

July 2016



Financial Capability in
the United States 2016

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While many Americans are benefiting from the economic recovery of recent years, real *median* household income is still catching up to its pre-recession level. The 2015 NFCS shows that large segments of society continue to face financial difficulties, particularly minority populations and those without a college education.

Introduction

The U.S. economy has grown slowly but steadily over the six years since the first National Financial Capability Study (NFCS) was conducted in 2009. And in the three years since the 2012 NFCS, the private sector has added jobs at an average rate of about 200,000 per month. At the time of the fielding of the current NFCS, which took place from June through October of 2015, unemployment and inflation were both low by historical standards. Meanwhile, the U.S. stock market reached new highs in mid-2015 while interest rates remained generally low.

Against this relatively positive economic background, it is not surprising that the 2015 NFCS shows evidence of diminished financial stress and improved financial satisfaction among American adults in comparison to the 2012 and 2009 studies. For example, the percentage of Americans who find it difficult to make ends meet has declined, as has the number of homeowners whose home values are “underwater” (*i.e.*, worth less than they owe in mortgage debt).

Wealth and income inequality in the United States, however, is at an extreme not seen since before World War II.¹ Because of this, it is necessary to look beyond the mean statistics in order to understand the complete picture of Americans’ financial status. While many Americans are benefiting from the economic recovery of recent years, real *median* household income is still catching up to its pre-recession level. The 2015 NFCS shows that large segments of society continue to face financial difficulties, particularly minority populations and those without a college education.

Financial capability is a multi-dimensional concept that encompasses a combination of knowledge, resources, access, and habits. The NFCS is designed to understand and measure a rich, connected set of perceptions, attitudes, experiences, and behaviors across a large, diverse sample in order to provide a comprehensive analysis. As with previous waves, the 2015 NFCS has been updated to include questions on additional topics that are relevant today, such as student loans and medical costs, while maintaining key measures to enable tracking comparisons over time.

1. Chad Stone, Danilo Trisi, Arloc Sherman, and Brandon DeBot, “A Guide to Statistics on Historical Trends in Income Inequality,” Center on Budget and Policy Priorities, October 26, 2015.



Consistent with previous years, the 2015 NFCS finds that measures of financial capability continue to be much lower among younger Americans, those with household incomes below \$25,000 per year, and those with no post-secondary educational experience.

Drawing on data from the 2015, 2012, and 2009 NFCS State-by-State Surveys, each of which were nationwide online surveys of more than 25,000 American adults², this report³ focuses on the following four key components of financial capability:

1. **Making Ends Meet.** The 2015 study shows a continuation of some of the positive trends observed in 2012. Fewer Americans find it difficult to cover their expenses and pay their bills, and more are satisfied with their overall financial condition. However, new questions in the 2015 NFCS indicate that over a quarter of Americans have avoided some kind of medical service in the past year due to cost concerns.
2. **Planning Ahead.** The percentage of Americans who say they have set aside three months worth of living expenses in case of an emergency is up to 46% from 40% in 2012. But only 39% report having ever tried to figure out how much they need to save for retirement, and over half worry about running out of money in retirement.
3. **Managing Financial Products.** New homebuyers are less leveraged: the percentage of recent home buyers (past 5 years) who made a down payment of over 20% of the purchase price is up to 33%, from 29% in 2012 and 24% in 2009. Also, for the first time since the NFCS was fielded, more than half of credit card users say they always pay their balance in full each month. However, among student loan holders with payments due, 37% have been late with a payment at least once in the past year, and 25% more than once.
4. **Financial Knowledge and Decision-Making.** The percentage of respondents who are able to answer at least 4 of 5 financial literacy quiz questions correctly shows a slight downward trend since 2009, despite the fact that Americans' perceptions of their own financial knowledge have become more positive over the same time period.

Consistent with previous years, the 2015 NFCS finds that measures of financial capability continue to be much lower among younger Americans, those with household incomes below \$25,000 per year, and those with no post-secondary educational experience. African-Americans and Hispanics, who are disproportionately represented among these demographic segments, also show signs of lower financial capability, making them more vulnerable.

2. Selected findings are also presented for sub-samples (e.g., by age, gender, ethnicity, etc.). In all such cases, each sub-sample consists of at least 100 respondents or more.

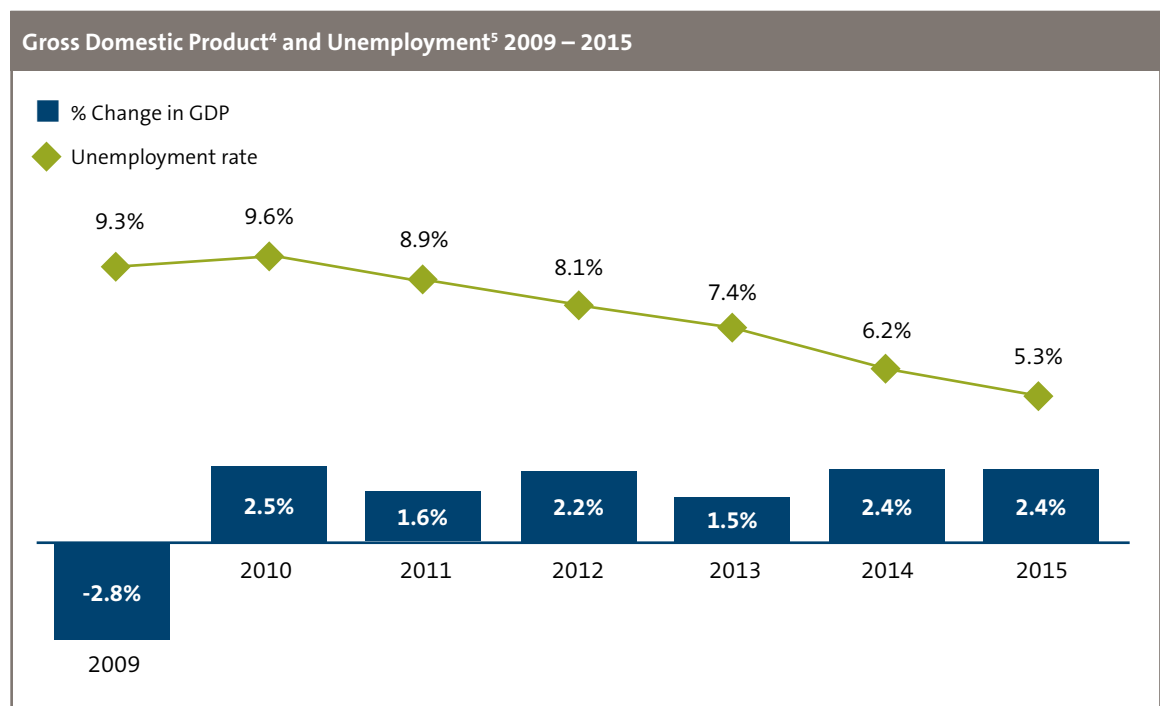
3. Percentages shown in this report may not always add up to 100% due to rounding and/or "Don't know" and missing responses.



The ability to make ends meet is a central component of financial capability, encompassing the extent to which people balance monthly income and expenses, and how they deal with everyday financial matters.

1. Making Ends Meet

The ability to make ends meet is a central component of financial capability, encompassing the extent to which people balance monthly income and expenses, and how they deal with everyday financial matters. Findings from the National Financial Capability Study suggest that Americans' ability to make ends meet is at least partly influenced by general economic conditions. When the first NFCS was conducted in 2009, the U.S. was still in the grip of the Great Recession. During that year, GDP shrank and unemployment rose to levels not seen in the U.S. in over 25 years, as the figure below shows. By 2012, the U.S. economy was growing modestly, and continued to do so through 2015. Unemployment rates have declined steadily from their peak in 2010.

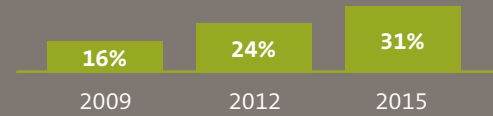


4. Source: U.S. Department of Commerce Bureau of Economic Analysis, Percent Change from Preceding Period in Real Gross Domestic Product, Annual Data from 2009 to 2015.

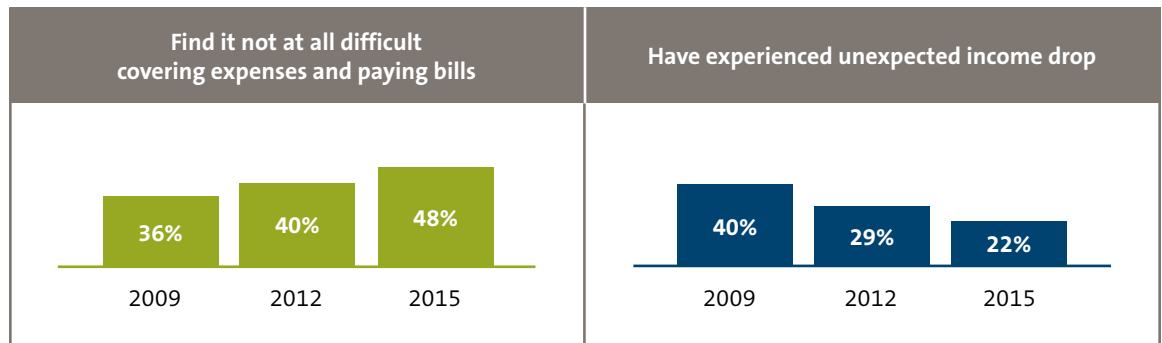
5. Source: U.S. Department of Labor Bureau of Labor Statistics, Labor Force Statistics from the Current Population Survey, Annual Average Unemployment Rates from 2009 to 2015.

Satisfaction with personal financial condition

Mirroring the improvement in Americans' ability to make ends meet, satisfaction with one's personal finances has nearly doubled from 2009.



Reflecting the overall economic climate in the United States, results from the 2015 NFCS show continuing improvement with regard to Americans' ability to make ends meet. The percentage of respondents reporting no difficulty in covering monthly expenses and bills has increased from just over a third in 2009 (36%) to nearly half in 2015 (48%). Conversely, the percentage of respondents indicating they had experienced a large unexpected income drop in the past year has decreased considerably from two-fifths in 2009 to less than one quarter (22%) in 2015.



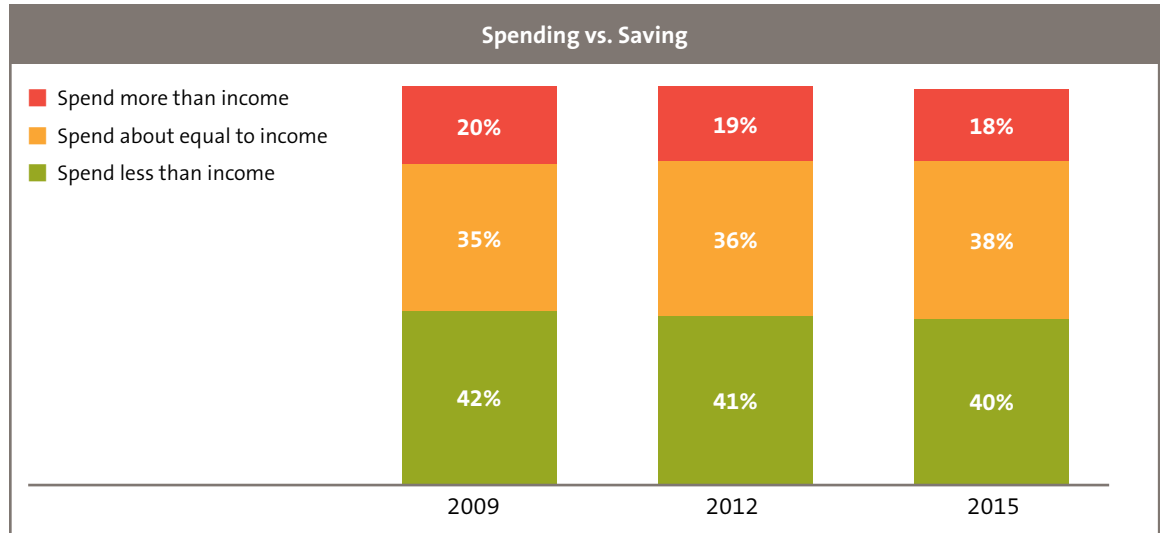
Income and education are correlated with ability to make ends meet. Those with higher income and education levels are more likely than those with lower income and education levels to have no difficulty covering their monthly expenses. Men are also more likely than women to have an easier time making ends meet.

