emergency Savings

Experienced an Economic Hardship

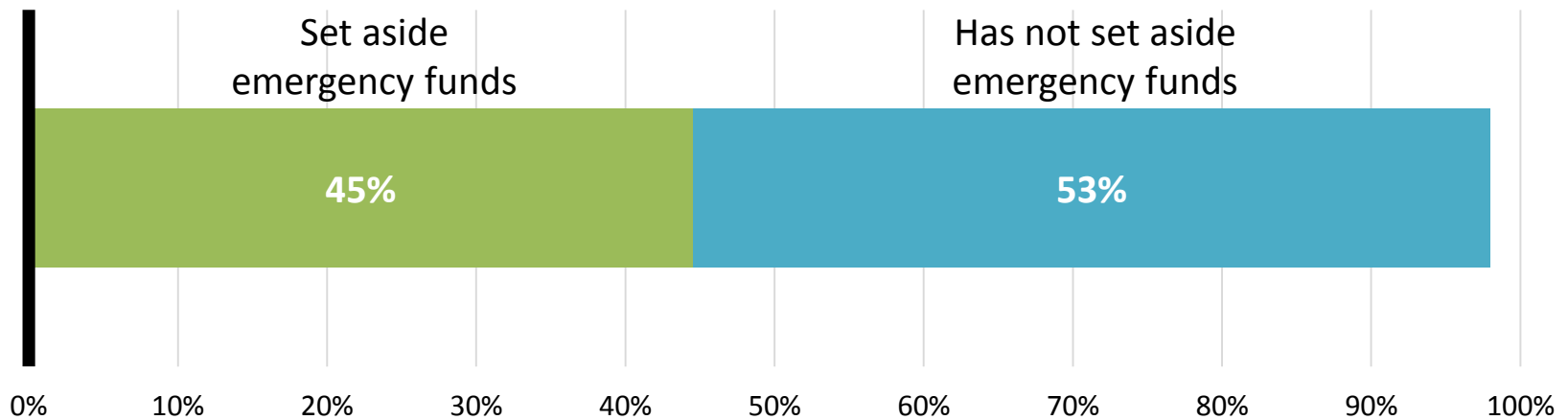
Over the past year, have you or your family living with you experienced any financial hardship such as a job loss, drop in income, health emergency, divorce, or loss of your home?



Asked of respondents who experienced a hardship. n = 1,527

Saving for Major Emergencies

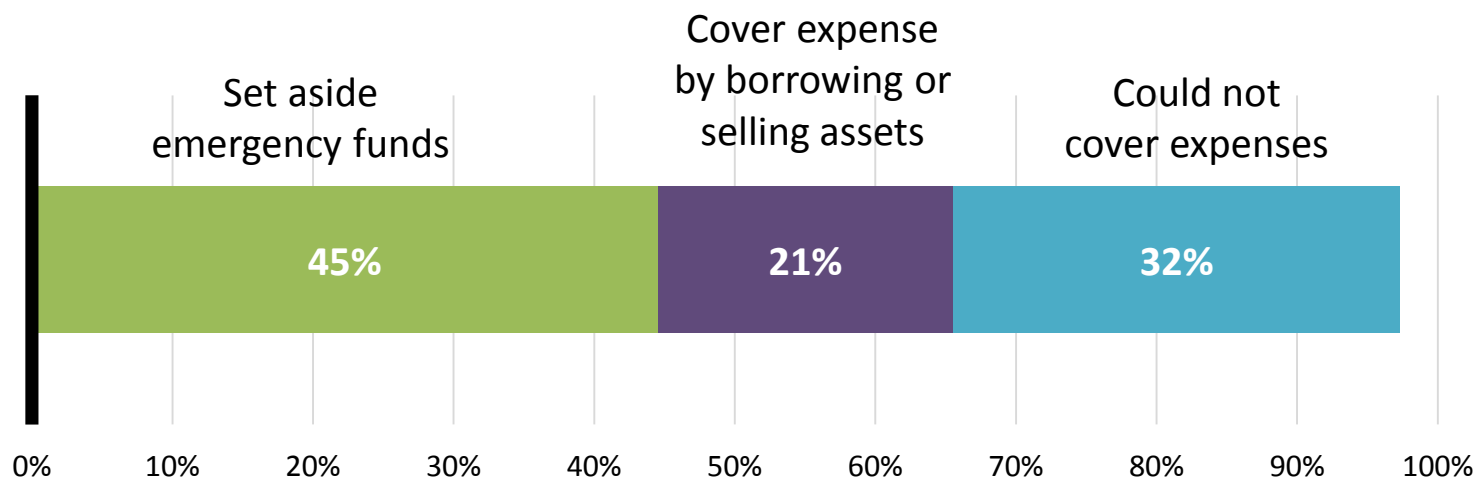
(1) Have you set aside emergency or rainy day funds that would cover your expenses for 3 months in case of sickness, job loss, economic downturn, or other emergencies?



Asked of all respondents. n = 5,896

Saving for Major Emergencies (continued)

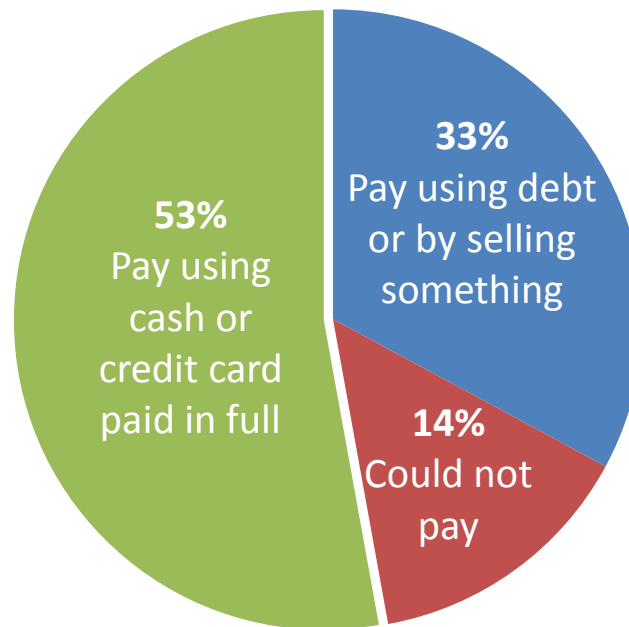
- (1) Have you set aside emergency or rainy day funds that would cover your expenses for 3 months in case of sickness, job loss, economic downturn, or other emergencies?
- (2) If you were to lose your main source of income, could you cover your expenses for 3 months by borrowing money, using savings, or selling assets?



Asked of all respondents. n = 5,896

Covering Smaller Emergency Expense

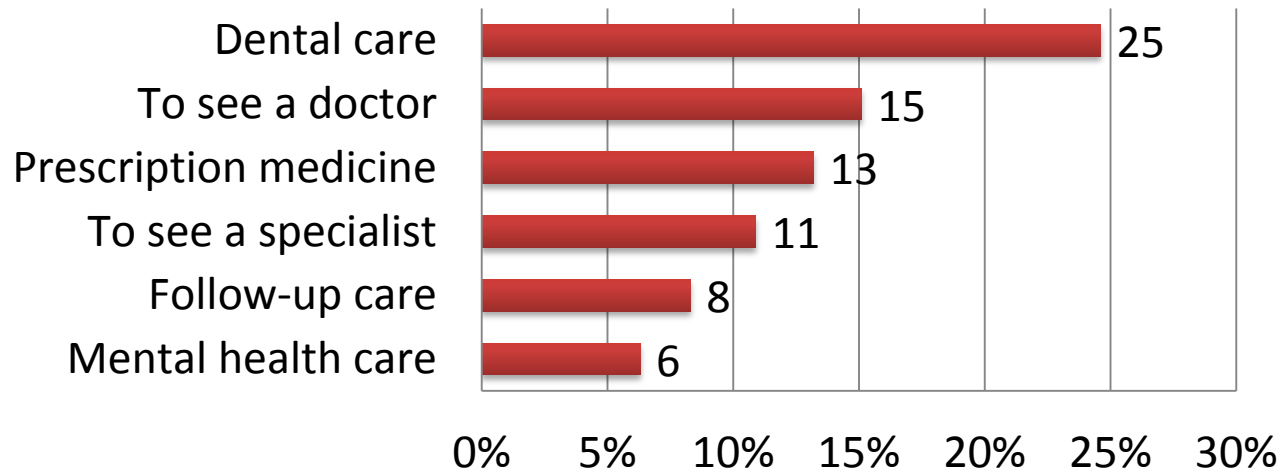
Suppose that you have an emergency expense that costs \$400. Based on your current financial situation how would you pay for this expense?



Asked of all respondents. n = 5,896

Avoiding Medical Treatment

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?

