

Findings on Financial Well-Being and Economic Preparedness from the 2015 Survey of Household Economics and Decisionmaking

August 11, 2016

Organized by the Federal Reserve Board of Governors

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Welcome

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

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- Conference code: 1761-8973#
- Webinar link: <https://www.webcaster4.com/Webcast/Page/584/16504>

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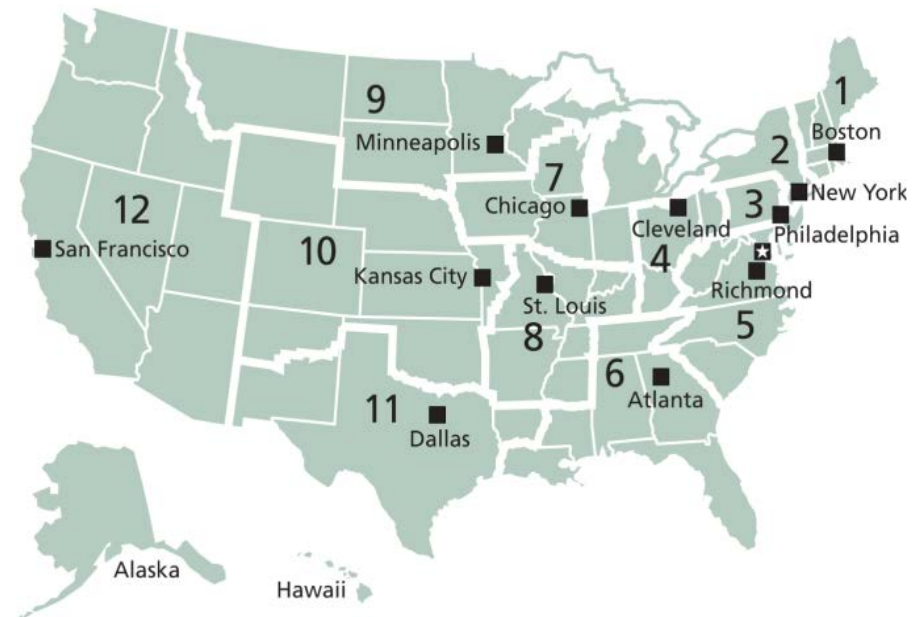
In connection with this session, you can find a variety of additional resources on this topic, available at www.fedcommunities.org. We encourage you to browse through this site and to contact your regional office if you would like additional information on any of these items.

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The 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 function within the Federal Reserve System—consisting of individual departments at each of the 12 Federal Reserve Banks and at the Board of Governors (Board)—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, government agencies, and the philanthropic and private sectors
 - **Conducting and sharing research** to examine economic challenges facing LMI communities and attendant policy implications
 - **Identifying emerging issues**



Today's Presenters and Agenda

- **Jeff Larrimore**, Senior Economist, Federal Reserve Board
- **Jonathan Morduch**, Professor of Public Policy and Economics, New York University (NYU); Managing Director, Financial Access Initiative
- **Julie Siwicki**, Research Associate, NYU

2015 Survey of Household Economics and Decisionmaking

Jeff Larrimore

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Survey Background

- Third annual survey
- Designed with three primary motivations:
 - Help monitor trends in consumer behavior and sentiment as they relate to household finances and the broader economy
 - Cast light on current issues affecting consumer financial well-being and monitor recovery from the financial crisis
 - Fill data gaps and provide insight into questions for which there may not be other reliable data sources

Survey Methods

Designed by Federal Reserve Board staff, with input from Reserve Banks and outside academics

- Refined by nationally recognized experts

Fielded to GfK's KnowledgePanel[®], a probability-based online panel of respondents

- October and November 2015
- 5,695 respondents, including a lower-income oversample

The panel is designed to represent the U.S. adult population

- Respondents drawn from postal addresses
- Computer and Internet access provided free of charge to those without them
- As with all surveys, the possibility for some degree of bias (selection, recall, non-response)

Topics Covered in Survey

SECTION

1

Economic Well-Being

SECTION

2

Income and Savings

SECTION

3

**Economic Preparedness and
Emergency Savings**

SECTION

4

Banking and Credit

SECTION

5

Housing and Living Arrangements

SECTION

6

Vehicle Purchases and Auto Lending

SECTION

7

Education and Human Capital

SECTION

8

Student Loans

SECTION

9

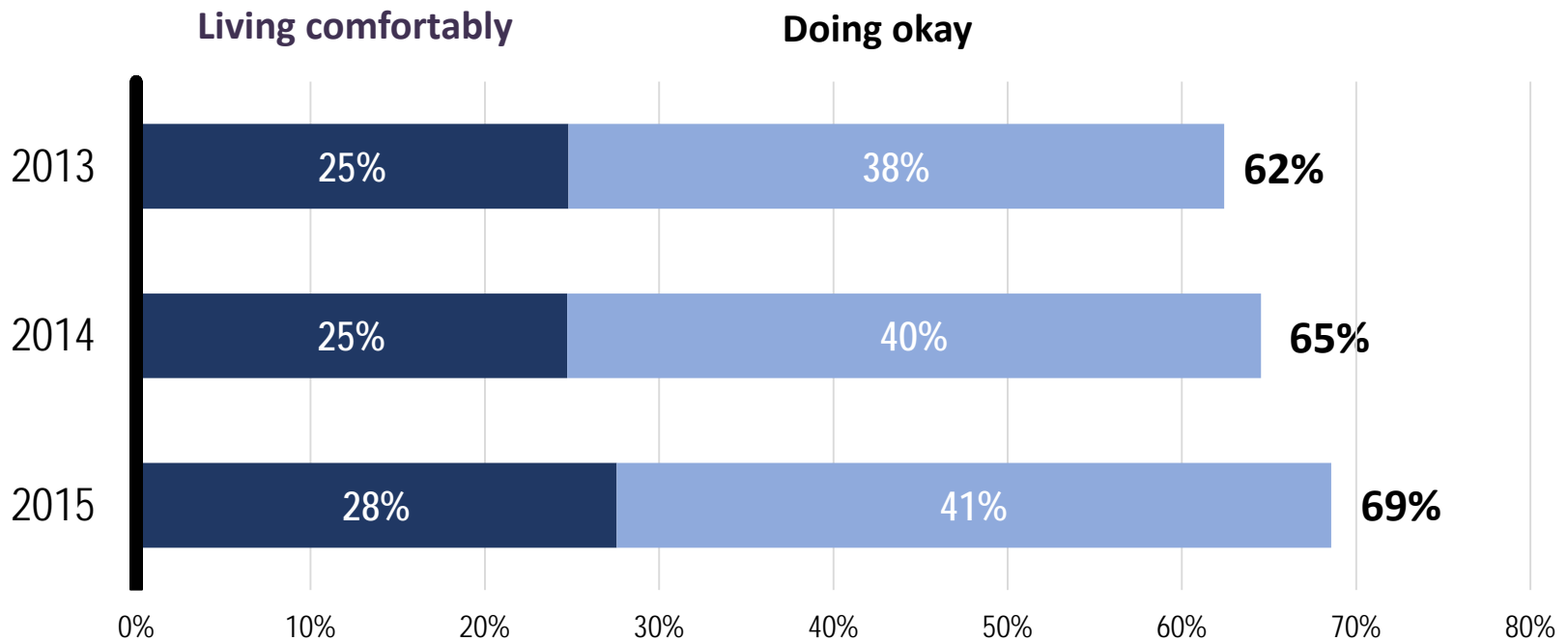
Retirement

Survey Report and Data

- Findings released on May 25 as the *Report on the Economic Well-Being of U.S. Households in 2015*
- For the full report and survey data see:
<http://www.federalreserve.gov/communitydev/shed.htm>

Self-Assessed Financial Well-Being

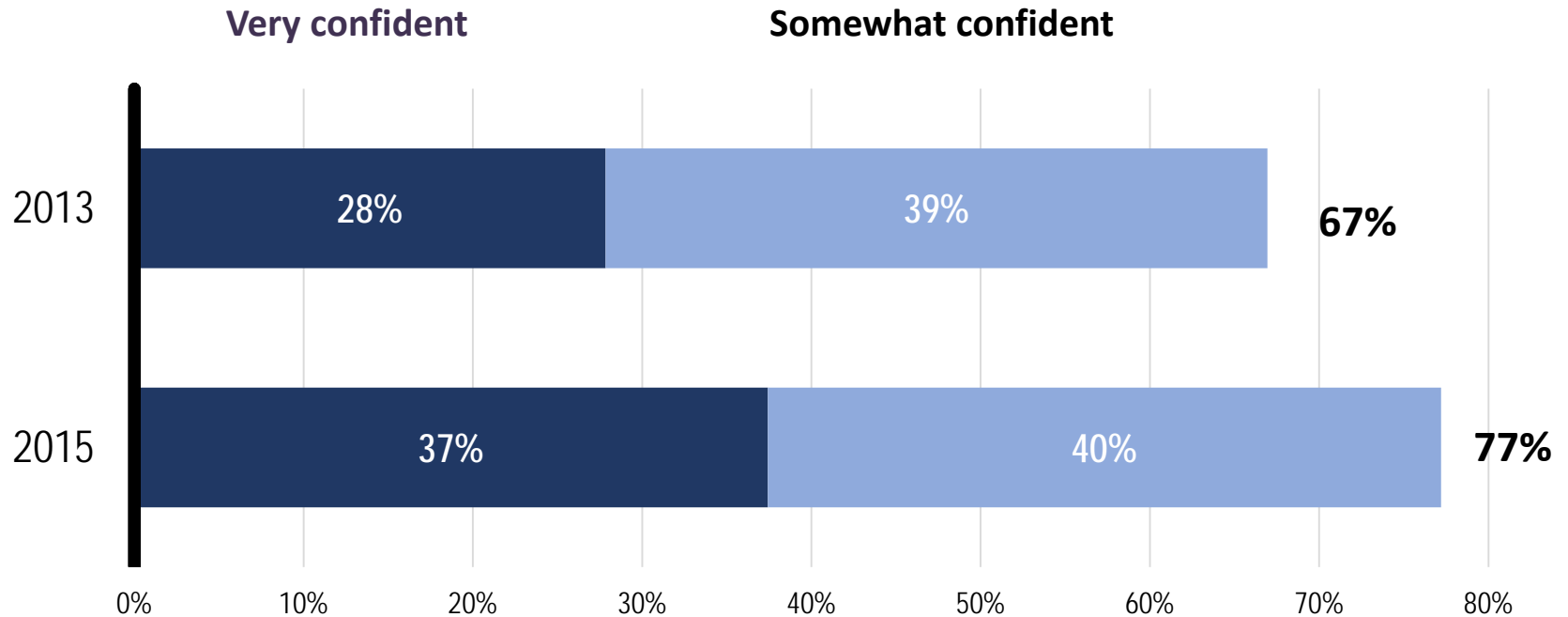
Which of the following best describes how well you are managing financially these days?



