

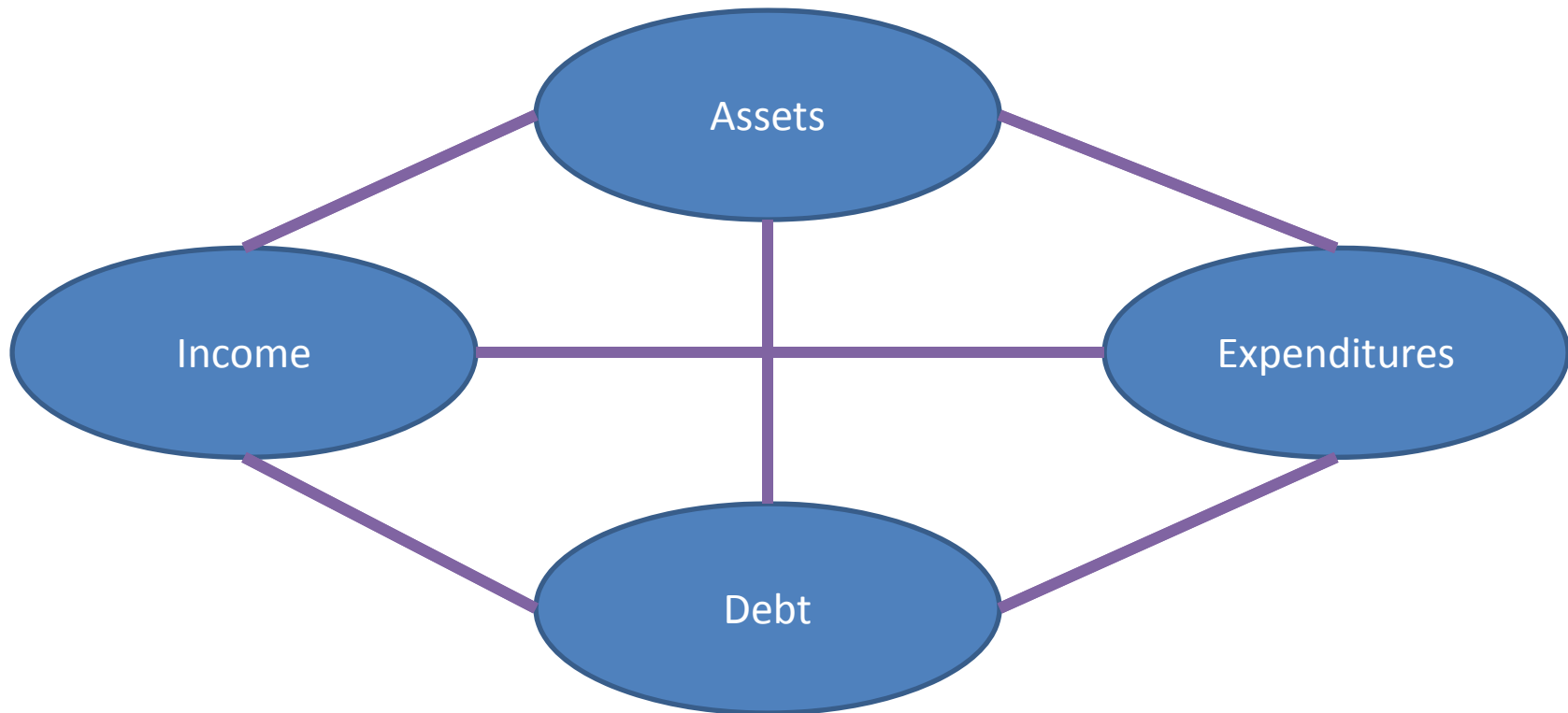
THE
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Financial Security and Financial Shocks

