Report on the Economic Well-Being of U.S. Households in 2013

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Board of Governors of the Federal Reserve System

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Preface

The survey and report were prepared by the Consumer and Community Development Research Section of the Federal Reserve Board's Division of Consumer and Community Affairs (DCCA).

DCCA directs consumer- and community-related functions performed by the Board, including conducting research on financial services policies and practices and their implications for consumer financial stability, community development, and neighborhood stabilization.

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Executive Summary

Many households in the United States have been tested by the Great Recession. Large-scale financial strain at the household level ultimately fed into broader economic challenges for the country, and the completion of the national recovery will ultimately be, in part, a reflection of the well-being of households and consumers. Because households' finances can change at a rapid pace and new opportunities and risks may emerge, such recovery can be complex to monitor.

To better understand the financial state of U.S. households, the Federal Reserve Board conducted a new consumer survey, the results of which are described in this report. The Survey of Household Economics and Decisionmaking (SHED) was conducted by the Board's Division of Consumer and Community Affairs in September 2013 using a nationally representative online survey panel. The purpose of the SHED was to capture a snapshot of the financial and economic well-being of U.S. households and the issues they face, as well as to monitor their recovery from the Great Recession and identify perceived risks to their financial stability. It further collected information on households that was not readily available from other sources or was not available in combination with other variables of interest.

Key Findings

This report presents findings from the September 2013 survey. The survey covered a range of topics—including household financial well-being, housing, credit availability, borrowing for education, savings, retirement, and medical expenses—meant to round out the understanding of how households are faring financially.

Overall, the survey found that many households were faring well, but that sizable fractions of the population were at the same time displaying signs of financial stress:

- Over 60 percent of respondents reported that their families are either "doing okay" or "living comfortably" financially; another one-fourth, however, said that they were "just getting by" financially and another 13 percent said they were struggling to do so
- The effects of the recession continued to be felt by many: 34 percent reported that they were somewhat worse off or much worse off financially than they had been five years earlier, 34 percent reported that they were about the same, and 30 percent reported that they were somewhat or much better off
- 42 percent reported that they had delayed a major purchase or expense directly due to the recession, and 18 percent put off what they considered to be a major life decision as a result of the recession
- Just over half of respondents were putting some portion of their income away in savings, although about one-fifth were spending more than they earned
- 61 percent reported that they expected their income to stay the same in the next 12 months, while 21 percent expected it to increase and 16 percent expected it to decline

The survey asked questions about a number of specific aspects of households' financial lives:

Homeowners

Homeowners' outlooks for their local housing markets were generally positive

- A plurality of homeowners expected house prices in their neighborhood to increase over the 12 months following the survey, with 26 percent expecting an increase in values of 5 percent or less and 14 percent expecting an increase in values of greater than 5 percent

- Less than 10 percent of homeowners expected house prices in their neighborhoods to decline over the 12 months following the survey
- 45 percent of homeowners who had owned their home for at least five years reported that the value of their home was lower than in 2008, 20 percent believed the value of their home was the same, and 27 percent believed it was higher than in 2008

Renters

Many renters seemed to express an implied interest in homeownership

- The most common reasons cited by renters for renting rather than owning a home were an inability to afford the necessary down payment (45 percent) and an inability to qualify for a mortgage (29 percent)
- 10 percent of renters reported that they were currently looking to buy a home

Credit experiences and expectations

For some, perceived credit availability remains low

- 31 percent of respondents had applied for some type of credit in the prior 12 months
- One-third of those who applied for credit were turned down or given less credit than they applied for
- 19 percent of respondents put off applying for some type of credit because they thought they would be turned down
- Just over half of respondents were confident in their ability to obtain a mortgage, were they to apply
- Experience with credit appears to vary by race and ethnicity, with non-Hispanic blacks and Hispanics disproportionately likely to report being denied credit, to put off applying for credit, and to express a lack of confidence about successfully applying for a mortgage, though these effects are partially explained by other factors correlated with race/ethnicity and credit, such as education

Financing of education

The perceived value of borrowing to fund postsecondary education varied widely depending on program completion, type, and major

- 24 percent reported having education debt of some kind, with 16 percent having acquired debt for their own education, 7 percent for their spouse/partner's education, and 6 percent for their child's education
- Among those with debt for education, the average amount of all education debt (both for the respondent's and others' education) was $27,840, with a median of $15,000
- For those with each type of education debt, the average amount of debt for respondents' own education was $25,750; $24,593 for their spouse/partner's education; and $14,923 for their children's education
- Some households struggle to service this debt, with 18 percent of those with debt for their own education indicating that they were behind on payments for these loans or reporting that they had loans in collections
- Among those with debt for their own education, those who failed to complete the program they borrowed money for were far more likely to report having to cut back on spending to make their student loan payments (54 percent versus 39 percent for those who completed) and to believe that the costs of the education outweighed any financial benefits they received from the education (56 percent versus 38 percent for those who completed)
- Among those with debt for their own education, the respondent's field of study appears to impact whether they believed the lifetime financial benefits of their education outweighed the costs of that education

Savings

Savings are depleted for many households after the recession

- Among those who had savings prior to 2008, 57 percent reported using up some or all of their savings in the Great Recession and its aftermath

- 39 percent of respondents reported having a rainy day fund adequate to cover three months of expenses
- Only 48 percent of respondents said that they would completely cover a hypothetical emergency expense costing $400 without selling something or borrowing money

Retirement

Many households reported that they are not prepared for retirement

- Almost half of respondents had not planned financially for retirement, with 24 percent saying they had given only a little thought to financial planning for their retirement and another 25 percent saying they had done no planning at all
- 31 percent of respondents reported having no retirement savings or pension, including 19 percent of those ages 55 to 64, and 25 percent didn't know how they will pay their expenses in retirement
- Among those ages 55 to 64 who had not yet retired, only 18 percent planned to follow the traditional retirement model of working full time until a set date and then stop working altogether, while 24 percent expected to keep working as long as possible, 18 percent expected to retire and then work a part-time job, and 9 percent expected to retire and then become self-employed
- The Great Recession pushed back the planned date of retirement for two-fifths of those ages 45 and over who had not yet retired
- 15 percent of those who had retired since 2008 reported that they retired earlier than planned due to the recession, while only 4 percent had retired later than expected
- Social Security Old-Age benefits were commonly included as a source of funds for people currently retired (74 percent), followed distantly by defined benefit pension payments from work (44 percent) and savings outside a retirement account (32 percent)

Medical expenses

Paying for medical care was challenging for some households

- 34 percent of respondents reported going without some form of medical care in the prior 12 months because they could not afford it
- 43 percent of respondents reported that they could not afford to pay for a major medical expense out of pocket, and 34 percent reported that it is only somewhat likely that they could afford to pay
- 24 percent of respondents experienced what they described as a major unexpected medical expense that they had to pay out of pocket in the prior 12 months

Introduction

In September 2013, the Federal Reserve Board's Division of Consumer and Community Affairs conducted the Survey of Household Economics and Decisionmaking (SHED).

The SHED was conducted to capture a snapshot of the financial and economic well-being of U.S. households, as well as to monitor their recovery from the recent recession and identify any risks to their financial stability. It further collected information on households that was not readily available from other sources or was not available in combination with other variables of interest. The survey was designed in consultation with Federal Reserve System staff and outside academics with relevant research backgrounds.

The SHED provides a nationally representative snapshot of the economic situation of households in the United States at the time of the survey, as well their perspective on financial conditions in the recent past and expectations for conditions in the near future.

The survey contains questions on a range of topics, including

- the personal finances of households;
- housing and living arrangements;
- credit access and behavior;
- education and student debt;
- savings;
- retirement; and
- health-related expenses.

Survey Background

The SHED was designed by Board staff and administered by GfK, an online consumer research company, on behalf of the Board. The questions included in the survey were designed to better illuminate the activities, experiences, and attitudes of individual consumers and households as they experienced their financial lives. In particular, several questions were included throughout the survey to better understand how households fared financially through the Great Recession and its aftermath, as well as their expectations regarding their households' future financial well-being. The SHED questions were designed to complement and augment the existing base of knowledge from other data sources, including the Board's own Survey of Consumer Finances (SCF).[1] In most cases, original questions were asked of respondents, although occasionally questions mirrored those from other surveys in order to provide direct comparisons and understand how certain variables interact with others.

Table 1. Key survey response statistics: Main interview

Number sampled from main survey	Qualified completes	Completion rate
6,912	4,134	59.8%

The survey was conducted using a sample of adults ages 18 and over from KnowledgePanel®, a proprietary, probability-based web panel of more than 50,000 individuals from randomly sampled households. The sample is designed to be representative of the U.S. population. After pretesting, the data collection for the survey began on September 17, 2013, and concluded on October 4, 2013. As shown in table 1, e-mails were sent to 6,912 randomly selected members of KnowledgePanel resulting in 4,134 completed surveys and yielding a final stage completion rate of 59.8 percent. The respondents completed the survey in approximately 19 minutes (median time). Further details on the survey methodology are included in appendix 1.

As is the case with all surveys, some cautions in interpreting the survey results are prudent. Although the

[1] For more information on the SCF or to access SCF data, see www.federalreserve.gov/econresdata/scf/scfindex.htm.

survey was designed to be nationally representative, some degree of selection bias is possible nonetheless (see appendix 1). Further, the results are all self-reported, and respondents' knowledge and memory may not always be completely accurate when answering survey questions. In anticipation of this challenge, certain questions were designed to avoid the appearance of false precision. For example, the survey could have asked respondents what their credit score was, but expectations were modest that many consumers would actually know the precise answer. Rather, the survey asked, "If you had to guess, how would you rate your current credit score?"; then it offered a range of imprecise but nonetheless meaningful options ranging from Poor to Excellent. In this way, the survey anticipated that typical respondents may have some limitations on their ability to precisely know and remember the answers to certain questions. Readers of the survey results are encouraged to keep these limitations in mind.

The following sections of this report summarize key findings from the SHED. The numbers cited in this report are derived from the Board survey unless otherwise noted. All data were weighted to yield estimates for the U.S. adult population. Only a subset of questions asked in the SHED are discussed in the report; however, the complete survey questionnaire is summarized in appendix 2. The responses to all the survey questions are presented in appendix 3 in the order that the questions were asked of respondents.

