Overview

As the U.S. economy continues to recover from the Great Recession, Americans’ financial security has gained increasing attention in the media and among policymakers. Recent research by The Pew Charitable Trusts underscores how precarious the typical family’s situation is: Earnings increased just 2 percent over the past decade; nearly half of Americans regularly experienced substantial fluctuations in income; and 55 percent of households could replace less than a month of their income through liquid savings.\(^1\) Combined with this insecurity, consumption, a strong indicator of consumer confidence, dropped in 2013 to levels not seen since 1990.\(^2\) These statistics tell a powerful story about the economic tightrope families are walking, but they leave out an important perspective: that of Americans themselves.

To begin filling that gap, Pew conducted a nationally representative survey of more than 7,000 households, as well as led focus groups in three cities. The goal was to collect data on family balance sheets, Americans’ perceptions of their financial security, and how their views differ according to income, wealth, and other demographic factors. These data show that Americans are conflicted about their financial well-being. They are more optimistic about their own finances and the economy than they have been in years; 56 percent rate their financial situations favorably. But in an apparent contradiction, the same proportion (57 percent) said they are unprepared for a financial emergency, and only half reported feeling financially secure. Moreover, their descriptions of their financial lives suggest they have reason for worry: More than half (55 percent) said that they break even or spend more than they make each month and that their income or expenses also fluctuate, making it difficult to plan and save. A full third of Americans reported having no savings.
As policymakers look for ways to bolster families’ economic security, they can use these findings and Americans’ own words about their balance sheets and perceptions to aid in the development and design of better, more effective policies.

**Americans increasingly optimistic about their own finances and the economy**

In late 2008, just 9 percent of Americans rated the economy positively. As of 2014, Pew’s survey finds that figure has climbed to 27 percent. As low as these positive ratings may seem, they are similar to those found in polling in late 2007, on the eve of the Great Recession, and reflect more optimism than was evident during the aftermath and recovery. (See Figure 1.)

As Americans’ views of the economy have improved, so has their sense of their own finances. A majority (56 percent) rate their financial situations positively, up from 42 percent during the recession in 2009.3

**Figure 1**

**Americans Are More Positive About Their Own Finances and the Economy**

Percentage rating economic conditions or their own finances as good or excellent, 2007–14

In an apparent contradiction, most do not feel financially secure

In focus groups, participants were asked to define financial security. They said it means families have enough money to pay the bills, a little left over for small extras or savings, and few worries about making ends meet.4 In this latest survey, only half of Americans (51 percent) said their households are financially secure, in contrast to the positive ratings most gave their financial situations generally.
Not surprisingly, those likeliest to report financial security are arguably in a position to worry least about it, including those with postgraduate degrees, high incomes, and high wealth. (See Figure 2.)

However, even those with relatively high incomes may not always be financially secure with respect to their savings, wealth, and earnings. For example, significant percentages of those with income of $100,000 or more have less than $10,000 in nonhousing wealth (12 percent), no savings (10 percent), and variable income (21 percent).

Figure 2
Only Half of Americans Report Feeling Financially Secure
Percentage saying they are financially secure, by selected demographics

Note: People were asked, “Thinking about your household’s finances today, do you feel your household is: (financially secure/not financially secure)?”

Source: Pew’s Survey of American Family Finances
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“I think [financial security] is just kind of having a good cushion of money that you really just know that you could feel safe no matter what you’re doing. And when your check is coming in, you’re not living from that one to the next.”—Phoenix-area resident

“When I was growing up, it used to be you could raise a family, you could have a home, you could have a car, probably two, you could take vacations. ... And you could do that on one salary. But you can’t do that anymore.”—Boston-area resident

Note: All quoted material is taken from six focus groups conducted in June 2014 in Boston; Orlando, Florida; and Phoenix.
Another key reason Americans may feel financially insecure even though they rate their finances positively is that a majority (57 percent) said they are not financially prepared for the unexpected. In part, this reflects the fact that more than half (55 percent) of respondents reported just breaking even or spending more than they make each month, and one-third (33 percent) said their household has no savings.

