

Connecting Communities



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

May 14, 2020

Organized by the Federal Reserve Bank of St. Louis

Welcome



Jeff Larrimore
Section Chief, Consumer and
Community Research Section,
Consumer and Community Affairs
Board of Governors



Mike Zabek
Economist, Consumer and
Community Research Section
Board of Governors



Ellen Merry
Principal Economist, Consumer
and Community Research Section
Board of Governors



Daniel Paul Davis
Vice President and Community
Affairs Officer
Federal Reserve Bank of St. Louis
(Moderator)

Agenda for this webinar

Federal Reserve and
Connecting Communities
Webinar Information



2019 Survey of Household
Economics and
Decisionmaking (SHED)
and April 2020 Supplement



Q & A

Join

- Call-in number **888-625-5230**
- Conference Code: **475 916 02#**
- Webinar link: <https://www.webcaster4.com/Webcast/Page/584/34808>

Questions

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

Website

- Please visit <https://bsr.stlouisfed.org/connectingCommunities>

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.

Legal Notices and Disclaimer



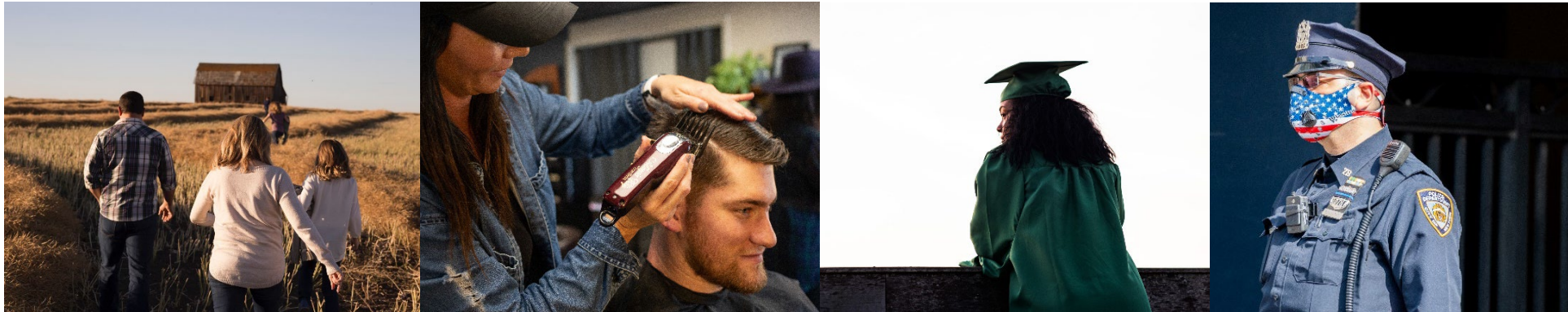
The information, analyses, and conclusion set forth are those of the presenters and do not necessarily indicate concurrence by the Board of Governors of the Federal Reserve System, The Federal Reserve Banks, or members of their staffs.

Community Development

The mission of the Federal Reserve's community development function is to promote the economic resilience and mobility of low- to moderate-income and underserved individuals and communities.



2019 Survey of Household Economics and Decisionmaking (SHED) and April 2020 Supplement



The analysis and conclusions in this presentation are those of the staff presenting and do not indicate concurrence by other members of the staff or the Board of Governors.

SHED Approach

1. **Ask individuals directly how they make financial decisions** to more fully convey the opportunities and challenges they face in their daily lives.
2. **Use subjective self-assessments** together with information on objective outcomes to understand families' economic experiences.
3. **Flexibility** to cover new and emerging issues, including the new supplemental survey on financial well-being in response to COVID-19.

Main survey: Over 12,000 respondents in 2019 survey, administered online in October. Responses are weighted to be nationally representative of U.S. adults.

April 2020 supplement: 1,030 respondents from April 3-6, 2020 to obtain current information on a subset of questions. Also nationally representative of U.S. adults.

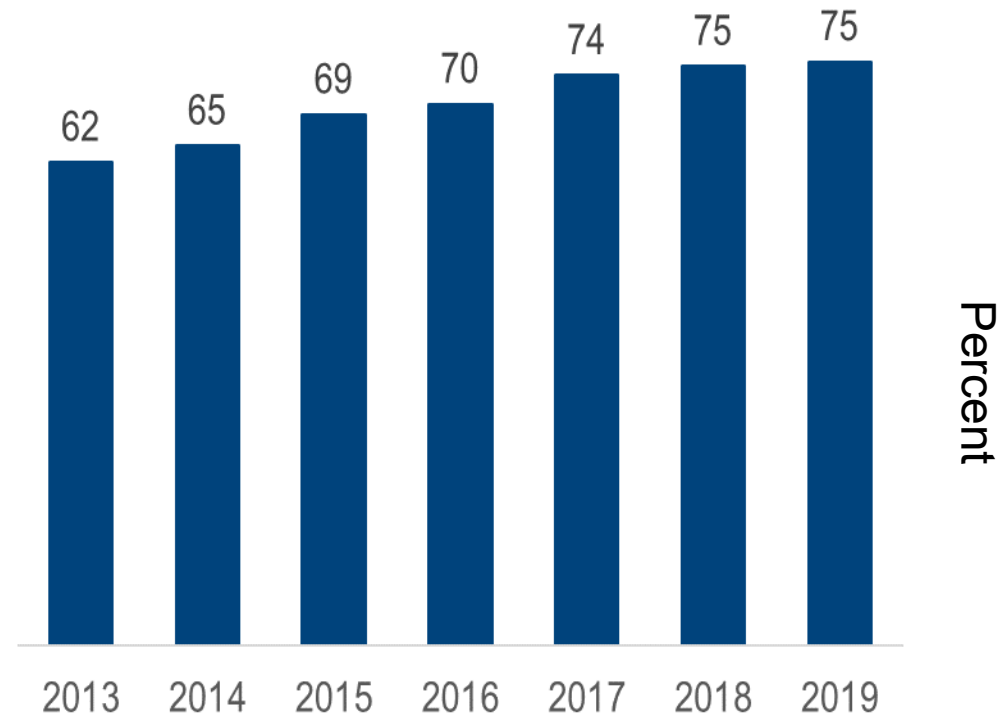
Findings and data: Select findings are published in the *Report on the Economic Well-Being of U.S. Households in 2019, Featuring Supplemental Data from April 2020*. Microdata and the report on findings are available at:

<https://www.federalreserve.gov/consumerscommunities/shed.htm>

Financial Situations Before the Pandemic

- Three-quarters of adults in late 2019 said they were either “living comfortably” (36 percent) or “doing okay” (39 percent) financially.
- Unchanged from 2018 and 13 percentage points above where it stood in 2013.

Self assessments of doing at least okay financially, 2013-2019



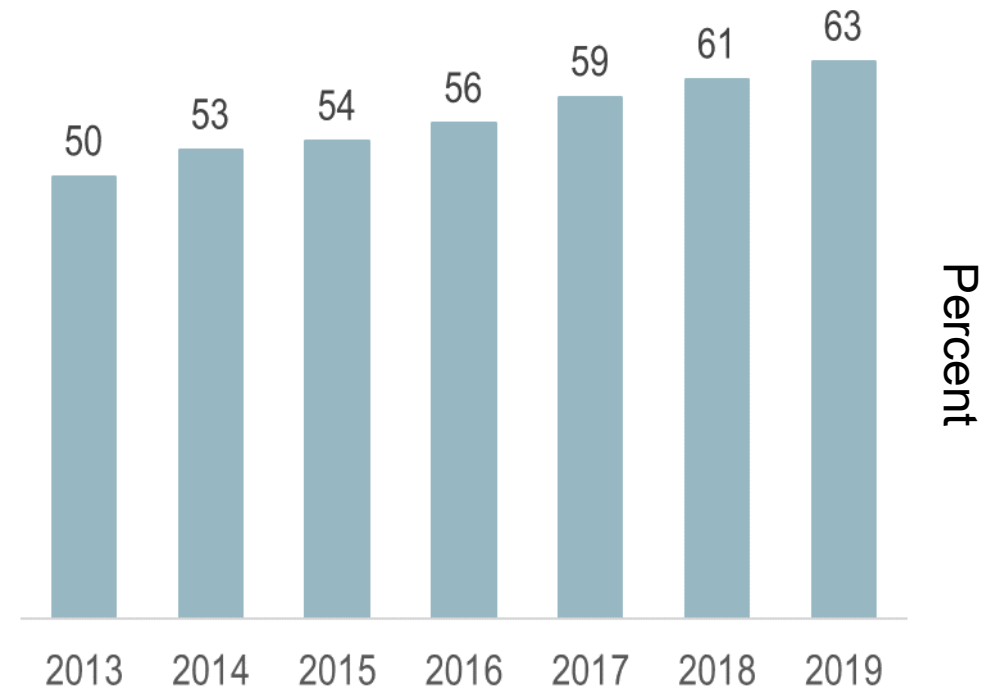
Note: All respondents, n = 12,173 in 2019.
Numbers may not sum due to rounding.

FINANCIAL CIRCUMSTANCES IN 2019

Handling Emergency Expenses Before the Pandemic

Would pay \$400 emergency completely using cash or equivalent, 2013-2019

- If faced with a \$400 unexpected expense in 2019, 63 would pay completely using cash, savings, or a credit card paid off at the next statement.
- Notable improvements since 2013 when 50 would pay completely using cash or its equivalent.