Source: Survey of Household Economics and Decisionmaking. Asked of all respondents. n = 5,642 in 2015

Confidence in Job Skills

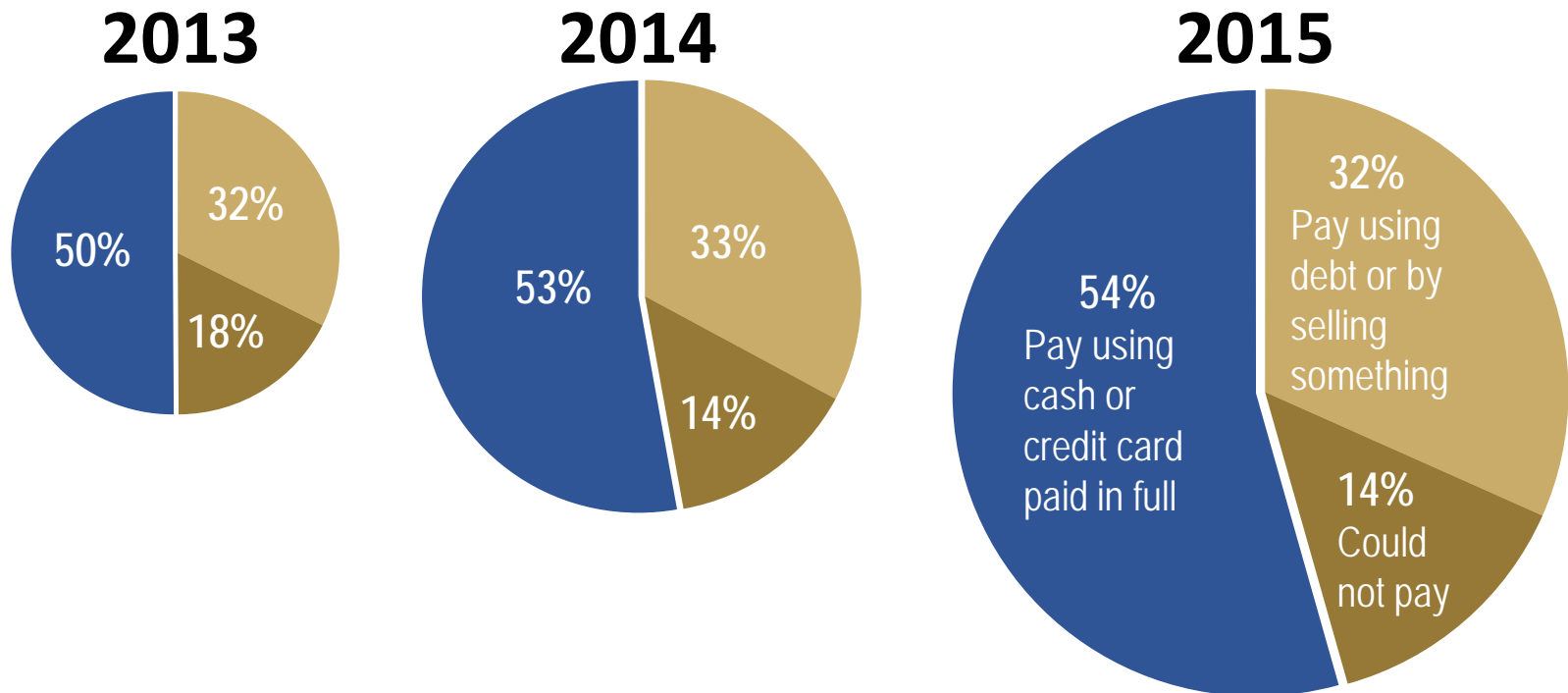
Thinking about your current education and work experience, how confident are you that you have the skills necessary to get the kind of job you want now?



Source: Survey of Household Economics and Decisionmaking. Among non-retired, non-disabled respondents. n = 4,126 in 2015

Covering Modest Emergency Expense

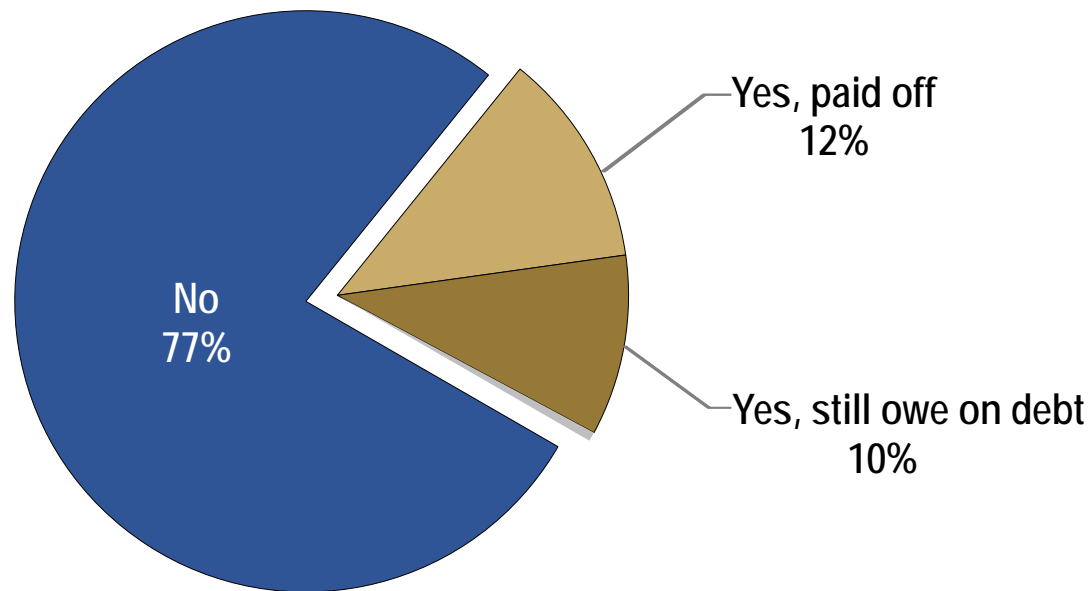
Suppose that you have an emergency expense that costs \$400. Based on your current financial situation, how would you pay for this expense?



Source: Survey of Household Economics and Decisionmaking. Asked of all respondents. n = 5,642 in 2015

Medical Expense Debt

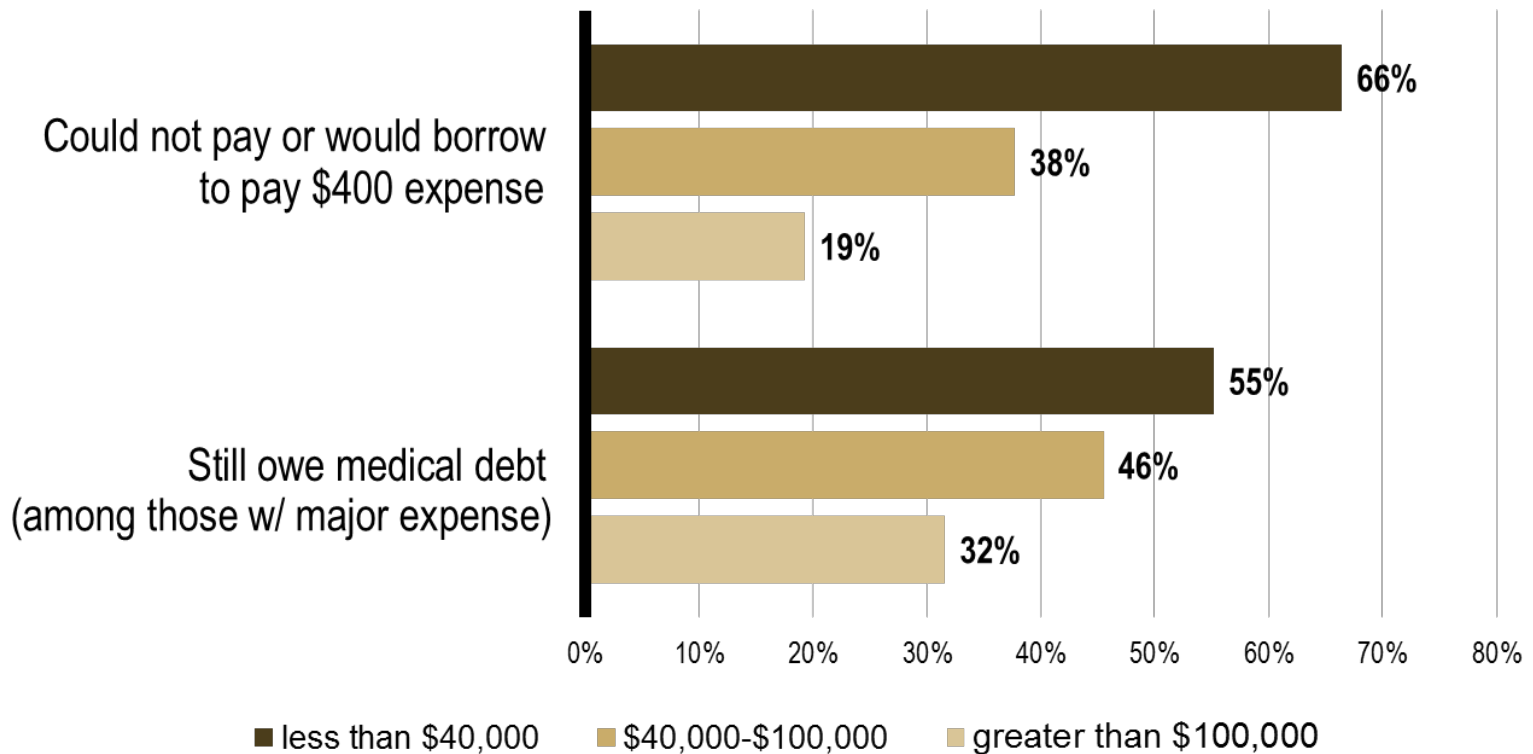
- During the past 12 months, have you had any unexpected major medical expenses that you had to pay out of pocket?
- Do you currently have an unpaid balance or owe any money related to that expense?