	Total	Gender		Income			Education		
		Male	Female	<\$25K	\$25-75K	\$75K+	HS or less	Some college	College or more
Find it not at all difficult covering expenses and paying bills	48%	52%	43%	25%	46%	70%	39%	45%	60%

Mirroring the improvement in Americans' ability to make ends meet, satisfaction with one's personal finances has nearly doubled from 2009. Thirty-one percent of respondents in the 2015 NFCS report being very satisfied with their current personal financial condition (8 to 10 on a 10-point scale), compared to only 16% in 2009. As expected, those who have no difficulty making ends meet are much more likely to be satisfied with their personal finances than those who find it very difficult to make ends meet (49% vs. 14%).

Spending vs. Saving

Despite the improvements in making ends meet and satisfaction with personal finances, there does not appear to be a corresponding increase in Americans' propensity to save. Two-fifths of respondents (40%) report spending less than their income, 38% spend about equal to their income, and 18% spend more than their income. These percentages have not shifted meaningfully from 2009.



Respondents who save are more likely to be satisfied with their personal finances than those who spend more than their income (40% vs. 21%). Not surprisingly, those with higher income and education levels are more likely than those with lower income and education levels to save.

	Total	Income			Education		
		<\$25K	\$25-75K	\$75K+	HS or less	Some college	College or more
Spend less than income	40%	31%	37%	53%	36%	39%	48%

Indicators of Financial Stress

The study includes several indicators of financial stress. For example, 13% of non-retired respondents with retirement accounts report having taken a loan from their account in the past year, and 10% a hardship withdrawal. These percentages are consistent with 2012. Sixteen percent of mortgage holders report having been late with a mortgage payment at least once in the past year⁶ (7% only once, and 9% more than once).

	2009	2012	2015
Have taken a loan from their retirement account	10%	14%	13%
Have taken a hardship withdrawal from their retirement account	8%	10%	10%
Have been late with mortgage payments	--	--	16%

6. Direct comparisons to 2012 and 2009 NFCS data are not possible because this question was asked differently in 2015.



Younger Americans, especially those 34 and under, are more likely to show these signs of financial stress, as are African-American and Hispanic respondents.

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	Total	Age			Ethnicity				
		18-34	35-54	55+	White	Afr.-Amer.	Hisp.	Asian	Other ⁷
Have taken a loan from their retirement account	13%	22%	12%	6%	11%	21%	18%	15%	10%
Have taken a hardship withdrawal from their retirement account	10%	20%	8%	4%	8%	20%	15%	13%	8%
Have been late with mortgage payments	16%	29%	16%	7%	13%	29%	20%	20%	15%

Among respondents with checking accounts, 19% occasionally overdraw their checking accounts. Incidence of overdrawing has decreased somewhat relative to 2012 (22%) and 2009 (26%). Younger respondents, African-Americans, and those with financially dependent children are more likely to overdraw their checking accounts.

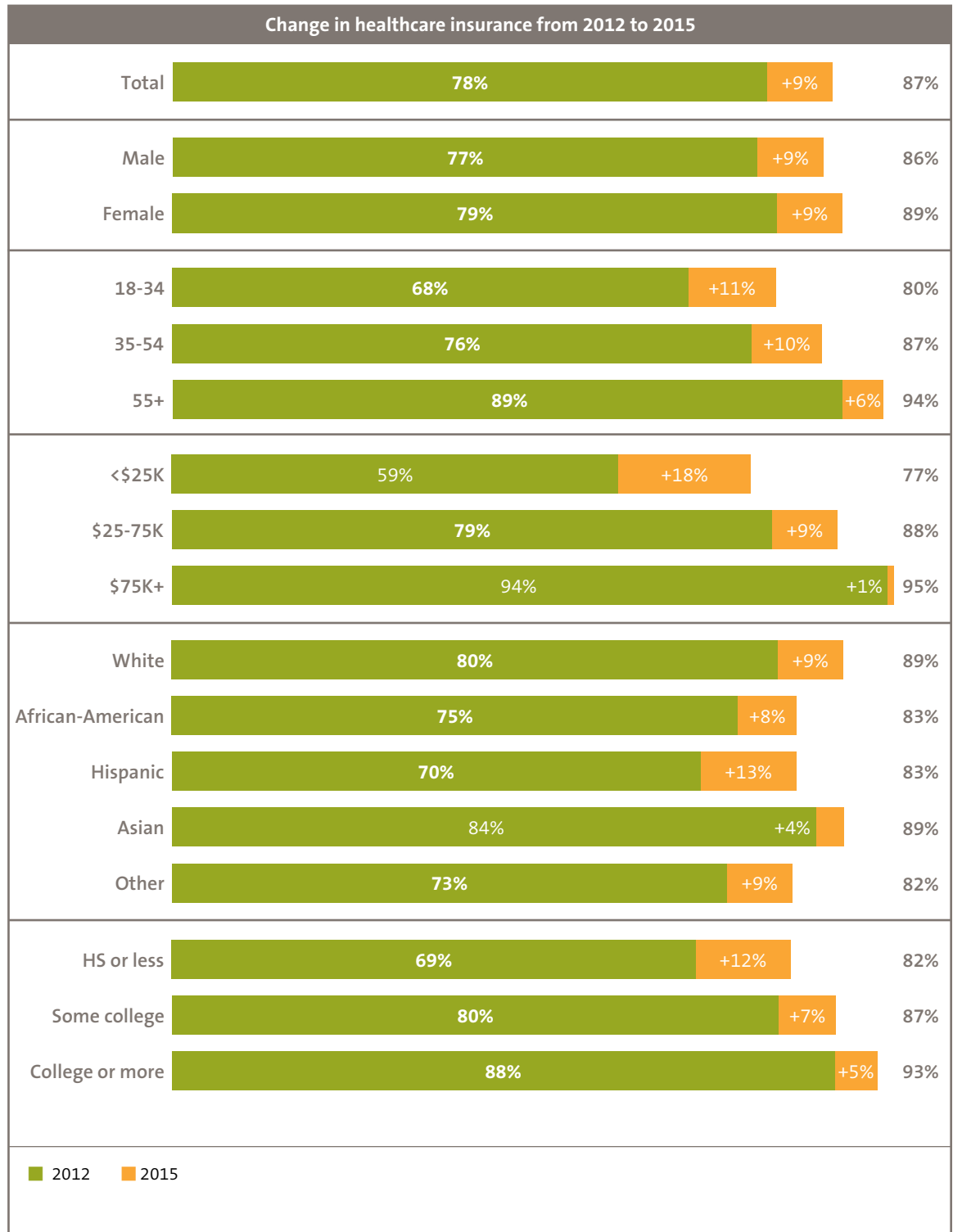
	Total	Age			Ethnicity					Financially dependent children	
		18-34	35-54	55+	White	Afr.-Amer.	Hisp.	Asian	Other	Yes	No
Overdraw checking account	19%	26%	21%	11%	16%	29%	23%	19%	22%	27%	14%

Overdrawing checking accounts appears to be a symptom of difficulty making ends meet. Among those who overdraw their checking accounts, a third (33%) report spending more than they earn, compared to 14% of those who do not overdraw. Similarly, 26% of Americans who overdraw their checking accounts feel it is very difficult to cover all their monthly bills, while only 7% of those who do not overdraw have the same difficulty. Finally, the data reveal a correlation between overdrawing checking accounts and satisfaction with personal finances. Those who overdraw are less likely to feel satisfied than those who do not (26% vs. 34%, respectively).

7. Includes non-Hispanic respondents who self-identified as Native American or Alaska Native, other, or two or more ethnicities.

Medical Expenses

The percentage of Americans who report having health insurance has increased substantially from 78% in 2012 to 87% in 2015. This change is likely due primarily to the implementation of the Affordable Care Act in 2014. The largest gains in healthcare coverage are among groups that typically have the lowest rates of being insured, including young Americans (34 and under), those with incomes of less than \$25,000, Hispanics, and those without at least some college education.



However, more than one in five Americans (21%) report having unpaid, past-due bills from a healthcare or medical service provider, a slight decrease from 26% in 2012. Among those without health insurance, the number rises to 29%. Younger respondents are more likely than older respondents to have unpaid medical bills. This is likely due to the lower incidence of health insurance among younger Americans and the ubiquity of Medicare among those 65 and older. Women are more likely than men to have medical debt, though they are not less likely to be insured.

	Total	Gender		Age		
		Male	Female	18-34	35-54	55+
Have past-due medical bills	21%	18%	23%	24%	24%	14%

Respondents with unpaid medical bills are more likely than those without to report spending more than their income (30% vs. 15%, respectively), and to find it “very difficult” to cover their expenses and bills each month (25% vs. 7%, respectively). Having unpaid medical bills is also correlated with decreased financial satisfaction. Respondents with medical debt are less likely to feel satisfied with their personal finances (20% vs. 34%, among those who have no medical debt).

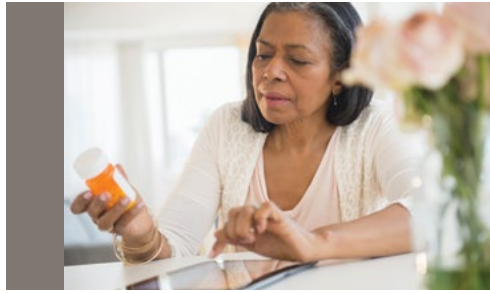
In the 2015 NFCS, a new set of questions was added to assess whether cost considerations are a deterrent to seeking or receiving medical services. The results show that medical expenses are also a source of financial distress for many respondents. More than a quarter of Americans (28%) have avoided some kind of medical service (visiting a doctor, following through with doctors’ recommendations, and filling prescriptions) because of cost concerns.

In the past year...	Total
Did not fill a prescription for medicine because of the cost	15%
Skipped a medical test, treatment or follow-up recommended by a doctor because of the cost	17%
Had a medical problem but did not go to a doctor or clinic because of the cost	19%
Had any of the above medical cost difficulties	28%

Women are more likely than men to have financial difficulty with the cost of medical services, as are younger respondents, those with lower income levels, and those with financially dependent children.

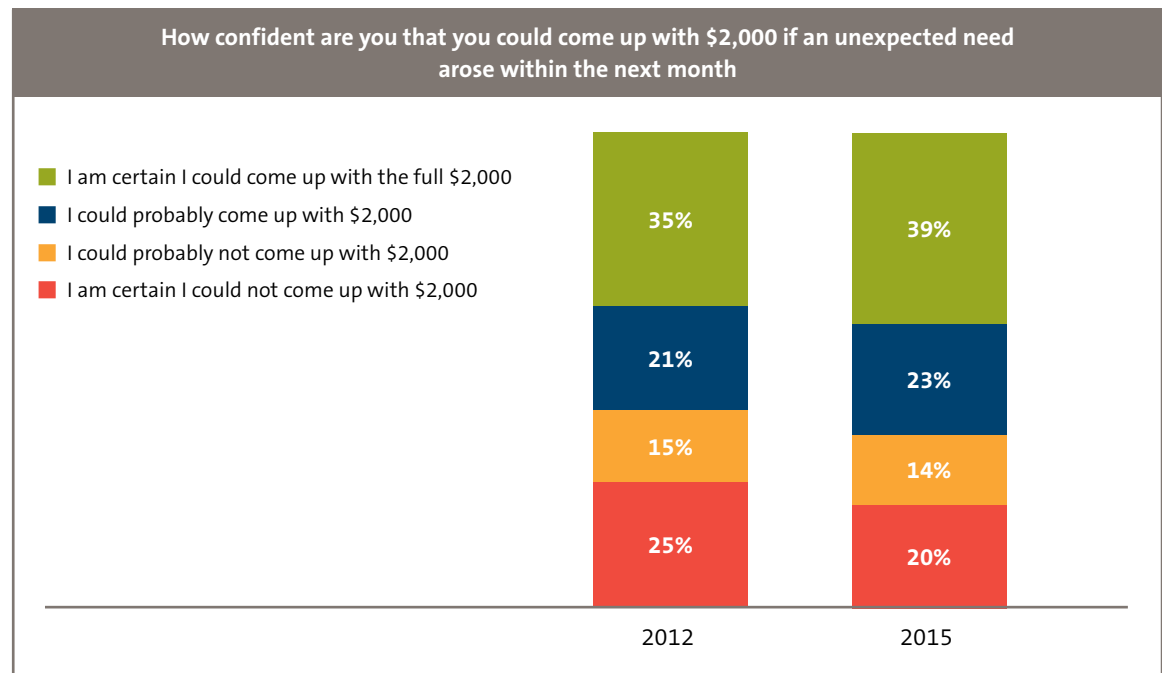
	Total	Gender		Age			Income			Financially dependent children	
		Male	Female	18-34	35-54	55+	<\$25K	\$25-75K	\$75K+	Yes	No
Had medical cost difficulties	28%	24%	31%	36%	30%	18%	34%	30%	18%	35%	24%

The difference between insured and uninsured Americans is quite striking. While a quarter of respondents with health insurance say they have avoided medical services because of the cost, nearly half (49%) of those uninsured have done so. Among respondents who find it very difficult to cover all their monthly bills, 56% have avoided medical services, compared to 14% of those who have no difficulty making ends meet.