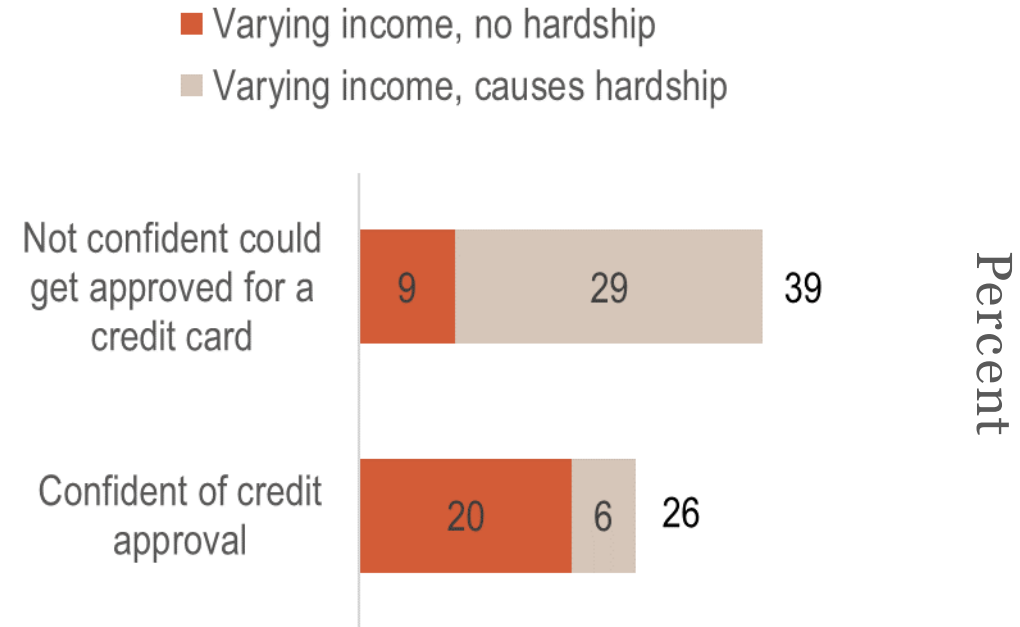
Note: All respondents, n = 12,173 in 2019.

FINANCIAL CIRCUMSTANCES IN 2019

Income Variability

- 30 percent of all adults had income that varies from month to month.
- This variability caused financial challenge for those who lack credit access.
- Nearly 4 in 10 who were not confident in credit approval said their income varied, and 3 in 10 said this variability caused hardship.

Income variability and financial hardship

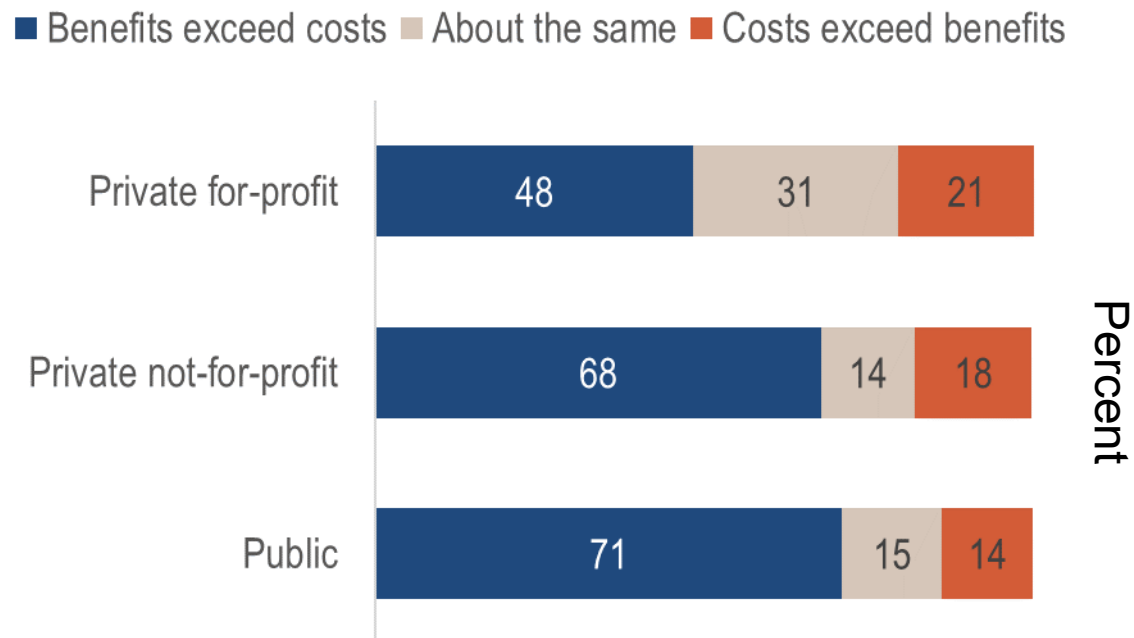


Note: All respondents, n = 12,173.
Numbers do not add to totals due to rounding.

Views of Education by Type of Institution

- 7 out of 10 with bachelor's degrees from public and private not-for-profit institutions said benefits outweighed costs.
- Just under half with the same degree from private for-profit institutions felt the same.
- 54 percent of people who went to a private for-profit institution say they would go to a different school if they could remake decisions (not shown).

Value of higher education among bachelor's degree recipients (by institution type)

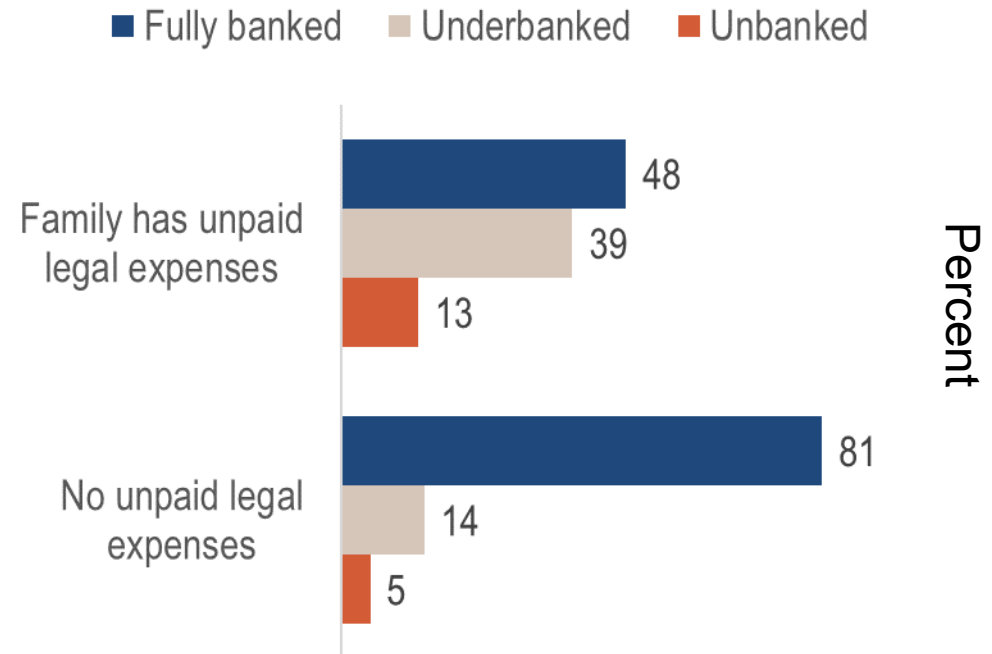


Note: Adults with a bachelor's degree who report institution, n = 4,637

Experiences with Legal Expenses and Fines

- 6 percent of adults reported that their families had unpaid legal expenses, fines, or court costs.
- Over half with outstanding legal fees did not have a bank account (unbanked) or used alternative financial services (underbanked).
- Overall financial well-being was far lower among those with unpaid legal expenses (not shown).

Banking status (by unpaid legal expenses, fines, fees, or court costs)



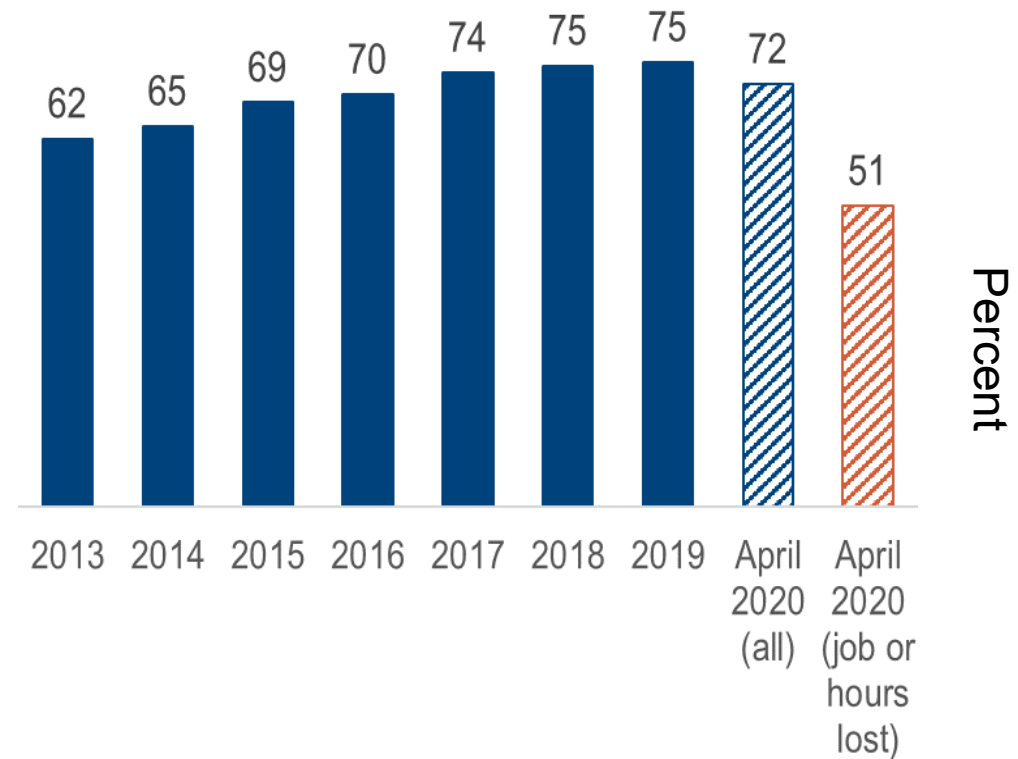
Note: All respondents, n = 12,173.