CFPB Research Conference
7 May 2015



Pew's Financial Security and Mobility Project



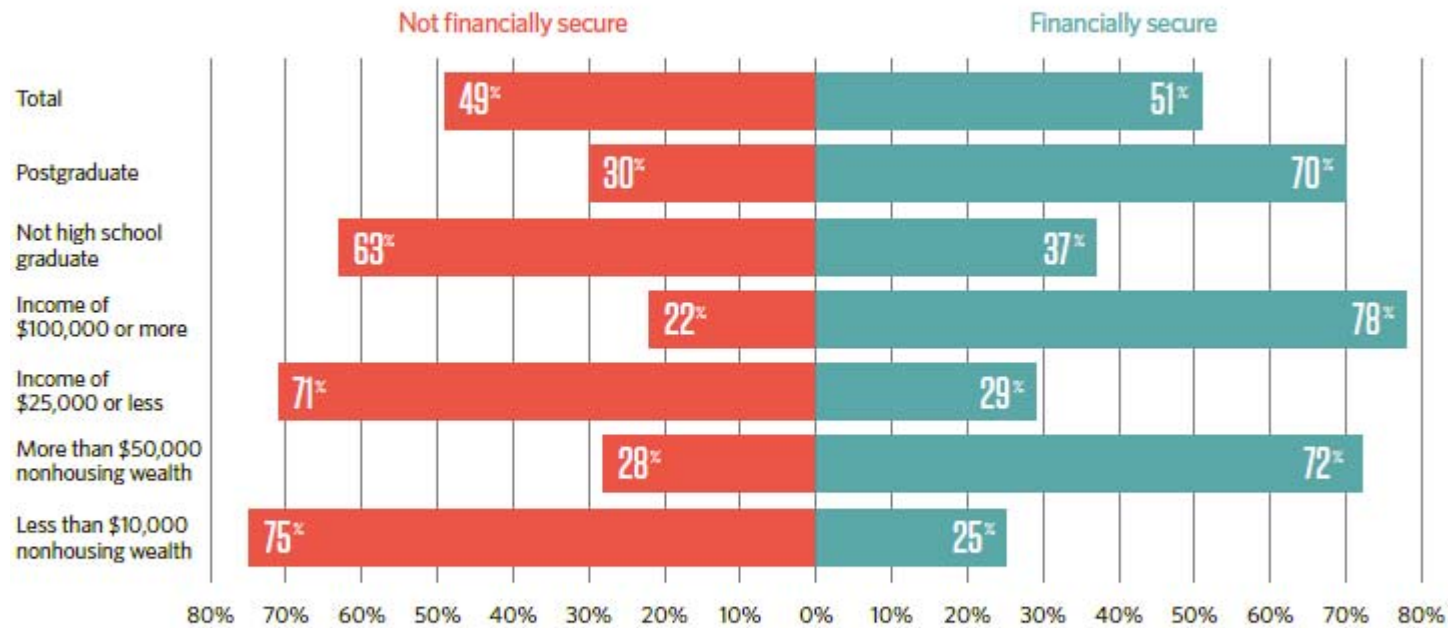


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Figure 2

Only Half of Americans Report Feeling Financially Secure

Percentage saying they are financially secure, by selected demographics



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

Source: Pew's Survey of American Family Finances

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Pew's Survey of American Family Finances

- GfK Knowledge Network Panel
- 6,000 respondent base with oversamples of black and Hispanic households
 - Total sample of 7,845 respondents
- Detailed information on household finances, behavior, and attitudes
- 3,865 households asked questions about financial shocks