There are considerable demographic differences in financial fragility. Women, younger respondents, those with lower income and education levels, and African-American and Hispanic respondents are more likely to have difficulty handling a short-term unexpected expense.

Financial Fragility



Another indicator of difficulty is financial fragility, specifically the lack of liquidity to deal with an unexpected challenge (e.g., a major car or housing repair). Liquidity could arise from tapping into savings, selling valuables, or borrowing.

When asked if they would be able to come up with \$2,000 if an unexpected need arose in the next month, over a third of respondents (34%) said they probably or certainly could not, a slight improvement over 39% in 2012.⁸

There are considerable demographic differences in financial fragility. Women, younger respondents, those with lower income and education levels, and African-American and Hispanic respondents are more likely to have difficulty handling a short-term unexpected expense.

8. Percentages in the chart do not add up to 39% due to rounding.

Probably/certainly could not come up with \$2,000		
	Total	34%
Gender	Male	28%
	Female	39%
Age	18-34	43%
	35-54	35%
	55+	25%
Income	<\$25K	63%
	\$25-75K	33%
	\$75K+	11%
Ethnicity	White	30%
	African-American	48%
	Hispanic	39%
	Asian	24%
	Other	44%
Education	HS or less	45%
	Some college	36%
	College or more	18%

Sources of Income

The majority of American adults (64%) receive income from employment (*i.e.*, salaries, wages, freelance pay, or tips). Just over a quarter (26%) say they receive Social Security retirement benefits, a slight increase from 24% in 2012, reflecting the aging Baby Boomer generation.

Types of income received over the past 12 months	2012	2015
Salaries, wages, freelance pay, or tips	63%	64%
Social Security retirement benefits	24%	26%
Payments from a pension plan	19%	20%
Money from family members who do not live in your household	19%	19%
Other federal or state benefits (<i>e.g.</i> , unemployment, disability, SSI, TANF)	19%	16%
Income from a business	14%	15%
Withdrawals from retirement accounts (<i>e.g.</i> , 401(k), IRA, Keogh)	13%	14%

Employment income is correlated with education level, such that 76% of those with college degrees or higher receive income from employment, compared to 64% of those with some college, and 52% of those with high school or less. Not surprisingly, adults 65 and older are far less likely to receive employment income.

	Total	Age						Education		
		18-24	25-34	35-44	45-54	55-64	65+	HS or less	Some college	College or more
Receive salaries, wages, freelance pay, or tips	64%	68%	75%	77%	72%	60%	32%	52%	64%	76%

Respondents who receive retirement income (pension plans, social security, or withdrawals from retirement accounts) are the most likely to have no difficulty making ends meet. This may be due in part to the higher likelihood of having multiple income sources among these respondents. For example, among those receiving pension payments, 95% have at least one other additional source of income (out of the seven listed in the survey). In contrast, among those receiving salaries or wages, only 55% have more than one source of income.

Among respondents who receive...	% with no difficulty making ends meet
Payments from a pension plan	65%
Social Security retirement benefits	57%
Withdrawals from retirement accounts (e.g., 401(k), IRA, Keogh)	55%
Income from a business	52%
Salaries, wages, freelance pay, or tips	49%
Other federal or state benefits (e.g., unemployment, disability, SSI, TANF)	34%
Money from family members who do not live in your household	30%

The survey reveals that younger Americans are much more likely to be receiving money from family members than older Americans. More than a third (36%) of respondents 18-34 receive financial help from family members not residing with them, compared to only 7% of those 55 and up. These findings suggest that even among those young adults who no longer live with their parents, many are not yet financially independent. The percentage of young people receiving help from family members is slightly higher than in 2012 (32%).

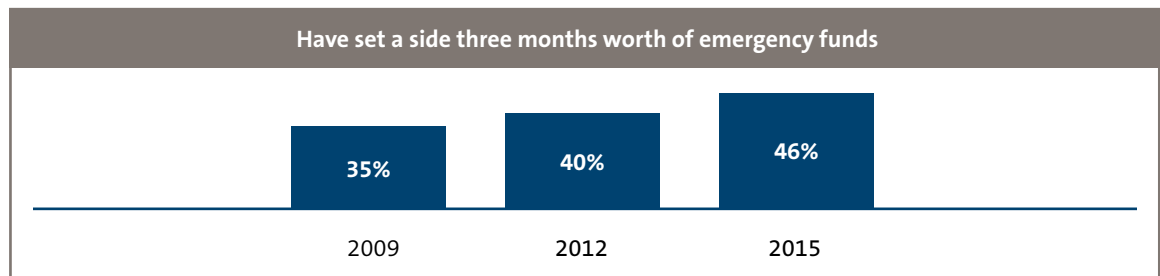
	Total	Age		
		18-34	35-54	55+
Receive money from family members who do not live in your household	19%	36%	15%	7%

2. Planning Ahead

Many Americans experience certain predictable life events that require planning, including financing one's retirement and funding the cost of a child's post-secondary school education. Additionally, because the future is inherently uncertain, individuals and families also need to make provisions to buffer themselves against financial emergencies or shocks. Being able to weather shocks not only contributes to financial stability at the individual and family level but also increases the stability of the economy as a whole.

Rainy Day Funds

Emergency savings or "rainy day" funds are an important element of planning for the financial future. While the percentage of respondents with emergency funds (46%) has increased considerably since 2009, still half of respondents (50%) have not set aside funds sufficient to cover expenses for three months in case of sickness, job loss, economic downturn, or other emergency. As a result, many individuals and families would not be able to draw on personal financial resources if they were faced with an economic shock.



Predictably, respondents with higher incomes are much more likely to have an emergency fund, as are older respondents (55 and up) and those with higher levels of education.

	Total	Age			Income			Education		
		18-34	35-54	55+	<\$25K	\$25-75K	\$75K+	HS or less	Some college	College or more
Have set aside three months' worth of emergency funds	46%	40%	41%	56%	24%	44%	67%	36%	43%	62%

Budgeting and Planning

The 2015 NFCS includes several new questions on household budgeting and planning. Over half of respondents (56%) report having a household budget to decide what share of income will be used for spending, saving, or paying bills. The percentage of respondents who have a household budget is fairly consistent across gender, age, and income groups.

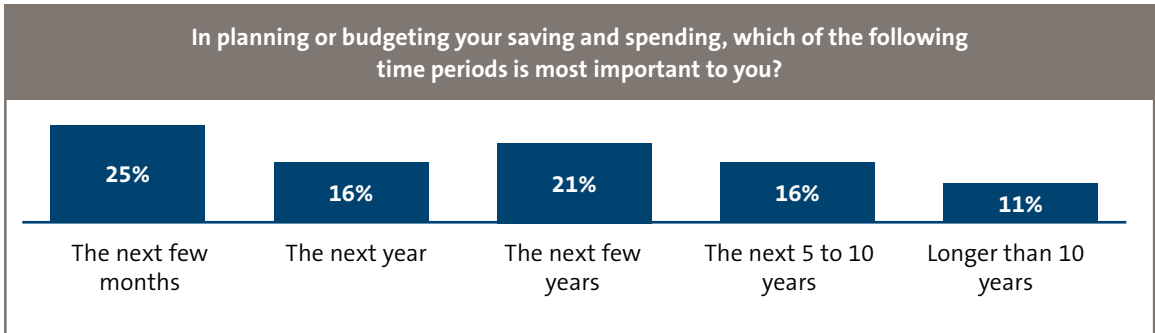
	Total	Gender		Age			Income		
		Male	Female	18-34	35-54	55+	<\$25K	\$25-75K	\$75K+
Have a household budget	56%	55%	57%	59%	56%	54%	54%	57%	56%



Over half of respondents (56%) report having a household budget to decide what share of income will be used for spending, saving, or paying bills.

Those with household budgets are somewhat more likely than those without to be spending less than their income (44% vs. 37%), and considerably more likely to have set aside emergency funds (52% vs. 41%). However, there is little difference between budgeters and non-budgeters in being able to make ends meet (48% and 49% respectively say they have no difficulty covering monthly expenses), and no difference in likelihood to overdraw their checking account (19% each).

When budgeting household finances, many Americans focus on relatively short-term time periods. Forty-one percent of respondents say that the most important time period for their planning and budgeting purposes is the next few months to a year; only 27% of respondents consider periods of 5 years or more to be most important.



Notwithstanding this apparent focus on budgeting for the short term, the majority of Americans (57%) agree with the statement “I set long-term financial goals and strive to achieve them.” Those with higher income and education levels are more likely to agree.

	Total	Income			Education		
		<\$25K	\$25-75K	\$75K+	HS or less	Some college	College or more
“I set long-term financial goals and strive to achieve them” (5 to 7 on 7-point scale)	57%	41%	56%	73%	47%	55%	70%

The data reveal some notable correlations with setting long-term financial goals. Respondents who report working towards long-term goals are much more likely than those who do not to be satisfied with their personal finances (43% among those who agree, vs. 11% among those who disagree). They are also much more likely to spend less than their income (48% vs. 26%), to have no difficulty making ends meet (57% vs. 28%), and to have set aside emergency funds (61% vs. 17%).



While individuals increasingly have to take responsibility for their financial security after retirement, the majority of Americans do not appear to have done much retirement planning.

Planning for Retirement

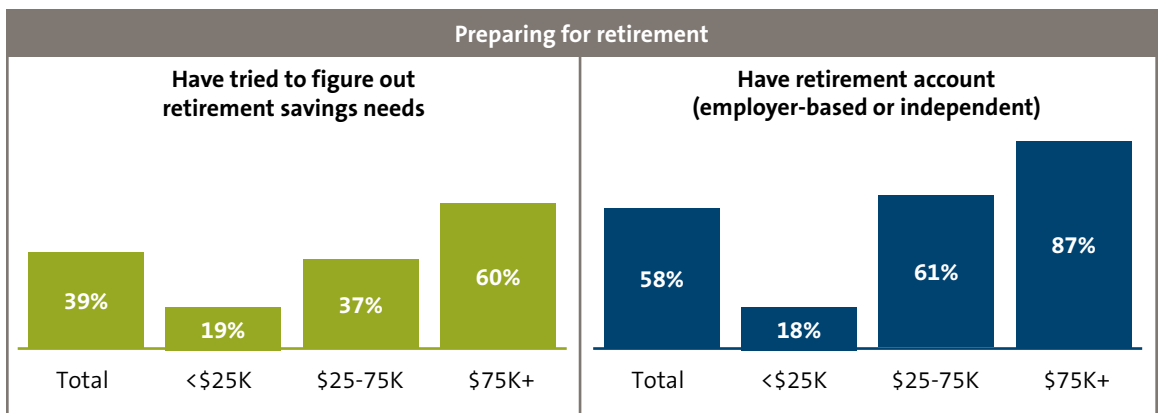
While individuals increasingly have to take responsibility for their financial security after retirement, the majority of Americans do not appear to have done much retirement planning. Thirty-nine percent of respondents have tried to figure out how much they need to save for retirement, while 56% have not. The act of planning for retirement has been shown to be a strong positive indicator of retirement wealth.⁹

Recognizing that many Americans are not familiar with the technical terms and distinctions used to describe various types of retirement plans, the survey employed a few “plain language” questions to assess whether respondents have a retirement plan through an employer, and if so, which type (specifically, a defined benefit plan or a defined contribution plan, such as a 401(k)). In addition, the survey asked whether individuals have retirement accounts they set up on their own, such as an Individual Retirement Account (IRA), Keogh, SEP, or other type of retirement account. Just over half of all non-retired respondents (58%) have some kind of retirement account, either employer-based (e.g., 401(k), pension) or independent (e.g., IRA).