OVERALL WELL-BEING IN 2020

Overall Well-Being in 2020

- In April 2020, the share doing at least okay financially declined to 72 percent.
- Declines in 2020 were concentrated among those who lost a job or had hours reduced in March.
- As of early April, those not experiencing employment disruptions still generally doing okay financially.

Self assessments of doing at least okay financially, 2013-2020



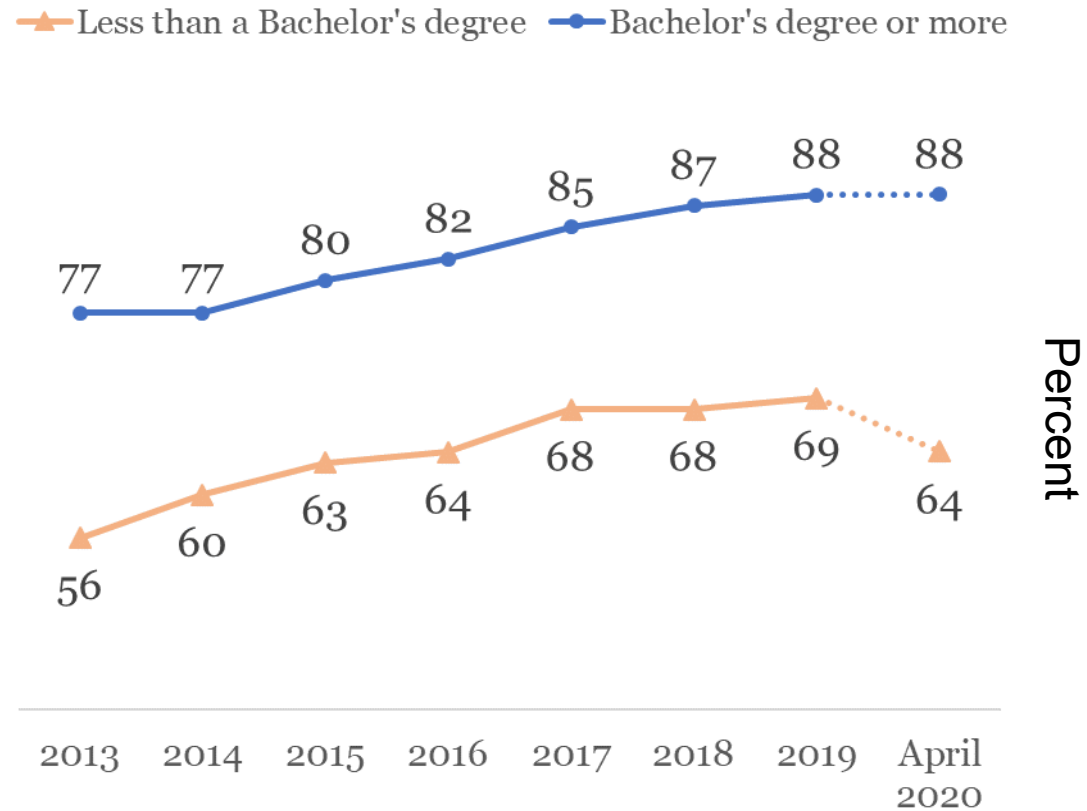
Note: All respondents, n = 12,173 in 2019; 1,030 in April 2020.

OVERALL WELL-BEING IN 2020

Financial Well-Being by Education

- Improvements in well-being since 2013 have been broad based, although differences by education remained.
- In April 2020, financial well-being was steady for those with a bachelor's degree but fell among those with less education.

Self assessments of doing at least okay financially



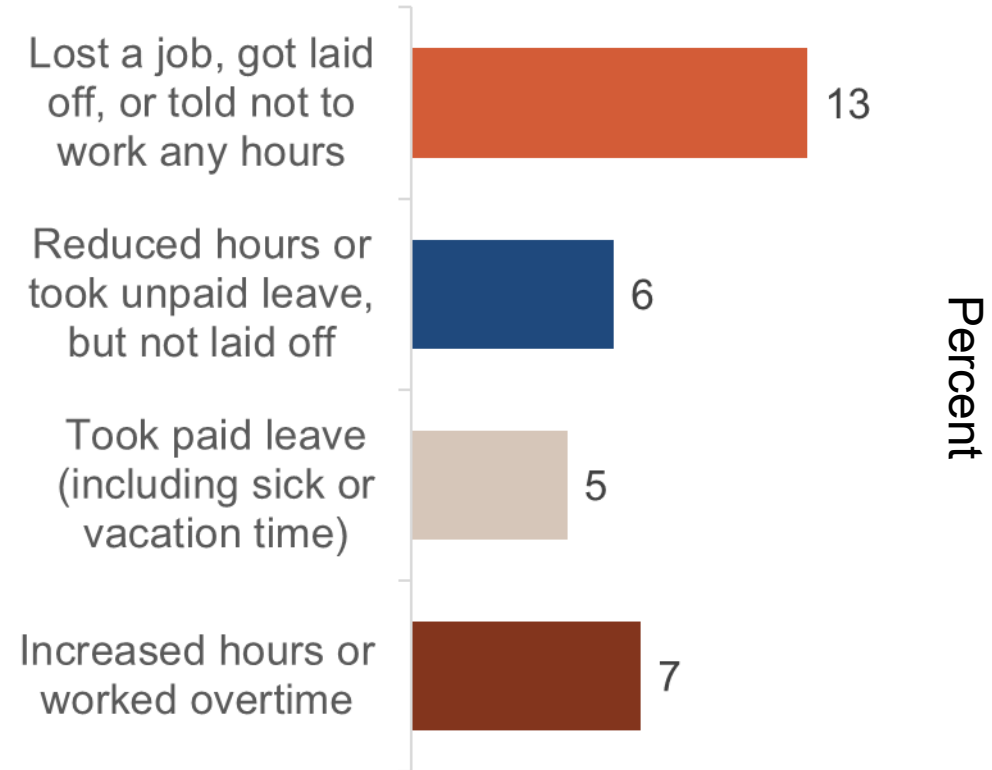
Note: All respondents, n = 12,173 in 2019; 1,030 in April 2020.

EMPLOYMENT

Job Losses and Hours Reductions in March 2020

- 20 percent of people who were working in February lost a job or were furloughed in March.
- So 13 percent of all adults lost a job or were furloughed in March.
- 6 percent of all adults had their hours reduced but were not laid off.
- 6 percent of all adults had their hours reduced but were not laid off.
- But 7 percent of all adults worked overtime or extra hours in March.

Employment events between March 1 and April 3-6, 2020

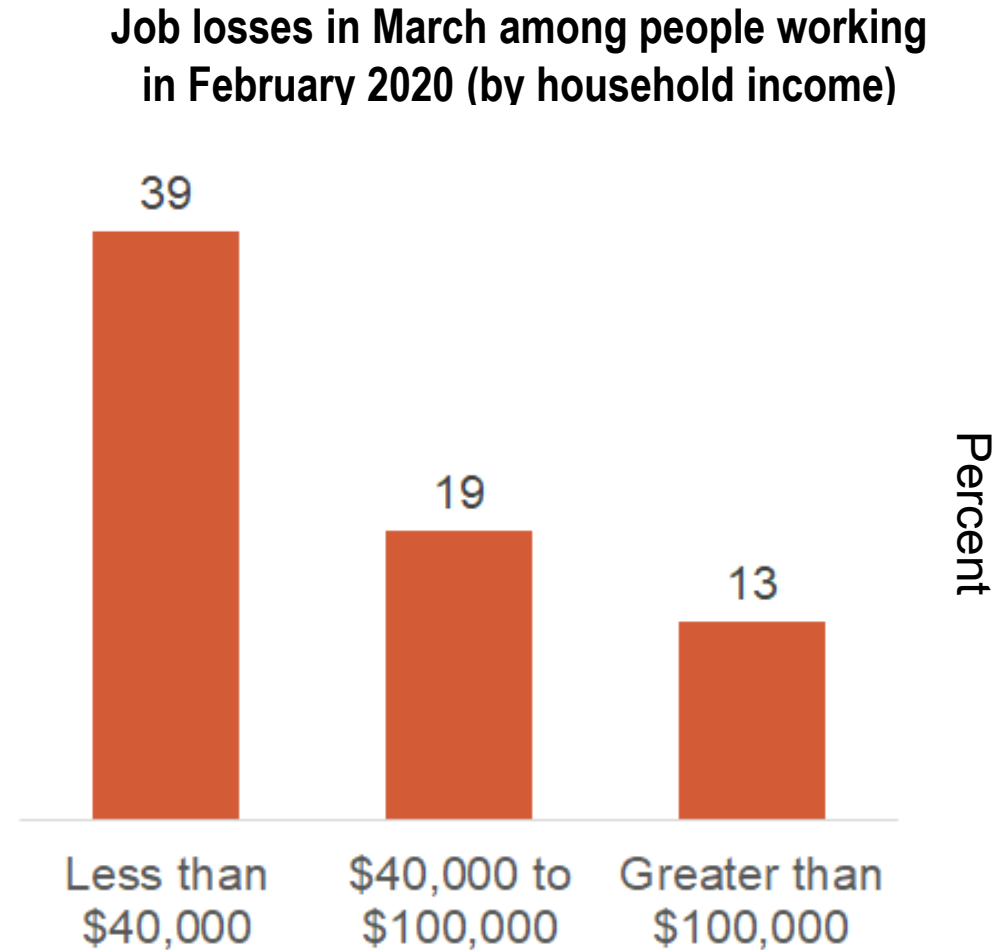


Note: All April 2020 respondents, n = 1,030.