In general, the responses to the questions are discussed with reference to the entire population. However, for certain areas of inquiry where variation by demographic or socioeconomic factors may be anticipated, the responses are disaggregated by these factors and corresponding discussion is provided. For instance, the section on retirement planning includes a discussion of the role played by the respondents' ages. Given historic differences in racial lending patterns, the discussion of access to credit includes a discussion of variation by race/ethnicity. A table of summary statistics for the respondents' demographics is provided as table C.101. Cross-tabulations for additional questions by demographic and socioeconomic variations are available in an online appendix adjacent to the report at www.federalreserve.gov.

Household Economic Well-Being

The survey asked households how they were faring, generally and in some specific ways, and also asked about how they were faring relative to several years ago.

Current Situation versus Five Years Ago

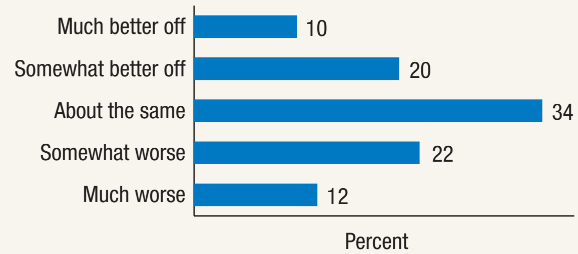
When asked how they were currently managing financially, 23 percent of respondents reported that they were "living comfortably," while 37 percent reported that they were "doing okay." A further 25 percent reported that they were "just getting by" financially, and the remaining 13 percent indicated that they were "finding it difficult to get by."

The vast majority of households also appear to be living within their means, with 38 percent reporting that they spent less than their income over the course of 2012 and an additional 38 percent reporting that their spending was equal to their income. Only 22 percent reported that they had spent more than their income. (Given that over half of respondents report having saved some money in 2012, a significant fraction of those reporting that their spending was equal to their income may be deducting savings through pension or 401(k) plans at work from their income before comparing it to their spending.)

Although majorities of individuals report doing okay or being financially comfortable and most individuals are living within their means, a number of respondents report living with others in order to save money. For instance, among the 16 percent of respondents who live with their adult children, their extended family, or a roommate, a little more than half say they are doing so to save money, and 73 percent would move out on their own if they could afford to do so.

When asked to compare their current financial situation to their financial situation five years prior,

Figure 1. Compared to five years ago, are you better off, worse off, or the same financially?



Note: Here and in subsequent figures, totals may not add to 100 percent due to rounding and question non-response.

34 percent reported doing somewhat or much worse financially, 34 percent reported doing about the same financially, and 30 percent reported that they were either somewhat or much better off (figure 1). Given that respondents were being asked to compare their incomes to 2008, when the United States was in the depths of the financial crisis, the fact that over two-thirds of respondents reported being the same or worse off financially highlights the uneven nature of the recovery. (For a discussion of how households responded to the recession, see box 1.)

Financial Expectations and Stability

Expectations among most individuals in the U.S. adult population were that their incomes will be stable over the coming 12 months, with 61 percent reporting that they expected their total income to stay about the same as it had been over the prior 12 months, 21 percent believing it would be higher, and 16 percent believing it would be lower. A significant fraction of respondents (30 percent) reported that their household's income for 2012 was lower than what they would consider "normal" (figure 2). Of the 30 percent who view their 2012 income as below "normal," about half were not optimistic about their incomes recovering quickly. Among these respondents, 28 percent expected their income in the

Box 1. Household Responses to the Great Recession

Among the motivating factors for conducting the Survey of Household Economics and Decisionmaking was obtaining a better understanding of the challenges and decisions facing households as a result of the Great Recession and its aftermath. Some questions ask survey respondents to compare their present state to that in 2008, a point in time five years prior to the survey, and at the onset of the recession.[1] For these types of questions, inferences can be made about the possible influence of the recession, but causation cannot be known with any certainty.

Survey respondents were also asked some specific questions about actions that they took and directly attribute to the recession. When asked, "Did you delay any major expenses or purchases because of the recession that began in 2008?," 42 percent said they had. Of those people, foregoing a vacation (67 percent) was the most common action cited. Other actions commonly cited by those who said they had delayed a major expense were buying a car (57 percent), making home improvements (44 percent), buying a major appliance (31 percent), or buying a home (20 percent). Five percent reported other expenses foregone. (Respondents could cite more than one delayed expense.)

The survey also asked, "Did you delay any major life decisions because of the recession that began in 2008?" Eighteen percent of people said they had. Of those people, buying a home was far and away the most common decision delayed (45 percent). Other decisions mentioned were moving to a new city or state (34 percent), changing jobs (21 percent), having a child (18 percent), retirement (16 percent), and marriage (15 percent). Another 9 percent cited other major life decisions that were delayed.

The survey indicates that many households have been providing assistance to one another during periods of financial distress. When asked about providing or receiving financial assistance to/from friends or family members, 22 percent of respondents said they had received such help since 2008, and 34 percent said they had provided such help during that time.

[1] The National Bureau of Economic Research finds that the recession officially began in December 2007.

next 12 months to decline, while only 20 percent expected their income to increase in the next 12 months (table 2).

The survey also asked questions to better understand how steady and predictable households' income streams are. While two-thirds of respondents reported that their income is roughly the same from month to month, 21 percent said that they occasionally experience months with unusually high or low incomes, and 10 percent said that their income varies quite a bit from month to month. For those whose income varies, 42 percent reported that it was due to an irregular work schedule, and 15 percent said it was due to periods of unemployment. This was followed by bonuses and seasonal employment, which were each cited as reasons for month-to-month income variance by 12 percent of respondents. Of the 42 percent with an irregular work schedule, 58 percent worked full time, 30 percent worked part time, and 11 percent were self-employed.

Figure 2. Was your total household income in 2012 higher or lower than what you would expect in a normal year?

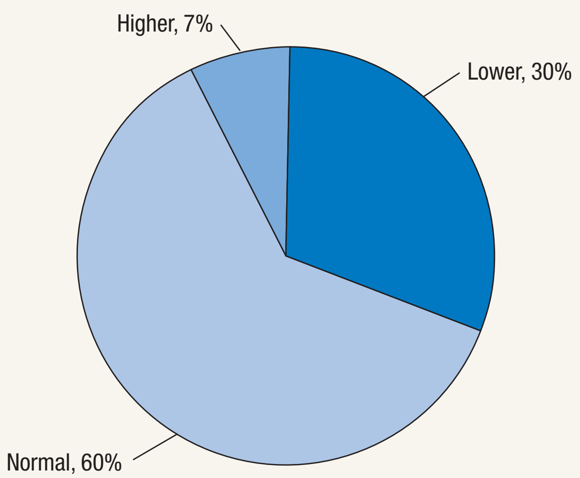
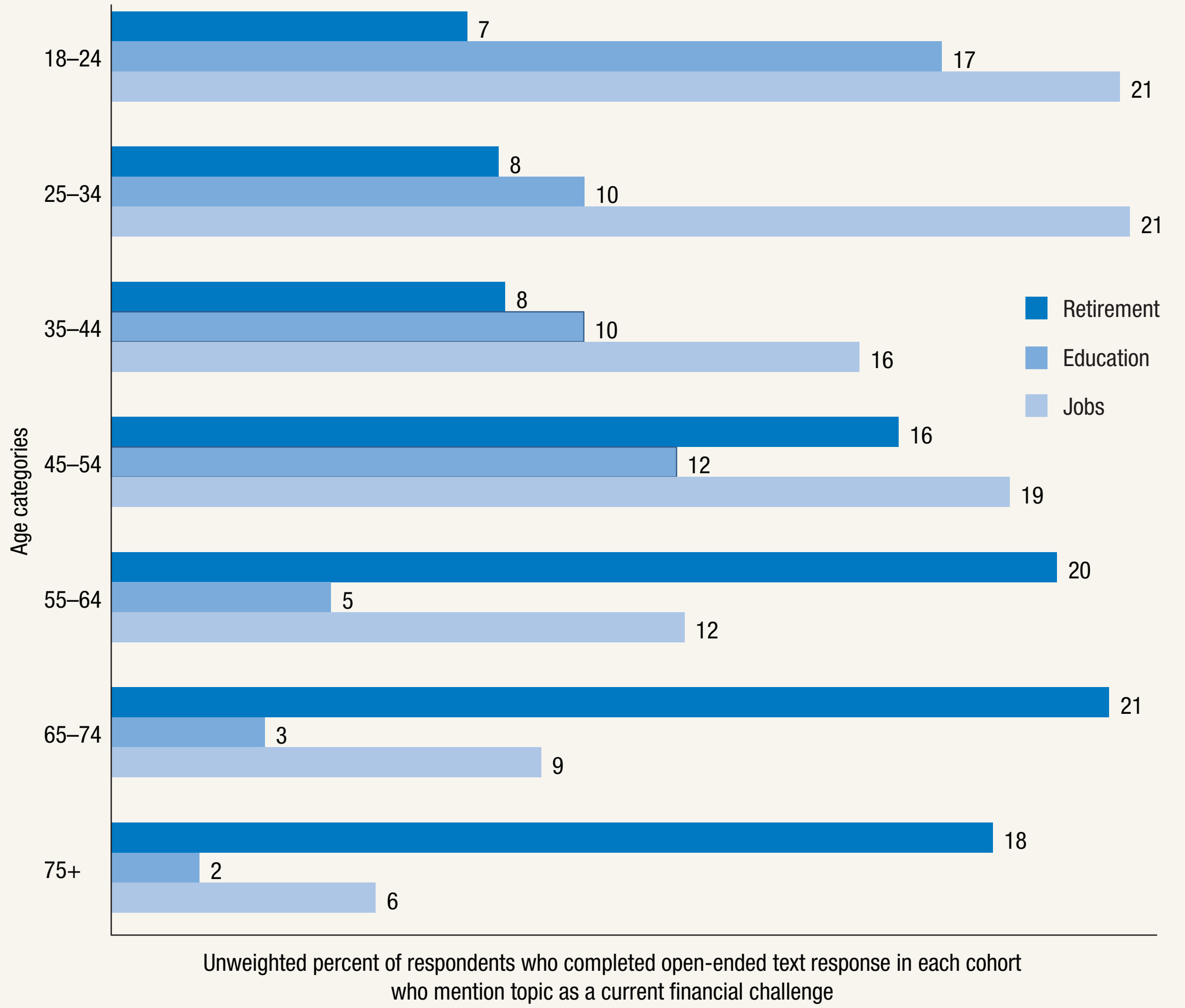