Source: 2015 Survey of Household Economics and Decisionmaking. Asked of all respondents. n = 5,642

Emergency Preparedness by Income

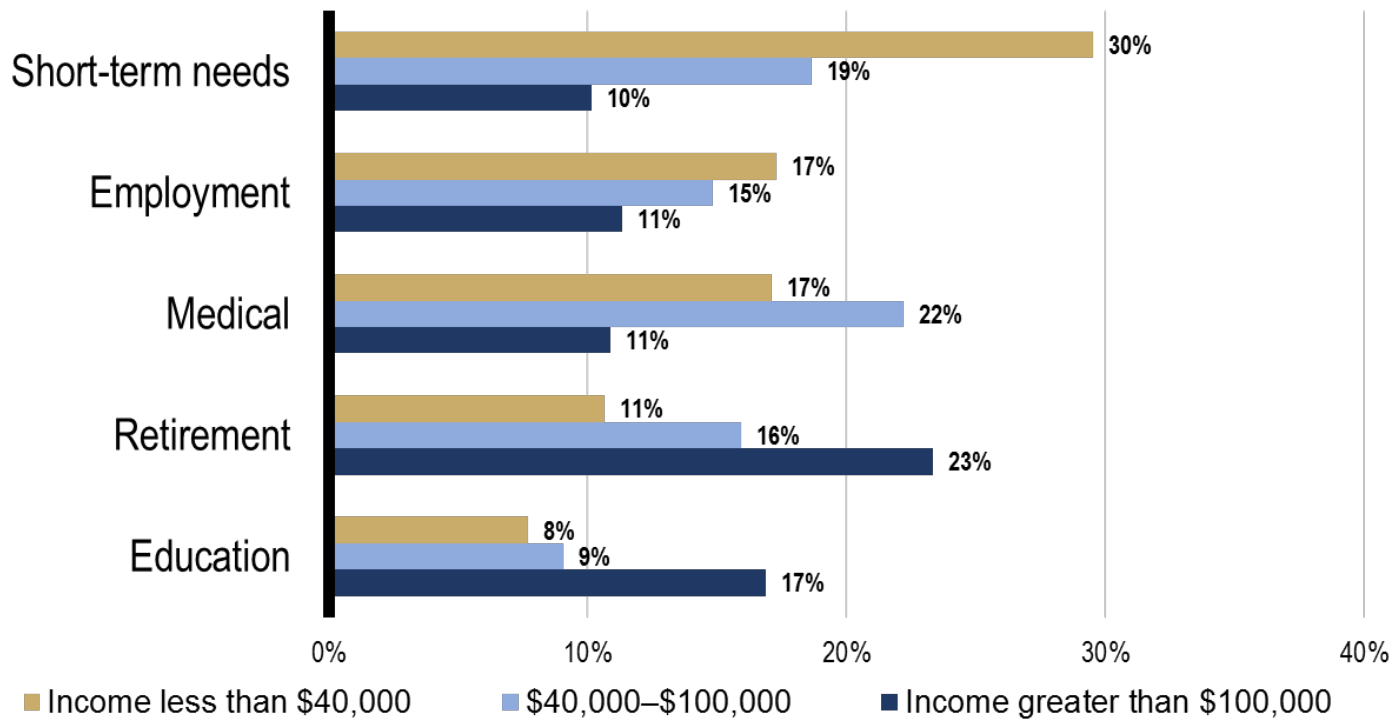
Compared to 12 months ago, would you say that you are better off, the same, or worse off financially?



Source: 2015 Survey of Household Economics and Decisionmaking. Asked of all respondents and those with a major medical expense, respectively. n = 5,642 and n = 1,349

Self-Assessed Financial Challenges (continued)

Topics cited in response to open-ended request to describe the main financial challenges or concerns facing your family

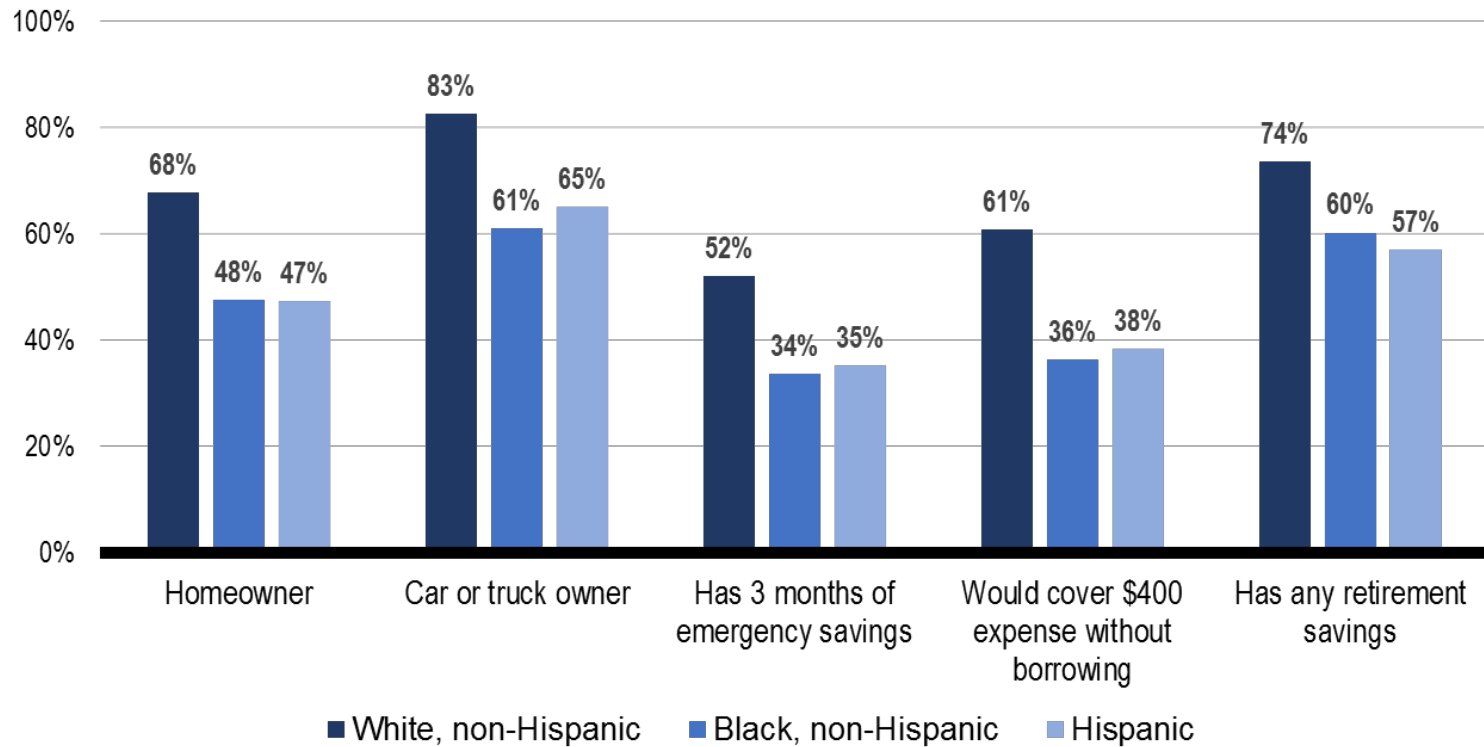


Source: 2015 Survey of Household Economics and Decisionmaking.