EMPLOYMENT

Job Losses by Pre-Coronavirus Income

- Job losses were concentrated among workers with lower incomes.
- 39 percent of workers with household incomes under \$40,000 reported a job loss in March.
- 13 percent of workers with household incomes over \$100,000 reported a job loss.

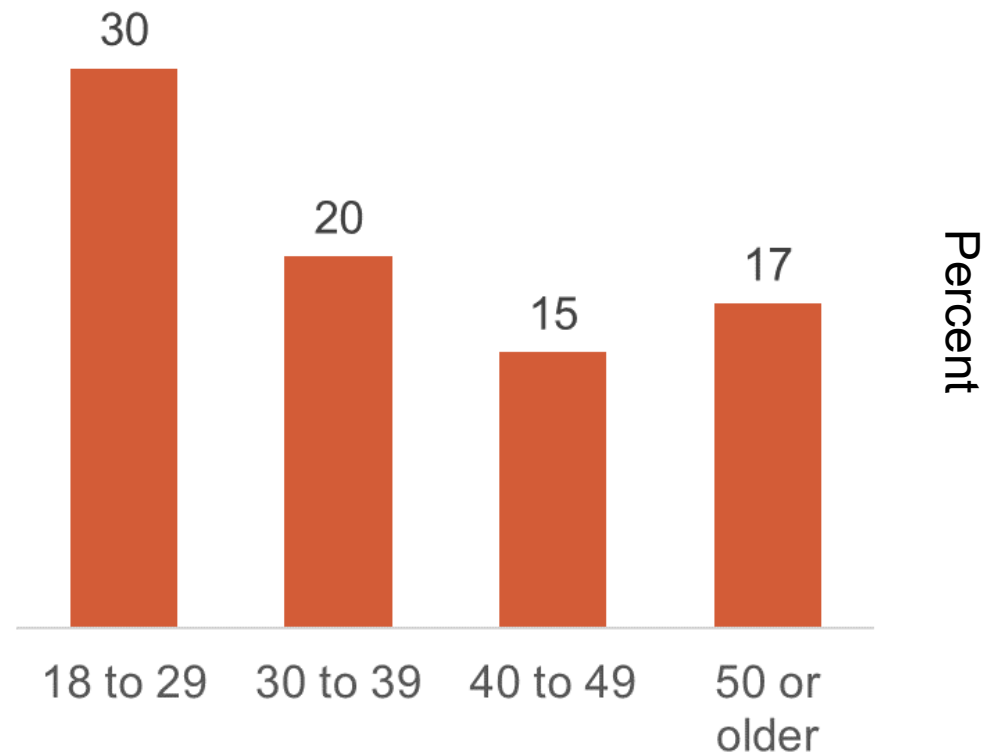


Note: Workers in February – people working in March plus people who were laid off or who quit. n=642.

Job Losses by Age

- Young adults were more likely to be laid off.
- 30 percent of workers age 18-29 reported a job loss.
- 17 percent of workers aged 50 or older reported a job loss.

Job losses in March among people working in February 2020 (by age)



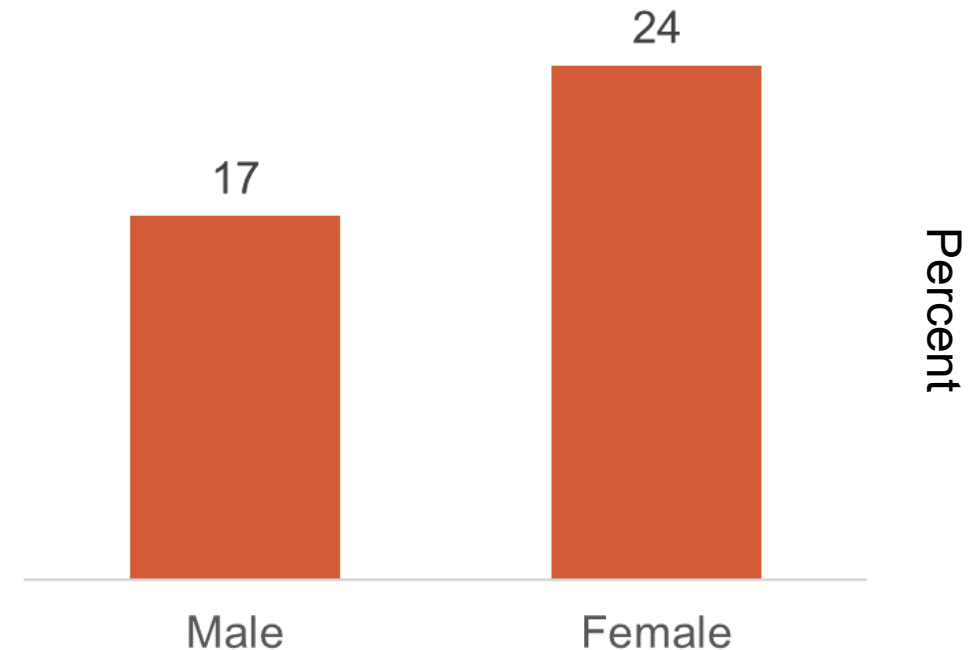
Note: Workers in February – people working in March plus people who were laid off or who quit. n=642.

YOUNG ADULTS

Job Losses by Gender

- Women were more likely to lose jobs than men.
- 24 percent of women lost their jobs, compared with 17 percent of men.

Job losses in March among people working in February 2020 (by gender)



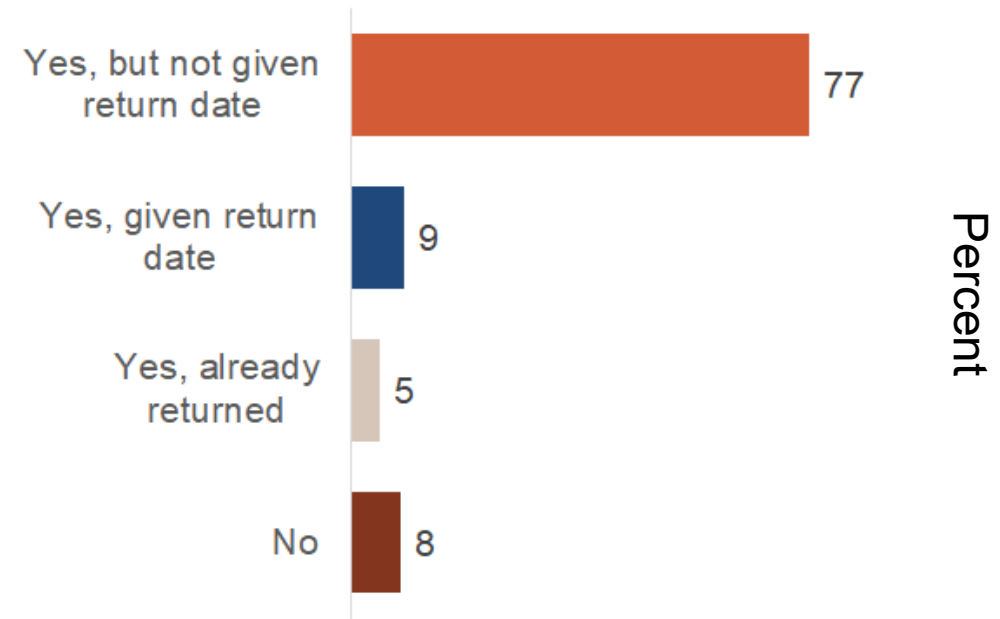
Note: Workers in February – people working in March plus people who were laid off or who quit. n=642.

EMPLOYMENT

Expectations for Reemployment

- More than 9 in 10 people who lost a job, or were told not to work, expect to return to the same job.
- 77 percent were not given a return date, but were told to expect to return.
- 14 percent were given a return date or have already returned to work.

Do you expect to return to the same job you had before job loss?



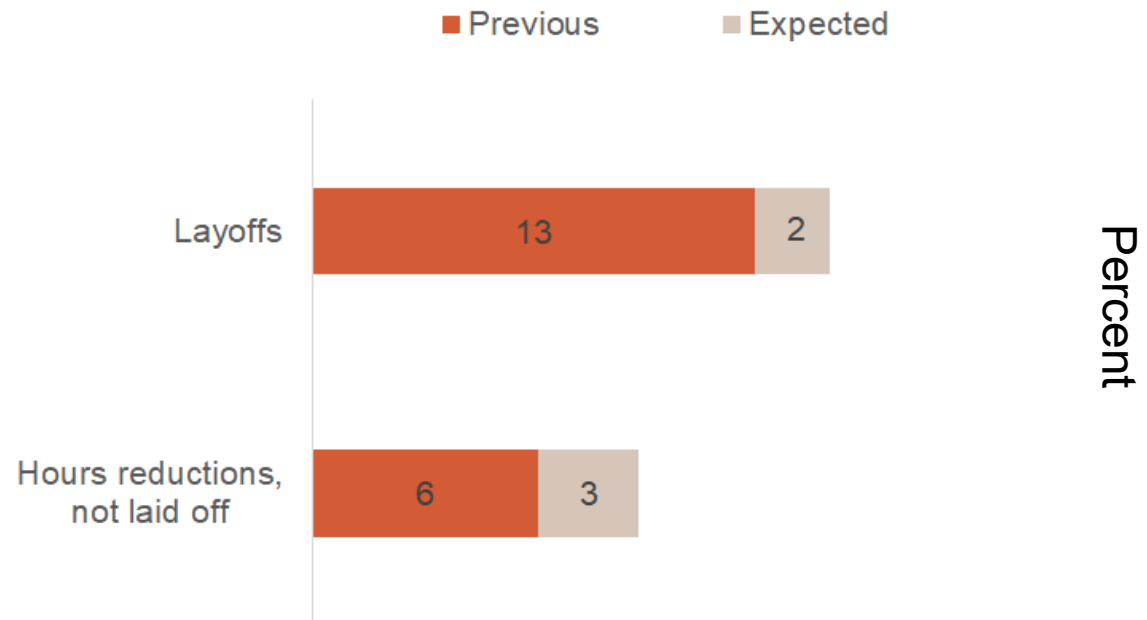
Note: April 2020 respondents who lost a job or told not to work, n = 124.