Table 2. During the next 12 months, do you expect your total income to be higher or lower than in the previous 12 months? (by whether 2012 income was higher or lower than normal)

Percent, except as noted

	Lower	About the same	Higher
2012 income lower than normal	27.9	51.5	19.8
2012 income was normal	10.2	68.3	20.7
2012 income higher than normal	20.8	46.4	31.0
Overall	16.1	60.5	20.7
Total number of respondents			**4,134**

Figure 3. Most frequently cited concerns about retirement, college, and employment in open-ended text responses (by age)



Self-Reported Financial Challenges

In addition to asking specific questions about their financial situation, the survey invited respondents to describe their current financial challenges and economic concerns in their own words. About 45 percent chose an option labeled "none." This group may include some people who had no concerns and others who simply chose not to provide an answer. The remaining 55 percent of respondents provided some response to the open-ended question. These responses underwent text analysis in order to identify broad themes under which the respondents' financial challenges and economic concerns could be grouped.

Among the most prominent themes to emerge from the text analysis of the open-ended question were retirement, education, and employment.[2] Among those who opted to describe their financial challenges and concerns, there were differences by age cohort in the frequency with which each of these themes was mentioned (figure 3). Not surprisingly, the frequency of retirement concerns was highest among the older age cohorts. Of the respondents ages 45 or older who provided a text response, 19 percent described retirement concerns. This compares to just 8 percent with

2 Sentences in which the respondent mention any of the terms retire, pensions, old age, Medicare, Supplemental Security Income, IRAs, 401(k), or Social Security were grouped into the "retirement" theme. Those that mentioned any of the terms college, school, education, tuition, degree, or university were grouped into the "education" theme. The "employment" theme included any mention of the terms jobs, employment, employed, laid off, part time, hours, full time, cutback, and skills.

similar concerns among those under age 45. In contrast, the younger to mid-age cohorts had the highest frequency counts for concerns regarding college and education. Respondents also expressed high levels of concern regarding jobs and employment across all cohorts of working-age individuals. This concern was particularly acute among those ages 18 to 24 and 25 to 34, where 21 percent of each cohort reported concerns about jobs and employment. However, high levels of employment concerns were also prevalent among those ages 35 to 44 and those ages 45 to 54.

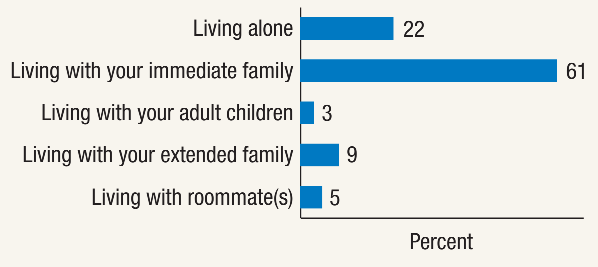
Housing and Household Living Arrangements

Since housing is an important factor in most households' financial equation, the SHED posed a series of housing-related questions to survey participants. The survey included questions meant to increase understanding of how housing choices and experiences may have changed coming out of the recent recession.

According to the survey, 58 percent of all respondents owned their home in 2013, 32 percent rented, and 9 percent neither owned their home nor paid rent. Restricting the sample to heads of household only, the share who owned their home increased to 66 percent, which matches the Census estimate for the same period.[3] Among those who did not currently own a home, 6 percent had owned a home in the prior 12 months. The share of household heads who reported renting was 31 percent, and only 3 percent reported that they neither owned their home nor paid rent.

In terms of their living arrangements, 22 percent of respondents reported living alone; the majority (61 percent) resided with their immediate family (figure 4).

Figure 4. Which one of the following best describes your living arrangement?



Renters

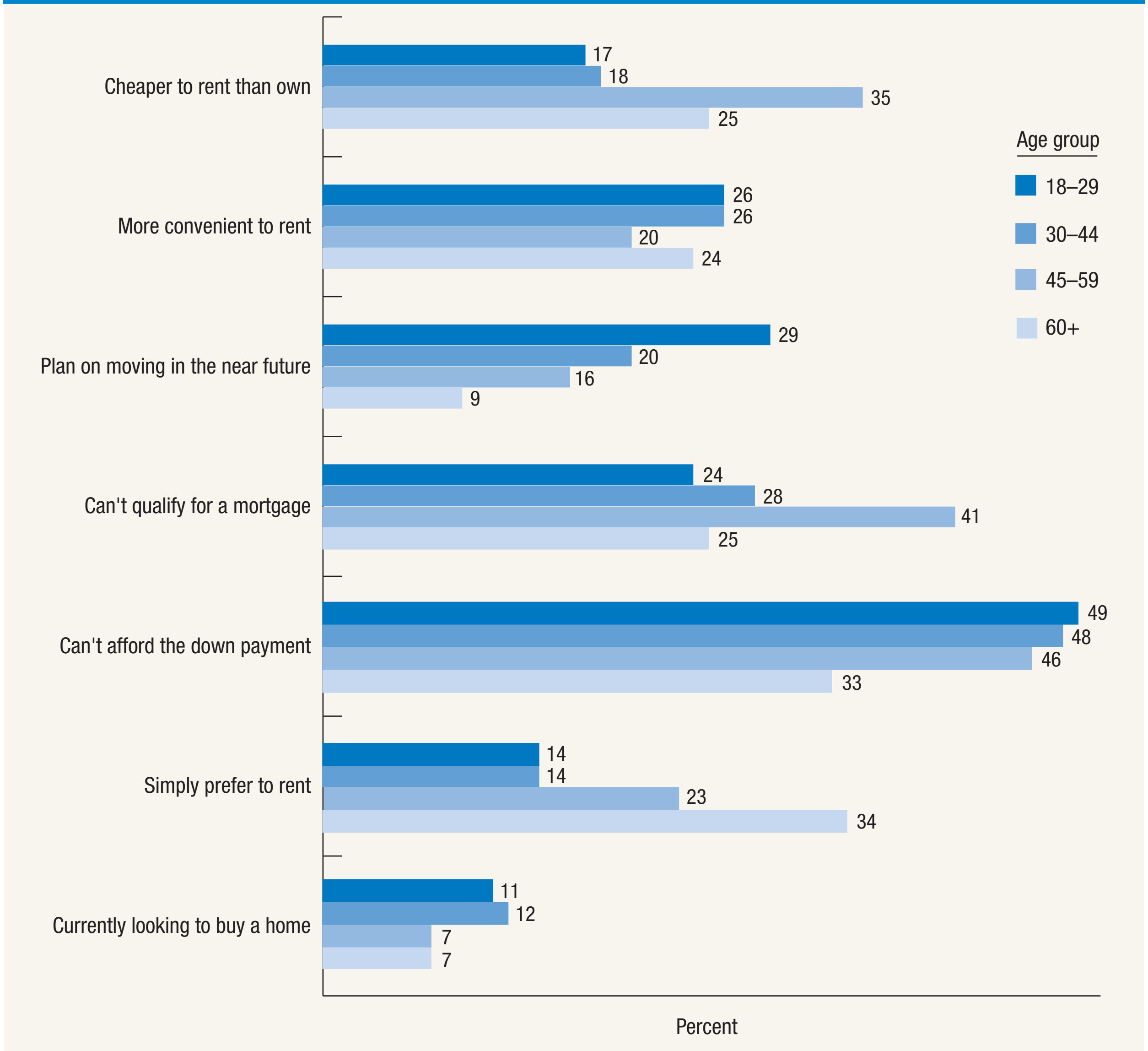
About one-third of households reported renting their home. The average renter paid $830 in monthly rent, while the median renter paid $700. Renters were asked to give all reasons for renting rather than owning their home, with the most common responses being that they can't afford a down payment to buy a home (45 percent), can't qualify for a mortgage (29 percent), find it more convenient to rent (24 percent), or find it cheaper to rent than own (23 percent). Almost 10 percent of renters indicated that they are currently looking to buy a home. The fact that 59 percent cited down-payment challenges, inability to obtain a mortgage, and/or reported that they were currently looking to buy as their reason for renting seems to indicate that a sizeable percentage of renters would ultimately prefer to own a home were it possible for them to do so. Others who cited convenience or affordability as their reasons to rent seemed to signal a preference for renting based on its own advantages.

The reasons that respondents cited for why they rent rather than own their home varied by age in several notable ways (figure 5). Among renters, those ages 18 to 29 were far more likely to indicate that they plan on moving in the near future (29 percent) than those in other age groups, and were the most likely to indicate that they can't afford the down payment (49 percent). Those ages 45 to 59 were the most likely to cite their inability to qualify for a mortgage as the reason for renting (41 percent), while those ages 60 and over simply prefer to rent (34 percent).

Over 50 percent of renters indicated that they had to cut back on spending to some degree over the prior 12 months in order to pay their rent, with 17 percent

[3] U.S. Census Bureau (2013), "Residential Vacancies and Homeownership in the Third Quarter 2013," news release, November 5, www.census.gov/housing/hvs/files/qtr313/q313press.pdf.

Figure 5. Reason(s) for renting rather than owning your home? (by age)



indicating that they had to cut spending back by "a lot."

Homeowners

Nearly 60 percent of respondents said they owned their home. Among homeowners at the time of the survey, 68 percent had a mortgage, and among mortgage holders, 21 percent also had a home equity line of credit. The average homeowner had purchased the home in 1998, while the median owner had bought the home in 2002.