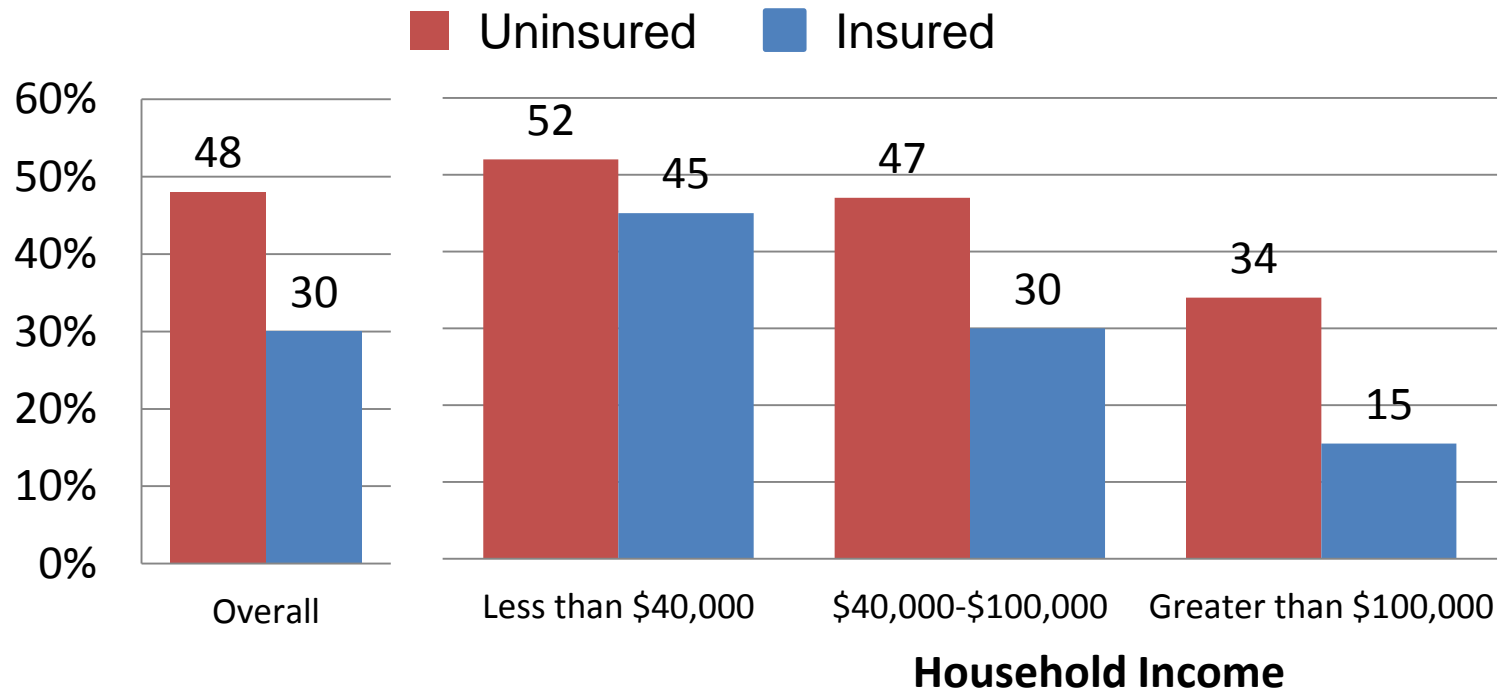


31 percent went without at least one form of medical treatment in the last year.

Asked of all respondents. n = 5,896

Avoiding Medical Treatment (continued)

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?

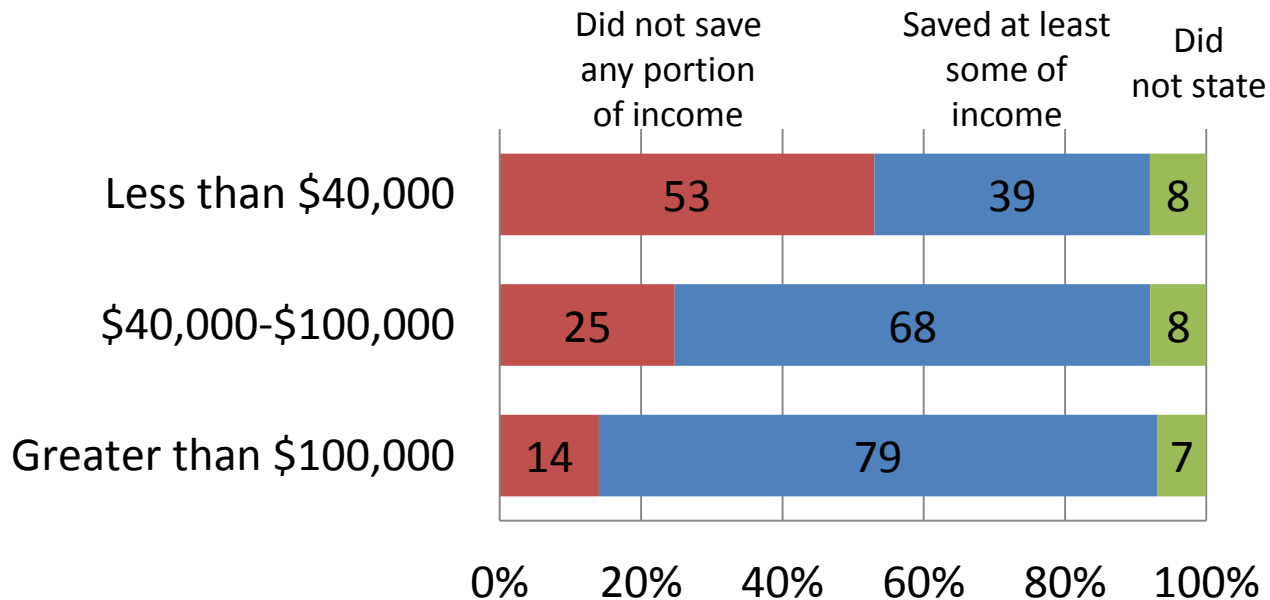


Asked of all respondents. n = 5,896

Savings and Spending

Are People Saving?

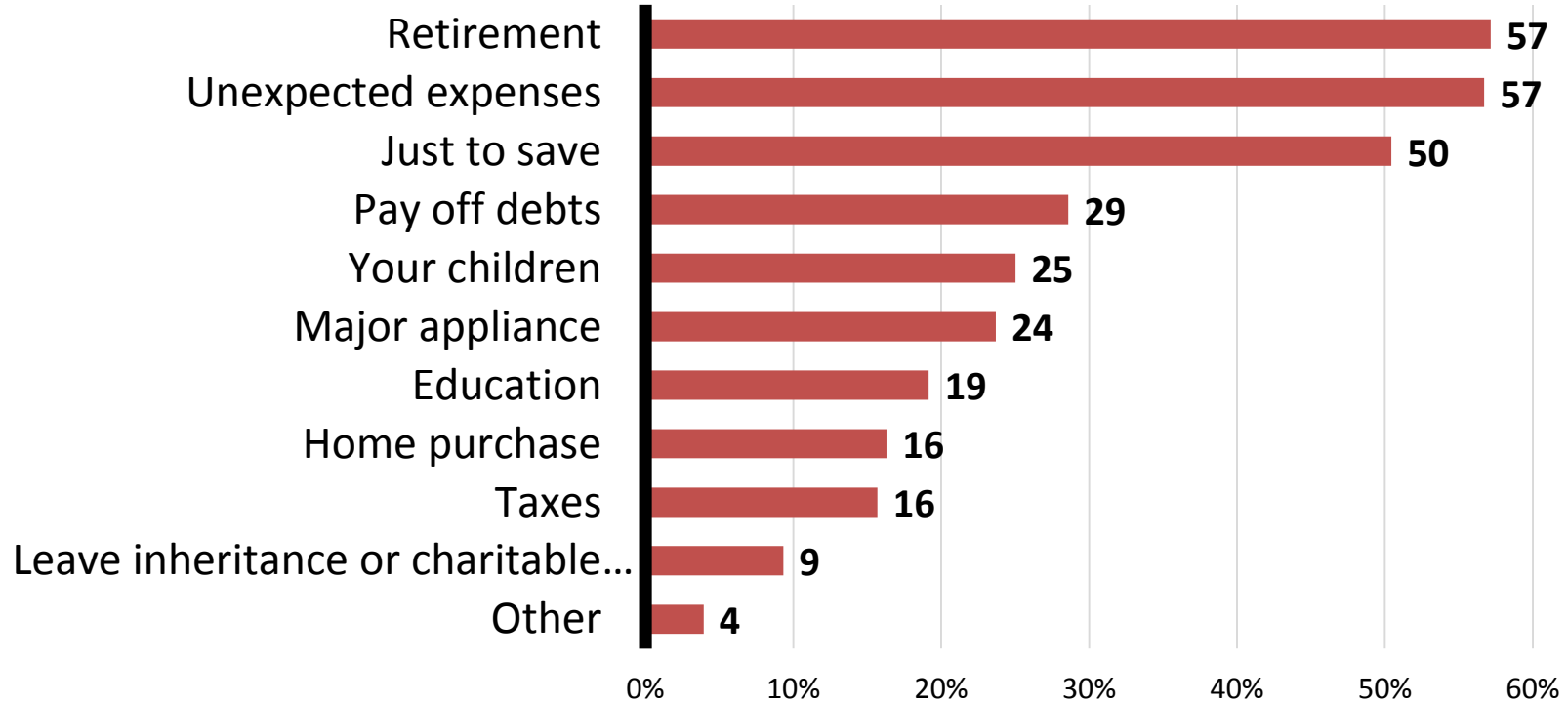
In the past 12 months, what percent of your household's total gross income (before taxes and deductions) did you set aside as savings?