EMPLOYMENT

Expectations of Future Layoffs

- Most people still working in early April did not anticipate getting laid off if there were another month of social distancing.
- However, 2 percent of adults (5.4 million people) expected an upcoming layoff but had not experienced one yet.
- And 3 percent of adults expected hours reductions but had not experienced a job loss or hours reduction yet.

Expectations for future hours reductions and layoffs with continued social distancing



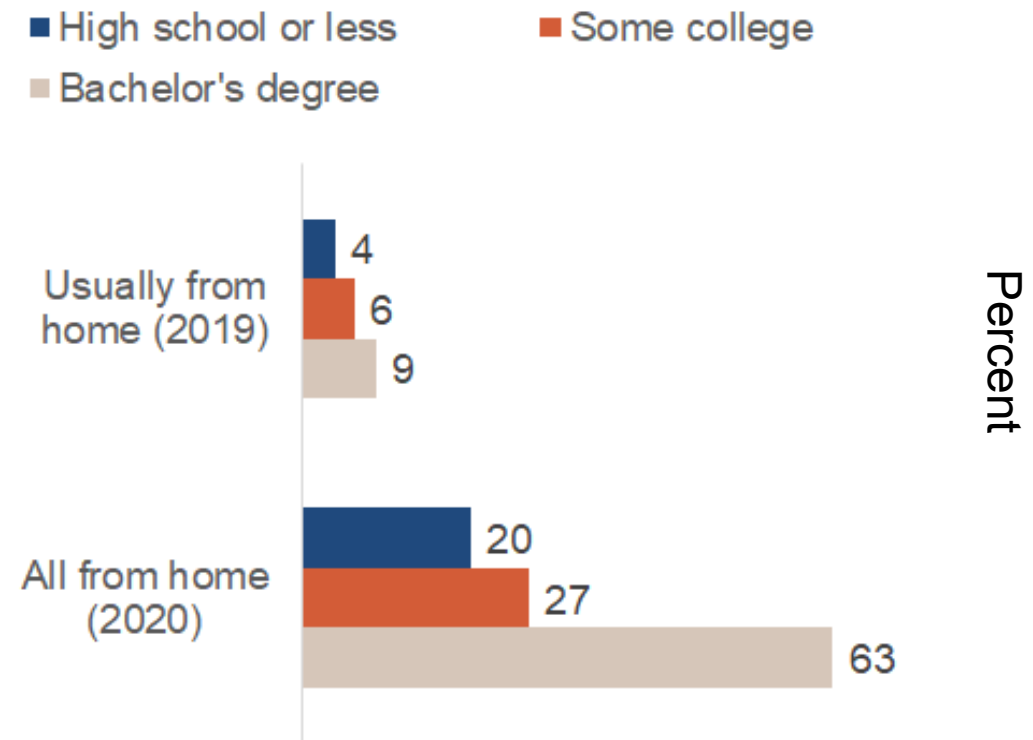
Note: All April 2020 respondents, n = 1,030.

EMPLOYMENT

Work from Home by Education

- Workers with more education are more likely to work from home.
- Last fall, 9 percent of people with a bachelor's degree usually worked from home, compared to 4 percent with a high school degree or less.
- After the onset of COVID-19, 63 percent of those with at least a bachelor's degree worked from home.

Work from home in 2019 and 2020
(by education)



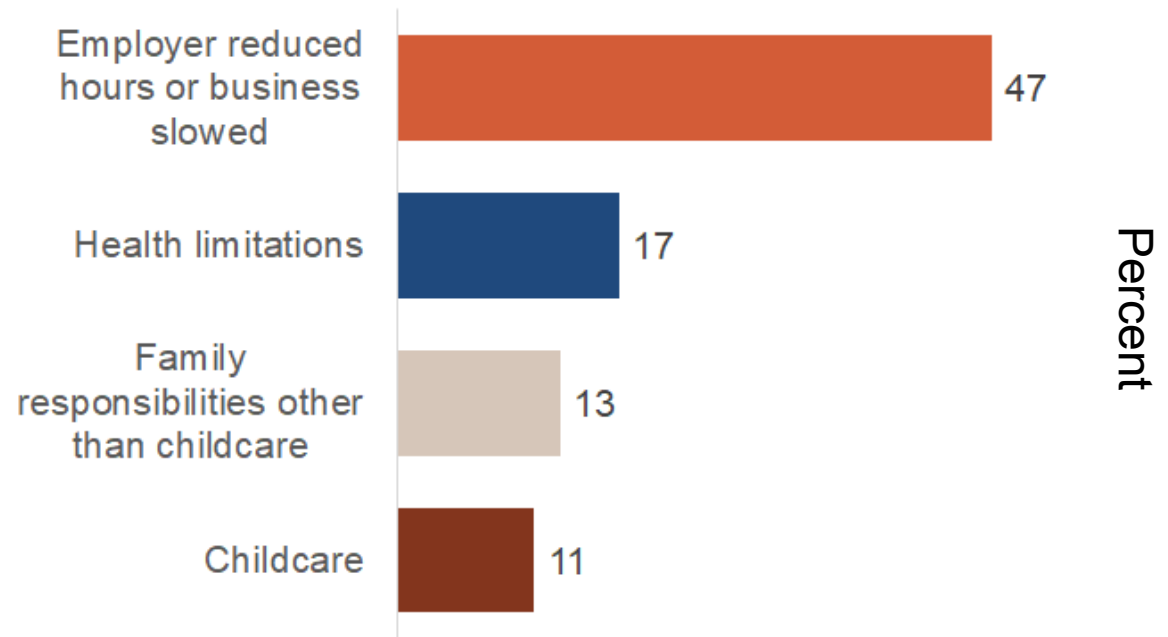
Note: Fall 2019 results among employed for someone else, n = 6,312.
April 2020 results among employed and self-employed, n = 532.

EMPLOYMENT

Reasons for Hours Reductions

- 47 percent of adults who had their hours reduced or took leave said it was because business had slowed.
- 17 percent said illness or health limitations contributed.
- 21 percent said family responsibilities, childcare, or both contributed.

Factors contributing to reduction of hours or taking leave



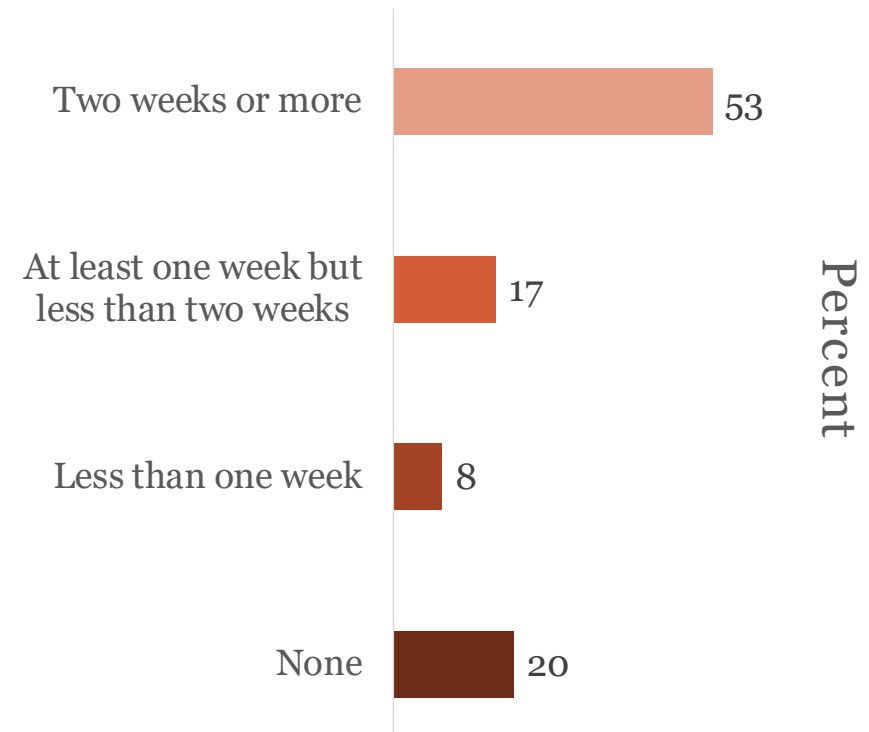
Note: Among those who reduced hours or took leave, excluding those laid off. n = 97.

EMPLOYMENT

Amount of Paid Leave Available if Sick

- Over half of employed adults could take 2 or more weeks of paid leave if they got sick with coronavirus symptoms.
- Yet a fifth of employed adults would have no paid leave in this circumstance.
- On average, those with more education have more leave – 64 percent of workers with a bachelor’s degree or more have at least 2 weeks of leave but only 42 percent of workers with a high school degree do.