Nationally, home values have varied greatly in recent years. The SHED asked respondents who were homeowners about the perceived value of their own homes and how they believe those values have changed over time. When asked to compare the current value of their home to the value five years prior

(2008), 45 percent of homeowners said that the value of their home was now lower, while 20 percent said that the value had stayed the same, and 27 percent said that the home now had a higher value. Eight percent said that they didn't know how or whether the value of their home had changed.

Most homeowners expected home values in their neighborhood to increase over the next 12 months, with 14 percent expecting values to increase by more than 5 percent and 26 percent expecting values to go up by less than 5 percent. Thirty-seven percent of homeowners expected the value of homes in their neighborhood to remain about the same over the coming 12 months, while less than 10 percent expected homes to decrease in value.

The depressed house prices appeared to prevent some homeowners from listing or selling their homes. When asked if they wanted to sell their home or had tried to sell their home over the prior 12 months, 9 percent of homeowners said they had kept their home off the market despite wanting to sell, and 2 percent said that they had listed their home but had been unable to sell it. In nearly three-quarters of cases, the current market value of the home was cited as the reason for not listing or selling the home.

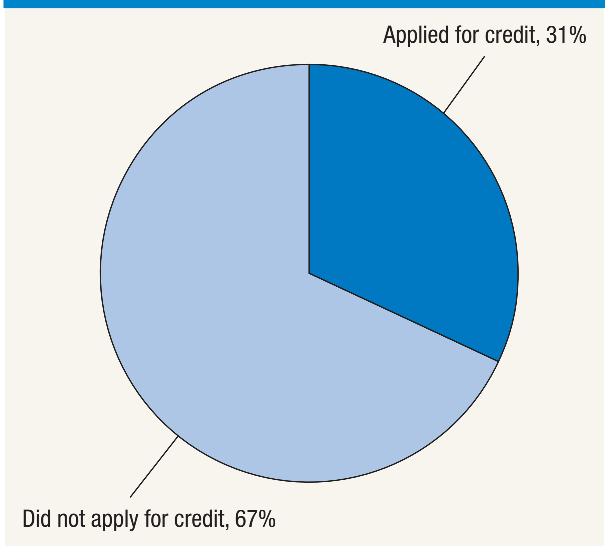
Household Credit Behavior and Perceptions of Consumer Credit Availability

The financial crisis resulted in a general tightening of credit policies by financial institutions. The SHED asked several questions pertaining to the demand for credit by respondents in 2013. Based on the results of the survey, just under one-third of the U.S. adult population had applied for some type of credit in the prior 12 months (figure 6). An additional 15 percent reported that they had completely put off applying for credit because they thought they would be denied. After applying for credit, one-third were turned down or given less credit than they applied for, including 29 percent who were denied credit at least once (table 3). Among those who did apply for credit in the prior 12 months, 26 percent also reported that they put off a separate credit application during the same time period because they thought they might be turned down.

Mortgages

Respondents are reasonably confident in their ability to obtain a mortgage if they were to apply for one.

Figure 6. In the past 12 months, have you applied for any credit?



Just over a third of all respondents were very confident that their mortgage application would be approved should they decide to apply, while 19 percent were somewhat confident. Twenty-nine percent of respondents were not confident that their mortgage application would be approved, and 17 percent simply did not know if it would be approved. Among those who were either somewhat or not confident that their application would be approved, 21 percent said they would be very likely to apply for a mortgage should it become easier to get approved for a mortgage, and 28 percent would be somewhat likely to apply.

The survey sheds some light on the extent to which race and ethnicity continue to be points of divergence when it comes to perceived access to credit. More specifically, the survey finds that experiences with access to, and expectations about, credit do vary. For instance, confidence in one's ability to obtain a mortgage differs substantially by race/ethnicity. Among non-Hispanic whites, 57 percent were confident that they would be approved for a mortgage should they apply, relative to 42 percent of Hispanics and 38 percent of non-Hispanic blacks (table 4). The reason for the gap in confidence between whites and minorities also differs by race/ethnicity. For Hispanics, this difference is largely driven by the share who report that they are not confident that their application would be approved (37 percent versus 27 percent for whites), while for blacks it is driven by the significant share

Table 3. In the past 12 months, has each of the following happened to you?
Percent, except as noted

	Yes	No
Denied credit	29.1	67.8
Offered less credit than applied for	14.9	81.2
Number of respondents		**1,359**

Note: Among those who reported having applied for credit in prior 12 months (33 percent of survey respondents).

Table 4. If you applied for a mortgage today, how confident are you that your application would be approved? (by race and ethnicity)

Percent, except as noted

Race/ethnicity	Confident	Not confident	Don't Know
White, non-Hispanic	57.3	27.0	14.2
Black, non-Hispanic	37.7	32.6	28.0
Other, non-Hispanic	54.5	22.8	21.9
Hispanic	42.2	37.2	18.3
2+ races, non-Hispanic	48.7	35.6	15.7
Overall	52.5	29.0	16.9
Total number of respondents			**4,134**

Table 5. If you applied for credit or a loan today (other than a mortgage), how confident are you that your application would be approved? (by race and ethnicity)

Percent, except as noted

Race/ethnicity	Very confident	Somewhat confident	Not confident	Don't know
White, non-Hispanic	48.2	19.5	19.5	11.2
Black, non-Hispanic	20.8	24.5	28.0	24.5
Other, non-Hispanic	41.2	21.8	19.6	16.5
Hispanic	26.5	27.2	30.7	13.9
2+ races, non-Hispanic	36.9	18.3	30.8	14.0
Overall	41.2	21.3	22.3	13.6
Total number of respondents				**4,134**

who don't know if they would be approved (28 percent versus 14 percent for whites).

That said, since race/ethnicity is correlated with numerous other factors that may affect confidence in one's ability to obtain a mortgage, regression analysis was used to control for these other characteristics. The differences in confidence between whites and blacks and between whites and Hispanics are both statistically significant in a probit regression that also controls for age, income, gender, employment, and marital status, but no longer statistically significant when also controlling for education. This suggests that other factors such as racial and ethnic differences in education levels are important for fully understanding the question about confidence.

Credit Cards

The majority of respondents with credit cards reported that they pay off their balances in full each month (57 percent). Among the remaining 43 percent who revolve their credit card balances, 82 percent had been charged interest on their balance at some time in the prior 12 months. Also, among those who revolved their balance, 53 percent had made only the minimum payment, 42 percent had carried a balance using a low-interest rate balance transfer offer, and 12 percent had gotten a cash advance from their credit card at some point in the preceding 12 months.

As was the case for mortgage credit, access to a credit card differs substantially by race/ethnicity. Just 20 percent of non-Hispanic whites do not have at least one credit card, compared to 47 percent of non-Hispanic blacks and 30 percent of Hispanics. Respondents' confidence in their ability to get approved for credit also varied by race/ethnicity (table 5). As was the case for confidence that one's mortgage application would be approved, these differences in confidence between whites and blacks and between whites and Hispanics remain statistically significant when including many control variables but were no longer significant after also controlling for education levels. In the aggregate, these results suggest that race/ethnicity are still important factors when understanding consumers' experiences accessing and thinking about credit, but that the correlation between race/ethnicity and perceived access to credit may largely be a factor of other variables, such as education, that are correlated with race/ethnicity and credit.

Savings Behavior

The survey asked a number of questions about respondents' general savings behavior, spending priorities, and ability to withstand significant financial disruptions. In general, the results demonstrate that many households are saving and want to save or pay down debt, although others struggle to maintain a financial safety net.

Saving and Spending

When asked what portion of their 2012 income was set aside as savings, a majority (55 percent) of survey respondents reported saving at least some part of their income. The average percentage of income reported saved among all respondents was 9 percent; however, the median was much lower (2 percent), and 45 percent of respondents reported that they did not save any portion of their income in 2012.[4] Of those respondents who did save, the average amount saved was 16 percent, with the median being 10 percent.

The amount that individuals reported saving is correlated with age: younger individuals reported saving a larger fraction of their incomes than older individuals, at statistically significant levels. Respondents ages 18 to 29 reported saving an average of 11 percent of their income; each of the other age groups (30–44, 45–59, and 60 or over) reported saving an average of 8 percent.

Relationships with financial institutions are highly correlated with saving, though causation is not clear: it could be that those who want to save are more likely to open accounts to do so, or that those who already have accounts simply find it easier to then save as a result. Respondents with a checking, savings, or money market account reported much higher levels of saving in 2012 than those without an account. Of the 90 percent of respondents with these accounts, the average percentage of income saved was 9 percent.[5] Of the remaining 10 percent of respondents who did not have a checking, savings, or money market account (the "unbanked"), only one in five (18 percent) reported saving any part of their income. For the unbanked, the average amount reported saved was 3 percent.

Table 6. Which of the following categories, if any, are you saving money for?
Percent, except as noted

Category	Yes	No
Retirement	58.0	42.0
Unexpected expenses	52.6	47.4
Just to save	49.1	50.9
Pay off debts	26.5	73.5
Your children	20.5	79.5
Major appliance	20.4	79.6
Education	17.9	82.2
Home purchase	13.0	87.0
Leave inheritance or charitable donation	10.6	89.4
Total number of respondents		**2,270**

Note: Among those who report saving some part of their income.

Respondents who reported saving some part of their income were asked to select all of the applicable reasons for why they were saving (table 6). The top reasons for saving were for their retirement (58 percent), unexpected expenses (53 percent), and "just to save" (49 percent).

According to the survey, respondents said that they were currently emphasizing paying down debt and saving. Just over half of respondents regularly set aside part of any income they received in a separate savings account. As another gauge of respondents' spending and saving priorities, the survey included a

4 Respondents were not able to report negative levels of savings if they are borrowing to spend more than their income or spending out of their savings. As a result, the average level of savings for the population may be less than the 8 percent reported once these dissavers are included.

5 The 90 percent of respondents with a checking, savings, or money market account is consistent with the Federal Deposit Insurance Corporation's estimate that 92 percent of individuals have a bank account of some kind. See www.fdic.gov/householdsurvey/2012_unbankedreport.pdf.

hypothetical question asking people how they would allocate the money if they unexpectedly received an extra $1,000 in income. Just under half reported that they would spend at least some of this windfall. Overall, the average hypothetical spending was $227, the average hypothetical saving was $395, and the average hypothetical amount allocated to paying down debt (a form of saving) was $377. Only about 7 percent said that they would spend the entire $1,000. Just over 20 percent reported that they would use the entire $1,000 to pay down debt, while another 17 percent reported that they would save the entire $1,000.