Asked of non-retired respondents. n = 4,561

For What Are People Saving?

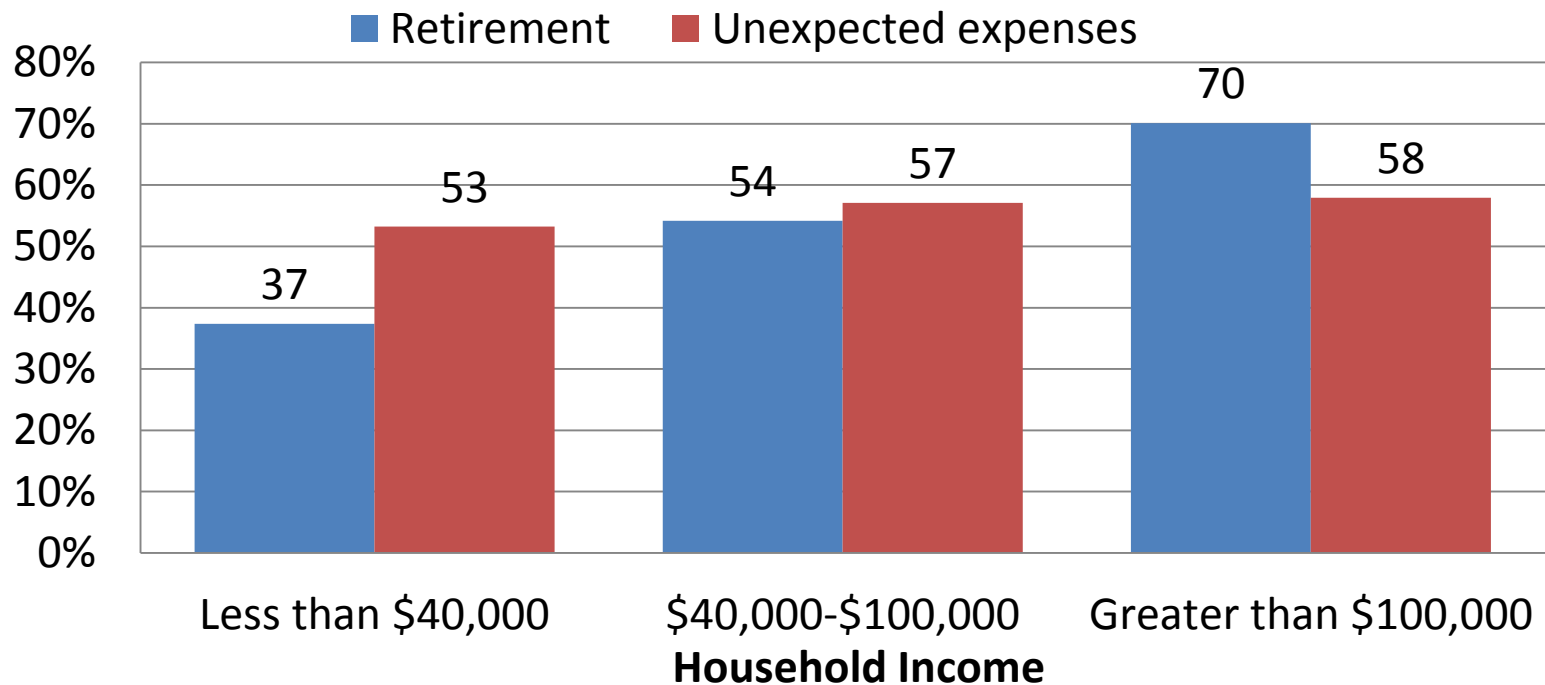
Which of the following categories, if any, are you saving money for?



Asked of non-retirees who reported saving a positive portion of their income. n=2,587

For What Are People Saving? (continued)

Which of the following categories, if any, are you saving money for? Most popular answers:

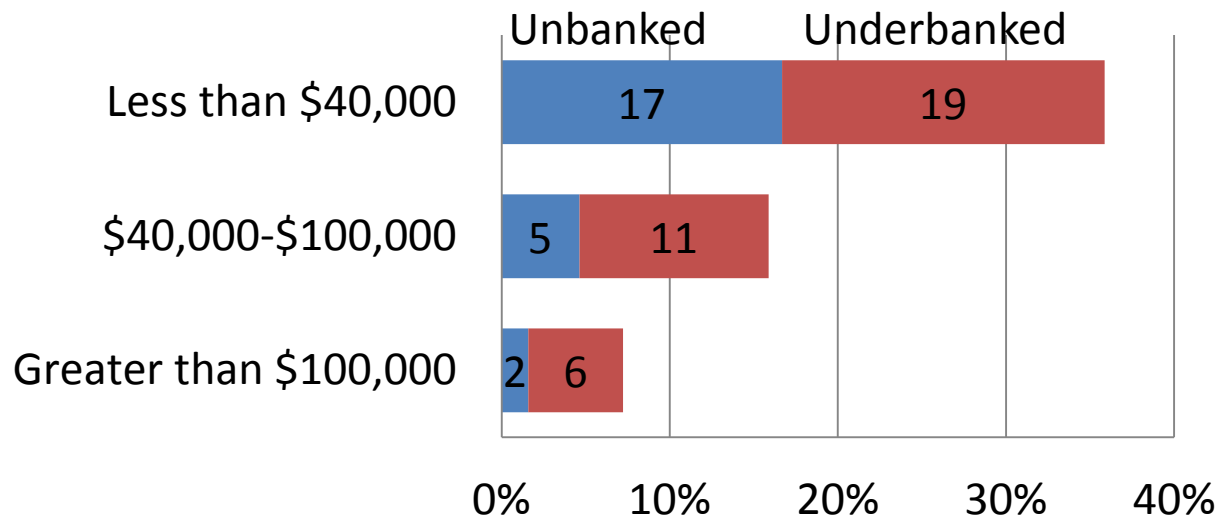


Asked of non-retirees who reported saving a positive portion of their income. n=2,587

Banking and Credit

Unbanked and Underbanked

- Unbanked: Do you currently have a checking, savings, or money market account?
- Underbanked: In the past 12 months, have you used a check cashing service, money order, pawn shop loan, auto title loan, paycheck advance, or payday loan?

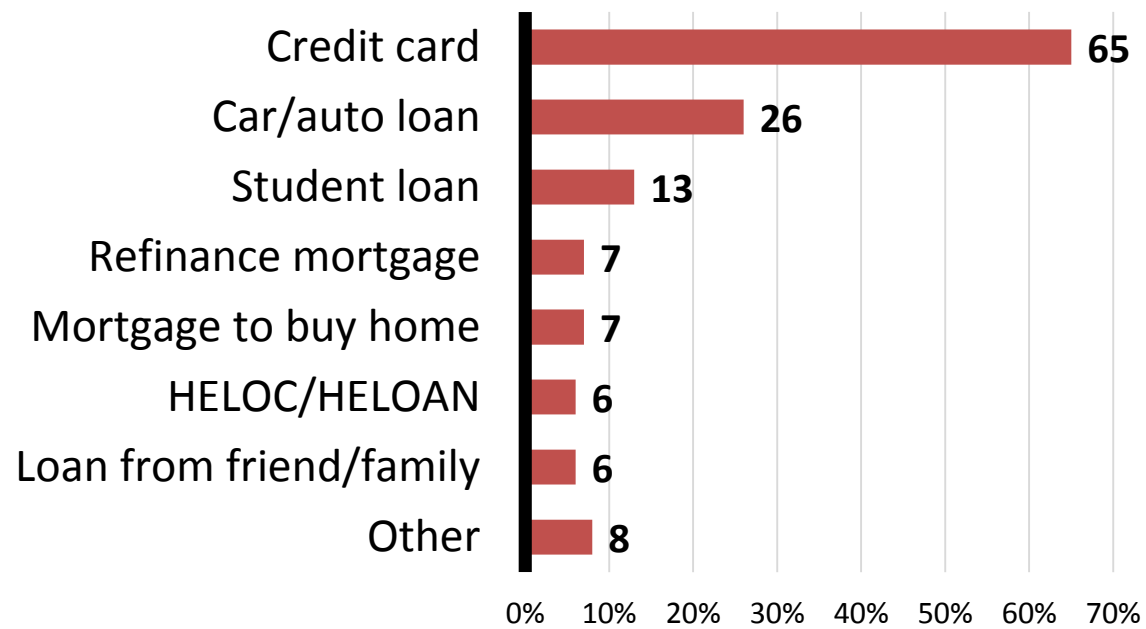


Asked of all respondents. n = 5,896

Frequency of Credit Applications

37 percent applied for some form of credit in the past 12 months.