Amount of time could take off from work and still be paid usual amount



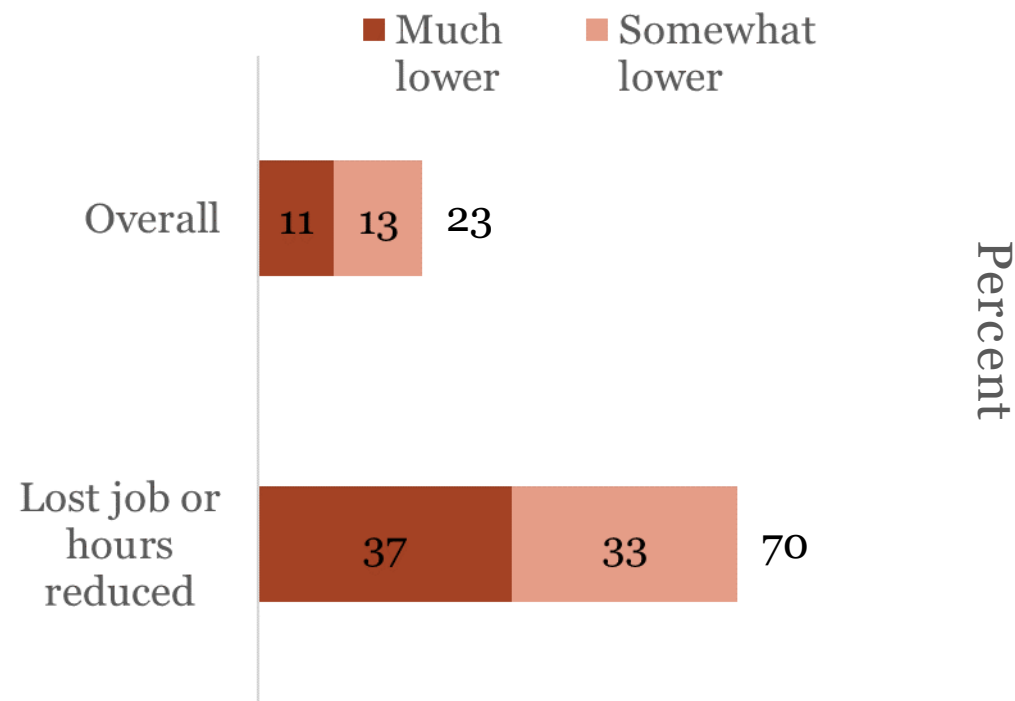
Note: Employed or self-employed, n = 532.

FAMILY FINANCES

Income declines in March 2020

- Overall, 23 percent of adults said their income in March was lower than in February.
- Among adults who lost a job or had their hours reduced, 70 percent reported their income declined.
- A relatively small fraction (12 percent) of those who did not report a loss of job or reduced hours nonetheless reported lower income (not shown).

Income in March compared to February (by employment change)

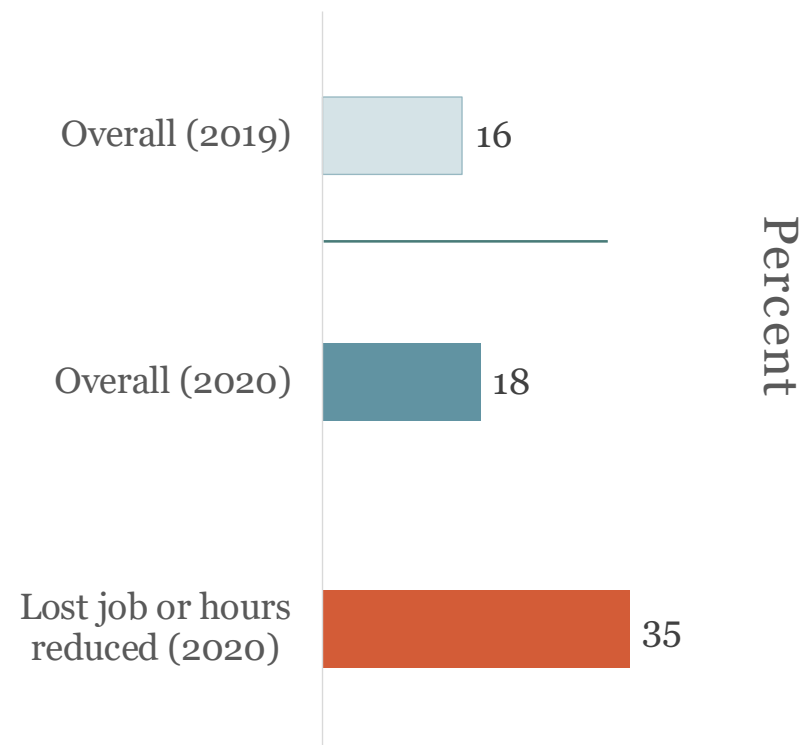


Note: Overall, n = 1,030. Lost job or hours reduced, n = 186
Numbers do not add to totals due to rounding.

Ability to Pay Current Month's Bills

- 18 percent of adults in April said they could not pay all their current month's bills in full – compared to 16 percent in October.
- Elevated rates of difficulty with bill payments in April were concentrated among those who experienced a recent employment disruption.

Cannot pay all current bills in full

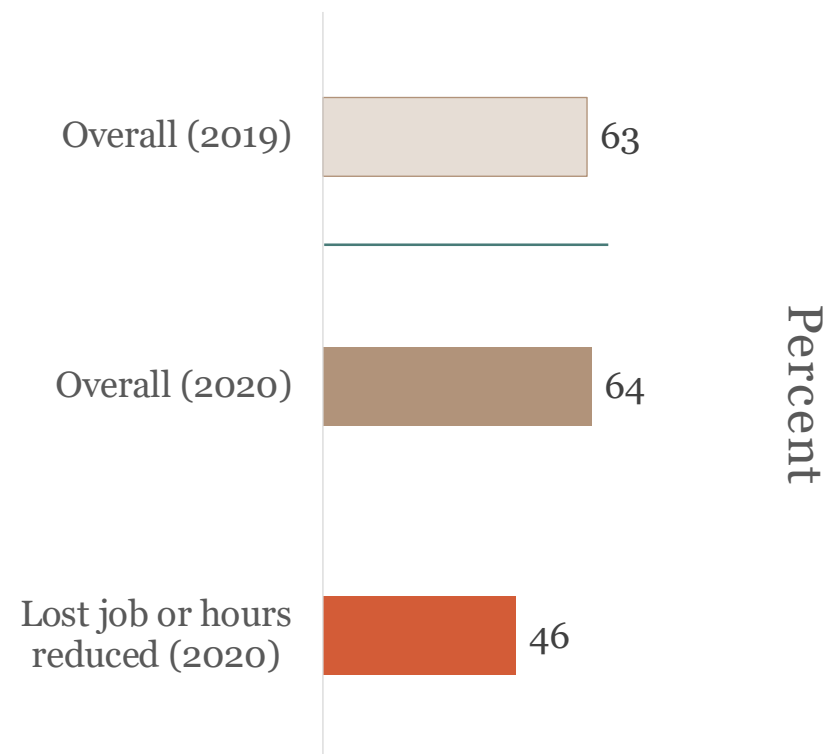


Note: 2019 all respondents, n = 12,173. April 2020 overall, n = 1,030. 2020 lost job or hours reduced, n = 186.

Handling Unexpected Expenses

- 64 percent of adults in April said they would pay an unexpected \$400 expense using cash, savings, or a credit card paid off at the next statement – essentially unchanged from the fall 2019 results.
- Those who experienced a job loss or reduction in hours were less likely to pay an unexpected \$400 expense with cash or the equivalent.

Would pay \$400 expense with cash or its equivalent

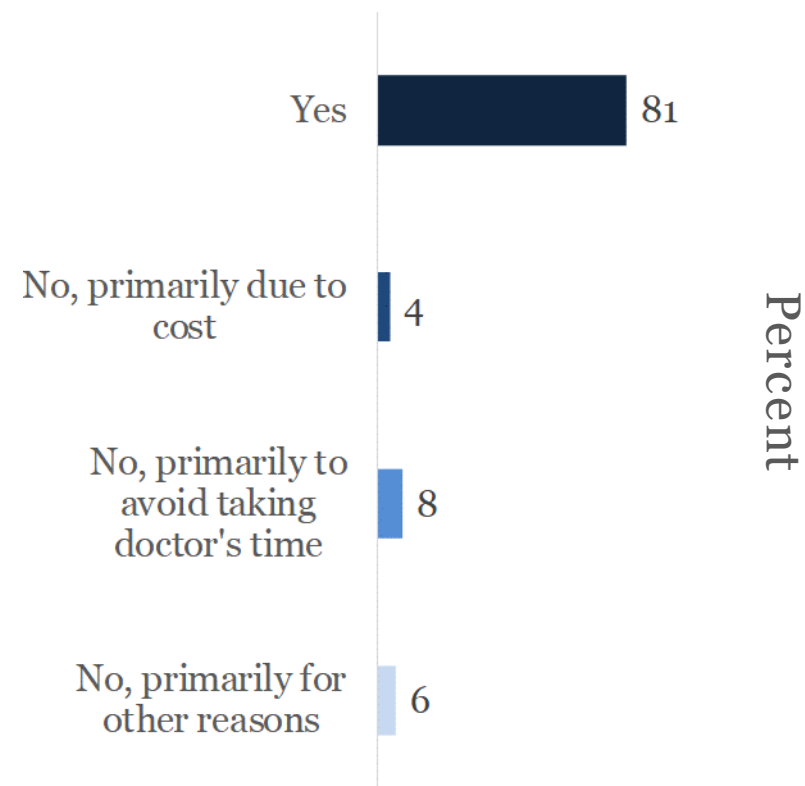


Note: 2020 overall, n = 1,030. 2020 lost job or hours reduced, n = 186. 2019 all respondents, n = 12,173.