Emergency Savings

In addition to the general questions about saving, the survey asked respondents several questions to better understand their ability to withstand emergencies, such as the loss of a job, extended illness, or major unexpected expense. The responses varied depending on which specific question was asked, but in general the results indicate that many households appear ill-prepared for emergencies.

Half of respondents were asked if they had set aside an emergency or rainy day fund that would cover three months of expenses. The other half were asked a broader question, “If you were to lose your main source of income (e.g., job, government benefits), could you cover your expenses for 3 months by borrowing money, using savings, selling assets, or borrowing from friends/family?” Among those asked if they had a rainy day fund, 39 percent said yes, while 56 percent of those asked the broader question said yes. This difference may suggest that some respondents expect to rely on debt or their personal social networks as a safety net in an emergency in the absence of sufficient personal savings.

Despite having less time to have built up savings, young respondents reported similar frequencies as older working-age respondents of having rainy day funds. Among respondents under the age of 60, the presence of rainy day funds does not vary significantly by age, although individuals ages 60 or older are more likely than others to have them (table 7).

Table 7. Have you set aside emergency or rainy day funds that would cover your expenses for 3 months? (by age)
Percent, except as noted

Age categories	Yes	No
18–29	33.2	63.0
30–44	32.6	63.6
45–59	34.4	64.1
60+	56.3	41.7
Overall	39.4	57.9
Total number of respondents		**1,998**

The results by age were similar when respondents were asked the broader question including borrowing and selling, although the numbers were higher across the board. For respondents under the age of 60, about one-third had rainy day funds, but about half said they could “cover expenses,” including by borrowing. For those over the age of 60, a bit more than half (56 percent) had rainy day funds, but two-thirds responded affirmatively to the broader question about covering expenses (table 8).

The prior questions asked respondents about a serious and prolonged (three-month) disruption in their financial lives. To get a more nuanced understanding of how financially fragile various households may be, the survey also asked a similar question—but about a disruption on a much smaller scale. Respondents were asked how they would pay for an emergency expense that came along and cost $400. Just under half (48 percent) reported that they could fairly easily handle such an expense, paying for it entirely using cash, money currently in their checking/savings account, or on a credit card that they would pay in full at their next statement. The remainder indicated that such an expense would be more challenging to handle: respondents indicated that they simply could not cover the expense (19 percent); would have to sell something (9 percent); or would have to rely on one or more means of borrowing to pay for at least part of the expense, including paying with a credit card that they pay off over time (17 percent), borrowing from friends or family (12 percent), or using a payday loan (4 percent).

Table 8. Could you cover your expenses for 3 months by borrowing money, using savings, selling assets, or borrowing from friends/family? (by age)
Percent, except as noted

Age categories	Yes	No
18–29	53.9	42.5
30–44	48.0	49.9
45–59	53.4	45.0
60+	66.6	31.8
Overall	55.6	42.2
Total number of respondents		**2,136**

The Great Recession appears to have had a significant effect on respondents' tapping into their savings, including those specifically set aside for a rainy day. Sixty-one percent of respondents said that their household had savings prior to 2008. Of that group, 32 percent said that they had used up some of their savings in the intervening five years, 12 percent had used up nearly all of their savings, and 13 percent had used up all of their savings. Overall, the survey results indicate that a great number of households want to save, many are doing so, but that others indicate some measure of significant financial vulnerability to unexpected events. This has potentially increased in recent years as a result of eroded savings.

Education, Student Loans, and Job Readiness

The survey asked respondents several questions about their educational experience and their financing for it, when applicable. They were also asked about their perceived readiness for the jobs of today and the future.

Student Loans

According to the survey, 16 percent of respondents have some debt associated with their education, 7 percent have debt from paying for a spouse's education, 6 percent have debt from a child's education, and less than 1 percent have debt from a grandchild's education (table 9).[6] Overall, 24 percent of respondents have education debt for themselves, someone else, or a combination. Among those who have at least some education beyond a high school degree, the percent with student loan debt is higher, with 22 percent reporting debt for their own education and 31 percent reporting education debt for themselves or someone else.[7]

Among those with each type of education debt, the average amount people reported owing for their own education was $25,750, with a median value of $13,000 (table 10). The amounts for spouses' education was similar, though debt loads for children's education was substantially lower. For those with education debt (for themselves and/or others), the average combined amount was $27,840, and the median amount was $15,000. (The median amount of education debt is consistently lower than the average amount of education debt, as the average value of education debt is skewed upwards by a small number of people with a substantial amount of debt.)

Just over half of those with debt for their own education indicated that they were currently making payments on at least one education loan, while 34 percent indicated that they had one or more loan in deferment or forbearance. Respondents indicated significant challenges making their payments. Eighteen percent of those who owe money for their own education indicated that they were behind on payments for their own education debt or reported that they had loans in collections. Those who were married or living with a partner were less likely to report that their own education loan was in collections (5 percent) than those who were single and never married (11 percent). However, these effects may be partially attributable to age differences by marital status.

Table 9. Do you currently owe any money or have any loans that you used to pay for the education of any of the categories of people below?

Percent, except as noted

	Yes	No
Your own education	15.8	68.6
Spouse/partner's education	7.5	62.6
Child's education	5.7	59.5
Grandchild's education	0.6	52.5
Total number of respondents		**4,134**

Table 10. Mean and median current amount owed on student loan debt incurred (by recipient of education)

	Mean	Median	Respondents
Your own education	$25,750	$13,000	514
Spouse/partner's education	$24,593	$12,000	237
Child's education	$14,923	$ 8,000	233
Grandchild's education	$16,090	$ 6,000	20
Combined amount	**$27,840**	**$15,000**	**849**

Note: Among those who currently owe any money or have any loans for each education category and report a positive amount owed.

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6 Among married couples, the fraction reporting a student loan for themselves (12 percent) is almost identical to the fraction reporting a student loan for their spouse (11 percent).

7 Respondents were asked about debt used to pay for education, which includes traditional student loans (e.g., Stafford loans), but for some respondents this debt could also include sources such as credit cards or home equity lines of credit if used to pay education bills. For the purposes of discussion in this section, this debt, regardless of specific source, is also referred to as student loan debt.

Table 11. Overall, how would you say the lifetime financial benefits of your most recent educational program compare to the lifetime financial costs to you of this education? (by degree completion)

Percent, except as noted

	Benefits outweigh costs	About the same	Costs outweigh benefits
Did not complete degree	22.9	20.6	56.5
Completed degree	41.5	20.1	38.1
Still enrolled in the program	59.3	23.1	17.1
Total number of respondents			**566**

Note: Among those who currently owe any money or have any loans for their own education and reported their completion status. Responses for "much larger benefits" and "somewhat larger benefits" are aggregated together, as are responses for "much smaller benefits" and "somewhat smaller benefits."

For those who reported the amount of monthly payments on loans for their own education, the average monthly payment was $245, with a median value of $160. For those making monthly payments for their spouse's education, the average monthly payment was $242 ($200 median), and for those making debt payments for a child's education the average monthly payment was $279 ($164 median).

Nearly half of respondents who are currently making payments on their education debt reported that the costs of servicing this debt impacts other spending decisions. Across all respondents making payments, for themselves or others, 11 percent indicated that they had to cut back on their spending by "a lot" in the prior 12 months in order to make their education debt payments, while an additional 35 percent indicated that they had to cut back on their spending by "a little" in order to make their payments.

Among those respondents who borrowed to pay for their own education, 48 percent indicated that they completed the program they had enrolled in, while 27 percent were still enrolled. Nearly one in four—24 percent—had dropped out before completion. Focusing on those who are making payments on their own education debt, 17 percent of those who did not complete their program of study had to cut back on their spending by "a lot" in the prior 12 months in order to make their payments. This amount is almost twice as much as among those who had completed their program (9 percent). Moreover, 37 percent of those who did not complete their program had to cut back by "a little" in order to make their payments, compared with 30 percent of those who completed their program. Thus, in total, 54 percent of those who did not complete their education program had to cut back on their spending in order to service their student debt, compared with 39 percent of those who completed their education.

Respondents appear to be split on whether the financial benefits they have received from their education outweigh the cost of that education. Forty-two percent of respondents with education debt for themselves felt that the lifetime financial benefits from their education outweighed the costs, while 37 percent said that the financial costs outweighed the benefits. Those who did not complete their program of study were far more likely than others to say that the financial benefits of their education were much smaller than the cost (table 11).

Educational Field and Financial Well-Being

Respondents with education debt were asked about the major or field of study for which the debt was used to pay. The sample sizes by any one major are too small to yield statistically valid results, so particular caution should be taken in estimating the perceived value of any single field or major. Nevertheless, in aggregate, the results indicate that the respondent's field of study influenced the perceived value of

Table 12. Overall, how would you say the lifetime financial benefits of your most recent educational program compare to the lifetime financial costs to you of this education? (by educational field)

Percent, except as noted

Category of major	Benefits outweigh costs	About the same	Costs outweigh benefits
Humanities	31.8	16.4	51.8
Social/behavioral sciences	26.0	37.0	37.1
Life sciences	56.0	5.3	38.7
Physical sciences/math	40.4	12.0	47.6
Computer/information sciences	22.0	30.9	47.1
Engineering	63.3	17.5	18.1
Education	38.5	21.1	39.8
Business/management	43.1	22.0	34.9
Health	53.3	19.3	27.4
Law	49.9	9.2	40.9
Vocational/technical	51.5	18.7	29.9
Undeclared	10.9	29.6	54.6
Overall	42.0	18.3	36.7
Total number of respondents			**560**

Note: Among those who currently owe any money or have any loans for their own education and and reported their field of study. Responses for "much larger benefits" and "somewhat larger benefits" are aggregated together, as are responses for "much smaller benefits" and "somewhat smaller benefits."

the lifetime financial benefits expected from the education program relative to the financial costs incurred. For example, 63 percent of those who majored in engineering felt the financial benefits of their education outweighed the costs, while only 26 percent of those majoring in computer or information sciences felt the same (table 12).