Figure 3
Sources of Financial Insecurity

57%  Are not financially prepared for the unexpected
55%  Break even each month or spend more than they make
33%  Have no savings

Note: People were asked, “Thinking about your household’s finances today, do you feel your household is: (financially prepared for the unexpected/not financially prepared for the unexpected)?” “Which of the following comes closest to your household’s situation most months lately? Do you: (spend a lot more than you make/spend a little more than you make/spend about as much as you make/make a little more than you spend/make a lot more than you spend)?” “Does your household have any money set aside that you consider savings (yes/no)?”

Source: Pew’s Survey of American Family Finances
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“I think you go for survival first. So it is going to be the rent or the mortgage. It is going to be the food and the electric bill and things like that. If there is anything left, that goes into savings.” —Boston-area resident

“Sometimes I get paid and I feel like I’m bound by my check before I even get it. It’s already spent. I can tell you exactly where it’s going.” —Phoenix-area resident
Americans worry about all aspects of their finances

In keeping with Americans’ widespread feelings of financial insecurity, more than half of respondents (56 percent) also reported worrying about their finances during the past year. When asked what specific aspects concerned them, respondents cited everything from short-term bills to retirement. Topping the list of specific financial worries are a lack of savings (83 percent), not having enough money to cover regular expenses (71 percent), and not having enough money for retirement (69 percent). Nearly half (49 percent) of those who worried about their finances in the past year and have student loan debt reported concerns about paying those loans. (See Figure 4.)

“I need to pay my rent. I’ve got to pay my insurance because I have to drive. I have to make sure there’s some food in the refrigerator. I have to make sure the electric is up. That’s kind of what that feeling is from month to month. ... That’s not a very secure feeling.” —Phoenix-area resident

“I worry about the kids going to college. We’re still paying my husband’s student loans. So we’ve not been able to set aside for them. I don’t know what the money is going to look like for them.” —Phoenix-area resident

Figure 4
Americans Worry About Lack of Savings, Inability to Retire

Percentage of people with financial worries who reported concern about various items

<table>
<thead>
<tr>
<th>Financial Concern</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lack of savings</td>
<td>83%</td>
</tr>
<tr>
<td>Not enough money to cover expenses</td>
<td>71%</td>
</tr>
<tr>
<td>Not enough money to retire</td>
<td>69%</td>
</tr>
<tr>
<td>Paying other bills</td>
<td>50%</td>
</tr>
<tr>
<td>Paying student loans</td>
<td>49%</td>
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<tr>
<td>Paying credit card bill</td>
<td>49%</td>
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<tr>
<td>Paying rent or mortgage</td>
<td>39%</td>
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</tbody>
</table>

Notes: People were asked, “In the past 12 months, would you say you ever worried about: paying your rent or mortgage; paying your student loans; paying your credit card bill; other bills, such as gas, electric, medical, or legal bills; lack of savings; not having enough money to cover your expenses; not being able to have enough money to retire (yes/no)?” Worry about student loans was asked only of those who had them; worry about credit card bills was asked only of credit card holders.

Source: Pew’s Survey of American Family Finances

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Those whose balance sheets are most precarious are also most likely to worry. Those looking for work (87 percent), those with income under $25,000 a year (68 percent), those with less than $10,000 in nonhousing wealth (76 percent), Hispanic respondents (63 percent), and those ages 18 to 34 (66 percent) report having worried in the past year about their finances.

“I notice that people who have money are a lot more stress-free, more happy, more outgoing, because they don’t have to worry. ... We work full time, take care of kids, bills, and we are stressed.”—Orlando-area resident

When asked about their retirement plans, 1 in 5 respondents (21 percent) said they are not planning to retire, while more than half (53 percent) anticipate doing something else, including working at a different job. Just 26 percent have a traditional notion of retirement—stopping work entirely. The diverse plans for retirement probably reflect a wide variety of personal circumstances, from the satisfaction that some people get from working to the very real need for income due to inadequate savings.