Asked of all respondents. Results exclude those who responded that they have no financial concerns. n = 2,571

Asset Ownership by Race and Ethnicity

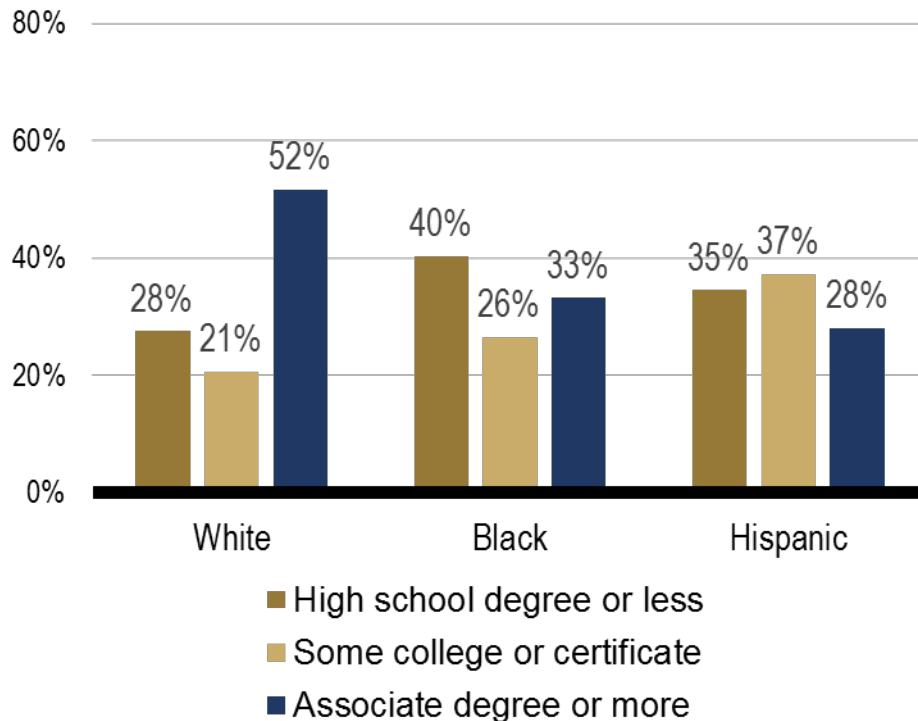
Percent of adults with each asset type



Source: 2015 Survey of Household Economics and Decisionmaking. Asked of all respondents. n = 5,642 in 2015

College Attendance and Type of Institution Attended

Highest degree completed among young adults (ages 25–34)



5%

of white young adults who went to college went to a for-profit school.

10%

of black young adults who went to college went to a for-profit school.

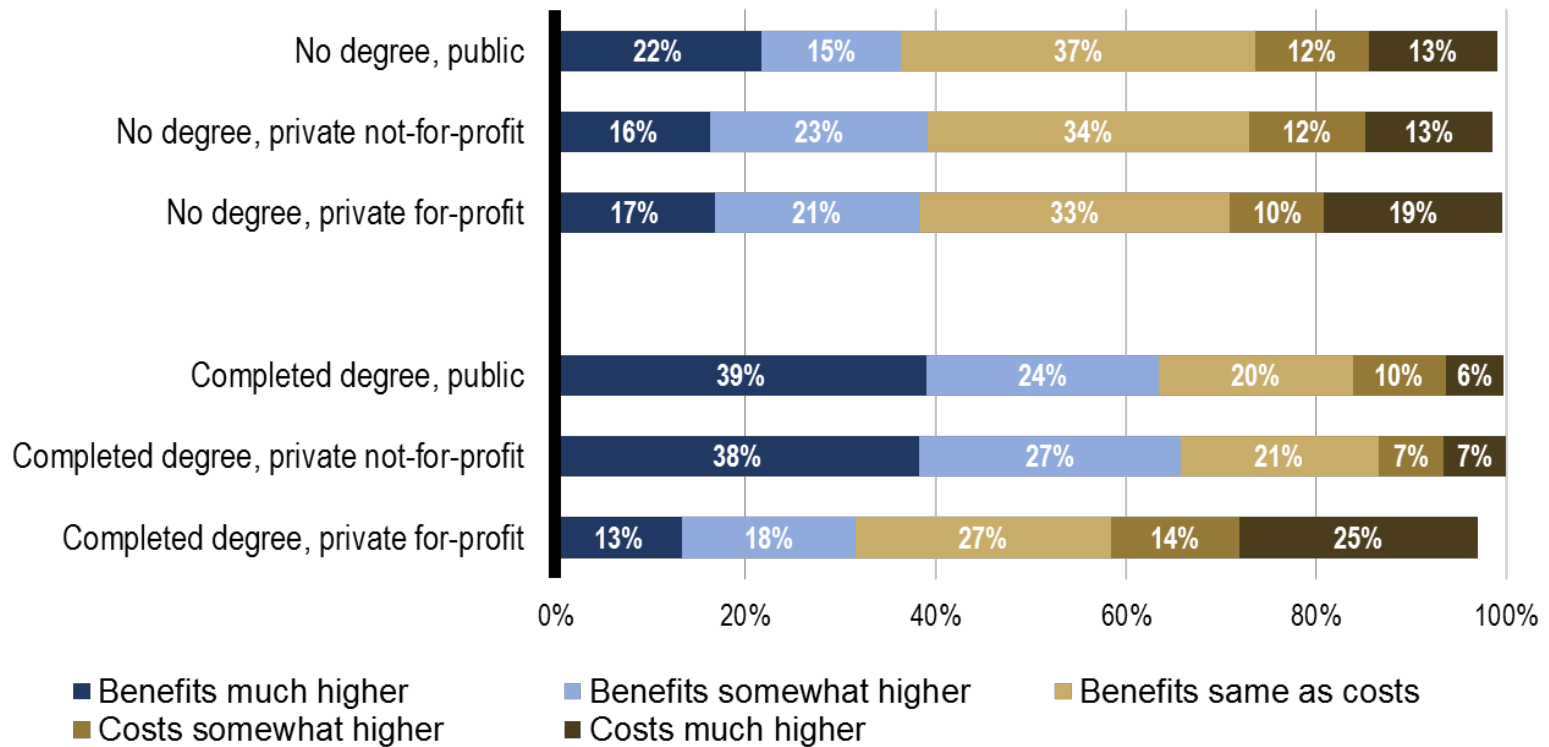
24%

of Hispanic young adults who went to college went to a for-profit school.

Source: 2015 SHED. Among young adults ages 25–34. n = 790

Value of Degree

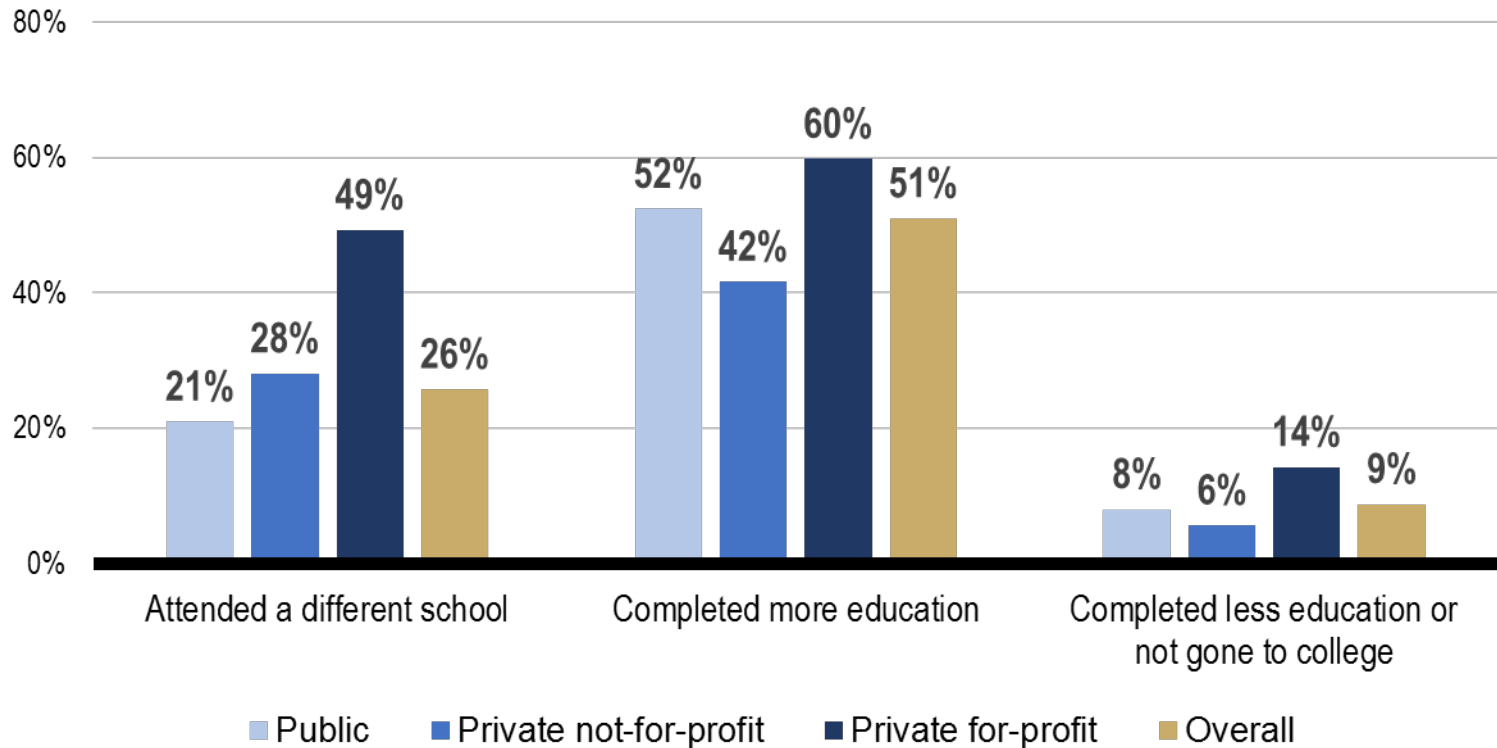
Overall, how would you say the lifetime financial benefits of your education compare to the financial costs?