Type of Institution Attended and Financial Well-Being

Across various dimensions, the outcomes for those with education debt varied by the type of institution they attended; however, it should be noted that the results presented here do not control for any differences in the characteristics of borrowers across institution type. Additionally, these results only reflect the respondents who have education debt, and they do not reflect respondents who attended a postsecondary institution but did not take out debt or have completely paid off the debt.[8]

As shown in table 13, the amount of current debt owed for respondents' own education was highest at private not-for-profit four-year institutions, with an average amount of $39,501 and median amount of $20,000. This was followed by private for-profit four-year institutions, with an average debt amount of $30,475 (median $19,900). Those with education debt who attended public four-year institutions owed less debt, with an average of $25,311 (median $15,000).

Although the level of education debt is highest for those who attended private not-for-profit four-year institutions, the median incomes of these respondents were higher as well. Among those reporting income, the median income among respondents who attended and completed programs at private non-profit four-year colleges was $80,000, compared with $52,000 for those who completed programs at public four-year institutions and $40,000 for those who completed programs at private for-profit four-year colleges.

[8] These figures also do not represent the total debt incurred for the education, since respondents may have paid off a portion of the loan since completing the degree, reducing the balance, or may have had interest accrue on the loan, increasing the balance. Furthermore, while respondents were asked about all student loan debt, they were only asked to provide information about the most recent school that they borrowed money to attend. Therefore, if a respondent borrowed money to attend multiple schools, it is not possible to determine what portion of the total debt was acquired for a particular school.

Table 13. Mean and median current amount owed on student loan debt incurred for respondent's own education (by institution type)

Type of institution	Median	Mean	Standard deviation
Public, 4-year institution	$15,000	$25,311	$28,441
Private not-for-profit, 4-year	$20,000	$39,501	$46,018
Private for-profit, 4-year	$19,900	$30,475	$35,655
Public, 2-year	$ 7,000	$ 8,519	$ 5,968
Private for-profit, 2-year	$10,000	$11,937	$ 8,701
Overall	$15,000	$26,607	$33,927
Total number of respondents			**451**

Note: Among those who currently owe any money or have any loans for their own education and reported the school for which they most recently borrowed money.

The employment rates of respondents also varied by postsecondary institution type. The share of respondents reporting that they were either a paid employee or self-employed was highest among those who completed programs at private non-profit institutions (90 percent), with those who completed programs at public institutions (86 percent) and private for-profit colleges (74 percent) reporting somewhat lower values.

Among those with education debt who attended four-year institutions, respondents who attended private not-for-profit institutions were more likely to report that they completed their education (63 percent) than attendees of public (48 percent) and for-profit institutions (35 percent). Those who attended private not-for-profit institutions were also more likely to report that they were actively making payments on their education debt (68 percent) than those who attended public (54 percent) or for-profit (35 percent) institutions.

Ability to make payments also varies by institution type. Only 5 percent of those who attended four-year, private not-for-profit institutions reported that they are behind on their education loan payments, compared to 10 percent of those who attended public institutions and 23 percent of those who attended for-profit institutions. Similarly, no one who attended a private not-for-profit institution reported that one or more of their education loans were in collections, compared with 6 percent of those who attended public institutions and 13 percent of those who attended for-profit institutions. Deferment or forbearance were also far more common among those who attended for-profit institutions, with 59 percent reporting at least one loan currently in forbearance or deferment, compared with 35 percent of those

Table 14. Overall, how would you say the lifetime financial benefits of your most recent educational program compare to the lifetime financial costs to you of this education? (by institution type)

Percent, except as noted

Type of institution	Benefits outweigh costs	About the same	Costs outweigh benefits
Public, 4-year institution	45.5	20.3	33.8
Private not-for-profit, 4-year	41.9	16.8	41.0
Private for-profit, 4-year	39.5	22.5	38.0
Public, 2-year	44.6	32.9	22.5
Private for-profit, 2-year	33.8	15.9	50.3
Overall	42.8	21.0	35.9
Total number of respondents			**473**

Note: Among those who currently owe any money or have any loans for their own education.

who attended a public institution and 28 percent of those who attended a private not-for-profit institution.

Finally, perception of the lifetime financial benefits of the education compared with the costs among those who currently have education debt varied by type of institution attended. In general, those who attended a public college (either two- or four-year) reported the greatest perceived net benefits, followed by those who attended a private not-for-profit, four-year college, and then those who attended a for-profit college (either two- or four-year) (table 14).

Job Readiness

The survey also asked respondents questions meant to gauge their perception of their own readiness for the current and future job market. In general, the results paint a picture of confidence about education and work experience. Respondents were asked, "Thinking about your current education and work experience, how confident are you that you have the skills necessary to get the kinds of jobs you want now?" Thirty-nine percent said they were somewhat confident, and 27 percent said they were very confident, that they have the skills and experience to compete in today's job market (table 15). Only 18 percent said they were not confident.

Table 15. How confident are you that you have the skills necessary to get the kinds of jobs you want?

Percent, except as noted

	Now	In 10 years
Very confident	27.3	23.2
Somewhat confident	39.2	38.8
Not confident	18.3	19.2
I am not currently in the workforce and I am not looking for a job	6.9	n/a
I do not expect to be working 10 years from now	n/a	8.0
Don't know	6.5	8.7
Total number of respondents		**2,864**

n/a Not applicable.

When asked the same question, but this time thinking about the types of jobs respondents believed would be available 10 years down the road, confidence remained high. Thirty-nine percent said they were somewhat confident in their future competitiveness, and 23 percent said they were very confident. Again, about one-fifth (19 percent) said they were not confident.

When asked for all the reasons why they lacked confidence, needing additional education and needing additional job training were cited most frequently as the causes for concern, both for jobs now and for jobs in 10 years. For those concerned about current jobs, education was the most frequent response (49 percent), followed by job training (40 percent), while needing additional job training (48 percent) trumped needing further education (41 percent) as the most frequent cause of concern for jobs in 10 years. However, for both questions, skills being out of date, the rapidly changing job market, and a lack of availability of jobs they are qualified for were all cited as concerns by at least one-fifth of respondents who had expressed a lack of confidence.

Retirement

In addition to present well-being, the SHED also asked questions that probed respondents' assessment of their future well-being, particularly as it pertains to retirement and financial preparations for retirement.

Planning for Retirement

When it comes to planning and saving for retirement, the survey results tell a somewhat cautionary tale. Although the long-term shift from defined-benefit (e.g., pension) to defined-contribution (e.g., 401(k)) plans places significant responsibilities on individuals to plan for their own retirement, only about one-fourth appear to be actively doing so.[9] Only 11 percent of respondents who are not currently retired report that they have given "a lot" of thought to financial planning for their retirement, while an additional 16 percent have given it "a fair amount" of thought. Nearly half of respondents (49 percent) said that they had thought only "a little" or "none at all" about financial planning for retirement. There is a modest difference in retirement planning by gender, with women being slightly more likely (28 percent) than men (23 percent) to report having given no thought to retirement planning.

As might be expected, the amount of thought given to retirement planning varies considerably by age (table 16). The proportion of those ages 18 to 29 who said they had given no thought at all to retirement planning was the highest of any age group, at 41 percent. However, even those closest to traditional retirement ages show only a modest level of planning: of those age 60 and over, only one-fifth said they had given "a lot" of thought to retirement planning, about the same percentage of that group who said they had given it no thought at all. Income also appears to be related to retirement planning. Of those with six-figure incomes, for instance, 22 percent reported that they had given financial planning for retirement "a lot" of thought, nearly double the rate of the overall population, while only 7 percent of those earning less than $25,000 said the same. This relationship between income and retirement planning is partially driven by respondents with higher incomes being more likely to be older and closer to retirement age. However, even after accounting for age, education, race/ethnicity, and other characteristics, higher income remains a significant predictor of greater planning for retirement.[10]

There are also differences in expectations for retirement among those who have planned for it. Among

[9] For a summary of how the distribution of such plans has changed over time, see www.dol.gov/ebsa/pdf/historicaltables.pdf.

[10] The regression results also indicate that greater age, higher education levels, and being married are significant predictors of planning for retirement.

Table 16. How much thought have you given to the financial planning for your retirement? (by age)
Percent, except as noted

	18–29	30–44	45–59	60+	Overall
None at all	40.7	20.7	18.6	19.7	25.2
A little	27.3	26.1	20.1	19.0	23.8
Some	17.6	25.9	24.6	19.3	22.6
A fair amount	7.9	16.1	20.2	20.6	15.7
A lot	4.7	9.7	15.7	20.5	11.4
Total number of respondents					**3,163**

Note: Among those who are not currently retired.

Table 17. Which one of the following best describes your plan for retirement? (by age)
Percent, except as noted

	18–29	30–44	45–59	60+	Overall
I do not plan to retire	4.8	6.0	8.0	3.1	6.2
Work fewer hours as I get close to retirement	13.8	9.9	6.1	14.2	9.6
Retire from my current career, but then find a different full-time job	4.5	4.4	4.2	0.2	3.8
Retire from my current career, but then find a different part-time job	14.8	13.2	18.1	16.6	15.8
Retire from my current career, but then work for myself	10.0	10.6	10.4	6.1	9.9
Work full time until I retire, then stop working altogether	34.6	29.2	22.1	14.6	25.5
Keep working as long as possible	15.8	21.6	21.2	28.1	21.3
Other	0.9	3.7	9.8	16.4	7.2
Total number of respondents					**1,766**

Note: Among those who have given at least some thought to retirement.

those who have given at least "some" thought to retirement, only a quarter anticipate that they will experience the traditional notion of retirement, which is working full time until a retirement date and then no longer working at all. Conversely, for just over one-fifth of this group, their "retirement plan" was to keep working as long as possible. An additional 6 percent of those who have thought about retirement do not think they will ever stop working. Many respondents plan to ease out of the labor force, with 16 percent planning to retire from their current career but then find a different part-time job, 10 percent planning to retire and then work for themselves, and an additional 4 percent planning to retire and then find a different full-time job.