Despite the improvement in Americans’ ability to make ends meet, the percentages of those who have planned for retirement or have a retirement account are little changed since 2009.

	2009	2012	2015
Have tried to figure out retirement savings needs	37%	37%	39%
Have retirement account (employer-based or individual)	57%	54%	58%

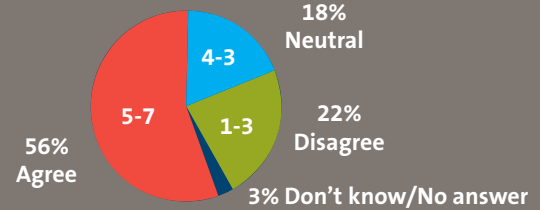
Respondents with lower income levels are much less likely to be prepared for retirement than those with higher incomes. Only 19% of those with incomes under \$25,000 have tried to plan for retirement, compared to 60% of those with \$75,000 or more income. Similarly, likelihood to have a retirement account increases dramatically with income, such that only a small minority of respondents with less than \$25,000 income have a retirement account (18%), while the vast majority of respondents with \$75,000 or more income have one (87%).



9. Annamaria Lusardi, “Information, Expectations, and Savings for Retirement,” in Henry Aaron, ed., *Behavioral Dimensions of Retirement Economics* (Washington, DC: Brookings Institution Press and Russell Sage Foundation, 1999), 81-115.

I'm worried about running out of money in retirement

In the decades since the introduction of defined contribution plans, and the related decrease in prevalence of defined benefit pensions, most plan participants have failed to defer enough of the income from their working years to assure a secure retirement.



Respondents who feel they are working towards long-term financial goals are much more likely than those who do not to have calculated retirement savings needs (53% vs. 17%) and to have a retirement account (67% vs. 42%). Among respondents who reported planning for time horizons of more than 10 years, over half (57%) have tried to calculate their retirement needs, and almost three quarters (73%) have a retirement account.

Many studies have warned that the U.S. faces a retirement savings crisis. In the decades since the introduction of defined contribution plans, and the related decrease in prevalence of defined benefit pensions, most plan participants have failed to defer enough of the income from their working years to assure a secure retirement. The National Institute on Retirement Security reports that 62% of workers between the ages of 55 and 64 have retirement savings that are less than one times their annual income.¹⁰ Given this, it is not surprising that the 2015 NFCS finds that more than half of Americans (56%) are worried about running out of money in retirement.

Women are somewhat more likely than men to be worried about retirement. Respondents ages 35-54 are the most likely to be worried, followed by those 18-34. While those in the highest income group (\$75,000 or more) are less likely than those with lower incomes to be worried about retirement, over half of them are worried.

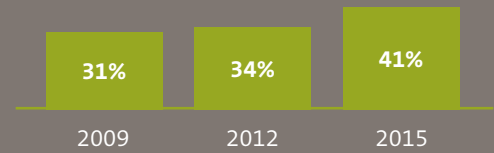
	Total	Gender		Age			Income		
		Male	Female	18-34	35-54	55+	<\$25K	\$25-75K	\$75K+
"I worry about running out of money in retirement" (5 to 7 on 7-point scale)	56%	53%	59%	57%	65%	47%	58%	59%	51%

Among non-retired respondents, those who have tried to calculate retirement savings needs are slightly more likely than those who have not to be worried about having enough money in retirement (64% vs. 59%). Non-retired respondents with retirement accounts are just as worried as those without retirement accounts (62% vs. 60%).

10. Nari Rhee and Ilana Boivie, "The Continuing Retirement Savings Crisis," National Institute on Retirement Security, March 2015.

Setting aside money for children's college

The percentage of Americans saving for college has increased considerably from 31% in 2009 to 41% in 2015. Still, less than half of those with financially dependent children are setting aside money for their children's college education.



Planning for College

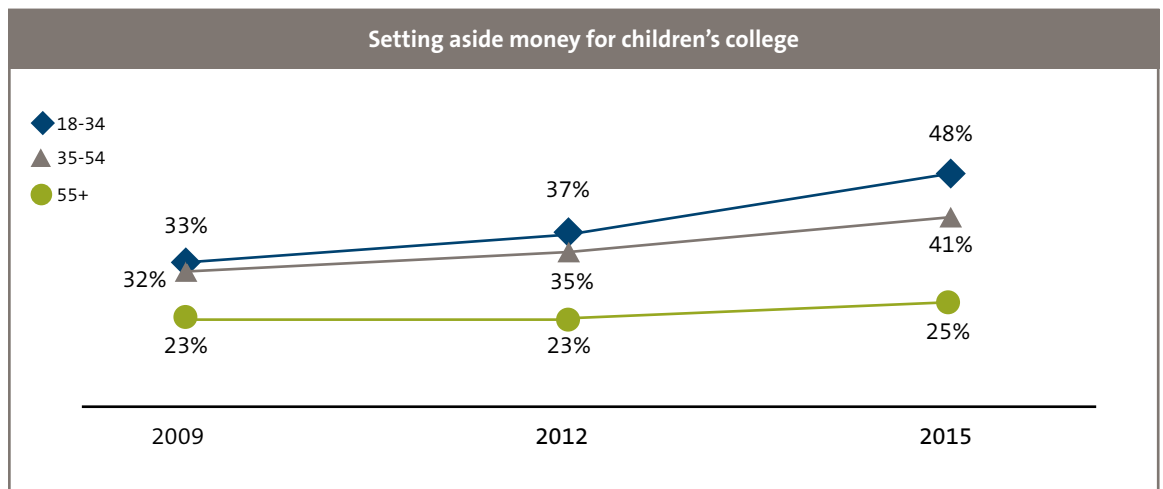
Tuition and fees at four-year public colleges and universities have increased by 13% over the past five years (adjusted for inflation).¹¹ Even if this trend is slowed, an average American family with children can expect to allocate a sizable share of their resources to paying college tuition.

The percentage of Americans saving for college has increased considerably from 31% in 2009 to 41% in 2015. Still, less than half of those with financially dependent children are setting aside money for their children's college education.

Asians are more likely than other ethnic groups to be setting aside money for college.

Respondents with financially dependent children who...	Total	Ethnicity				
		White	African American	Hispanic	Asian	Other
Are setting aside money for children's college	41%	39%	39%	45%	54%	33%

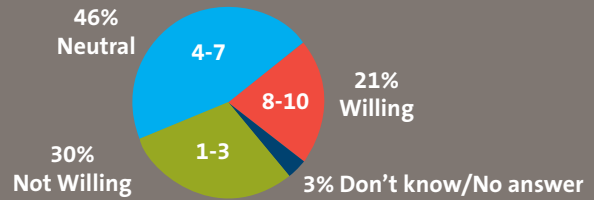
Saving for college has increased most among young respondents (18-34), suggesting that parents are beginning to save while their children are at a younger age.



11. Source: College Board (Tuition and Fees and Room and Board over Time, 1975-76 to 2015-16, selected Years).

When thinking of your financial investments, how willing are you to take risk?

An important determinant of how people choose to invest their savings and retirement wealth is their attitude towards financial risk. As the chart shows, only about one in five Americans (21%) say they are willing to take financial risks.



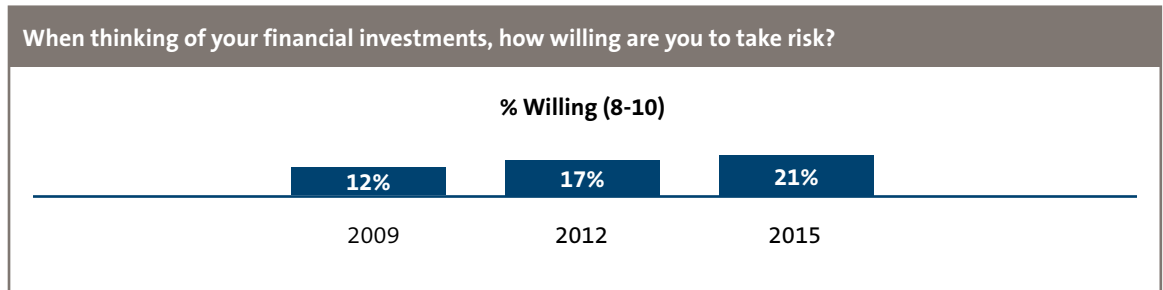
Investments

One of the most concrete indicators of planning ahead is investing.¹² Just under a third of respondents (30%) have investments in stocks, bonds, mutual funds, or other securities outside of retirement accounts, continuing a very slight downward trend from 32% in 2012 and 34% in 2009. Not surprisingly, those with higher incomes and higher education levels are much more likely than those with lower incomes and lower education levels to have non-retirement investments.

	Total	Income			Education		
		<\$25K	\$25-75K	\$75K+	HS or less	Some college	College or more
Have non-retirement investments	30%	10%	27%	53%	18%	27%	48%

Risk Preferences

An important determinant of how people choose to invest their savings and retirement wealth is their attitude towards financial risk. As the chart below shows, only about one in five Americans (21%) say they are willing to take financial risks. However, risk tolerance has increased considerably relative to 2009, when 12% of respondents reported being willing to take risks. Men are much more likely than women to say they are willing to take risks in financial investments (28% vs. 14% respectively).



12. In 2015, a follow-up survey was conducted among investors with non-retirement accounts, to provide additional detail on investor-specific topics such as types of securities owned, usage of advisers, perceptions of the securities market, and investment-specific financial literacy questions. Findings from this survey will be released in a separate report.



Making informed decisions about which products to use and how to use them can determine whether one experiences successful financial outcomes or encounters serious financial distress.

3. Managing Financial Products

Every individual and household must manage a potentially confusing range of financial products in the course of their lives, including saving and investing vehicles, payment tools, and credit products. Making informed decisions about which products to use and how to use them can determine whether one experiences successful financial outcomes or encounters serious financial distress. Further complicating the challenges of financial management, access to appropriate financial products is not assured for all consumers.

Banking and Payment Methods

The vast majority of respondents in the NFCS report having a bank account (93%); only 5% are unbanked, defined as having neither a checking account nor a savings account. The unbanked are typically underrepresented in survey research, partly due to lower levels of access to landline phones and the Internet. The 2013 FDIC National Survey of Unbanked and Underbanked Households conducted as part of the U.S. Census Bureau's Current Population Survey (CPS) estimated that 7.7% of American households are unbanked.

Nearly a quarter of respondents (24%) use reloadable prepaid debit cards to make payments (8% frequently and 16% sometimes).¹³ Usage of reloadable prepaid debit cards is far more common among unbanked respondents (52% compared to 22% among banked respondents). Those who receive government benefits are also more likely to use prepaid debit cards (39% vs. 20% among those who do not receive such benefits). Younger respondents, lower income respondents, and non-white respondents are also more likely to use reloadable prepaid debit cards.

	Total	Age			Income			Ethnicity				
		18-34	35-54	55+	<\$25K	\$25-75K	\$75K+	White	Afr.-Amer.	Hisp.	Asian	Other
Use reloadable prepaid debit cards	24%	39%	24%	10%	31%	24%	18%	18%	41%	32%	32%	25%

Slightly more than one in five respondents (22%) use mobile phones to pay at the point of sale (5% frequently and 17% sometimes).¹⁴ Younger respondents, particularly those under 35, and non-white respondents are much more likely to use mobile payments. In contrast to prepaid debit cards, mobile payment usage trends upward with higher income levels.