Source: 2015 Survey of Household Economics and Decisionmaking. Among respondents who attended college and report the institution attended. n = 3,144

What Would You Do Differently?

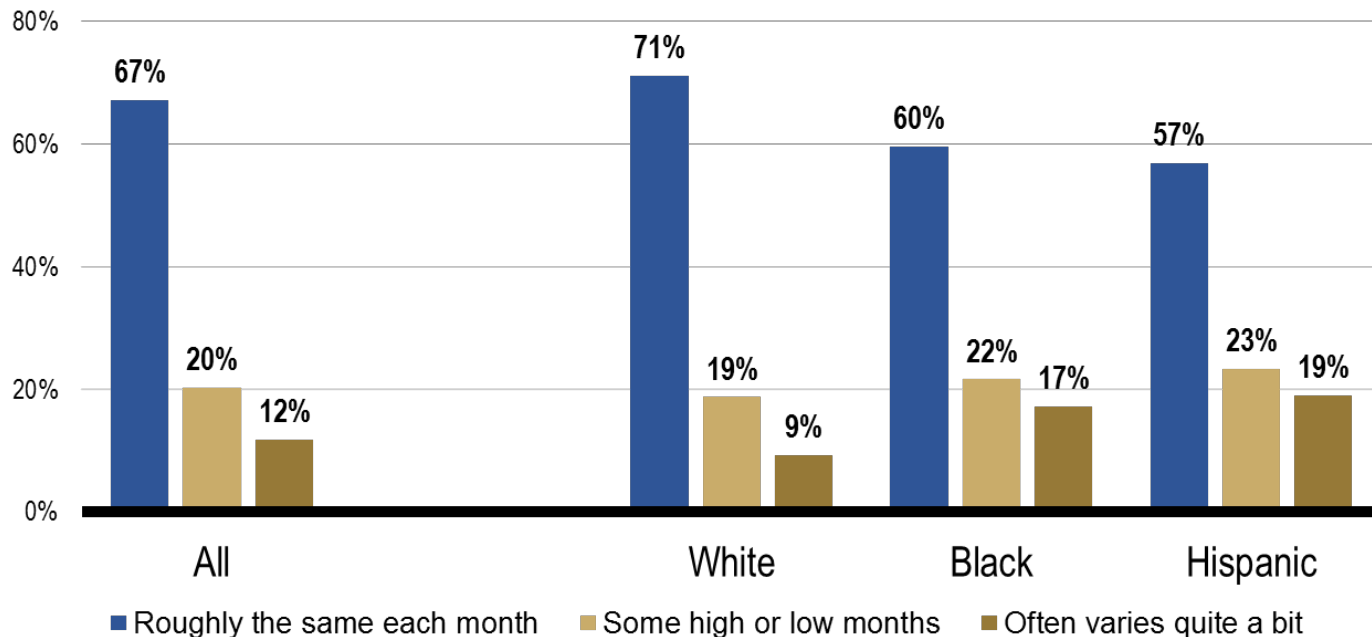
If you could go back and make your education decisions again, would you have done each of these things:



Source: 2015 Survey of Household Economics and Decisionmaking. Among respondents who attended college and report the institution attended. n = 3,144

Income Volatility by Race and Ethnicity

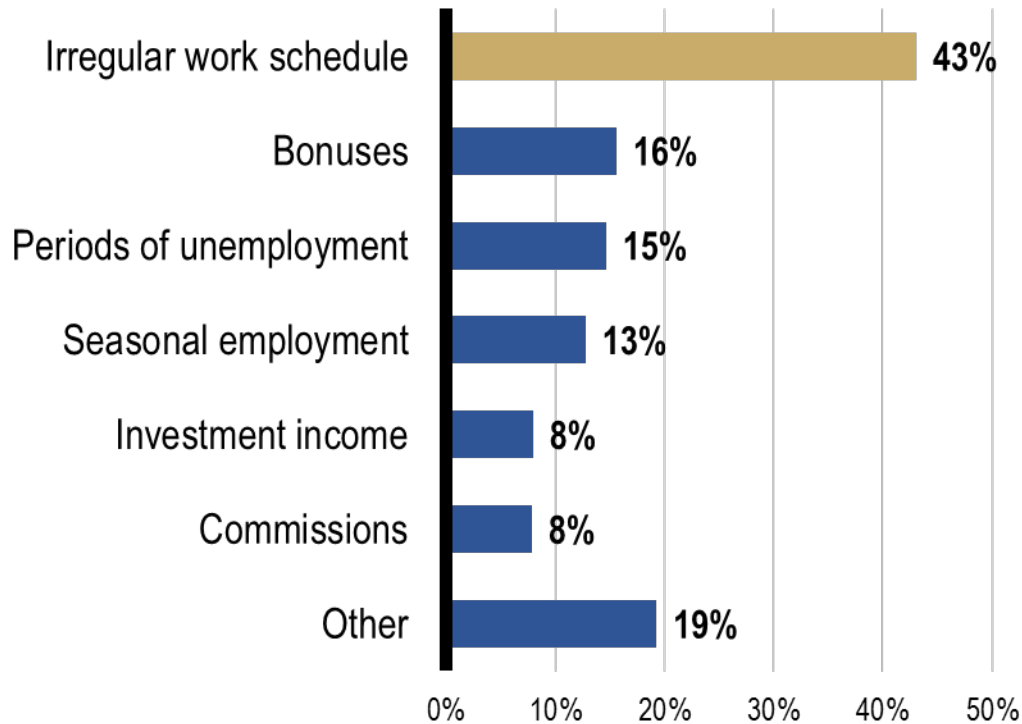
In the past year, which of the following best describes how your income changed from month to month, if at all?



Source: 2015 Survey of Household Economics and Decisionmaking. Asked of all respondents. n = 5,642

Income Volatility Causes and Consequences

Which of the following are reasons that your income changed from month to month in the past year?



43%

of respondents who reported volatile income had some months where they struggled to pay their bills because of volatility in their income or expenses

Source: 2015 Survey of Household Economics and Decisionmaking. Among respondents whose income varied in at least some months. n = 1,715

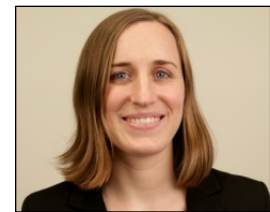
U.S. Financial Diaries

Presenters

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U.S. Financial Diaries

- Principal investigators:
 - **Jonathan Morduch**, Professor of Public Policy and Economics, NYU
 - **Rachel Schneider**, Senior Vice President, Insights and Analytics, Center for Financial Services Innovation
- The U.S. financial diaries were created jointly by the NYU Financial Access Initiative, the Center for Financial Services Innovation, and Bankable Frontier Associates.



Support

Leadership support for the project is provided by the Ford Foundation and the Citi Foundation, with additional support and guidance from the Omidyar Network™.



FORDFOUNDATION

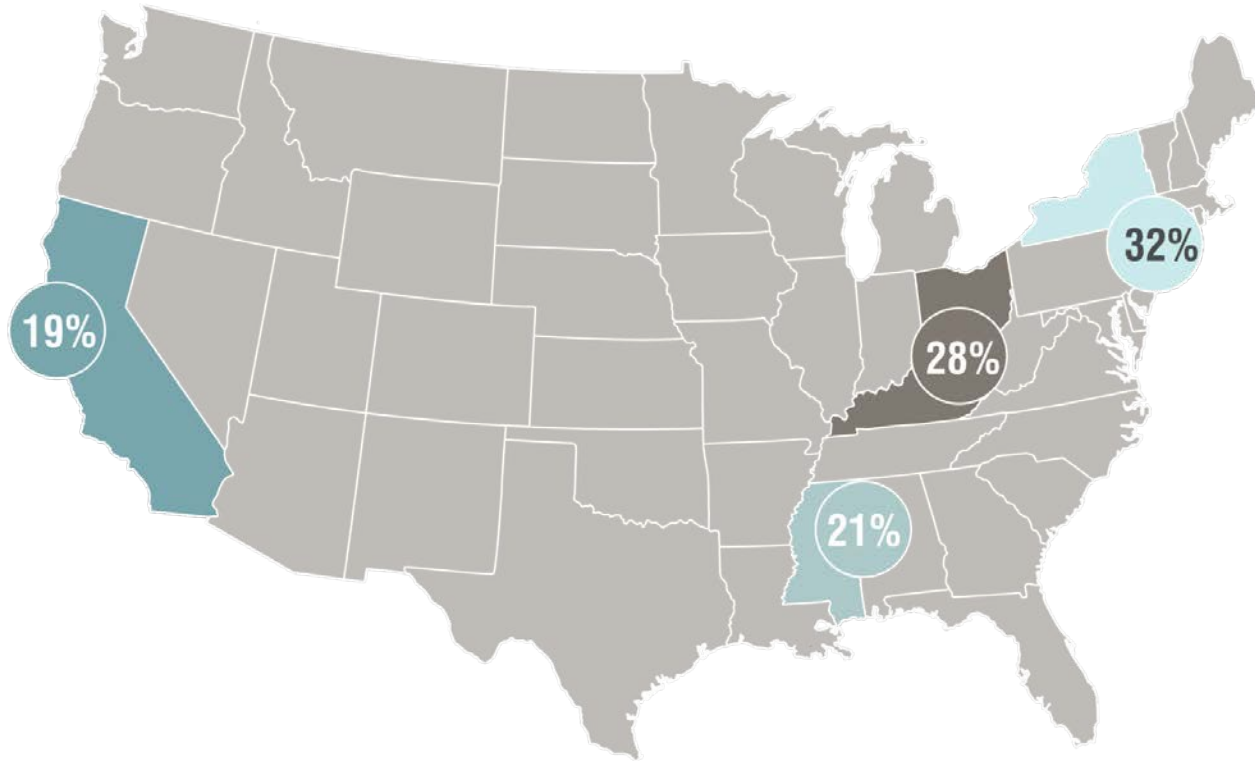
*Working with Visionaries on the
Frontlines of Social Change Worldwide*

Citi Foundation



OMIDYAR NETWORK™

U.S. Financial Diaries Sample



CALIFORNIA

San Jose and environs
Urban and rural
46 households

EASTERN MISSISSIPPI

Rural
50 households

OHIO/KENTUCKY

Cincinnati and environs
Small town and rural
69 households

NEW YORK CITY

Brooklyn and Queens
Urban
79 households

Preliminary data – do not cite

Financial Diaries Methods

For a full year, 235 households allowed us to track every dollar they earned, saved, borrowed, shared, and spent.