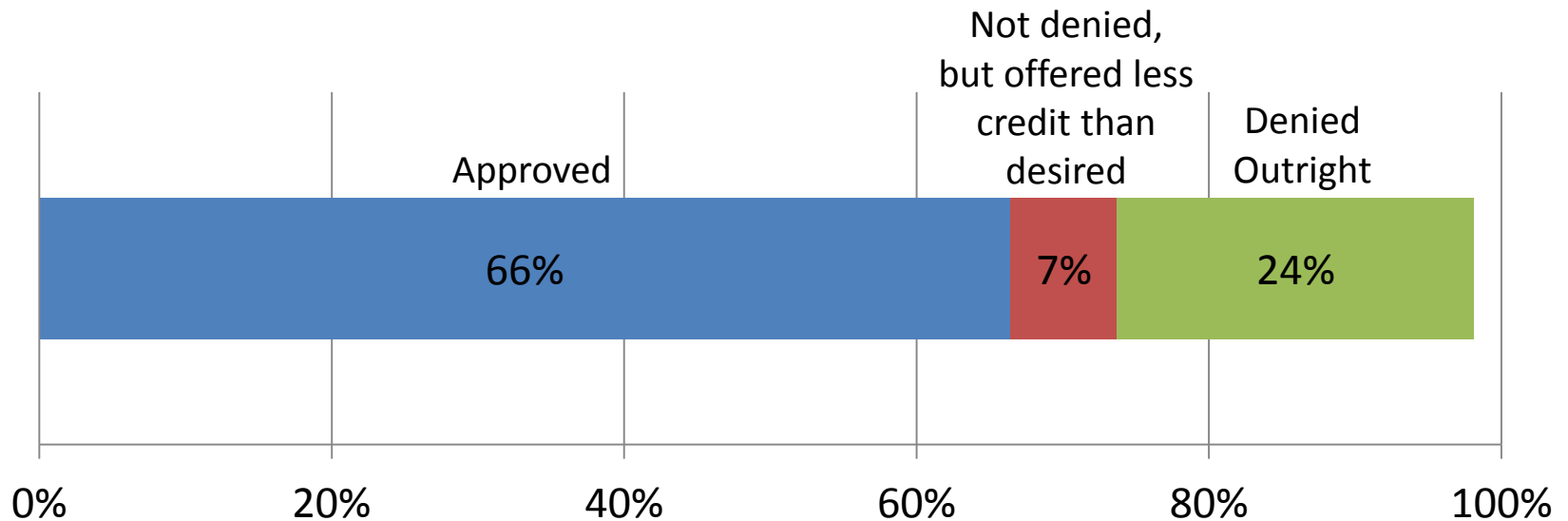
Please select all of the types of credit below that you have applied for in the past 12 months



Asked of respondents who reported having applied for credit in the past 12 months. n = 2,054

Outcome of Credit Application

- In the past 12 months, did any of the following happen to you:
 - You were turned down for credit
 - You were approved, but not given as much credit as you applied for

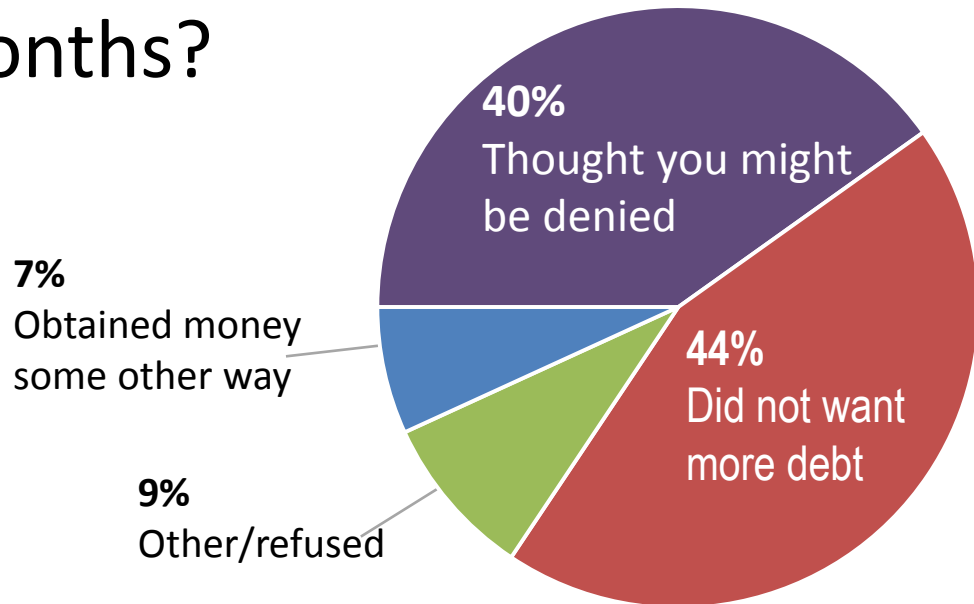


Asked of respondents who reported having applied for credit in the past 12 months. n = 2,054

Additional Demand for Credit?

12 percent of adults desired credit in the past 12 months but did not submit an application.

Why did you choose not to submit a credit application when you desired credit in the past 12 months?



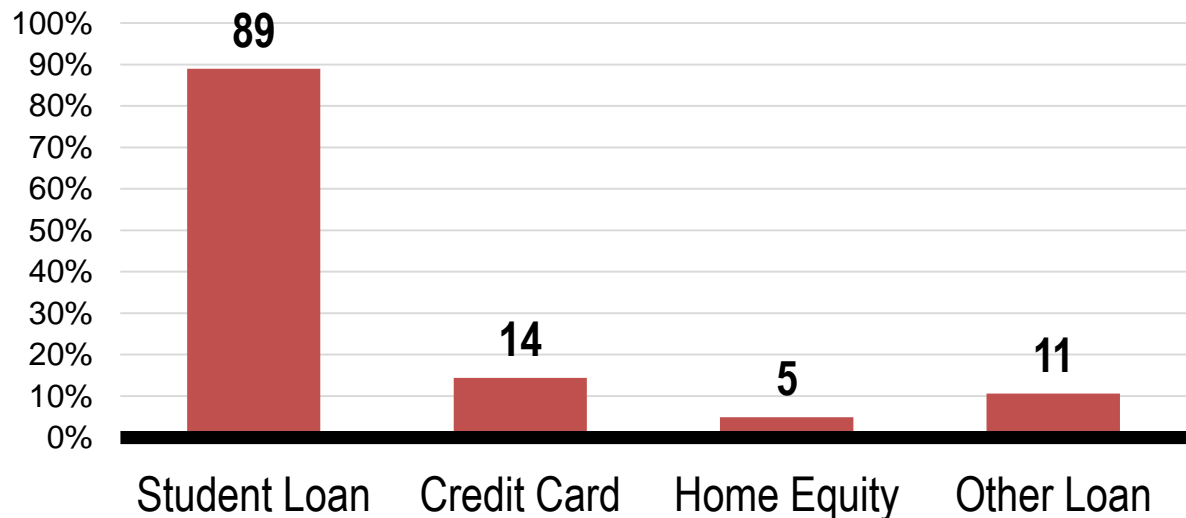
Asked of respondents who desired credit but did not apply. n = 460

Education and Student Loans

Form of Education Debt

23 percent of adults owe money on some form of education debt.