The expectations for one's path to retirement vary considerably with age, with the expectation of traditional retirement shrinking as people approach traditional retirement ages (table 17). Thirty-five percent of those ages 18 to 29 reported that they expect to work full time until a set retirement date and then stop working altogether. This percentage declines steadily over the older age cohorts, until only 15 percent of those ages 60 and over expect to work full time until a set retirement date and then stop working altogether. Older respondents were more likely to have reported that they will either gradually reduce the hours they work as they approach retirement, or that they will retire from their current career and then find a part-time job. From this survey alone, it is not possible to know whether these differences reflect a change in desired outcome over time (with older adults perhaps realizing that they want to stay in the workforce longer than younger adults believe they will), an increased understanding of the financial challenges of full retirement, or simply intergenerational differences in attitude about retirement.

Responses to the question about the path to retirement also vary consistently by income, indicating that expectations around retirement are closely linked to financial circumstances. While 35 percent of those earning six figures reported that they intend to work full time until a retirement date and then stop working, only 15 percent of those earning less than $25,000 intend to do so. Similarly, 28 percent of those earning less than $25,000 indicated that they expect to "keep working as long as possible," while only 13 percent of those earning $100,000 or more said the same. Women were also more likely (25 percent) than men (18 percent) to expect to "keep working as long as possible."

For some individuals, a lack of financial planning for retirement may merely reflect a lack of interest in being retired. However, for others, a lack of preparedness for retirement may simply preclude it as an option—or spur difficult decisions in the future for those who do not plan to retire but are unable to stay in the workforce.

Saving for Retirement

The lack of preparedness is not signaled by a lack of planning alone. Many respondents, particularly those with limited incomes, indicated that they simply have few or no financial resources available for retirement. When asked what types of retirement savings or pension they have, 31 percent of those respondents who aren't yet retired reported that they have no retire-

Table 18. What type(s) of retirement savings or pension do you (or your spouse/partner) have? (by age)
Percent, except as noted

	18–29	30–44	45–59	60+	Overall
No retirement savings or pension	50.5	27.8	23.0	15.4	30.9
Social Security Old-Age benefits	17.5	31.5	46.4	67.6	36.3
401(k), 403(b), thrift or other defined contribution pension plan through an employer	30.3	52.8	47.9	37.1	43.7
Defined benefit pension through an employer (i.e., pension based on a formula, your earnings, and years of service)	7.0	16.0	27.0	25.9	18.2
Individual Retirement Account (IRA)	11.2	23.5	29.2	31.9	23.0
Savings outside a retirement account (e.g., a brokerage account, savings account)	15.4	19.3	28.6	33.3	22.7
Real estate or land	4.4	8.9	16.2	20.5	11.3
Other	1.7	3.4	4.1	4.1	3.2
Total number of respondents					**3,163**

Note: Among those who are not currently retired.

ment savings or pension whatsoever. For those with resources for retirement, respondents were allowed to indicate all the ways they were saving for retirement. The most commonly reported form of retirement savings is a defined contribution plan, such as a 401(k) or 403(b) plan, which 44 percent of people possess. Over a third (36 percent) of adults reported that they are eligible for Social Security Old-Age benefits, and 18 percent reported that they are covered by a traditional "defined benefit" pension through an employer.[11] Almost a quarter (23 percent) reported that they are saving for retirement using an individual retirement account (IRA), and the same proportion are saving for retirement outside of a formal retirement account (23 percent). Eleven percent of respondents indicated that they are saving for retirement utilizing real estate or land investments, which, for some, presumably includes tapping the equity of the home they own.

[11] It is possible that the percent reporting Social Security utilization may be undercounted due to the way the question was specified. The question asks, in the present tense, "…what types of retirement savings or pension [do] you (or your spouse) have?" One of the options is "Social Security benefits." While the question and option were meant to understand the percentage of respondents who anticipated relying on Social Security in retirement, the construction may have led some respondents to answer in the negative because they were not currently receiving benefits. Forty-five percent of respondents said that they were "planning to" use Social Security benefits to pay for retirement, but only 36 percent reported that they "have" Social Security benefits. According to the Social Security Administration, nine out of ten individuals age 65 or older currently receive Social Security benefits. See www.ssa.gov/pressoffice/basicfact.htm.

As with retirement planning, patterns of retirement savings also differ substantially, and predictably, by age (table 18). For nearly every retirement savings category, the percentage of people reporting that they have that type of resource increases steadily with age. There is one notable exception. Holders of defined contribution plans, such as 401(k)s, are most common in the 30–44 age group, with percentages decreasing with older cohorts. This seeming anomaly may be driven by the fact that the most common of these types of plans were not available until the 1980s.

Similarly, nearly two-thirds of those ages 18 to 29 reported that they have no retirement savings or pension (including Social Security). This percentage declines steadily by age cohort. However, while the incidence of retirement savings increases with age, even among those ages 60 and over the percentage with no retirement savings is still striking: 15 percent of respondents in this group who are not yet retired reported having no retirement savings or pension, including Social Security. When Social Security is excluded as a form of retirement "savings," the share of respondents ages 60 and over with no retirement savings rises to 31 percent.

Even when respondents do have established retirement savings accounts, they do not necessarily treat such funds as untouchable. Seven percent of those with retirement savings reported that they had borrowed money from their retirement account during

Box 2. Lack of Retirement Savings and Other Financial Means

Why do so many households have no retirement savings at all? Some of the respondents are simply younger people whose financial priorities do not yet include saving for retirement. But part of the story also seems to be one of financial fragility for some households, who lack retirement savings and also have little financial cushion at all. Over half (54 percent) of those with incomes under $25,000 reported having no retirement savings or pension, compared with 10 percent of those earning $100,000 or more. Of those who reported that they had no retirement savings or pension, 67 percent also reported that they did not regularly set aside part of their income in some type of savings account, compared to 47 percent of the overall population. Similarly, of those without retirement resources, 86 percent also said they did not set aside emergency or rainy-day funds sufficient to cover their expenses for three months in an emergency, compared with 58 percent of the overall population.[1] It would appear that many of the nearly one-third of the population without any retirement resources also operate with a limited savings safety net.

[1] The question about emergency/rainy day funds was randomly asked of only half of respondents. Eighty-six percent of those who said they had no retirement savings or pension *and* were asked the question about rainy day funds reported that they had no such funds.

the preceding 12 months. Moreover, 5 percent of those with such accounts reported that they had cashed out some of their retirement savings in the prior 12 months. (See box 2 for more on the interrelationship between retirement savings and other resources.)

In addition to the differences by age in the types of retirement savings currently held, there are also differences in the expected approaches to paying for retirement. When it comes to Social Security, there are marked differences in expectations about coverage (table 19). Only 20 percent of those under age 30 reported that they anticipate that Social Security (technically, Social Security "Old-Age") benefits will be part of their plan to pay for expenses in retirement. This percentage steadily increased by age cohort, until 74 percent of those over age 60 reported expecting to include Social Security in their retirement plans. It is unclear whether these differences simply highlight the fact that older adults are likely to be thinking more actively about Social Security or represent diminishing levels of confidence among younger people about the future availability of Social Security benefits. Similarly, traditional defined-benefits pension plans are less common as an expected source of retirement funding among younger respondents. Twenty-nine percent of those ages 60 and older are counting on income from a defined-benefit pension, while only 7 percent of

Table 19. How are you (and your spouse/partner) planning to pay for your expenses in retirement? (by age)
Percent, except as noted

	18–29	30–44	45–59	60+	Overall
Social Security Old-Age benefits	20.4	41.4	58.4	74.2	44.6
I will continue working	18.7	24.5	24.5	30.0	23.5
Spouse/partner will continue working	6.4	8.9	11.2	7.2	8.8
Defined benefit pension from work (i.e., pension based on a formula, your earnings, and years of service)	7.3	16.1	26.8	29.0	18.5
401(k), 403(b), thrift or other defined contribution pension plan from work	31.6	46.0	43.5	30.2	39.7
Individual Retirement Account (IRA)	14.1	22.5	26.3	28.6	22.1
Savings outside a retirement account (e.g., a brokerage account, savings account)	19.3	23.3	24.9	29.2	23.4
Income from real estate or the sale of real estate	6.1	7.1	10.4	11.0	8.3
Income from a business or the sale of a business	4.6	3.7	3.1	4.5	3.9
Rely on children, grandchildren, or other family	4.6	1.9	2.6	1.7	2.8
I don't know	40.7	24.8	16.2	8.7	24.6
Other	1.1	2.4	4.8	5.6	3.1
Total number of respondents					**3,051**

Note: Among those who are not currently retired.

those ages 18 to 29 plan to pay for expenses using a defined-benefit pension.

Continued employment is expected to be a significant source of retirement income, as 24 percent of all respondents expect that they will continue working in some capacity to cover their expenses, and 9 percent expect their spouse to continue working. Just over 23 percent of people plan to rely on savings they hold outside formal retirement accounts to cover their expenses, while 22 percent plan to rely on their IRAs. Only a relatively small fraction of respondents plan to use income from real estate, the sale of a business, or help from family members in retirement. Perhaps as telling a number as any other is the following: when asked this question about how they and their spouse will pay for expenses in retirement, one-fourth of all respondents—and 14 percent of those ages 45 and older—chose "I don't know."

Table 20. What sources are you (and your spouse/partner) using to pay for your expenses in retirement?

Percent, except as noted

	Yes	No
Social Security Old-Age benefits	74.5	25.5
I have a job	5.8	94.2
My spouse/partner has a job	11.9	88.1
Defined benefit pension from work (i.e., pension based on a formula, your earnings, and years of service)	44.3	55.7
401(k), 403(b), thrift or other defined contribution pension plan from work	18.5	81.5
Individual Retirement Account (IRA)	28.8	71.2
Savings outside a retirement account (e.g., a brokerage account, savings account)	31.6	68.4
Income from real estate or the sale of real estate	8.8	91.2
Income from a business or the sale of a business	2.6	97.4
Relying on children, grandchildren, or other family	1.9	98.1
Other	5.9	94.1
Total number of respondents		**971**

Note: Among those who are currently retired.