Household finances are fluid, varied, and complicated



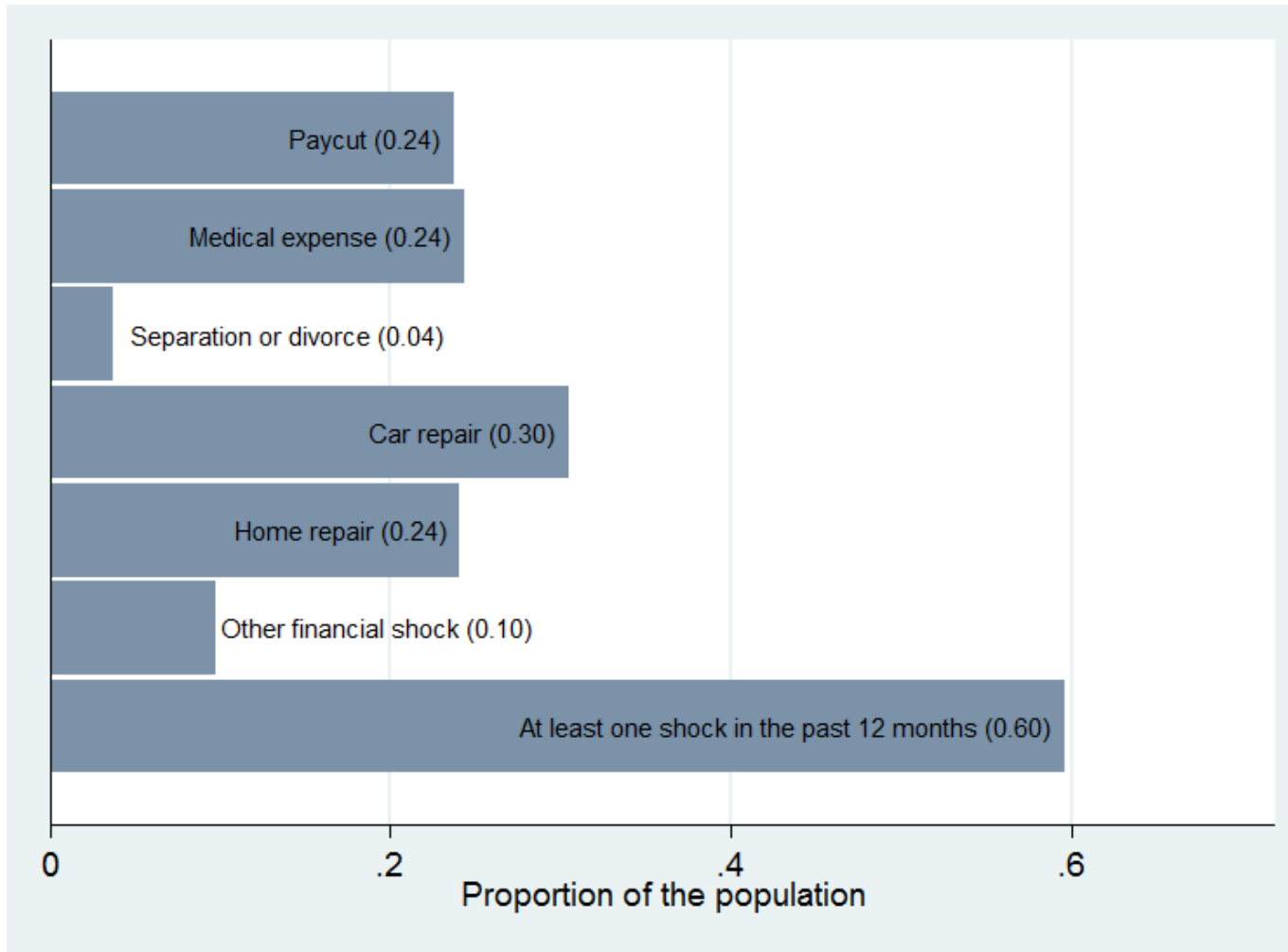


What is a financial shock?

- Out-of-the-ordinary expenses
- The unexpected expected
- Survey of American Family Finances collected data on the incidence of
 - A person in the household brought in less income than expected due to unemployment, a pay cut, or reduced hours
 - Someone in the household suffered an illness or injury requiring a trip to the hospital
 - Someone in the household divorced, separated or was widowed from a spouse or partner
 - A car, truck, or SUV needed a major repair or replacement
 - The place you live or appliances needed major repair or replacement
 - If your household had some other large, unexpected expense in the past year, please describe it:



60% of households had an out-of-the-ordinary expense in the past 12 months





No difference in incidence by demographic or income group



Having kids, additional adults in the household, and owning a car significantly increase incidence of shocks