Medical Care and COVID-19

- Most adults would try to contact a doctor if they were to get sick with coronavirus symptoms.
- A small share indicated that concerns about cost would deter them.
- Those who experienced a job loss or reduced hours were more likely not to contact a doctor because of costs, relative to those who had not.

Would you try to contact a doctor if sick with symptoms of the coronavirus?

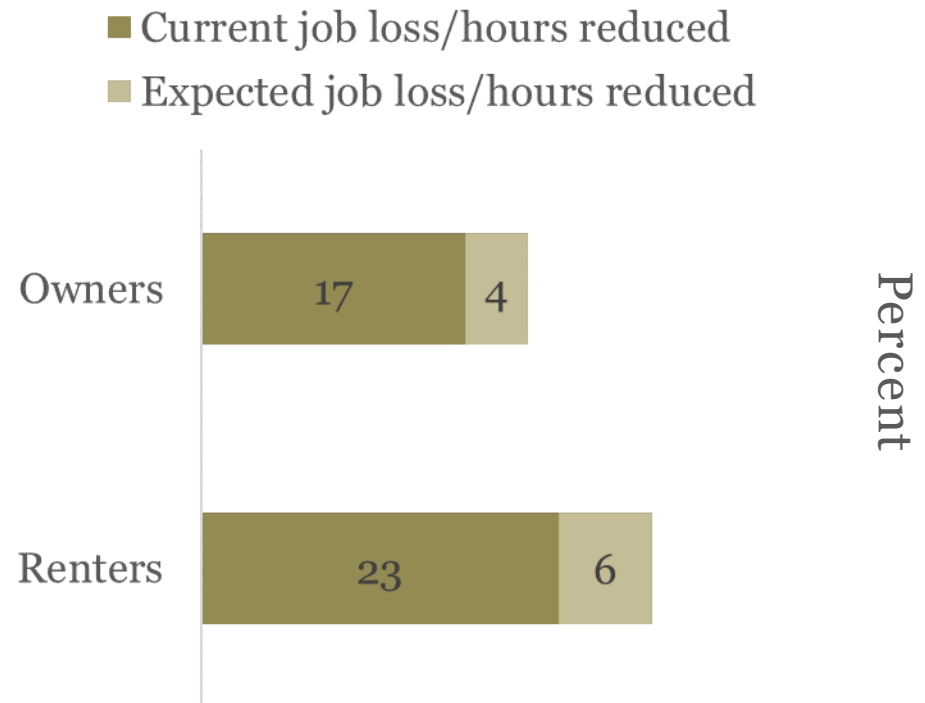


Note: 2020 overall, n = 1,030.

Homeowners and Renters: Job Loss/Hours Reduced

- Sizeable shares of homeowners and renters had lost a job or had their hours reduced since March 1, or they expected to if social distancing continued.
- Renters were more likely than homeowners to have experienced these employment changes, or to expect them.

Job loss/hours reduced since March 1 (current) and with social distancing (expected)



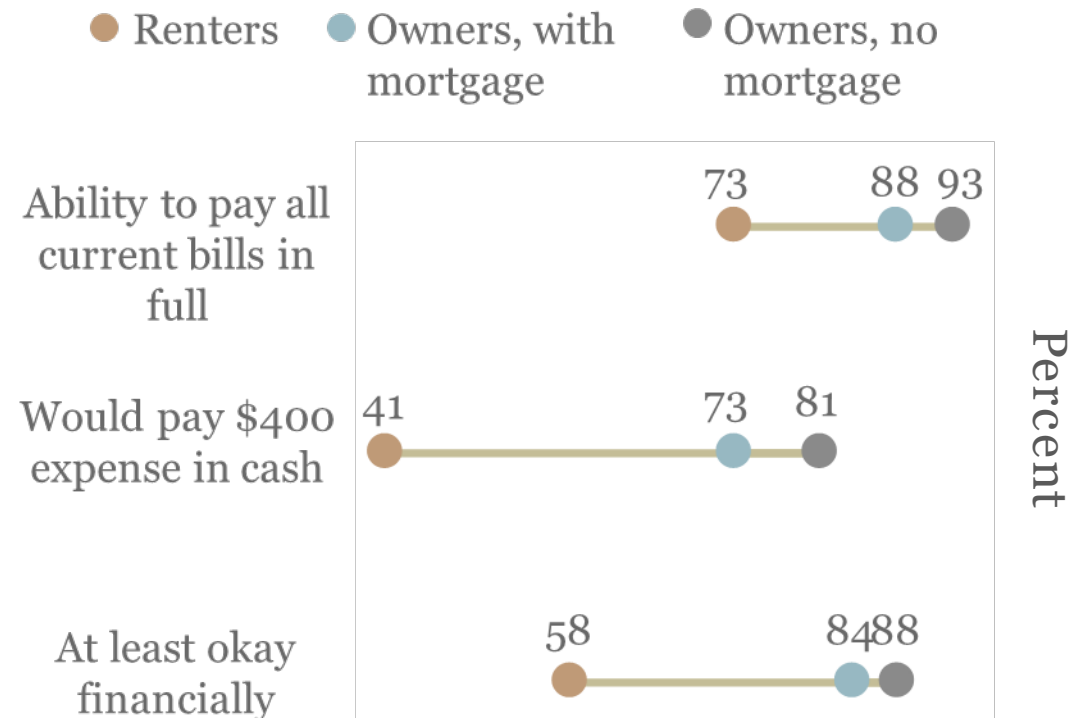
Note: 2020 renters, n = 245. 2020 owners, n = 770.

FAMILY FINANCES

Homeowners and Renters: Financial Resiliency and Economic Well-being

- Before the pandemic, homeowners were generally better prepared to cover their bills and unexpected expenses, relative to renters.
- Homeowners also reported higher levels of overall economic well-being.
- These measures from the fall are similar to those from the April 2020 supplement (not shown).

Financial well-being measures in 2019
(by homeownership)

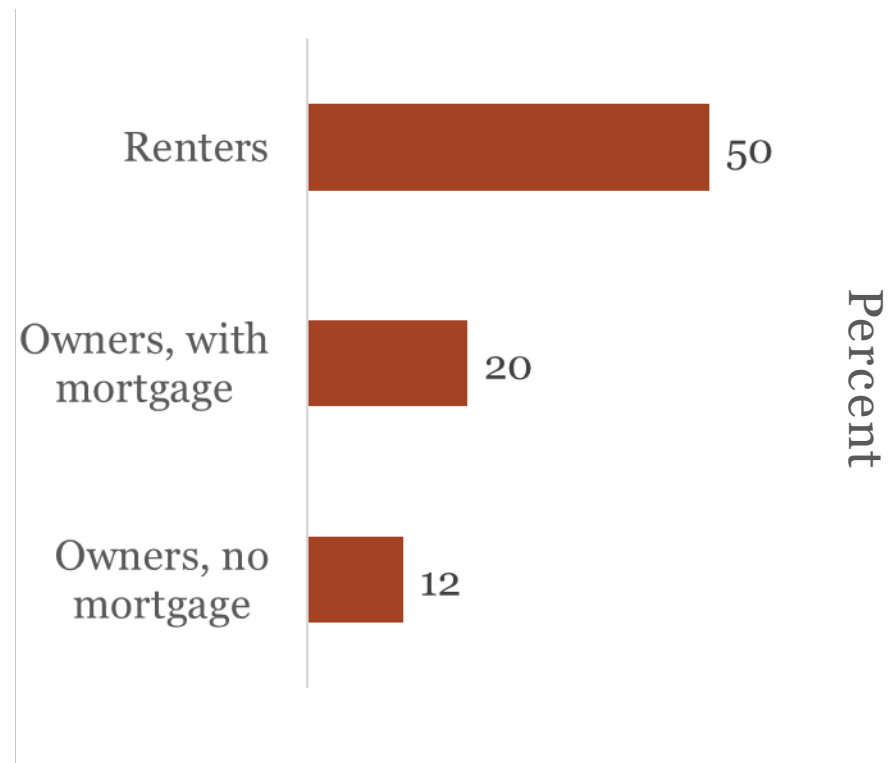


Note: 2019 renters, n = 3,231. 2019 owners with mortgage, n = 5,196. 2019 owners no mortgage, n = 2,960.

Homeowners and Renters: Financial Buffers

- Homeowners are more able to weather a large income shock.
- Half of renters said they could not cover 3 months of expenses – including by borrowing.