**Many Americans have reason to worry about their financial security**

Another important indicator that explains Americans’ lack of financial security is that just 45 percent reported having both steady income and consistent expenses. For those who do not, planning and saving are very difficult. As a result, 36 percent of this group said that their households have no savings.

“It is not the worrying of the money; it’s the worrying of the expenses that you have to pay. Are they going to exceed more than the money that you have? That is really my worry. ... The unexpected expenses and just life. Sometimes it is more than what you can handle at one time.”—Orlando-area resident

One of the chief reasons focus group participants cited for their variable expenses was economic shocks. And in the survey, 6 in 10 households (60 percent) reported suffering an event such as a drop in income, hospital visit, loss of a spouse or partner, or a major car or house repair in the past year. Fifty-five percent of this group reported that the shock made it hard for them to make ends meet. This was especially true for those making less than $25,000 a year (73 percent). In a predictable contrast, a large majority (66 percent) of those who made more than $100,000 a year felt no financial strain as a result of an economic shock.
Americans favor financial stability over upward mobility

When asked whether they would prefer to have financial stability or to move up the income ladder, 92 percent of Americans chose security, an increase of 7 percentage points since 2011. (See Figure 5.) This probably reflects families’ desire for greater control over their financial situations—something focus group participants mentioned frequently—but it may also indicate a growing recognition that moving up the income ladder can be challenging. In 2009, nearly 4 in 10 Americans (39 percent) felt that it was common for someone to start poor, work hard, and become rich. Five years later, just 23 percent of Americans believe that.

Conclusion

Helping Americans gain a steady financial foothold in the post-recession economy is an important challenge for policymakers. In general, people are more optimistic about the economy and their own finances than they have been in years, but that optimism is not translating into feelings of greater financial security.

More than half of Americans reported worrying about their household finances. For many, there is good reason: One-third of households have no savings, and among those who do, there is a widespread perception that their
expenses are not predictable. Furthermore, the majority of Americans experienced a financial shock in the previous year, and as focus group participants explained, the economic strain such events placed on families, especially the most financially insecure, can sometimes derail household plans and aspirations. Retirement is another concern weighing on Americans, with 1 in 5 predicting they will never be able to stop working.

Certainly, these conclusions demonstrate a need for policies that better support the financial well-being of American families. Over the next year, Pew will release additional findings from this survey, which will provide policymakers with a picture of the state of household balance sheets and financial needs to help them make effective policy decisions. Ultimately, more work needs to be done to help families today and chart a path toward economic mobility in the future.

**Data and methods**

The data reported in this issue brief were collected in the Survey of American Family Finances conducted by The Pew Charitable Trusts.

The survey was administered to a nationally representative panel between Nov. 6 and Dec. 3, 2014. Including oversamples of black and Hispanic respondents, the total sample size was 7,845. Survey firm GfK collected the data on behalf of Pew and administered the computer-based questionnaire in English and Spanish.

All data reported in this brief were weighted. For clarity of analysis, respondents who chose not to answer a question were excluded from the statistics generated for that item. As is common in computer-based surveys, missing data were most common when respondents failed to answer something they felt did not apply to them, such as “other” in a list of questions. Overall, item nonresponse for the survey as a whole was 2.2 percent.

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This issue brief, first published Feb. 26, has been updated to include revised data for the percentage of Americans who experienced a financial shock in the past year. The figure was originally published as 82 percent and has been corrected to 60 percent.

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Endnotes


2 Ibid.


4 Six focus groups were held in Orlando, Florida; Phoenix; and Boston in June 2014.

5 “In the past 12 months, did you worry about your personal finances (yes/no)?”

6 “Which of the following best describes your plan for retirement (do not plan to retire/retire from current job, but do something else for pay/stop working entirely when retiring/something else)?”

7 The question was asked in a poll conducted by Pew’s economic mobility project in April 2011.

8 The question was asked in a poll conducted by Pew’s economic mobility project in February 2009.

9 “Thinking about the country today, how common is it for someone to start poor, work hard, and become rich (very common/somewhat common/not too common/not at all common)’’

For further information, please visit:
economicmobility.org

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Project website: economicmobility.org

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