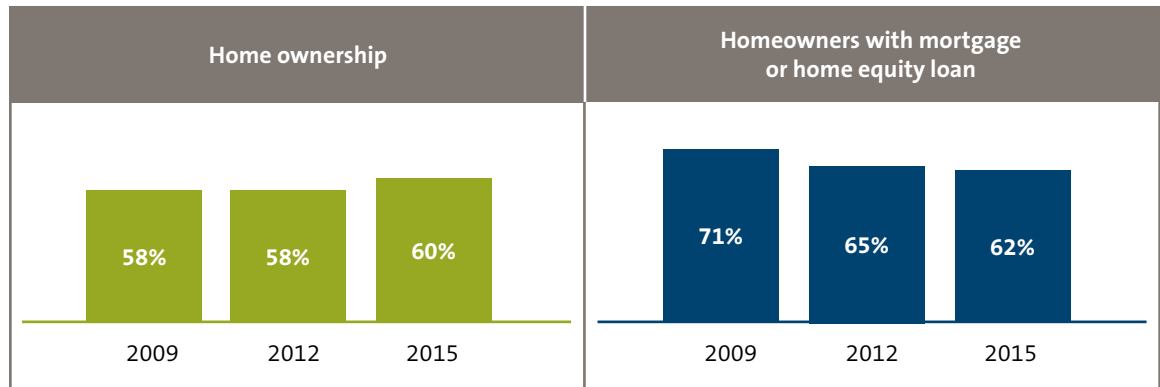
	Total	Age			Income			Ethnicity				
		18-34	35-54	55+	<\$25K	\$25-75K	\$75K+	White	Afr.-Amer.	Hisp.	Asian	Other
Use mobile payments	22%	40%	23%	6%	19%	22%	26%	17%	30%	35%	34%	21%

13. Direct comparisons to 2012 NFCS data are not possible because this question was asked differently.

14. Direct comparisons to 2012 NFCS data are not possible because this question was asked differently.

Home Ownership and Mortgages

Many Americans borrow money in order to purchase a home. Three-fifths of respondents surveyed are homeowners, little changed from 2012 (58%). Among homeowners, more than three out of five (62%) have a mortgage or home equity loan. This percentage declined sharply from 71% in 2009 to 65% in 2012, as the housing and mortgage markets reeled in the aftermath of the financial crisis, and has continued to decline slightly from 2012 to 2015, reflecting ongoing caution among lenders even eight years after the crash.



Home ownership varies greatly among demographic groups. Younger respondents, those with lower incomes, and African-American and Hispanic respondents are less likely to own a home.

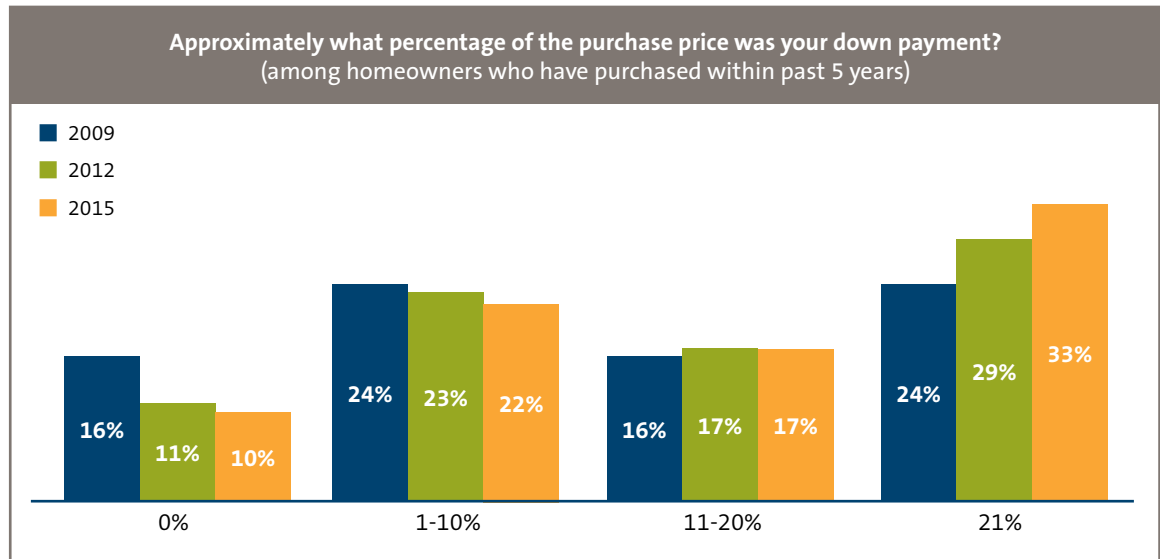
	Total	Age			Income			Ethnicity				
		18-34	35-54	55+	<\$25K	\$25-75K	\$75K+	White	Afr.-Amer.	Hisp.	Asian	Other
Home ownership	60%	38%	64%	76%	30%	61%	84%	67%	43%	47%	57%	46%

Because self-reported home values are often inaccurate—making it difficult to calculate the exact amount of equity respondents have in their homes—the NFCS uses a simple measure of home equity that asked participants “Do you currently owe more on your home than you think you could sell it for today?” In response to this question, 9% of homeowners report being “underwater,” down from 14% in 2012. This change likely reflects the continued rise in home values during this period, as measured by the S&P/Case-Shiller U.S. National Home Price Index.

Being underwater shows a strong correlation with the age of the homeowner. Eighteen percent of homeowners aged 18-34 are underwater, compared to only 4% of those 55 and older. Interestingly, there is little difference by income, suggesting that the bursting of the housing bubble affected all tiers of the market.

	Total	Age			Income			Ethnicity				
		18-34	35-54	55+	<\$25K	\$25-75K	\$75K+	White	Afr.-Amer.	Hisp.	Asian	Other
Homeowners “underwater”	9%	18%	11%	4%	9%	10%	9%	8%	16%	13%	12%	10%

Relative to 2009, the number of down payments of 10% or less continues to decrease, while the number of respondents who put down more than 20% continues to increase. This may reflect stricter requirements imposed by lenders in recent years.



Credit Cards

A common way in which many Americans borrow is through the use of credit cards. A large majority of Americans (77%) have at least one credit card, and over a quarter (26%) report having four or more cards. Credit card usage has increased slightly relative to 2012 (71%).

Among the 21% of respondents who do not have credit cards, prepaid debit card usage is more common (32% use prepaid debit cards, compared to 22% among those with credit cards).

The percentage of respondents saying they always paid their credit cards in full has increased over the three waves of the NFCS. Correspondingly, several of the individual credit card behaviors that generate interest or fees show a downward trend since 2009. However, more than half of credit card holders (56%) engage in at least one behavior that results in either interest or fees, and a third (33%) engage in two or more such behaviors.

In the past year...	2009	2012	2015
I always paid my credit cards in full	41%	49%	52%
In some months, I carried over a balance and was charged interest	56%	49%	47%
In some months, I paid the minimum payment only	40%	34%	32%
In some months, I was charged a late fee for late payment	26%	16%	14%
In some months, I was charged an over the limit fee for exceeding my credit line ¹⁵	15%	8%	8%
In some months, I used the cards for a cash advance	13%	11%	11%

15. The CARD Act, which went into effect in 2010, has made over the limit fees more uncommon, however respondents may still believe they pay these fees.

Considering the subset of behaviors that are likely to generate sizeable interest or fees (paying the minimum payment, paying late fees, paying over the limit fees, or using the card for cash advances), we find that 39% of credit card holders engage in at least one of these expensive practices. Younger respondents, those with lower incomes, and African-American respondents are particularly likely to use costly credit card borrowing methods.

	Total	Age			Income			Ethnicity				
		18-34	35-54	55+	<\$25K	\$25-75K	\$75K+	White	Afr.-Amer.	Hisp.	Asian	Other
Engage in expensive credit card behaviors	39%	52%	44%	24%	49%	42%	29%	35%	56%	47%	30%	48%

Just over a third of respondents (35%) report that they compared information about different cards from more than one company when obtaining their most recent credit card, while the majority (58%) say they did not. Younger respondents are much more likely than older respondents to have shopped around for credit cards.

	Total	Age		
		18-34	35-54	55+
Compared credit cards	35%	46%	36%	26%

Student Loans

Student loan debt is an area of growing concern to both individuals and policy makers. The 2015 NFCS provides more detail on student loans than was available in previous waves, including the types of student loans respondents have, as well as behaviors and attitudes regarding student loans.

Just over a quarter (26%) of American adults in the 2015 NFCS report that they currently have a student loan for themselves or a family member.¹⁶ Among those with student loans, the majority (73%) took out the loans for their own education.

Not surprisingly, student loan debt is highly correlated with age. While nearly half of respondents 18-34 have student loans (45%), only 9% of those 55 and older do. Interestingly, student loan debt appears to be consistent across income levels. Among ethnic groups, White and Asian respondents are less likely than others to have a student loan.

	Total	Age			Income			Ethnicity				
		18-34	35-54	55+	<\$25K	\$25-75K	\$75K+	White	Afr.-Amer.	Hisp.	Asian	Other
Have student loan	26%	45%	27%	9%	27%	26%	26%	22%	38%	34%	25%	33%

Students currently enrolled in four-year colleges or universities are much more likely than those currently enrolled at two-year community colleges or vocational/technical schools to have a student loan (60% vs. 42% have a student loan for themselves).

16. Direct comparisons to 2012 NFCS data are not possible because this question was asked differently.

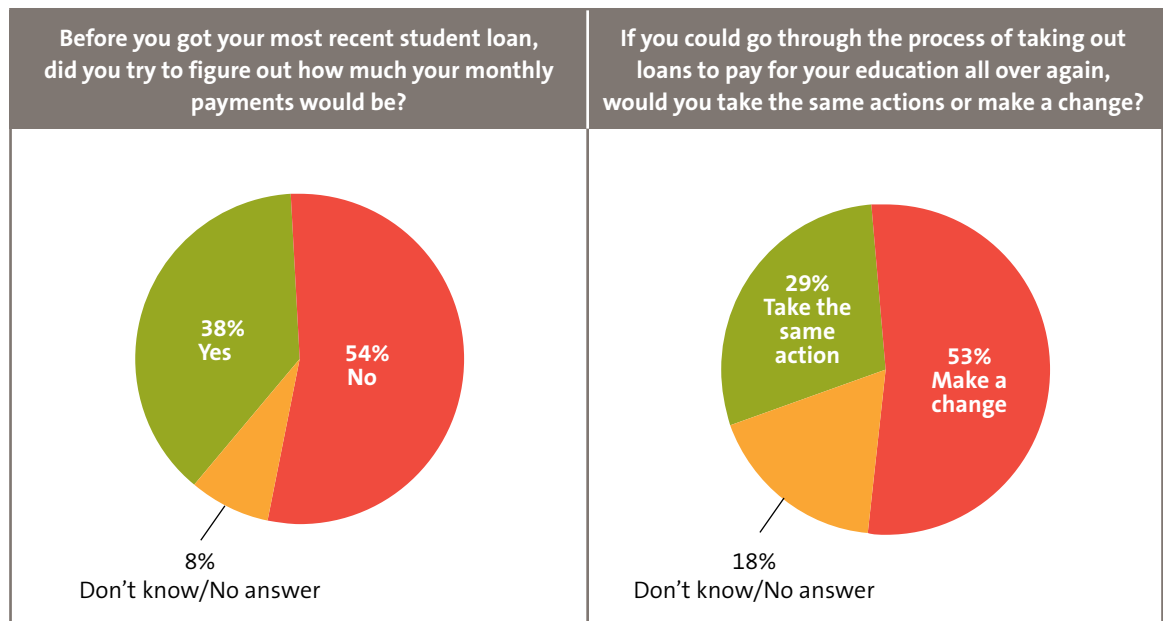


Student loan debt is an area of growing concern to both individuals and policy makers. Just over a quarter (26%) of American adults in the 2015 NFCS report that they currently have a student loan for themselves or a family member. Among those with student loans, the majority (73%) took out the loans for their own education.

More than half of student loan holders (57%) report having only federal loans, just under a quarter (22%) say they have both federal and private loans, and 12% report having only private loans.¹⁷ Over a third (35%) of student loan holders believe they have a loan where the monthly payments are determined by their income (e.g., Income-Based Repayment Plan, Pay As You Earn Plan, or Income-Contingent Repayment Plan).¹⁸ However, nearly one in five (19%) did not know whether they had these types of loans.

Findings from the NFCS seem to suggest that many student loan holders did not fully understand what they were getting into when they took out their loans. The majority of student loan holders (54%) say they did not try to estimate monthly payments when obtaining their most recent student loan, while 38% report they did. Among those with student loans, about half (48%) are concerned that they will not be able to pay off their loans.¹⁹

When student loan holders were asked whether, given the chance to do it all over again, they would make the same choices about student loans or do something different, more than half (53%) said they would take a different course of action.