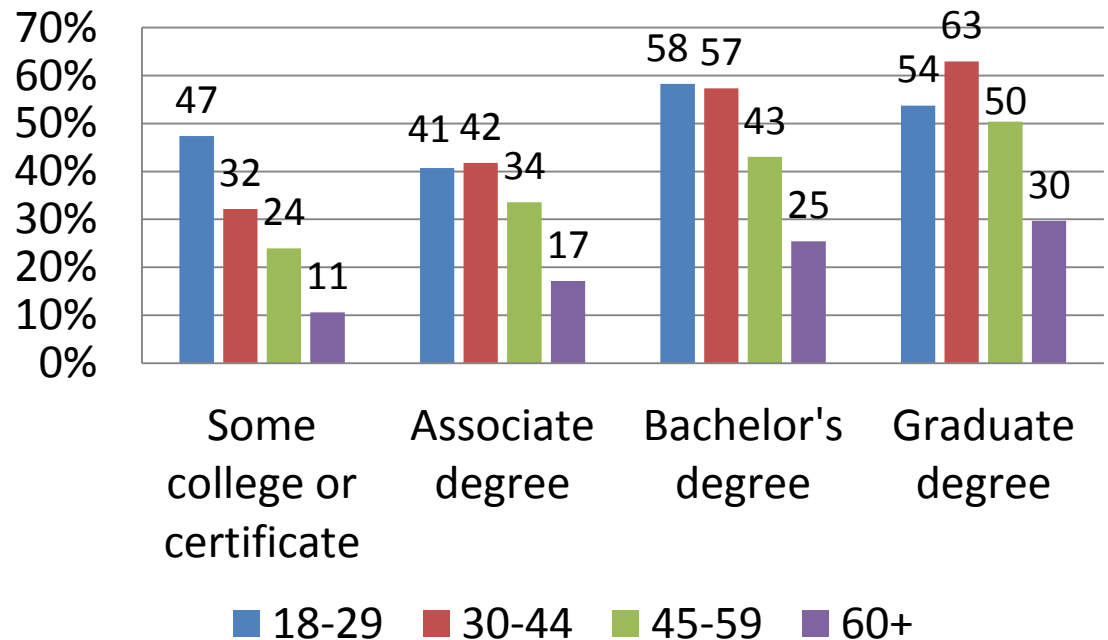
Is the money you owe for education a student loan, a home equity loan, credit card debt, or some other type of loan: (respondents could choose all that apply)



Asked of respondents who owe money for education. n = 1,272

Did You Borrow for Your Education?

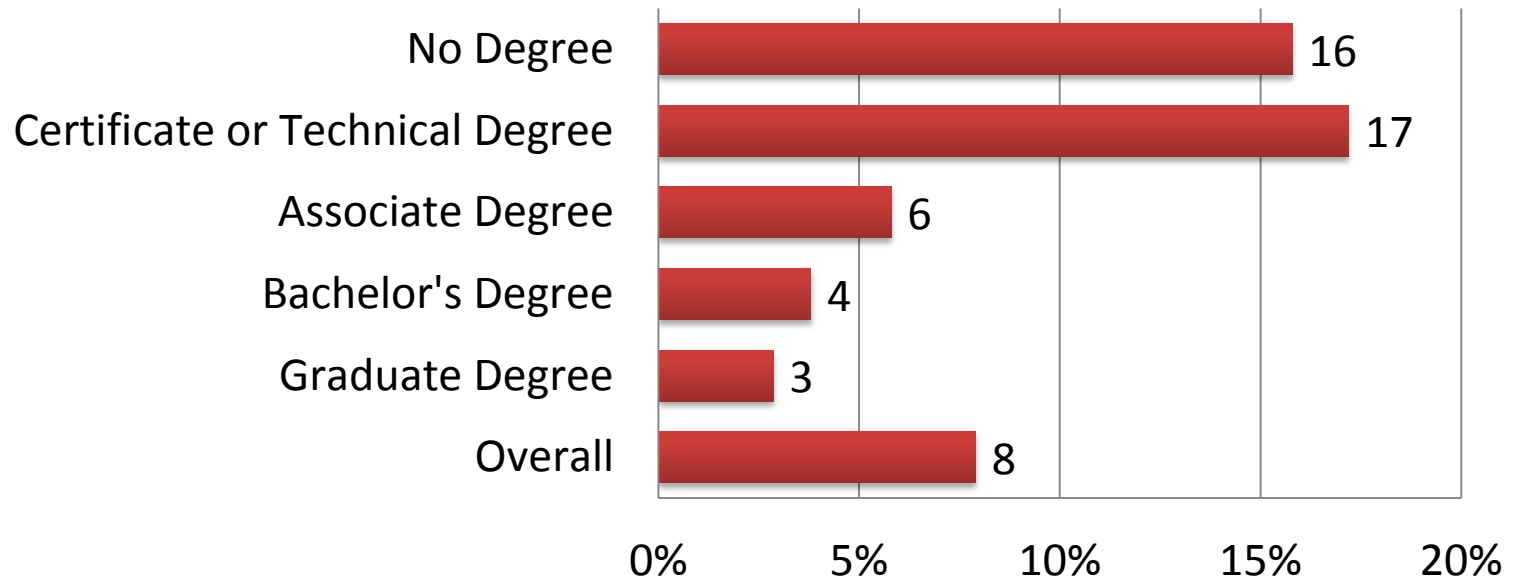
Use of student loans to finance own education, including loans which have been fully repaid



Asked of all respondents. n = 5,896

Does Loan Status Vary by Degree Completion?

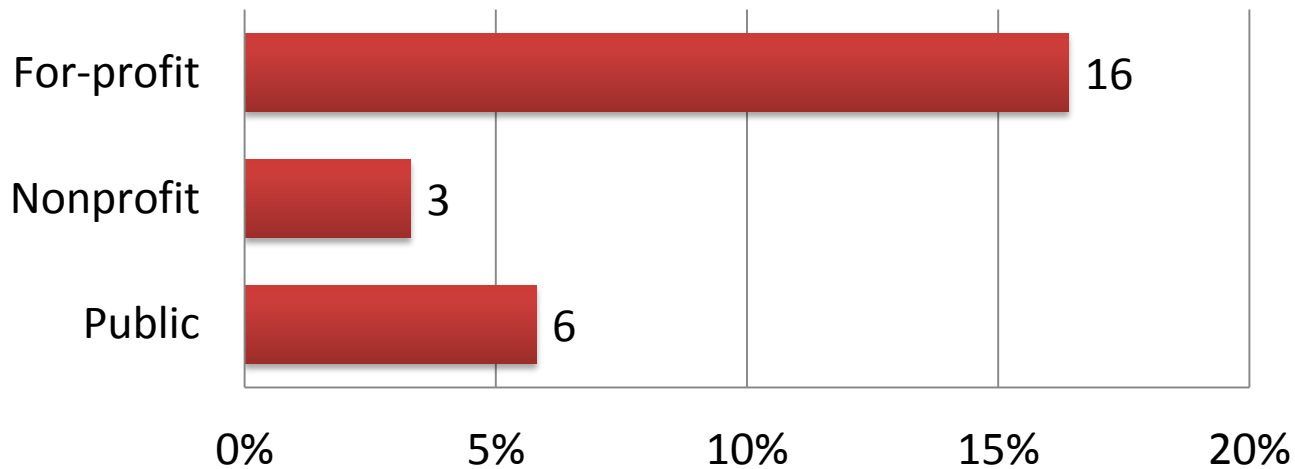
Percent of borrowers (including those who completely repaid loan) behind on payments on one or more loans for their own education



Asked of those who took out student loans for their education. n=1,461

Does Loan Status Vary by Institution?

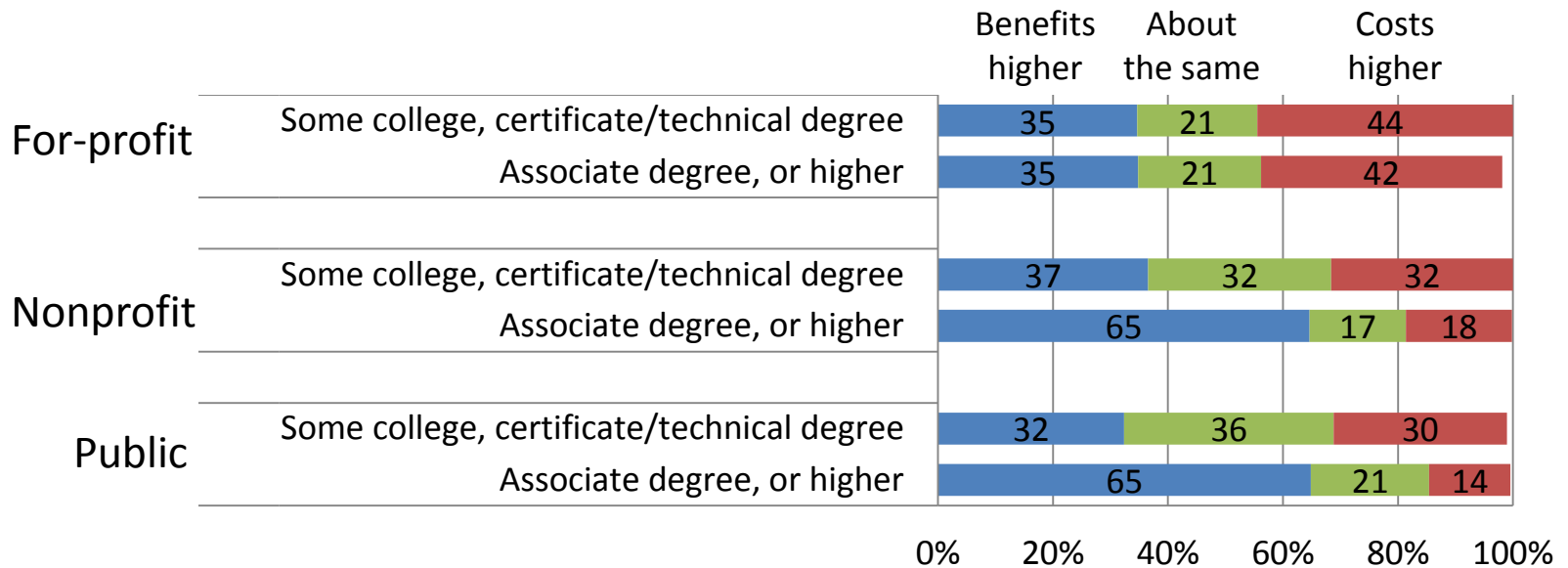
Percent of borrowers (including those who completely repaid loan) behind on payments on one or more loans for their own education