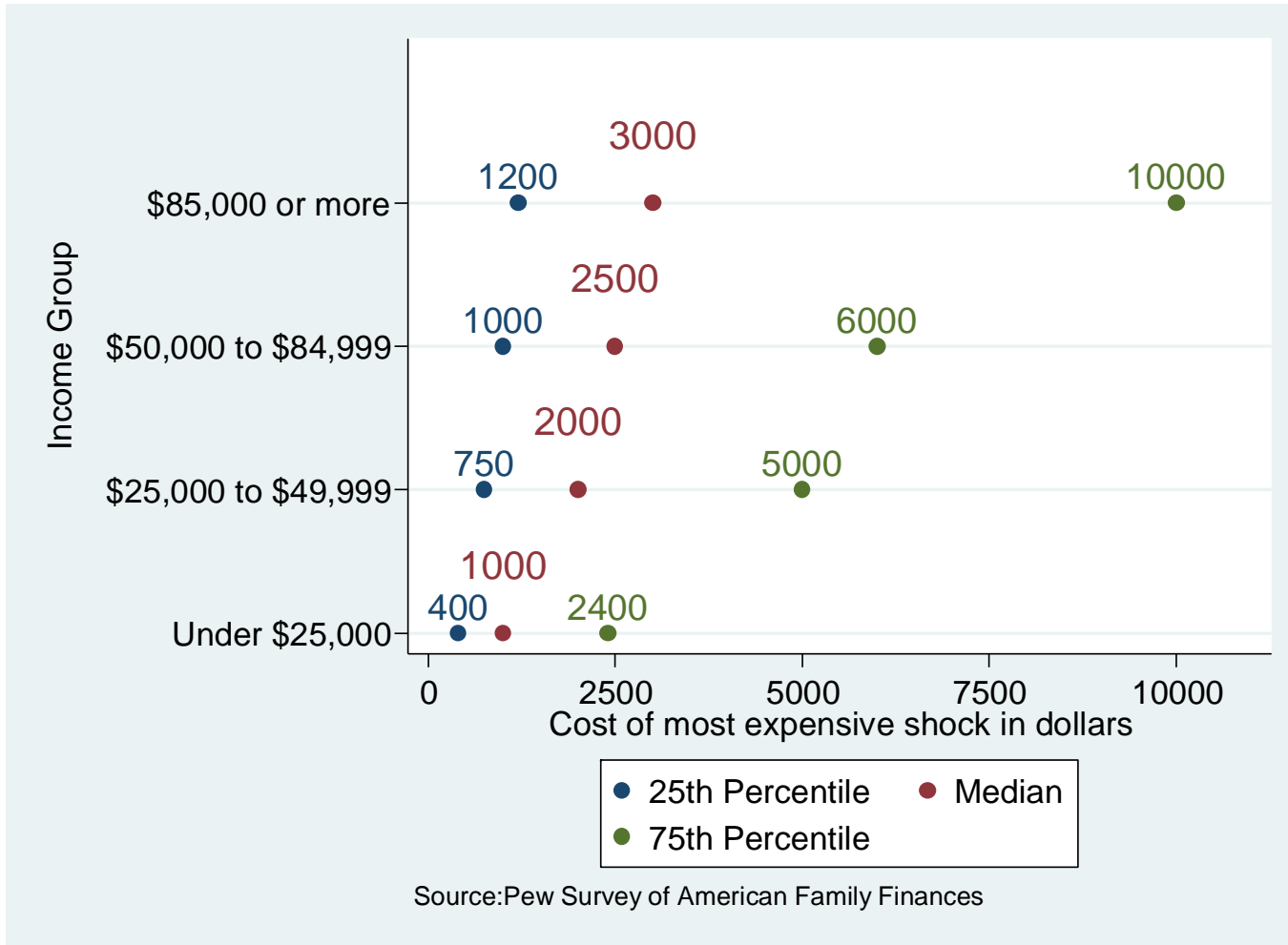


The cost of the most expensive shock varies widely

	Cost of Household's Most Expensive Shock		
	25 th Percentile	Median	75 th Percentile
Cost in dollars	\$800	\$2,000	\$6,000