17. Some respondents may understandably be confused about the type of loan they have because the Health Care and Education Reconciliation Act of 2010 changed the manner in which loans were distributed in 2010.

18. The large and increasing number of income-based repayment plans may be a source of confusion for some respondents.

19. Direct comparisons to 2012 NFCS data are not possible because of changes to the student loan question.

Among student loan holders with payments due, 37% have been late with a payment at least once in the past year,²⁰ and 25% more than once. Incidence of late student loan payments is particularly high among debtors with annual incomes of less than \$25,000 and among African-American and Hispanic respondents. Respondents with financially dependent children are also more likely to have missed student loan payments than those without.

Have been late with student loan payments		
	Total	37%
Gender	Male	37%
	Female	37%
Age	18-34	38%
	35-54	37%
	55+	31%
Income	<\$25K	47%
	\$25-75K	40%
	\$75K+	26%
Ethnicity	White	32%
	African-American	49%
	Hispanic	41%
	Asian	31%
	Other	40%
Education	HS or less ²¹	42%
	Some college	41%
	College or more	29%
Financially dependent children	Yes	42%
	No	31%

Among respondents with student loans for themselves, more than a quarter (28%) report that they did not complete the educational program for which they borrowed money. Respondents with lower income levels are even more likely to have dropped out of their educational program, perhaps because of competing demands such as working.

	Total	Income		
		<\$25K	\$25-75K	\$75K+
Did not complete education for which loan was taken out	28%	32%	29%	20%

Student loan holders who did not complete their education are more likely than those who did to say they would make a change in the way they borrowed if given the chance to do it again (67% vs. 54%). They are also more likely to have been late with a student loan payment in the past year (53% vs. 38% among those who finished their education).

20. Though not directly comparable, these findings are in line with data from the U.S. Department of Education on the federal student loan portfolio. See <https://studentaid.ed.gov/sa/about/data-center/student/portfolio>.

21. Only 15% of respondents in this category have student loan debt.

Non-Bank Borrowing

A sizable share of Americans engage in alternative forms of borrowing, such as taking out an auto title loan or a payday loan, using a pawn shop, or using a rent-to-own store. These borrowing methods may be likely to charge higher interest rates than those charged by banks, credit unions, or credit card companies. Moreover, as widely reported in financial literacy literature, use of these products often indicates individuals have limited or poor credit histories, lack of access to more traditional sources of credit, or both.

Over a quarter of respondents (26%) have used at least one alternative borrowing method within the past five years, and 12% have used two or more. Among the four ²² types of alternative borrowing measured in the survey, pawn shops are the most commonly used. Among those who have used a pawn shop, the vast majority (78%) have sold or pawned an item.

Non-bank borrowing methods used at least once in the past five years	2012	2015
Pawn shop	18%	16%
Short-term “payday” loan	12%	12%
Rent-to-own store	10%	10%
Auto title loan	9%	10%
Used one or more	28% ²³	26%

Usage of non-bank borrowing methods is highest among 18-34 year olds, those with incomes of less than \$25,000, African-American and Hispanic respondents, and those with high school or less than high school education.

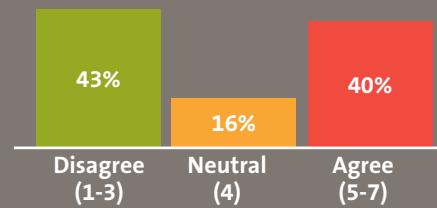
Used one or more non-bank borrowing methods		
	Total	26%
Gender	Male	27%
	Female	24%
Age	18-34	38%
	35-54	27%
	55+	13%
Income	<\$25K	33%
	\$25-75K	28%
	\$75K+	16%
Ethnicity	White	21%
	African-American	39%
	Hispanic	34%
	Asian	21%
	Other	33%
Education	HS or less	30%
	Some college	27%
	College or more	18%

22. Tax refund advance was removed from the 2015 NFCS.

23. The 2012 percentage has been recalculated based on the four items in the 2015 NFCS, and therefore differs from the figure cited in the 2012 report.

“I have too much debt right now”

Two out of five respondents (40%) report feeling that they have too much debt, showing little change from 2012.



Debt

Looking across the total population of respondents, we see that various types of debt are fairly common, ranging from nearly two-fifths with home debt (*i.e.*, mortgage or home equity loan) to over one-fifth with medical debt. Almost four out of five Americans have at least one of the six types of debt measured in this study, and over a quarter (28%) have three or more types of debt.²⁴

	Percent of total sample
Have a mortgage or home equity loan	37%
Carried a credit card balance in the past year	36%
Have an auto loan	30%
Have a student loan	26%
Used non-bank borrowing in the past five years	26%
Have unpaid medical bills	21%
1 or more types of debt	79%
2 or more types of debt	52%
3 or more types of debt	28%
4 or more types of debt	12%

According to the Federal Reserve Bank of New York, total household debt in dollars has been on the rise over the past few years, after falling steadily from 2008 to 2013. Much of the increase has been in the categories of student loans and auto loans, each of which rose about one quarter of 1 trillion dollars from mid-year 2013 to year-end 2015.²⁵ In the 2015 NFCS, two out of five respondents (40%) report feeling that they have too much debt (5 to 7 on a 7-point scale), showing little change from the 42% in 2012. Among those with three or more types of debt, more than two thirds (68%) feel they have too much debt.

Younger respondents and those with lower incomes are more likely to feel burdened by debt. In contrast to other measures of financial stress, self-perception of debt does not vary greatly by education level.

	Total	Age			Income			Education		
		18-34	35-54	55+	<\$25K	\$25-75K	\$75K+	HS or less	Some college	College or more
“I have too much debt right now” (5 to 7 on 7-point scale)	40%	45%	47%	29%	43%	42%	34%	39%	42%	38%

Feelings of over-indebtedness and satisfaction with personal finances are inversely correlated. Among respondents who feel they have too much debt, only 18% are satisfied with their personal finances, compared to nearly half (47%) among those who do not feel they have too much debt.

24. Direct comparisons to 2012 NFCS data are not possible because of changes to the student loan and non-bank borrowing questions.

25. Source: Federal Reserve Bank of New York, comparing data from Q2 2013 to Q4 2015.

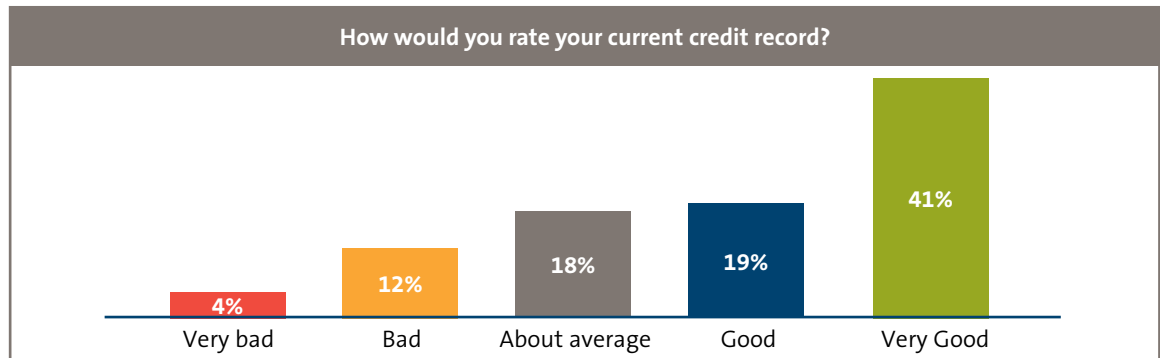
Eighteen percent of respondents say they have been contacted by a debt collection agency in the past year. Incidence of being contacted by a debt collector is particularly high among those with incomes of less than \$25,000 (25%) and African Americans (31%). Respondents with unpaid medical bills are the most likely to have been contacted by a debt collector, followed by those who use non-bank borrowing.

Among respondents who...	% have been contacted by debt collection agency in past year
Have unpaid medical bills	55%
Use non-bank borrowing	41%
Have student loan	31%
Have auto loan	23%
Carry credit card balance	22%
Have mortgage or home equity loan	15%

Experience with debt collectors is correlated with self-perceptions of debt and satisfaction with personal finances. Respondents who have been contacted by a debt collection agency are much more likely than those who have not to feel that they have too much debt (77% vs. 31%), and less likely to be satisfied with their personal finances (19% vs. 34%).

Credit Scores

Despite feelings of being overwhelmed by debt, a majority of Americans (60%) believe they have above average credit, and the plurality (41%) rate their credit as “very good.”²⁶



Older respondents and White and Asian respondents are more likely to rate their credit as “good” or “very good.”

	Total	Age			Ethnicity				
		18-34	35-54	55+	White	Afr.-Amer.	Hisp.	Asian	Other
Good/very good credit	60%	50%	57%	72%	65%	40%	53%	70%	45%

Self-assessment of credit score is correlated with a number of variables. Respondents who rate their credit as “good” or “very good” are much less likely to feel they have too much debt than those who give themselves “bad” or “very bad” scores (30% vs. 71%), and more likely to be satisfied with their finances (43% vs. 10%). They are also much less likely than those with bad/very bad credit scores to use non-bank borrowing (16% vs. 53%), to have unpaid medical debt (10% vs. 53%), to have missed student loan payments (24% vs. 62%), to have missed mortgage payments (9% vs. 45%), and to have been contacted by a debt collection agency (6% vs. 59%).

26. While it is not possible to check the accuracy of respondents' self-assessments, actual FICO scores appear to be similarly skewed, such that 38% of the population have scores of 750 or higher (as of April 2015). See Ethan Dornhelm, “US Credit Quality Continues To Climb – But Will It Level Off?”, FICO Blog, August 18, 2015.

4. Financial Knowledge and Decision-Making

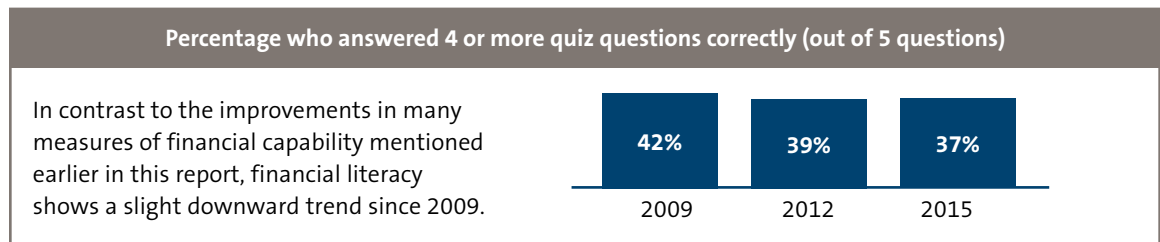
In order to make sound financial decisions, individuals need to be equipped not only with at least a rudimentary level of financial knowledge, but also with the skills to apply what they know to actual financial decision-making situations. As the survey data demonstrate, all too often, a gap exists between self-reported knowledge and real-world behavior.

Financial Literacy

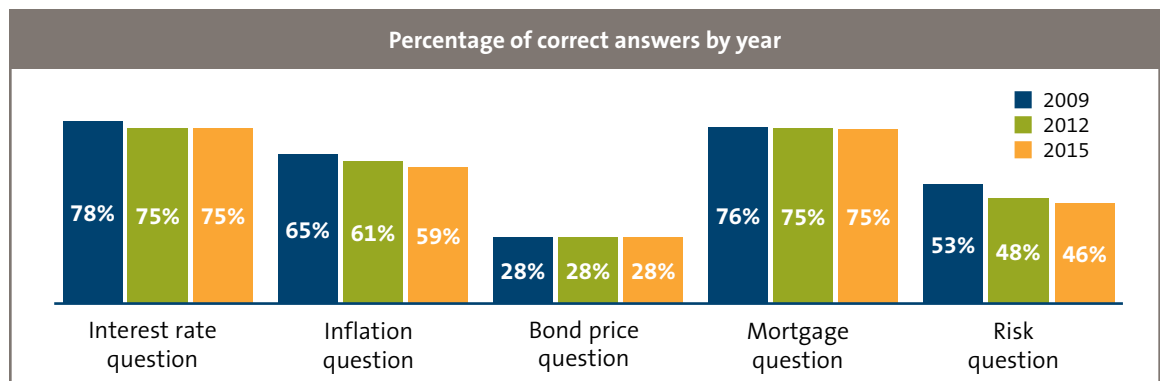
To evaluate financial knowledge, respondents were exposed to a series of questions covering fundamental concepts of economics and finance that may be encountered in everyday life, such as calculations involving interest rates and inflation, principles relating to risk and diversification, the relationship between bond prices and interest rates, and the impact that a shorter term can have on total interest payments over the life of a mortgage. As illustrated in the table below, the survey reveals relatively low levels of financial literacy among Americans as measured by these standard questions.