Asked of those who took out student loans for their education and report the institution attended. n=1,249

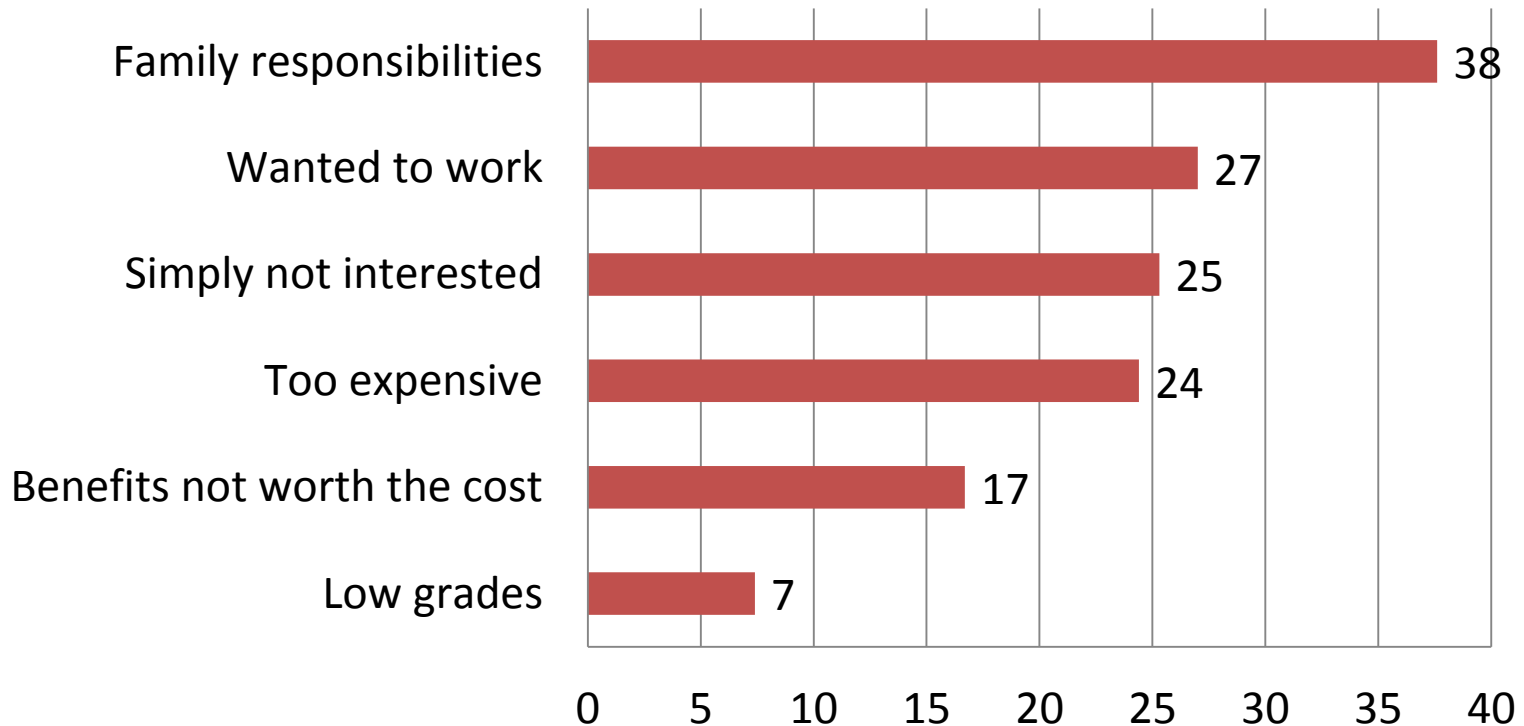
Is College Worth the Cost?

How would you say the lifetime financial benefits of your bachelor's or associate degree program or your most recent educational program compares to its financial costs?



Asked of respondents who completed at least some college and reported the institution attended. N=3,080

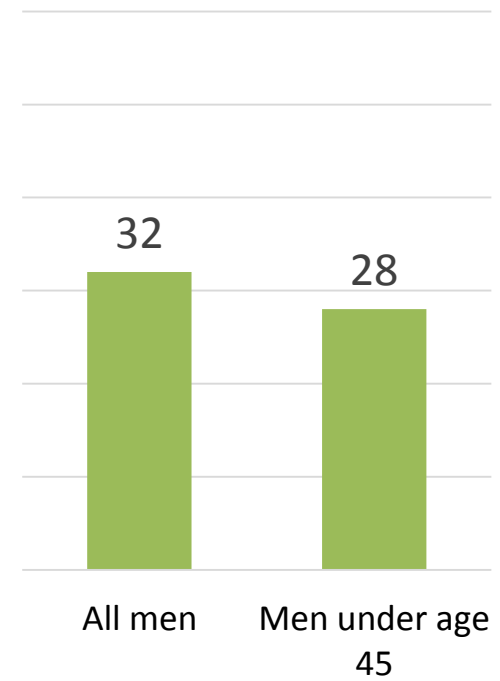
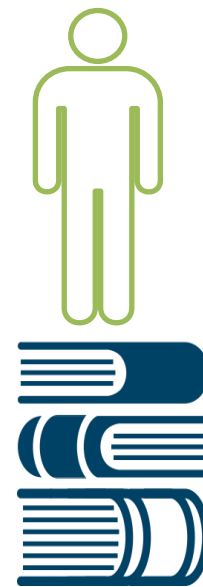
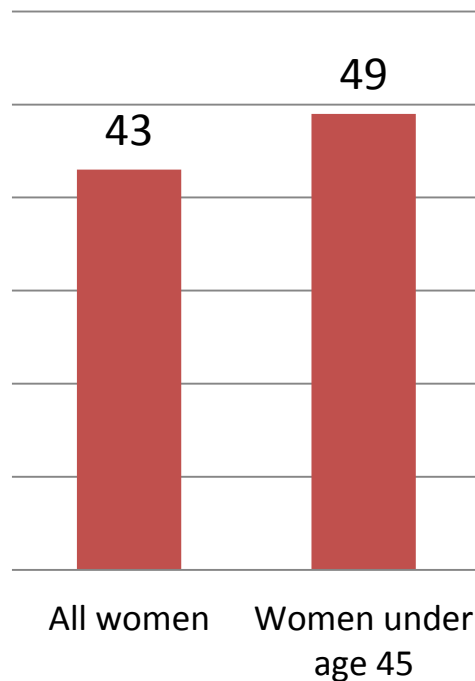
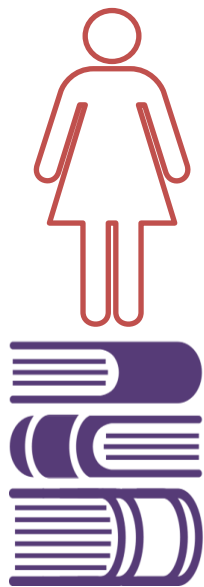
Why Don't People Complete Degrees After Starting College?



Asked of those not currently enrolled who started college but did not complete degree. n=866

Why Don't People Complete Degrees?