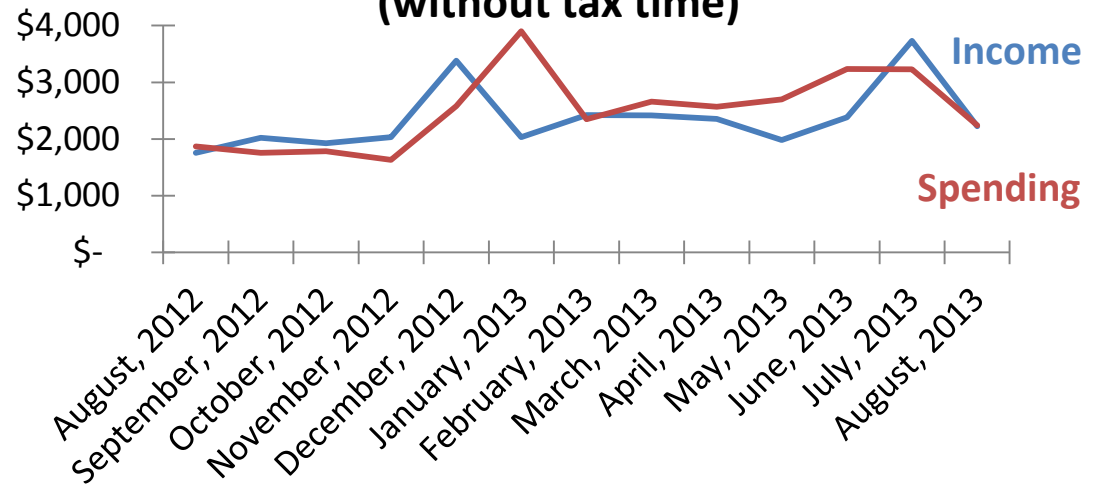


Sally and Jeremy

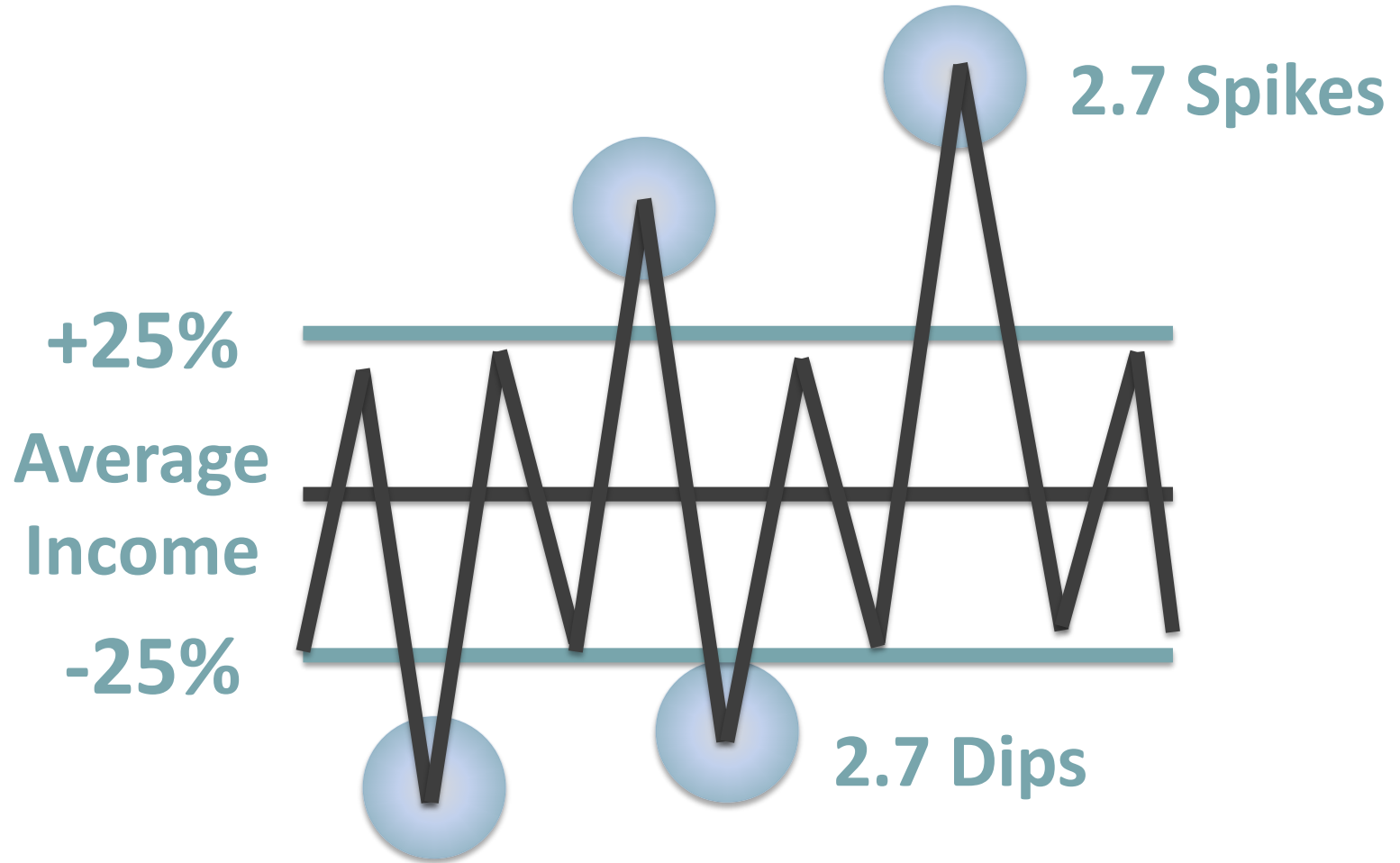
- Annual income: \$35,000
- Four children
- Rural Ohio



**Monthly Income and Spending
(without tax time)**



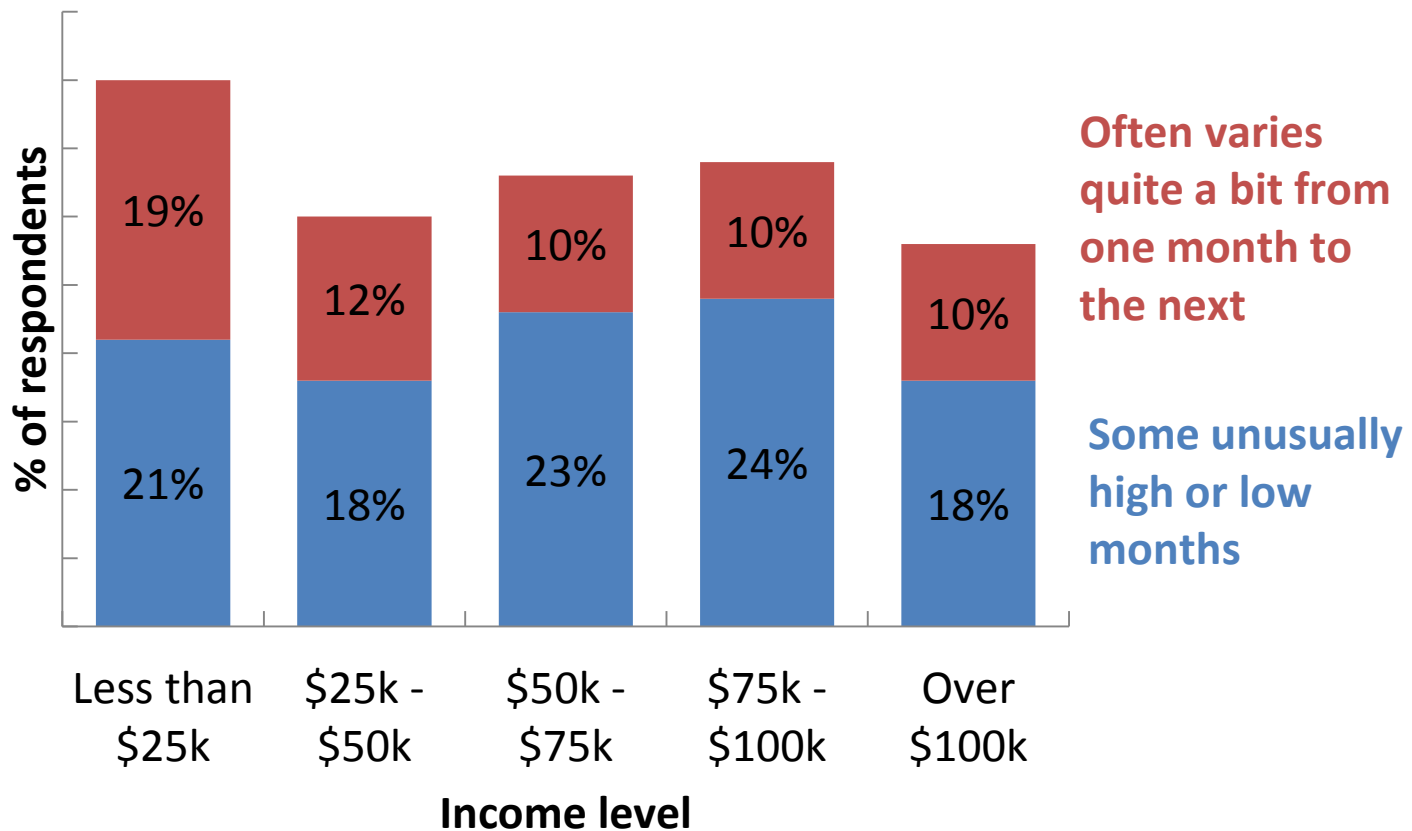
Spikes and Dips – U.S. Financial Diaries