	Correct	Incorrect	Don't know
Interest rate question	75%	13%	12%
Inflation question	59%	20%	20%
Bond price question	28%	33%	38%
Mortgage question	75%	8%	16%
Risk question	46%	10%	44%

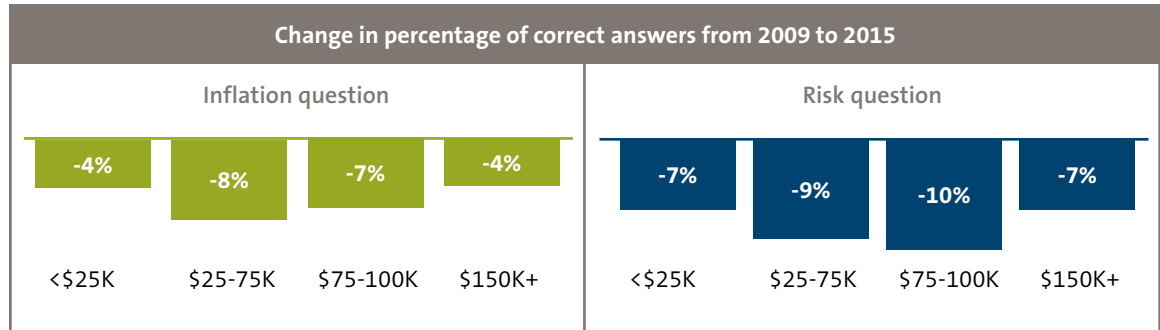
While the correct response to some individual questions reaches 75%, only 14% of respondents are able to answer all five questions correctly, and 37% are able to answer at least four questions correctly.



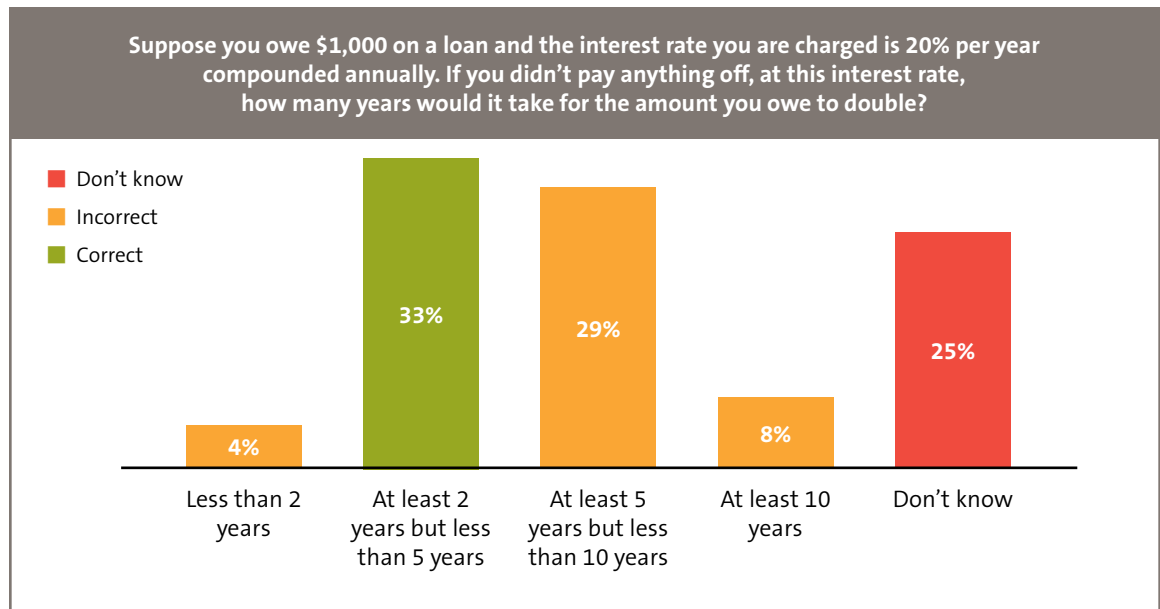
The largest performance decreases occur on the inflation and risk questions, which are in the middle in terms of difficulty – not as easy to answer correctly as the interest rate and mortgage questions, and not as difficult as the bond price question.



Upon further inspection, the biggest drops in performance on the inflation and risk questions are among respondents in the middle income groups, relative to the poorest and wealthiest Americans. While speculative, the trends in financial literacy scores suggest a shrinking class of moderately financially literate citizens, just as growing income inequality has led to a shrinking middle class.

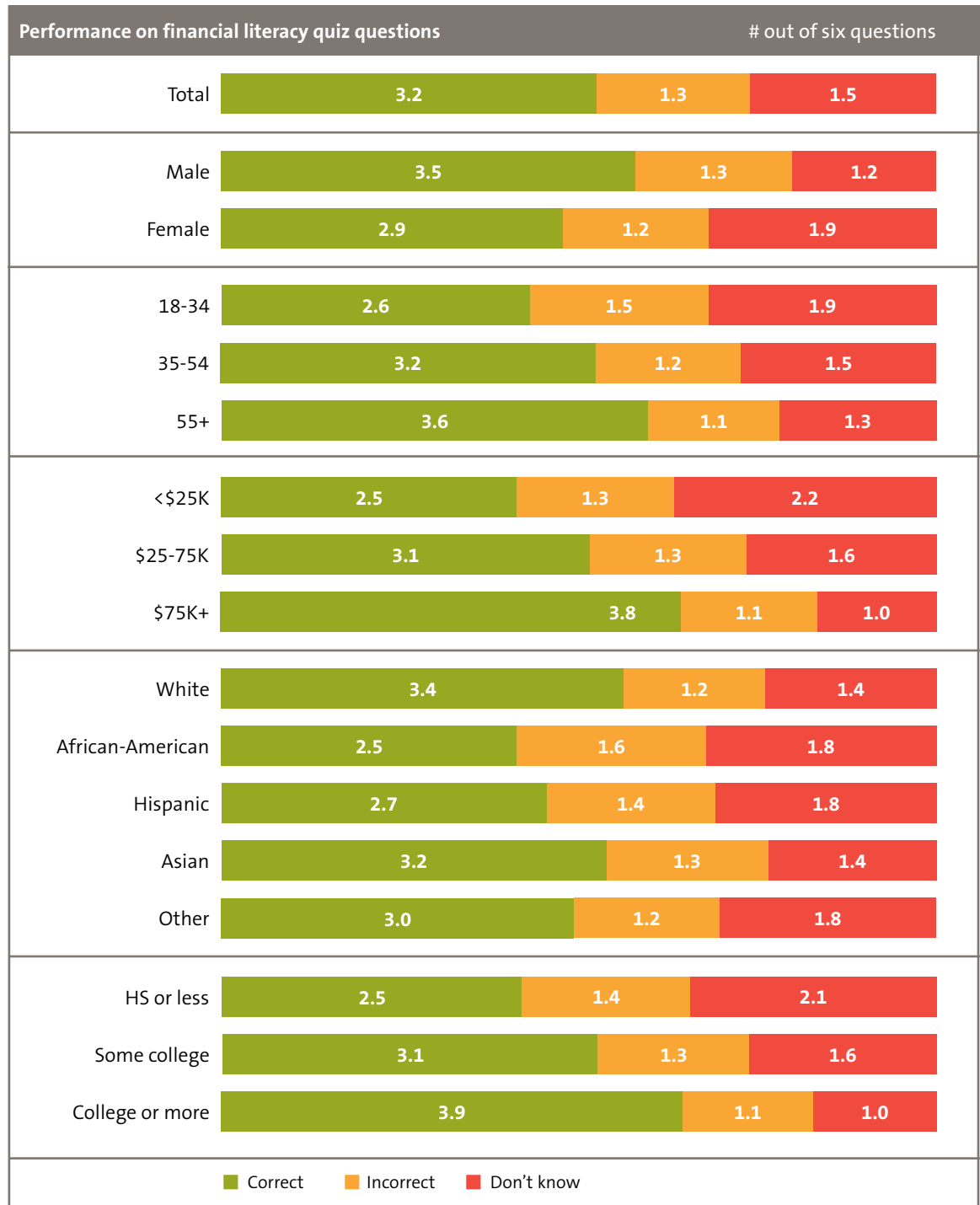


In the 2015 NFCS, a new financial literacy quiz question was added to test the concept of interest compounding in the context of debt. Findings from this question are consistent with Lusardi and Tufano (2015), although the wording of the question itself differs slightly.²⁷ As the chart below shows, only a third of respondents are able to answer the question correctly. This question generates more incorrect answers (41%) than any of the five previous quiz questions. Of the respondents who answer incorrectly, the vast majority of them overestimate the amount of time it would take for their debt to double, illustrating that many Americans simply do not understand the potential power of compounding. The risks of this misunderstanding may be somewhat mitigated in today’s generally low interest rate environment, but it could easily lead to financial shocks for individuals using high interest debt products.



27. Annamaria Lusardi and Peter Tufano, “Debt Literacy, Financial Experiences and Overindebtedness,” *Journal of Pension Economics and Finance*, October 2015, 14(4), pp. 329-365.

There are considerable demographic differences in overall financial literacy levels.²⁸ Males, older respondents, White and Asian respondents, and those with college or higher education levels are more likely to answer the quiz questions correctly.



28. Financial literacy quiz scores for 2015 are based on the set of six questions, and are therefore not comparable with previous years.

While younger respondents (18-34) score lower overall, they perform particularly poorly on the inflation question, with only 39% answering correctly, compared to 61% of those 35-54, and 75% of those 55 and over. This may be because Millennials have never lived through inflationary times.

Financial literacy is found to be strongly correlated with behavior that is indicative of financial capability. Specifically, those with higher literacy are more likely to plan for retirement and to have an emergency fund, and less likely to engage in expensive credit card behaviors.

Self-Perceptions of Financial Knowledge

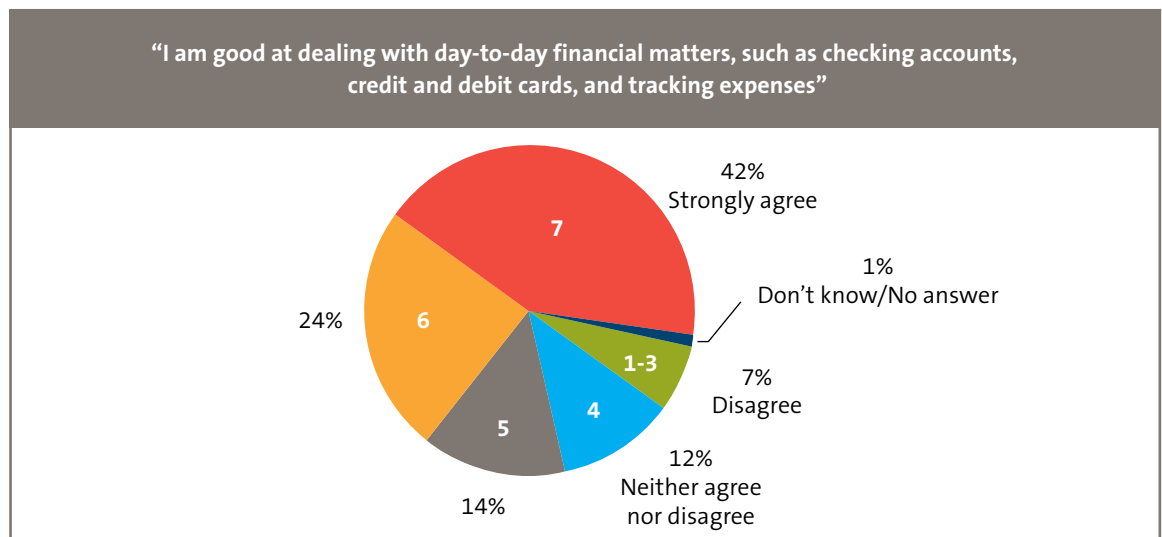
Despite relatively low levels of financial literacy as measured by the quiz questions, Americans tend to have positively biased self-perceptions of their financial knowledge. When asked to assess their own financial knowledge, over three-quarters of respondents (76%) gave themselves high marks (5 to 7 on a 7-point scale where 1=“very low” and 7=“very high”). In contrast to the decline in performance on the financial literacy quiz questions shown above, self-perceptions of financial knowledge have become more positive relative to the 67% in 2009 who rated themselves highly.