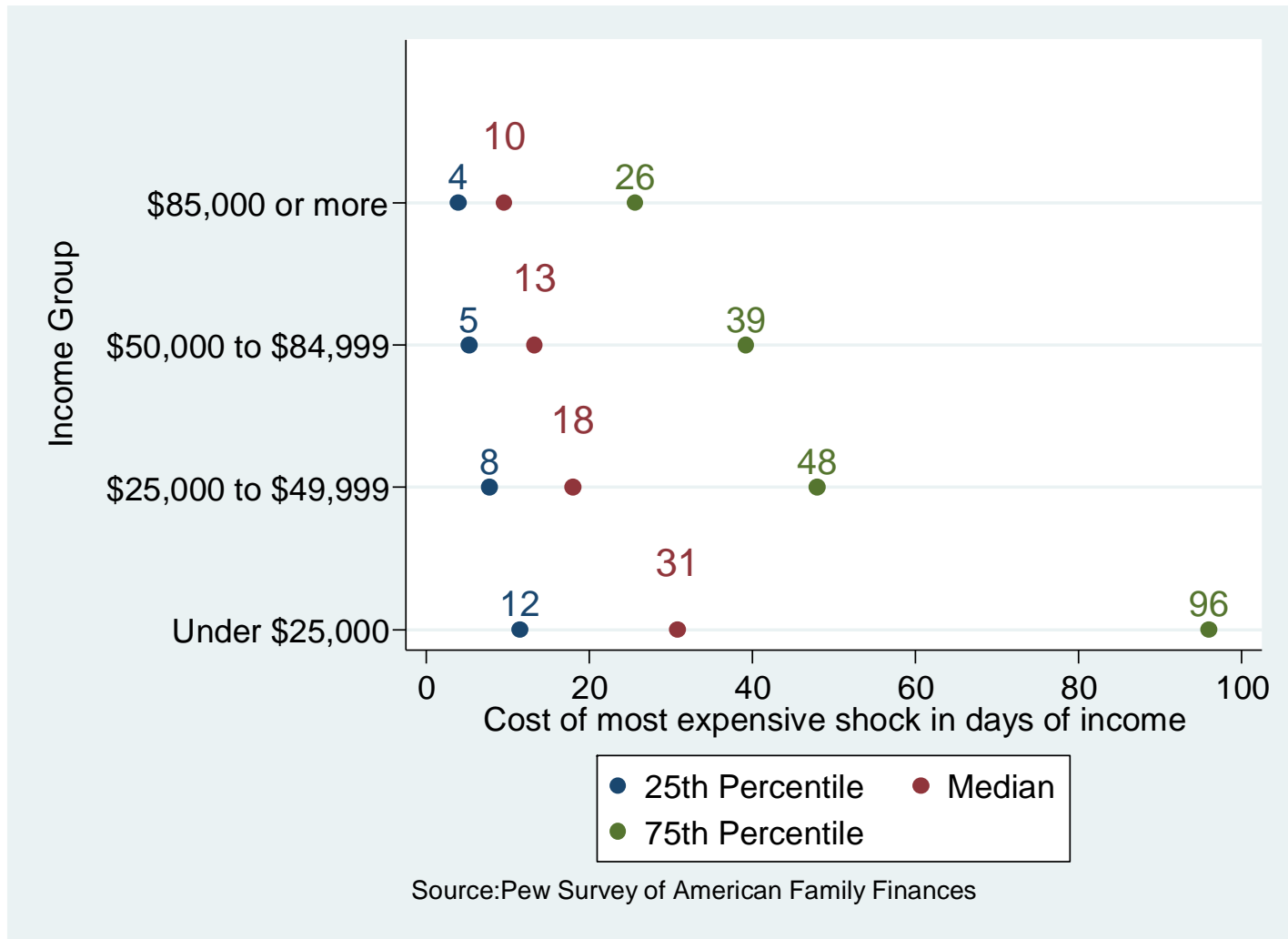


Higher-income households typically spend more on their most expensive shock





Lower-income households typically spend more on their most expensive shock





Households experiencing a shock say the shock made it hard to make ends meet

- 55% say the out-of-the-ordinary expense made it hard to make ends meet
- For most, perceived impact on finances was long lasting