Percent of respondents who cite “family responsibilities” as a reason for not completing a college degree:

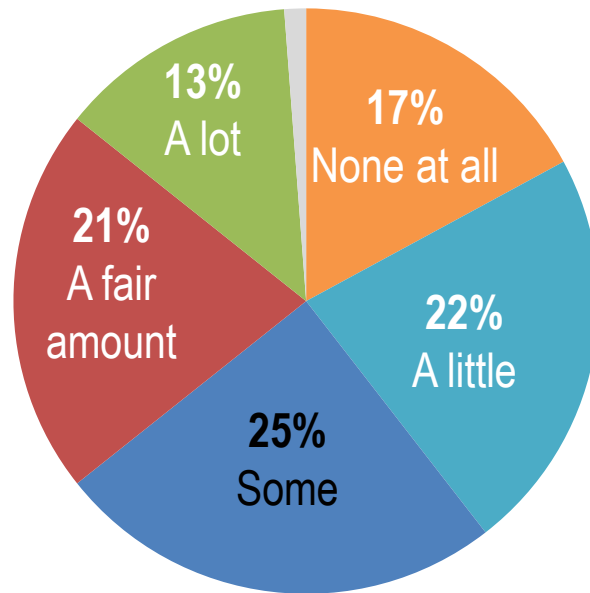


Asked of those not currently enrolled who started college but did not complete degree. n=866

Retirement

Are You Planning for Retirement?

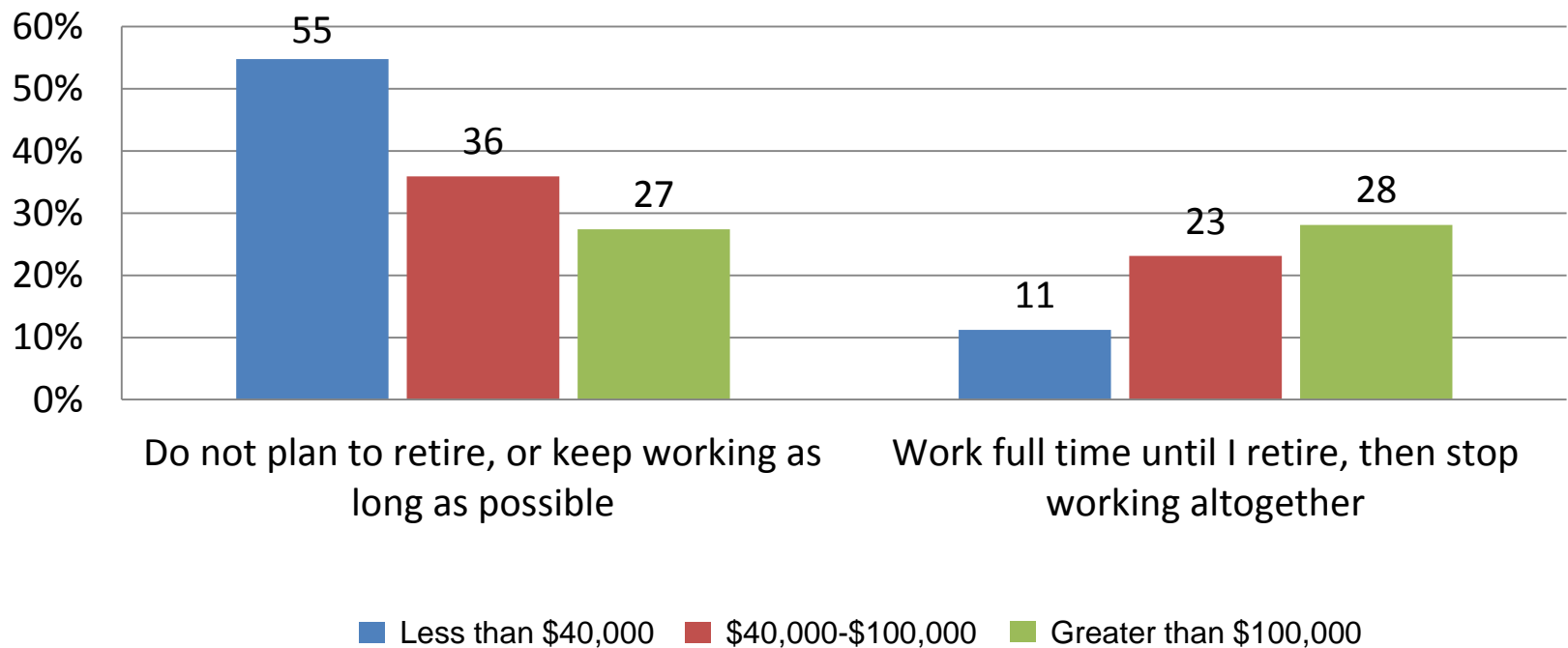
How much thought have you given to the financial planning for your retirement?



Asked of those not currently retired. n=4,414

What Is Your Retirement Plan?

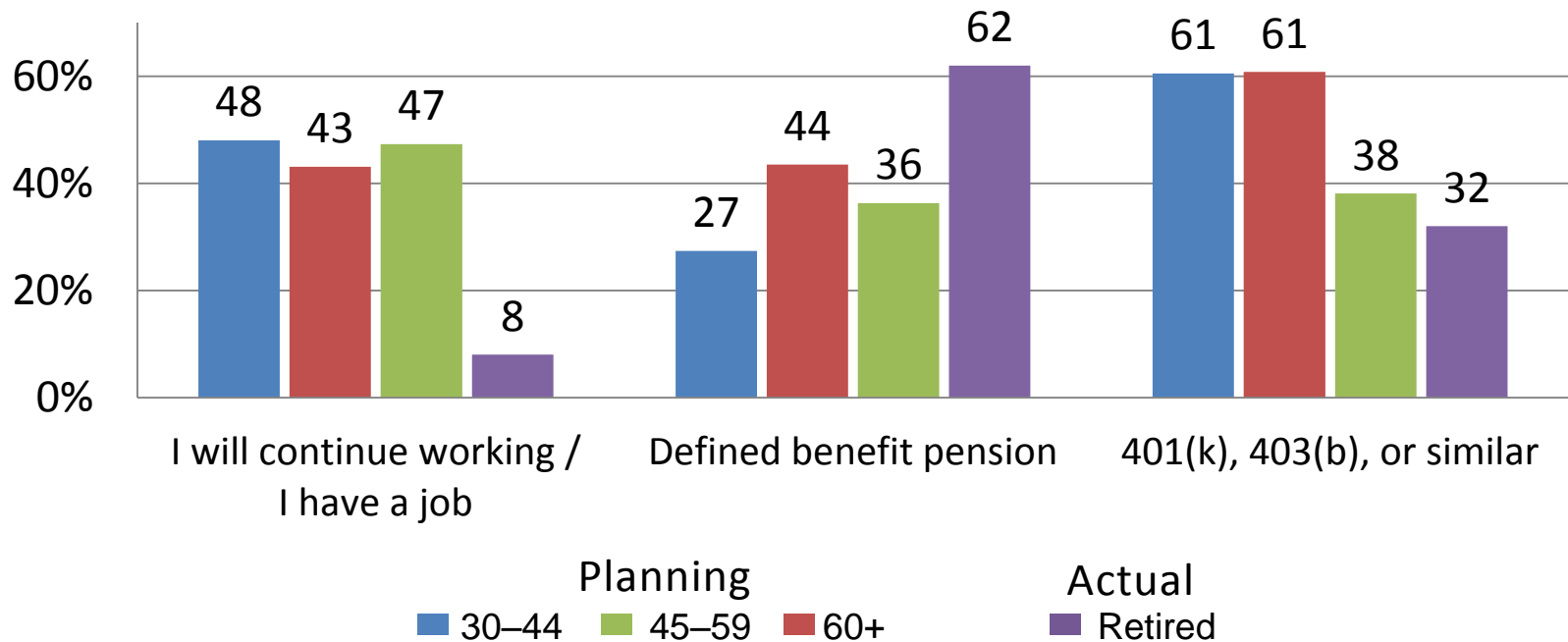
Which one of the following best describes your plan for retirement? Most popular answers:



Among respondents who are not currently retired or out of work due to a disability. n=3,894