Unable to cover 3 months' expenses in 2019 using savings, borrowing, or assets (by homeownership)



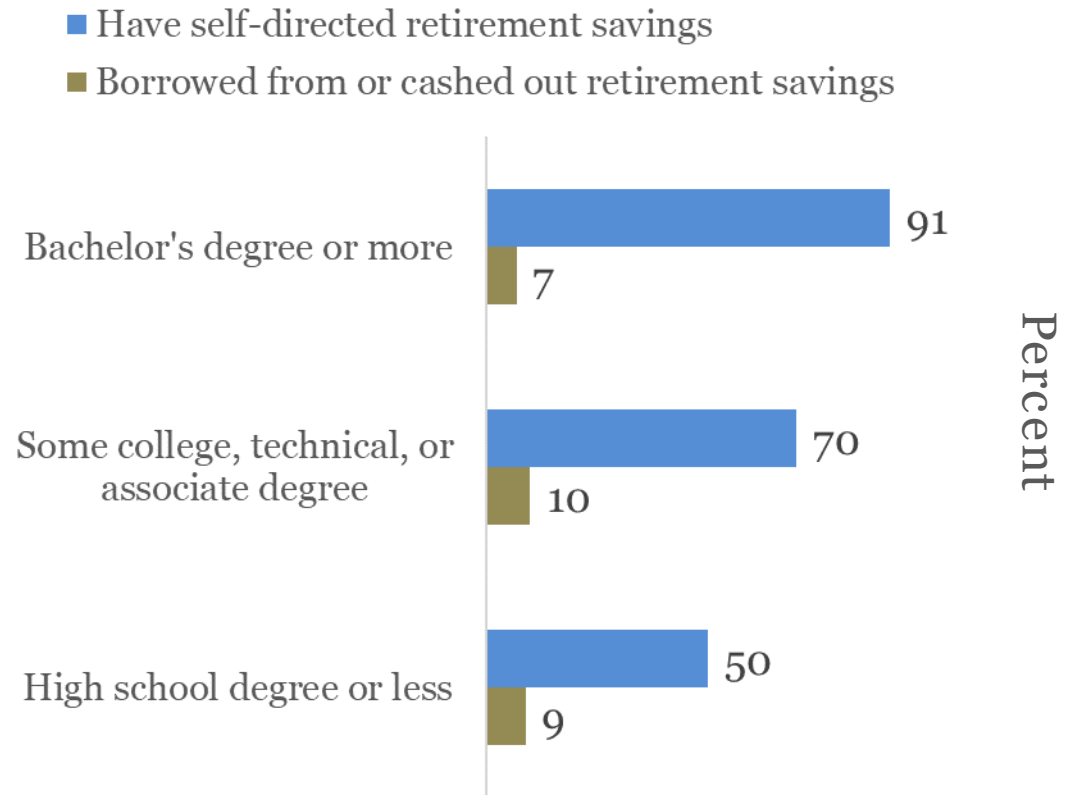
Note: 2019 renters, n = 3,429. 2019 owners with mortgage, n = 5,148. 2019 owners no mortgage, n = 2,592.

RETIREMENT

Retirement Savings Among Non-Retirees

- In 2019, 72 percent of non-retirees had self-directed retirement savings, such as a 401k, IRA, or savings in a taxable account.
- 8 percent of non-retirees reported in 2019 that they borrowed or withdrew retirement funds in the last year.
- Non-retirees with less education are more likely to borrow or withdraw retirement funds if they have them. They are also less likely to view their retirement savings as on track (not shown).

Withdrawals from self-directed retirement savings

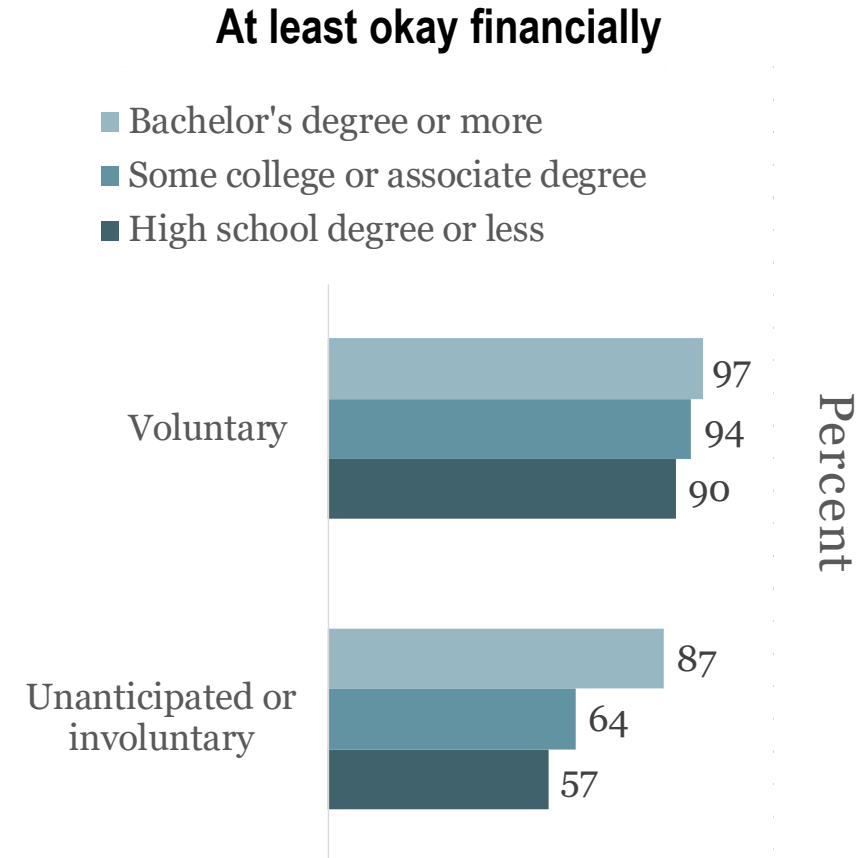


Note: 2019 non-retirees, n = 8,179.

RETIREMENT

Financial Well-being and Reasons for Retirement

- In 2019, most retirees reported that the timing of their retirement was driven by voluntary factors like wanting to spend time with family.
- Financial well-being was lower for people who retired solely for unanticipated or involuntary reasons, including health problems and job loss – especially among those with less education.
- Estimates from the 2013 SHED indicated 15 percent of people who retired between 2008 and 2013 retired earlier than planned due to the recession.



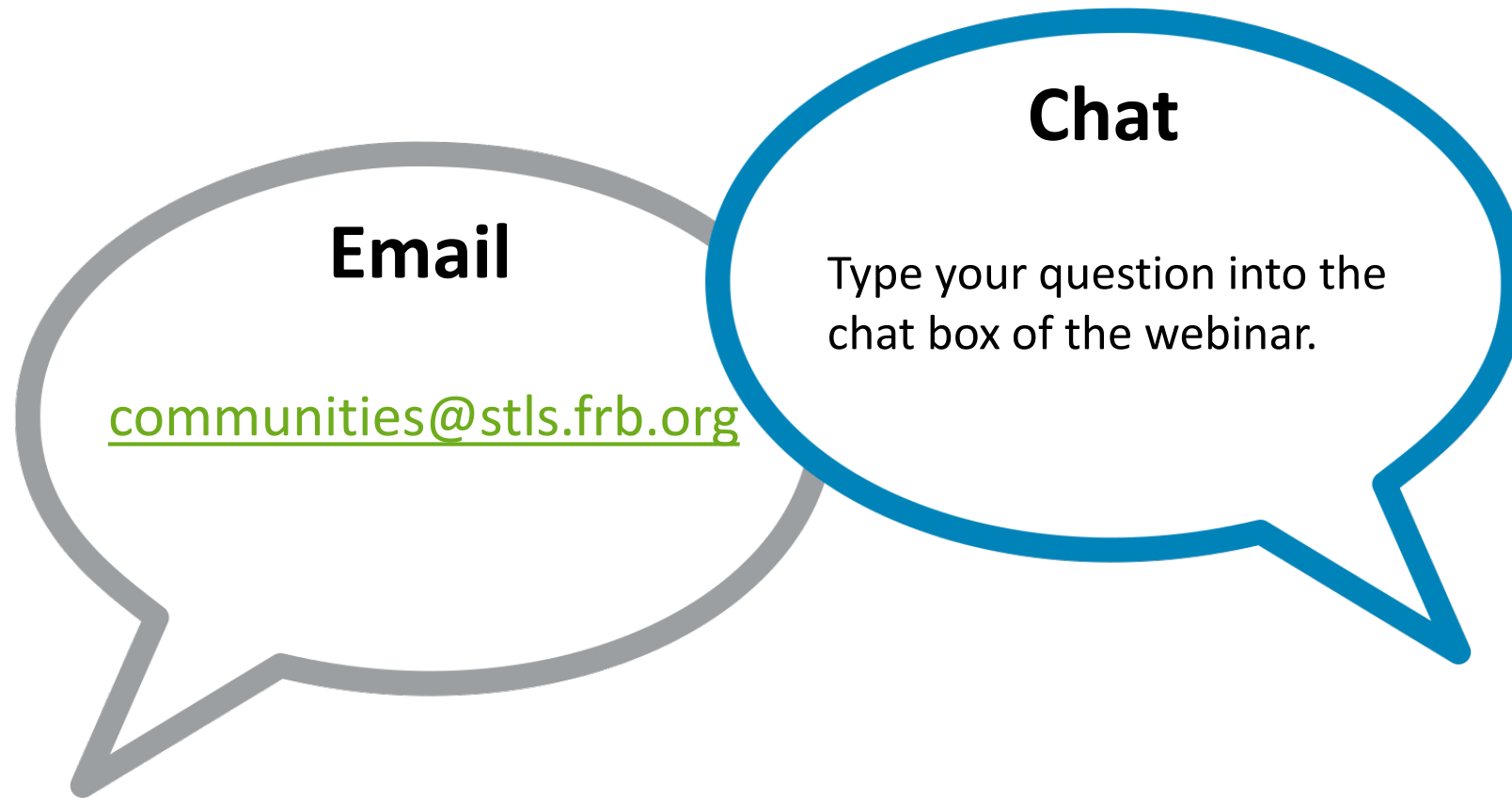
Note: 2019 retirees, n = 3,994.

CONCLUSION

Conclusion and Next Steps

- **Financial well-being in 2019:** Most adults were faring relatively well financially at the end of 2019. Three-quarters of adults were at least doing okay financially, matching that seen in 2018.
- **Employment disruptions in 2020:** Nineteen percent of adults lost a job or had their hours reduced in March 2020.
- **Financial well-being in 2020:** Financial challenges are evident across several dimensions for those who experienced recent employment disruptions
- **Follow-up Surveys:** Results reflect financial circumstances in early April. The Federal Reserve Board plans to conduct several follow-up surveys over the next 6 months to continue monitoring financial well-being.

Questions



Next Steps

- All session materials are available on our web site and in the next few days we will post 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: <https://bsr.stlouisfed.org/connectingcommunities>