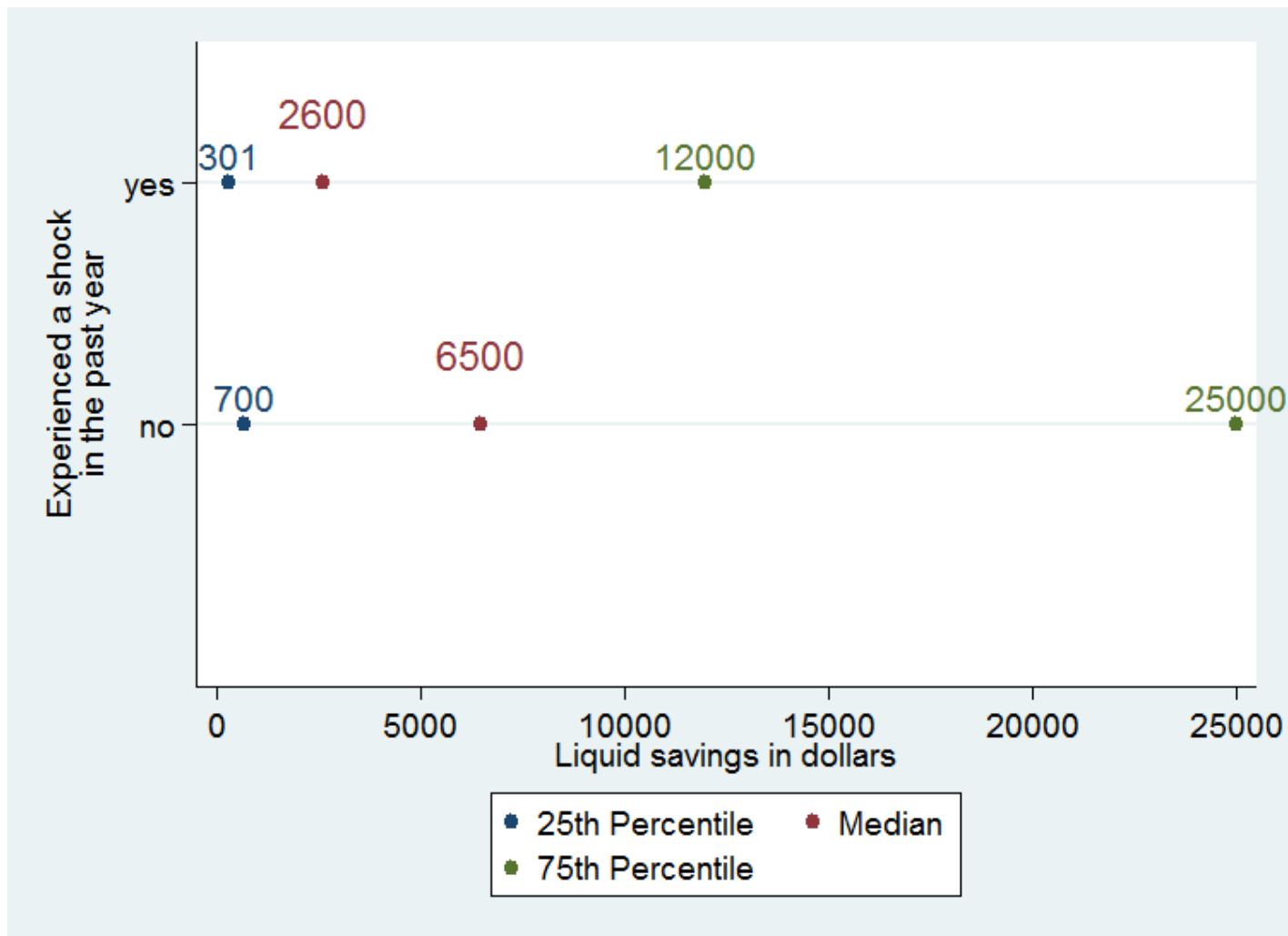
Time it took for finances to return to normal after expense	
A few weeks	5%
About a month	12%
A few months	24%
Six months or more	10%
Finances still haven't returned to normal	49%