U.S. financial diaries. n=235

Income Volatility

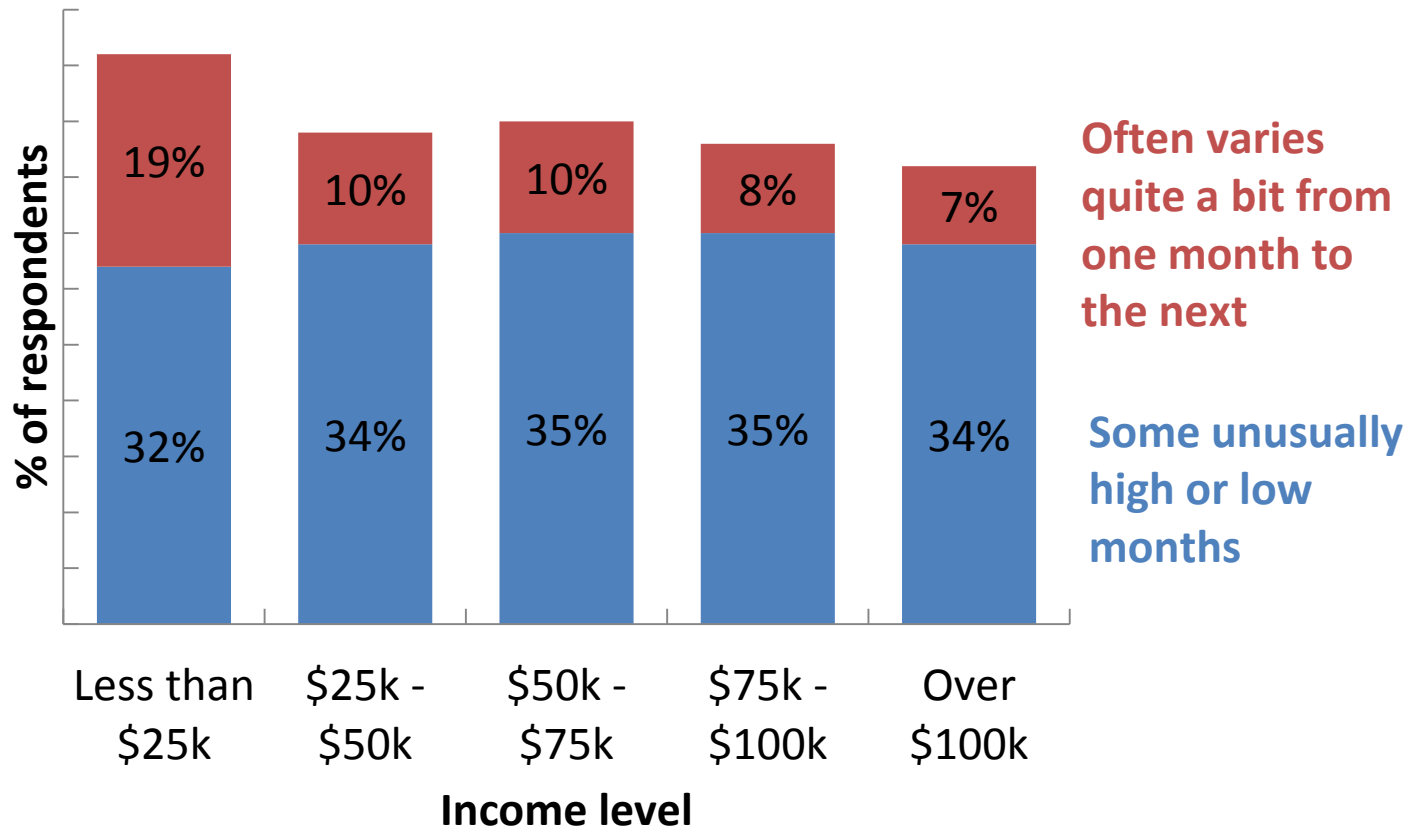
2015 Survey of Household Economics and Decision-making (SHED)



Federal Reserve, SHED 2015. Sample size n=5,595

Spending Volatility

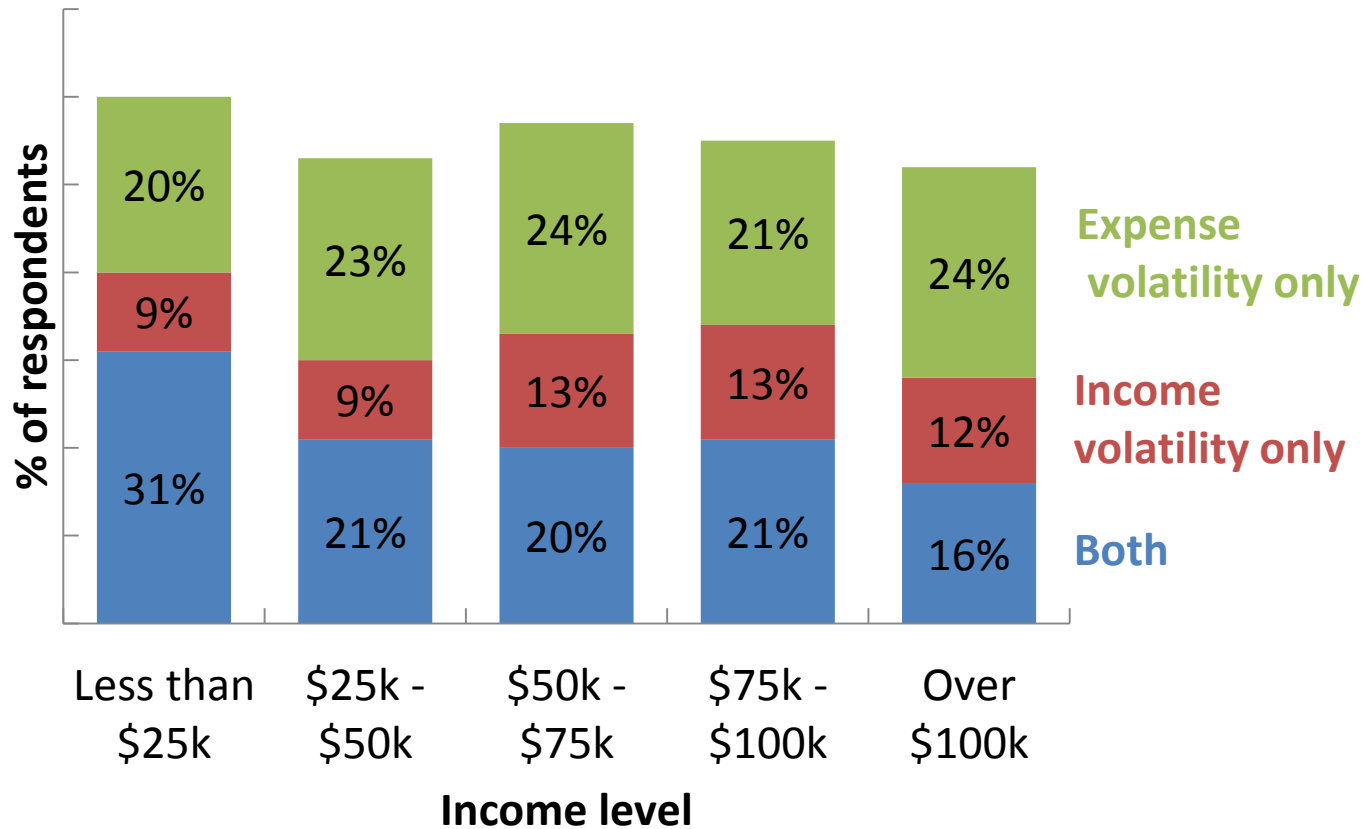
2015 Survey of Household Economics and Decision-making (SHED)