The Decision to Retire and Experiences in Retirement

The Great Recession appears to have adversely affected the retirement plans of a significant portion of the U.S. adult population. The respondents who had not retired and had given at least "some" thought to retirement were asked about their current retirement plans versus their retirement plans prior to 2008. One-third reported that they plan to retire at the same age as they had planned prior to 2008. A similar number (36 percent) said they now planned to retire at a later age than before the recession. This percentage was higher for those closest to traditional retirement ages: 41 percent of those ages 45 and over reported that they now planned to retire at a later date than they had before 2008. Only 5 percent of respondents who gave at least "some" thought to retirement now plan to retire sooner than they had prior to 2008, and almost a quarter reported that they were not thinking about retirement prior to 2008 and, thus, do not have a point of comparison.

As with other retirement expectations, there was variation across income groups in how the recession affected planned retirement age. As a group, those earning over $100,000 appeared to be relatively more insulated from the recession than other groups: 49 percent reported that their retirement age had not changed, relative to 33 percent of all respondents.

Those survey respondents who identified themselves as being currently retired were asked about their experiences in retirement and about how they manage their expenses. In terms of their path to retirement, a clear majority (58 percent) reported that they had followed the traditional model of working full time until they retired, and then stopped working altogether. (This is more than double the percent of the non-retired reporting that this is the path they expected to follow.) However, many others followed less traditional paths. Fifteen percent had eased into retirement, working fewer hours as they approached their retirement date. Others continued to work at some point after retirement. Six percent had retired from their previous career but later worked a full-time job, and 14 percent worked at a part-time job. Eight percent had retired from their previous career but then started working as self-employed. Women were more likely than men (18 percent versus 13 percent) to have reduced their hours leading up to retirement and were less likely than men to work after retirement, either full time (4 percent versus 9 percent), part time (11 percent versus 17 percent), or for themselves (6 percent versus 11 percent).

When it came to expenses, nearly three-quarters (74 percent) of those in retirement were drawing Social Security benefits (table 20). Forty-four percent were drawing a traditional defined benefit pension. Nearly a third drew on savings outside a retirement account, 29 percent used savings from an IRA, and 18 percent drew on a defined contribution plan. Nine percent used income from real estate or the sale of real estate to fund expenses in retirement, and

6 percent currently earned wages from a job. Only 2 percent reported relying on children, grandchildren, or other family members to pay for their expenses. Generally, the sources of funds were similar in retirement for men and women, with no significant differences by gender. The one exception is that men (15 percent) were two-thirds more likely than women (9 percent) to report relying on income from a spouse's job.

About one-third of retirees had retired since 2008. For the vast majority of this group—80 percent—the Great Recession had no effect on their decision to retire. Of the rest of those who retired since 2008, only 4 percent reported that the recession led to them retiring later than they had planned, while 15 percent reported that they had actually retired earlier than planned due to the recession.

Health Insurance Coverage and Health-Care Expenses

To better understand the role that health-care costs and health security play in the financial experiences of households, the survey asked several questions about health insurance and expenditures.

Health Insurance Coverage

According to the survey, 84 percent of respondents were covered by some type of health insurance or health coverage plan when the survey was conducted. The question used to assess insurance coverage in the SHED is identical to the one found in the Census Bureau's American Community Survey (ACS). The SHED finds that approximately 80 percent of people ages 18 to 64, and more than 99 percent of people over age 65, reported some form of health insurance at the time of the survey in September of 2013. (For comparison, estimates of insurance coverage rates for the same groups based on the 2012 ACS data were 79 percent and 99 percent, respectively.)[12]

Health insurance coverage is positively correlated with both income and age. Approximately 76 percent of respondents under the age of 29 had insurance, compared with 79 percent of those ages 30 to 44 and 84 percent of those ages 45 to 64 (table 21). Similarly, among individuals under the age of 65, approximately 69 percent of those who earn less than $25,000 a year had some insurance, compared with 88 percent of those making between $50,000 and $75,000 per year and 96 percent of those making $100,000 or more (table 22).

Coping with Health-Care Costs

Despite the high rate of insurance coverage, out-of-pocket costs were a concern for many respondents. When asked if they could afford to cover the cost of a major out-of-pocket medical expense, 43 percent of all respondents said that it was not likely that they could afford to pay, while 34 percent indicated that it was somewhat likely that they could afford to pay. Only 21 percent of respondents indicated that it was very likely they could afford to pay for a major out-of-pocket medical expense. In fact, almost a quarter of respondents experienced what they described as a major unexpected medical expense that they had to pay out of pocket in the prior 12 months.

This inability to pay factored into individual health-care decisions, as many respondents reported that they went without some type of care because they were unable to afford it. One quarter of respondents went without dental care in the prior 12 months because they could not afford it, 18 percent went without a doctor visit, 15 percent went without pre-

Table 21. Health insurance coverage (by age)
Percent, except as noted

Age categories	Insured	Uninsured
18–29	75.8	24.2
30–44	79.4	20.6
45–64	84.0	16.0
65+	99.6	0.4
Overall	83.8	16.2
Total number of respondents		**4,134**

Table 22. Health insurance coverage (by income among those under age 65)
Percent, except as noted

Income categories	Insured	Uninsured
Less than $25,000	69.2	30.8
$25,000–$49,999	76.2	23.8
$50,000–$74,999	87.7	12.3
$75,000–$99,999	94.6	5.4
$100,000 and greater	95.8	4.2
Overall	81.5	18.6
Total number of respondents		**3,102**

Note: Among those who reported their income.

[12] U.S. Census Bureau (2013), "Health Insurance Coverage Status," factfinder2.census.gov/faces/tableservices/jsf/pages/productview.xhtml?pid=ACS_12_1YR_S2701&prodType=table.

scription medicine, 11 percent went without a visit to a specialist, and 10 percent went without follow-up care. Overall, 34 percent of respondents reported going without at least one of these types of care because they could not afford it. Not surprisingly, the frequency of foregoing some type of health care was higher among individuals without health insurance. Among those respondents who were uninsured, 53 percent reported that they had gone without some form of medical treatment in the preceding 12 months. In comparison, 30 percent of respondents who had health insurance reported going without some form of medical treatment in the same period.

Health-Care Costs and Financial Well-Being

Recognizing that health insurance is just one component of payments for medical care, the survey also allows for a look at the link between medical care and personal savings. Of the people who avoided medical treatment because of the cost, only 16 percent reported having an emergency fund or rainy day fund capable of covering three months of expenses. For people who did not avoid any medical treatment, approximately 52 percent had a rainy day fund. Similarly, 34 percent of people who avoided treatment because of the cost also reported that they regularly save part of their income, compared with 60 percent of the respondents who did not avoid medical treatment.

The survey also indicates that there is a relationship between health-care decisions and some forms of consumer credit. For instance, 44 percent of individuals with student loans reported avoiding medical treatment because they could not afford it, compared with 30 percent of people without student loans. Of people with credit cards, 40 percent of those who said they did not pay their full balance each month also had avoided medical treatment; this compares with 19 percent of people who paid their entire credit card balance and also avoided treatment.[13]

[13] These factors are statistically significant predictors of the respondent reporting that he or she had avoided some form of medical treatment due to cost, even after accounting for income and age in a probit regression.

Conclusion

The results of this survey tell a complex story of how households in the United States are faring several years after the Great Recession.

In general, it appears that the majority of the population is making progress in recovering from any effects the financial crisis had on their personal finances and household's financial well-being. Most people reported that they are living comfortably or doing okay, and the vast majority expected stable or growing incomes. Additionally, reflecting improvements in the housing market, a plurality of homeowners expect that home prices in their community will rise over the next year.

However, despite these overall reasons for optimism about the economic conditions of U.S. households, the findings in this survey highlight that economic challenges remain for a significant portion of the population. A slight majority of respondents—55 percent—reported saving money in the preceding year. Many report having little financial cushion. A minority of respondents reported having a rainy day fund, and only 56 percent said they could find any way to cover expenses were they to lose their main source of income for three months. Just over one-third reported that they are worse off financially than they were five years ago.

Almost half of respondents reported having given little or no thought to retirement savings, and of those who have, many either do not plan to retire, expect to keep working into retirement to pay for expenses, or do not know how they will pay for their retirement. Nearly a third had no retirement savings whatsoever. These challenges associated with retirement planning were exacerbated by the recession, which resulted in many respondents delaying their planned retirement.

The survey reveals other tensions in households' financial experiences. One-third of those who had applied for credit in the preceding year had been turned down or received less credit than they applied for, and nearly a fifth of respondents put off applying at all because they thought they would be turned down. These experiences and expectations vary by race/ethnicity, with blacks and Hispanics expressing less success and less optimism for success in applying for credit relative to whites. However, this relationship is complex. These differences are at least partially explained once other factors that also vary by race, such as income and education, are included in the analysis.

Furthermore, investment in education—frequently seen as a smart expenditure that pays off over time—may be viewed in varying ways when financed through debt. Nearly one-fourth of respondents reported having some debt related to either their own education or that of someone else. Nearly half reported having to cut back on other spending to service the debt, and 16 percent were behind on their payments or in default. While investment in education is generally rewarded with higher lifetime earnings, respondents with such debt are mixed in their assessment of whether their investment will pay off, with quite a bit of variation by major, type of institution attended, and successful completion of their program of study. Of those who took on debt to help finance their education, respondents who attended public postsecondary institutions were more likely than respondents who attended other institutions to report that the financial benefits outweigh the financial costs they incurred.

Health-care costs were also a source of concern for some respondents. One-third of respondents said that they had foregone some form of medical treatment in the preceding year due to the treatment's expected cost. Not surprisingly, the decision not to seek treatment was more common for those without savings, those indicating that they were struggling with their finances, or those without insurance.

Overall, U.S. households seem to be generally stable, but there is substantial variation across respondents along many indicators of economic well-being. More than five years after the start of the Great Recession, a small, but significant, core of respondents continues to experience economic hardship on multiple dimensions. Moreover, a sizable fraction of respondents appear to be financially vulnerable to unexpected events such as a serious illness, unexpected expense, or job loss.