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

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- Conference code: 59479051
- Webinar link: https://www.webcaster4.com/Webcast/Page/584/8585

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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**.
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?

<table>
<thead>
<tr>
<th>Finding it difficult to get by</th>
<th>Just getting by</th>
<th>Doing okay</th>
<th>Living comfortably</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>2014 survey</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>10%</td>
<td>24%</td>
<td>40%</td>
<td>25%</td>
</tr>
<tr>
<td><strong>2013 survey</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>12%</td>
<td>24%</td>
<td>38%</td>
<td>25%</td>
</tr>
</tbody>
</table>

Asking of all respondents. n = 5,896
Expectations for Future Income

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

- Higher: 29%
- Lower: 9%
- The Same: 60%

Household Income

- Less than $40,000: 64%
- $40,000 - $100,000: 60%
- Greater than $100,000: 55%

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?

Among All Workers
- More Hours: 36%
- The Same Number of Hours: 58%

Among Part-time Workers
- More Hours: 49%
- The Same Number of Hours: 48%
- Less Hours: 3%

Asked of employed respondents. n = 2,846
Living Arrangements
Why People Rent

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

- Can't afford downpayment: 50%
- Can't qualify for mortgage: 31%
- Cheaper to rent: 27%
- More convenient to rent: 25%
- Plan on moving soon: 22%
- Prefer to rent: 12%
- Currently looking to buy: 9%
- Other: 9%

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

81% of renters would prefer to own their home if they could afford to do so. Asked of renters. n = 1,769.
Why People Own

- Simply prefer to own: 72%
- Building equity with payments: 44%
- Less rules / able to customize house: 43%
- Cheaper to own than rent: 41%
- Don't like to move: 23%
- Certainty about monthly payments: 20%
- Other: 6%

 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?

- Higher value: 43%
- Same value: 37%
- Lower value: 13%

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

- Increase: 39%
- Same value: 41%
- Decrease: 6%

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

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
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?

- Health emergency: 37%
- I lost a job: 23%
- I had hours/pay cut: 19%
- Spouse lost a job: 14%
- Spouse had hours/pay...: 13%
- Foreclosure/eviction...: 5%
- Divorce: 5%
- Business had difficulty: 4%
- Death of breadwinner: 3%

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?

- 53% Pay using cash or credit card paid in full
- 33% Pay using debt or by selling something
- 14% Could not pay

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?

<table>
<thead>
<tr>
<th>Service</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dental care</td>
<td>25%</td>
</tr>
<tr>
<td>To see a doctor</td>
<td>15%</td>
</tr>
<tr>
<td>Prescription medicine</td>
<td>13%</td>
</tr>
<tr>
<td>To see a specialist</td>
<td>11%</td>
</tr>
<tr>
<td>Follow-up care</td>
<td>8%</td>
</tr>
<tr>
<td>Mental health care</td>
<td>6%</td>
</tr>
</tbody>
</table>

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?

<table>
<thead>
<tr>
<th>Household Income</th>
<th>Overall</th>
<th>Insured</th>
<th>Uninsured</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than $40,000</td>
<td>48</td>
<td>30</td>
<td>52</td>
</tr>
<tr>
<td>$40,000-$100,000</td>
<td>45</td>
<td>30</td>
<td>47</td>
</tr>
<tr>
<td>Greater than $100,000</td>
<td>34</td>
<td>15</td>
<td>30</td>
</tr>
</tbody>
</table>

- 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?

<table>
<thead>
<tr>
<th>Income Level</th>
<th>Did not save any portion of income</th>
<th>Saved at least some of income</th>
<th>Did not state</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than $40,000</td>
<td>53</td>
<td>39</td>
<td>8</td>
</tr>
<tr>
<td>$40,000-$100,000</td>
<td>25</td>
<td>68</td>
<td>8</td>
</tr>
<tr>
<td>Greater than $100,000</td>
<td>14</td>
<td>79</td>
<td>7</td>
</tr>
</tbody>
</table>

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

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For What Are People Saving?

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

- Retirement: 57%
- Unexpected expenses: 57%
- Just to save: 50%
- Pay off debts: 29%
- Your children: 25%
- Major appliance: 24%
- Education: 19%
- Home purchase: 16%
- Taxes: 16%
- Leave inheritance or charitable...: 9%
- Other: 4%

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:

<table>
<thead>
<tr>
<th>Household Income</th>
<th>Retirement</th>
<th>Unexpected expenses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than $40,000</td>
<td>37</td>
<td>53</td>
</tr>
<tr>
<td>$40,000-$100,000</td>
<td>54</td>
<td>57</td>
</tr>
<tr>
<td>Greater than $100,000</td>
<td>70</td>
<td>58</td>
</tr>
</tbody>
</table>

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?