Federal Reserve, SHED 2015. Sample size n=5,572

Income and Spending Volatility

2015 Survey of Household Economics and Decision-making (SHED)

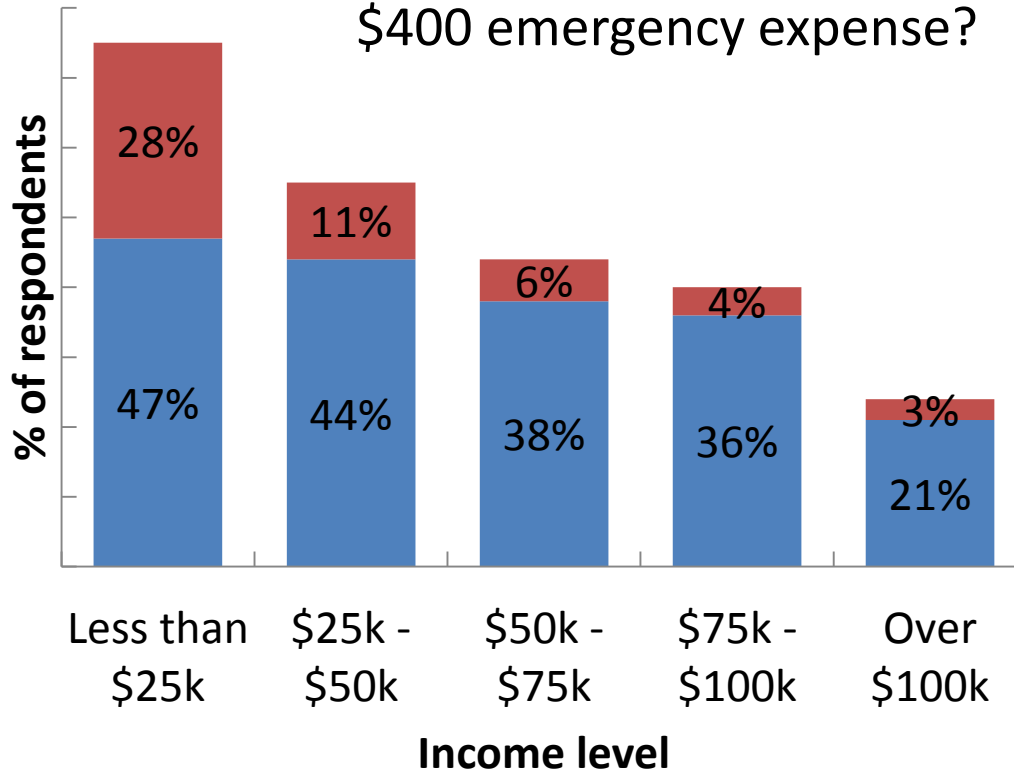


Federal Reserve, SHED 2015. Sample size n=5,542

Coping with an Emergency Expense

2015 Survey of Household Economics and Decision-making (SHED)

How would you pay for a \$400 emergency expense?



Wouldn't be able to cover it

Would have to borrow or sell something

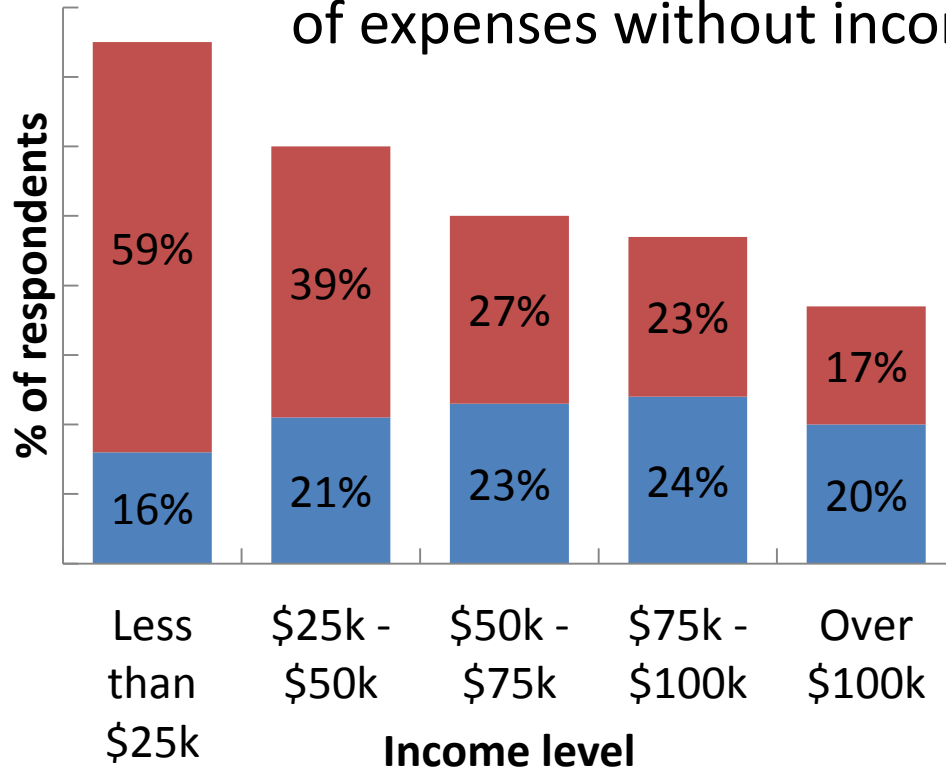


Federal Reserve, SHED 2015. Sample size n=5,591

Coping with a Long-Term Shock

2015 Survey of Household Economics and Decision-making (SHED)

Could you meet three months of expenses without income?



No

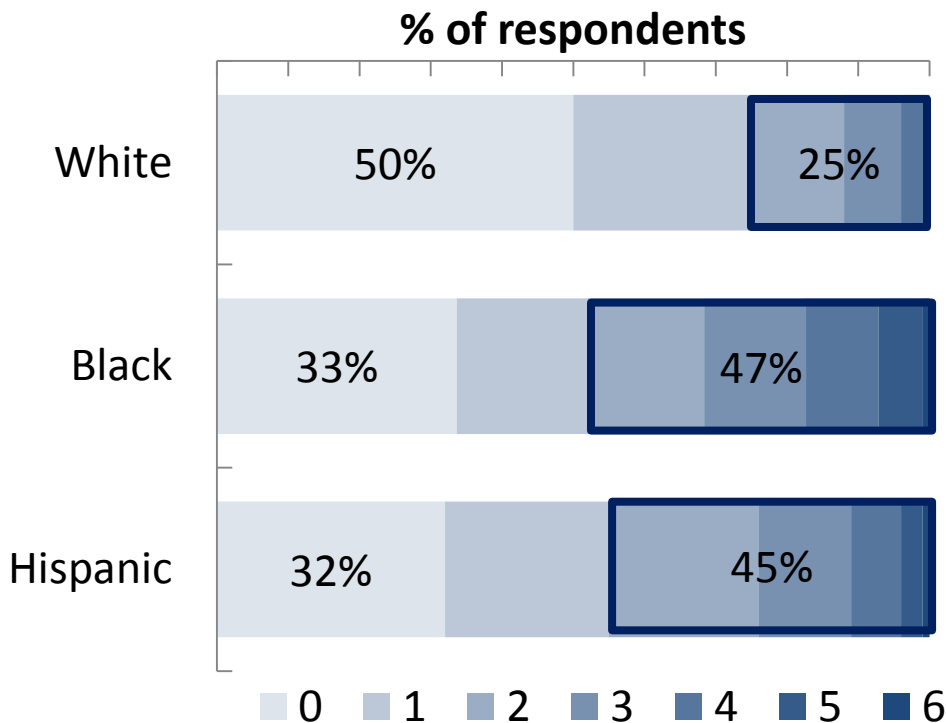
Yes, but no rainy day fund



Federal Reserve, SHED 2015. Sample size n=5,592

Accumulated Challenges

Number of reported disadvantages in SHED 2015



- Six disadvantages:
 - Low income (<\$40k)
 - Low assets (<3 assets)
 - High-income volatility
 - High-expense volatility
 - Low short-term ability to cope (\$400 emergency)
 - Low long-term ability to cope (for three months)

Federal Reserve, SHED 2015. Sample size n=4,126

Sally and Jeremy



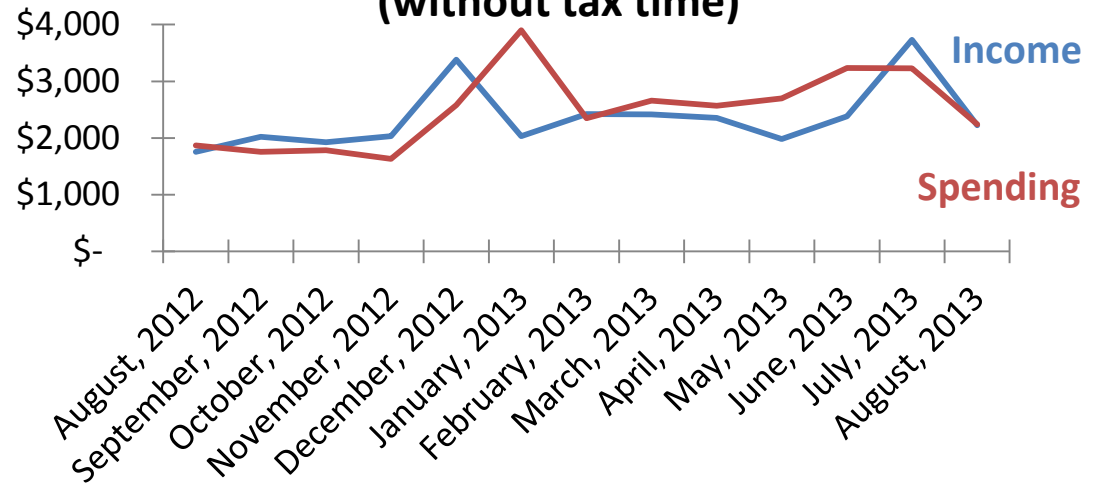
Photo: Demetrius Freeman



Photo: Demetrius Freeman

- Annual income: \$35,000
- Four children
- Rural Ohio
- 131% of (supplemental) poverty line
- Poor five months

Monthly Income and Spending (without tax time)



U.S. Financial Diaries

Questions?

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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 web site, 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 at **www.fedcommunities.org**.
- The web site provides an array of practical resources to help you in your role as a community development professional, whether your work involves supporting people, places, community development, or small business development.