	2009	2012	2015
“High” self-assessment of financial knowledge (5 to 7 on 7-point scale)	67%	73%	76%

Because many financial decisions require some knowledge of math, respondents were also asked to evaluate their math skills. Nearly four out of five respondents (79%) gave themselves high scores (5 to 7 on a 7-point scale), and 39% gave themselves the highest rating of “7.” But even among respondents who gave themselves the highest rating, less than two-thirds (64%) are able to do two simple calculations involving interest rates and inflation, and only 40% are able to correctly calculate compound interest in the context of debt.

Self-Perceptions vs. Financial Behavior

The survey data also show a potential disconnect between perceptions and actions in day-to-day financial matters. When asked how good they are at dealing with day-to-day financial matters (such as managing checking accounts and credit cards), a large majority of Americans rated themselves positively (81%). However, even among the 42% of respondents who gave themselves the highest score (7 on a 7-point scale), nearly three out of ten (29%) engage in costly credit card behaviors (paying the minimum payment, paying late fees, paying over the limit fees, or using the card for cash advances), 18% use non-bank borrowing methods, and 12% overdraw their checking account.



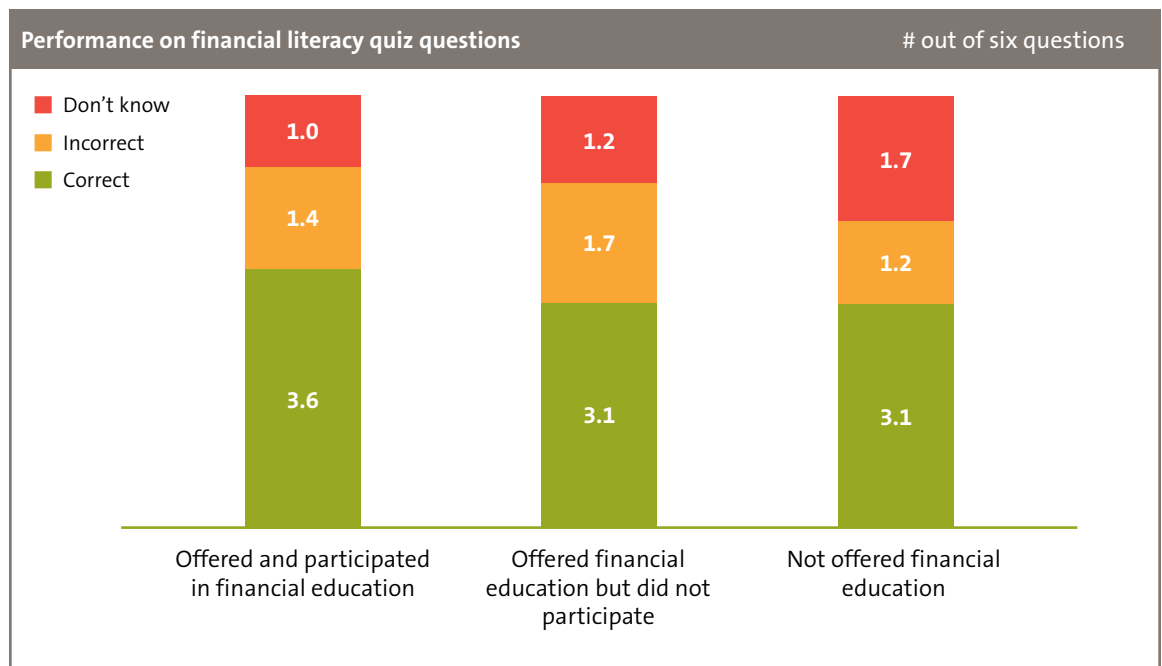
Financial Education

Because of the importance of financial literacy in achieving and maintaining financial capability—whether for individuals or for society as a whole—many efforts have been launched by colleges, workplaces, not-for-profits, and government agencies to provide financial education resources to the American people. Measuring the efficacy of these educational efforts is very challenging,²⁹ but the NFCS is able to show some correlations between exposure to financial education and financial literacy levels.

Slightly less than a third of respondents (31%) report having been offered financial education at a school, college, or workplace, and 21% say they participated. Rates of exposure to financial education are largely consistent with 2012.

Was financial education offered by a school or college you attended, or a workplace where you were employed?	2012	2015
Yes, but I did not participate in the financial education offered	10%	10%
Yes, and I did participate in the financial education	19%	21%
No	60%	59%
Don't know/No answer	11%	10%

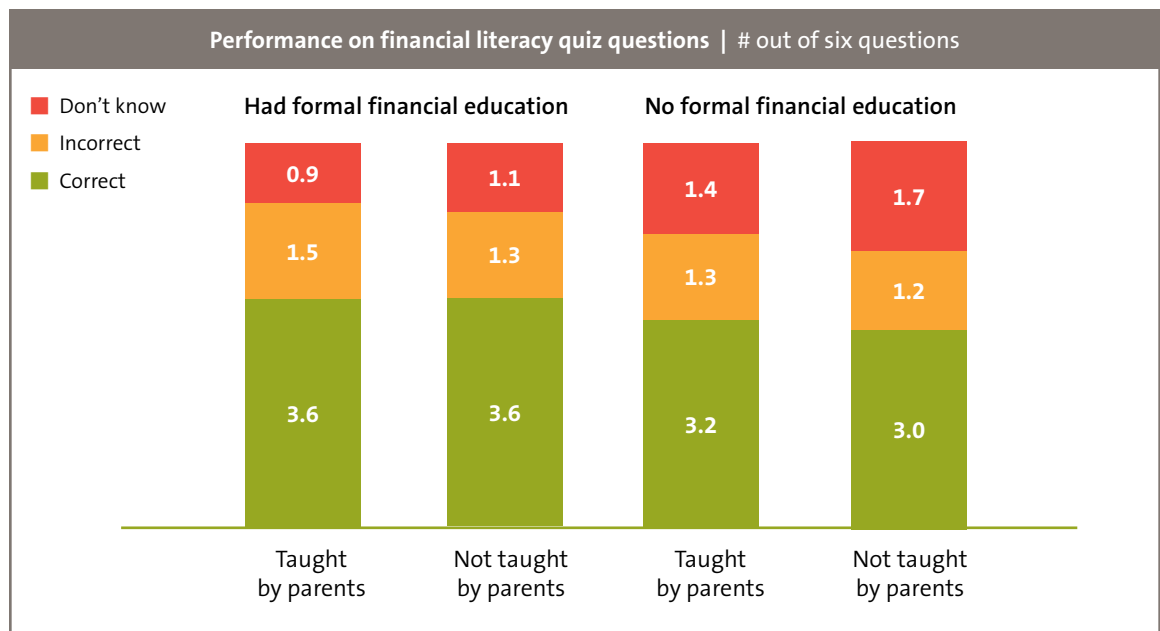
On the surface, exposure to financial education appears to be associated with better performance on the financial literacy quiz questions. Respondents who stated that they participated in financial education score higher than those who were offered but did not participate, who in turn score higher than those who were not offered financial education. It is important to note that these findings do not imply a causal relationship between financial education and financial literacy, and may be entirely attributable to differences in education, employment, and other demographic factors. It is also possible that those who are more interested in financial literacy might be more likely to seek out financial education.



29. Carly Urban, Maximillian Schmeiser, J. Michael Collins, Alexandra Brown, "State Financial Education Mandates: It's All in the Implementation," FINRA Investor Education Foundation, January 2015.

In addition to exposure to formal financial education, the 2015 NFCS asked respondents whether their parents or guardians taught them how to manage their finances. The sample is fairly evenly split, with 44% of respondents saying “Yes,” and slightly more than half (52%) saying “No.”

Respondents whose parents or guardians taught them how to manage finances do slightly better on the financial literacy quiz (averaging 3.29 correct out of six questions, vs. 3.11 among those whose parents/guardians did not). However, formal education appears to have a relatively larger correlation with financial literacy scores. Respondents who participated in formal financial education tend to perform better than those who have not, regardless of whether their parents/guardians taught them about managing finances. Among respondents with no formal financial education, teaching from parents/guardians has a smaller but positive correlation with financial literacy scores.





Meeting these overall challenges and, more specifically, addressing the inequalities in financial capability requires a combination of far-sighted public policies and well-designed financial education programs.

Conclusion

Six years after the Great Recession of 2007-2009, the 2015 National Financial Capability Study shows some enduring signs of recovery from the financial shocks of that period. Fewer Americans are having difficulty making ends meet, more have put aside emergency funds, homeowners are on a firmer financial footing, and financial satisfaction levels are higher. However, there is not much evidence to suggest that more Americans are saving for the long term. Participation rates in retirement savings accounts have not improved appreciably since 2009. And, while more young people are saving for college, the burdens of student loan debt are becoming heavier.

Furthermore, the signs of improvement in financial capability are not universal. Many demographic groups—including African-Americans, Hispanics, members of the Millennial generation, and those without a college education—are at a disadvantage when it comes to making ends meet, planning ahead, managing financial products, and financial knowledge. This means that these groups face greater risks and have fewer opportunities to overcome them, making them especially vulnerable.

Meeting these overall challenges and, more specifically, addressing the inequalities in financial capability requires a combination of far-sighted public policies and well-designed financial education programs. Both policy and education are needed to broaden access to financial products, protect consumers from predatory practices, and foster greater participation in healthy, life-long financial practices.

Background and Methodology

In consultation with the U.S. Department of the Treasury and the President's Advisory Council on Financial Literacy, the FINRA Investor Education Foundation commissioned the first national study of the financial capability of American adults in 2009. The overarching research objectives of the National Financial Capability Study were to benchmark key indicators of financial capability and evaluate how these indicators vary with underlying demographic, behavioral, attitudinal, and financial literacy characteristics.

The 2009 NFCS consisted of three linked surveys:

- ▶ **National Survey:** A nationally-projectable telephone survey of 1,488 American adults
- ▶ **State-by-State Survey:** A state-by-state online survey of 28,146 American adults (roughly 500 per state, plus the District of Columbia)
- ▶ **Military Survey:** An online survey of 800 military service members and spouses

In 2012, a second wave of the NFCS was conducted in order to assess changes in key measures from the 2009 Study. The 2012 NFCS replicated two of the three components of the original baseline study:

- ▶ **State-by-State Survey:** A state-by-state online survey of 25,509 American adults (roughly 500 per state, plus the District of Columbia)
- ▶ **Military Survey:** An online survey of 1,000 military service members

In 2015, a third wave of the NFCS was conducted to continue tracking key measures from the 2009 and 2012 Studies, and to incorporate additional topics that are highly relevant today. The 2015 NFCS replicates the two components of the 2012 study, and adds a supplemental survey of investors:

- ▶ **State-by-State Survey:** A state-by-state online survey of 27,564 American adults (roughly 500 per state, plus the District of Columbia).³⁰
- ▶ **Military Survey:** An online survey of 1,500 military service members
- ▶ **Investor Survey:** An online survey of 2,000 Americans who have investments outside of retirement accounts

The survey instruments were designed by a multi-disciplinary team of researchers, policy makers, and practitioners in the financial capability field. The Studies were funded by the FINRA Investor Education Foundation and conducted by Applied Research & Consulting.

This report outlines the findings of the 2015 State-by-State Survey administered to respondents between June and October 2015, with comparisons to the 2012 State-by-State Survey fielded from July to October 2012, and the 2009 State-by-State Survey fielded from June to October 2009. Data from each survey are weighted to be representative of the national population as a whole in terms of age, gender, ethnicity, and education, based on the Census Bureau's American Community Survey. However, breakdowns of sub-populations may not necessarily be representative.

More information about the National Financial Capability Study, including the survey instrument and detailed methodological information, can be found at www.USFinancialCapability.org.

30. The 2015 State-by-State Survey includes oversamples for four states (CA, IL, NY and TX).

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A copy of this summary and the full report can be found on www.USFinancialCapability.org or by calling (202) 728-6964.