![Bar chart showing percentages of unbanked and underbanked individuals across income brackets.]

- Less than $40,000: Unbanked = 17%, Underbanked = 19%
- $40,000-$100,000: Unbanked = 5%, Underbanked = 11%
- Greater than $100,000: Unbanked = 2%, Underbanked = 6%

As 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:

- Credit card: 65%
- Car/auto loan: 26%
- Student loan: 13%
- Refinance mortgage: 7%
- Mortgage to buy home: 7%
- HELOC/HELOAN: 6%
- Loan from friend/family: 6%
- Other: 8%

As 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

<table>
<thead>
<tr>
<th>Approved</th>
<th>Not denied, but offered less credit than desired</th>
<th>Denied Outright</th>
</tr>
</thead>
<tbody>
<tr>
<td>66%</td>
<td>7%</td>
<td>24%</td>
</tr>
</tbody>
</table>

As asked of respondents who reported having applied for credit in the past 12 months. n = 2,054
Additional Demand for Credit?

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

- 44% Did not want more debt
- 40% Thought you might be denied
- 9% Other/refused
- 7% Obtained money some other way

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

As asked of respondents who desired credit but did not apply. n = 460
Education and Student Loans
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)

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

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.

- Overall: 8%
- No Degree: 16%
- Certificate or Technical Degree: 17%
- Associate Degree: 6%
- Bachelor's Degree: 4%
- Graduate Degree: 3%

As 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

<table>
<thead>
<tr>
<th>Institution</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>For-profit</td>
<td>16</td>
</tr>
<tr>
<td>Nonprofit</td>
<td>3</td>
</tr>
<tr>
<td>Public</td>
<td>6</td>
</tr>
</tbody>
</table>

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?

<table>
<thead>
<tr>
<th>Institution Type</th>
<th>Degree Type</th>
<th>Benefits higher</th>
<th>About the same</th>
<th>Costs higher</th>
</tr>
</thead>
<tbody>
<tr>
<td>For-profit</td>
<td>Some college, certificate/technical degree</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Associate degree, or higher</td>
<td>35</td>
<td>21</td>
<td>44</td>
</tr>
<tr>
<td></td>
<td>Some college, certificate/technical degree</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Associate degree, or higher</td>
<td>35</td>
<td>21</td>
<td>42</td>
</tr>
<tr>
<td>Nonprofit</td>
<td>Some college, certificate/technical degree</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Associate degree, or higher</td>
<td>37</td>
<td>32</td>
<td>32</td>
</tr>
<tr>
<td>Public</td>
<td>Some college, certificate/technical degree</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Associate degree, or higher</td>
<td>32</td>
<td>36</td>
<td>30</td>
</tr>
</tbody>
</table>

As 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?

- Family responsibilities: 38%
- Wanted to work: 27%
- Simply not interested: 25%
- Too expensive: 24%
- Benefits not worth the cost: 17%
- Low grades: 7%

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:

- All women: 43%
- Women under age 45: 49%
- All men: 32%
- Men under age 45: 28%

Asked of those not currently enrolled who started college but did not complete degree. n=866
Are You Planning for Retirement?

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

- None at all: 17%
- A lot: 13%
- A fair amount: 21%
- A little: 22%
- Some: 25%

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:

- Do not plan to retire, or keep working as long as possible: 55%
- Work full time until I retire, then stop working altogether: 36%
- Less than $40,000: 27%
- $40,000-$100,000: 23%
- Greater than $100,000: 28%

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:

- I will continue working / I have a job
- Defined benefit pension
- 401(k), 403(b), or similar

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

<table>
<thead>
<tr>
<th>Age</th>
<th>Overall</th>
<th>18-29</th>
<th>30-44</th>
<th>45-59</th>
<th>60+</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>31%</td>
<td>48%</td>
<td>28%</td>
<td>23%</td>
<td>23%</td>
</tr>
</tbody>
</table>

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.

- Employer does not offer plan (42%)
- Unable to afford contributions (29%)
- Unsure of best way to invest (15%)
- Prefer to save in other ways (12%)
- Plan to invest, but haven't signed up (10%)
- Employer does not match contributions (6%)
- Prefer to spend rather than save (4%)

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

- **17%** Not confident
- **34%** Slightly confident
- **36%** Mostly confident
- **12%** Very confident

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

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

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?
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1. Email us at: communities@stls.frb.org.
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• Information about future sessions will be posted on our website along with archived materials from past sessions: 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.

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.