Retirement Strategies Differ by Age

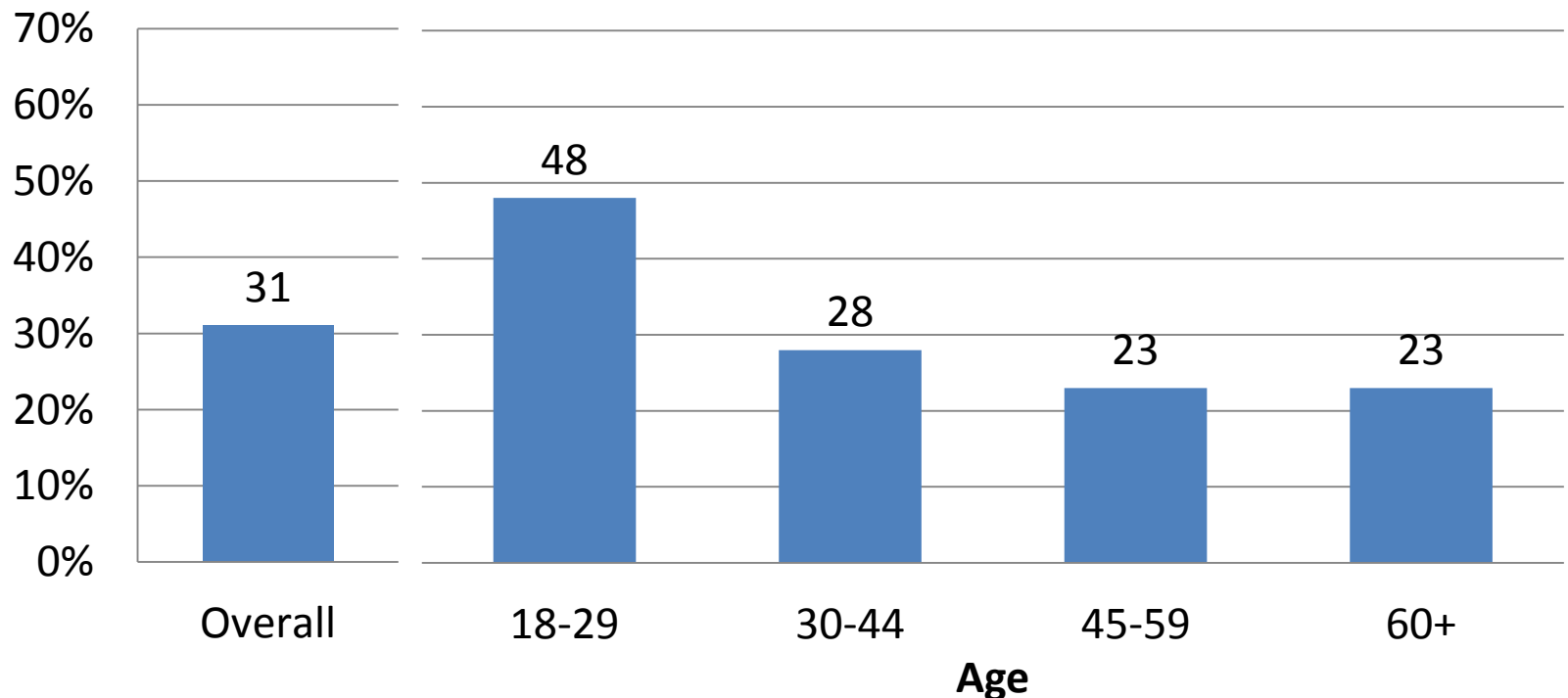
How are you planning to pay (or are you paying) expenses during retirement? Most popular answers:



Asked of those not currently retired (n=3,163) and current retirees (n=1,482)

Lack of Retirement Savings by Age

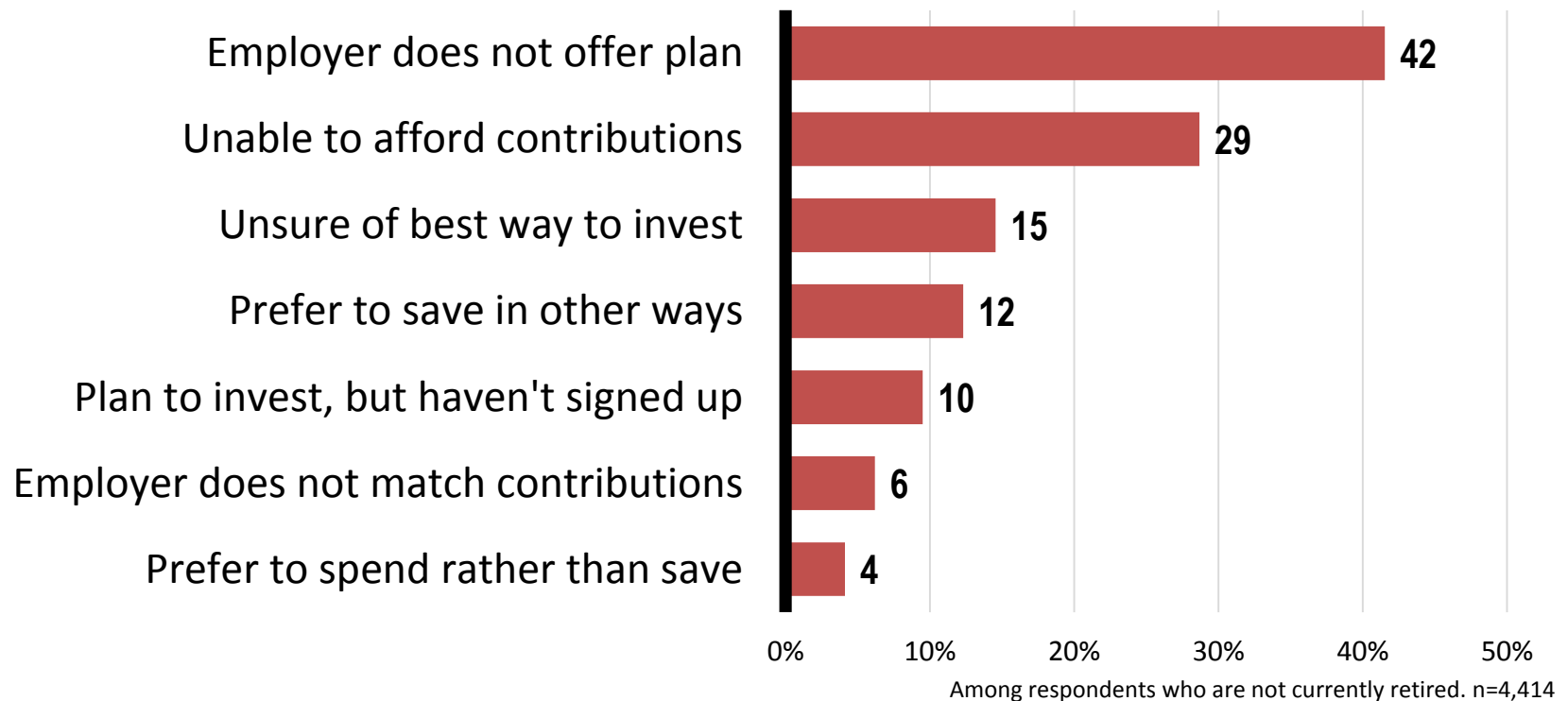
Percent of respondents with no retirement savings



Among respondents who are not currently retired. n=4,414

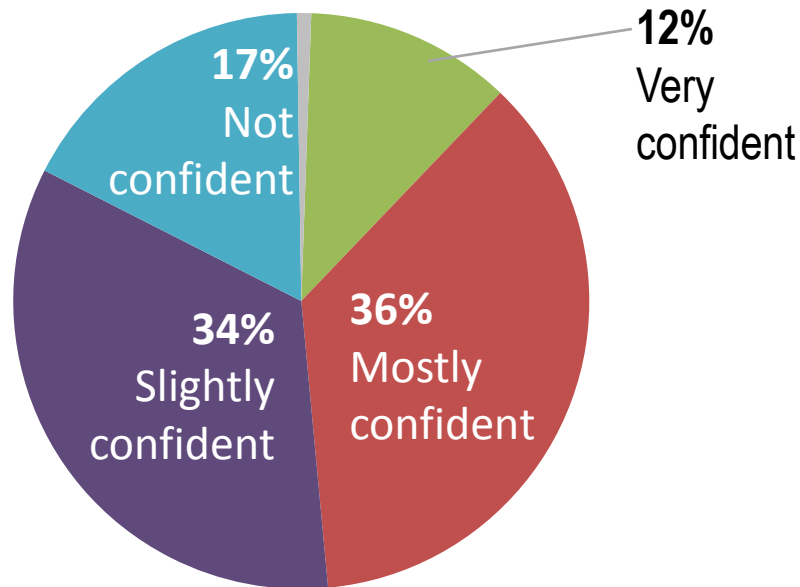
Why Not Invest in a 401(k)?

Please select all the reasons below for why you do not currently invest in a 401(k), 403(b), thrift, or other defined contribution plan from work.



Investment Confidence and Knowledge

How confident are you in your ability to make the right investment decisions when managing and investing the money in your retirement accounts?



Asked of non-retired respondents with savings in a 401(k), IRA, or other self-directed retirement account. n = 2,566

41 percent of respondents whose employer offers a 401(k) type plan say they do not know how much their employer will match

Among employed respondents with a 401(k) type account or whose employer offers a plan. n = 2,122

Conclusions

- Most adults report living comfortably or doing okay, and optimism has improved for income growth going forward
- A sizeable minority report some level of financial stress – particularly among lower income individuals
- There is more information in the survey than could be included in this presentation. For full report and underlying data see:
<http://www.federalreserve.gov/communitydev/shed.htm>

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 your work involves supporting people, places, the practice of community development, or small business development.