Impact of a shock on financial well-being

- The challenge of contemporaneous measurement
- Two possibilities
 - Unexpected expenses are detrimental to financial well-being
 - The financially precarious have more/worse unexpected expenses
 - Hypothesize a bit of both
- Still, we observe that households that experienced a shock are worse off on a variety of measures

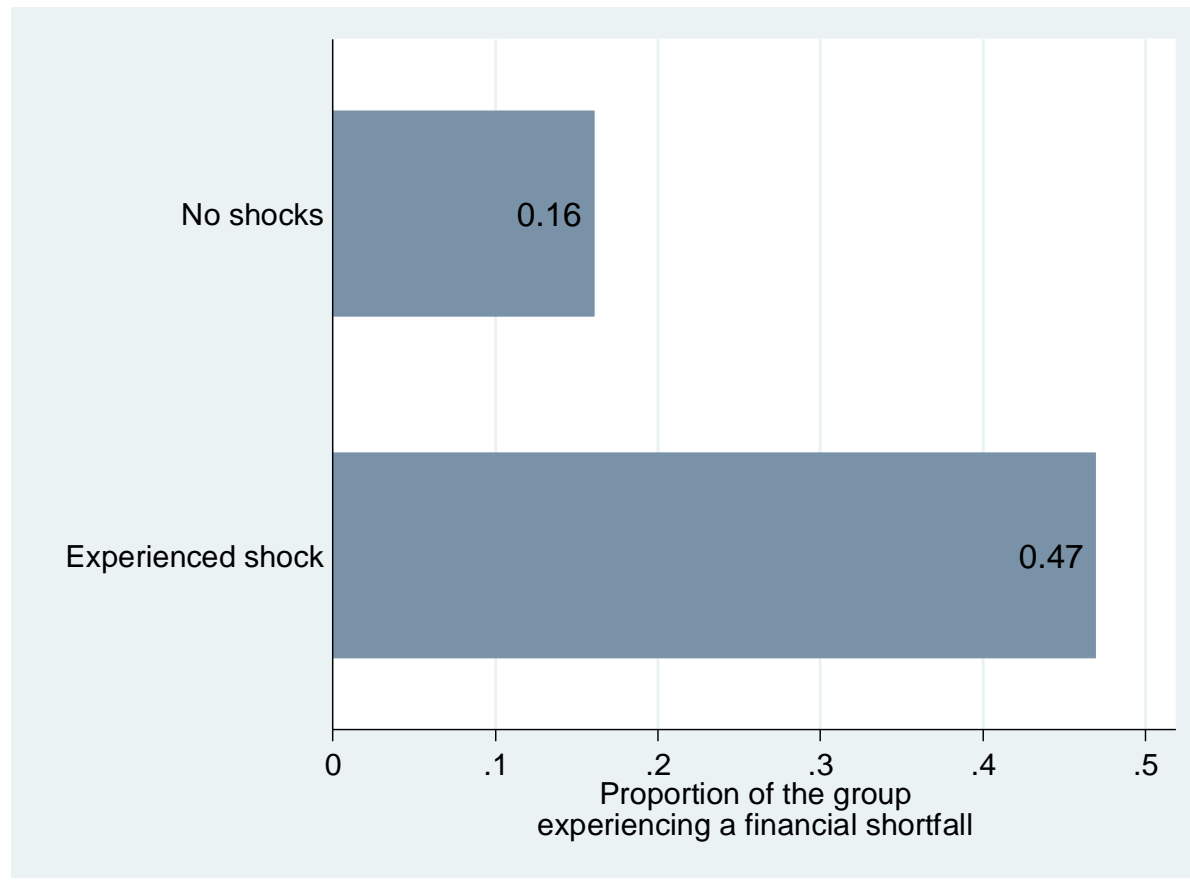
Households who experienced a shock have lower liquid savings





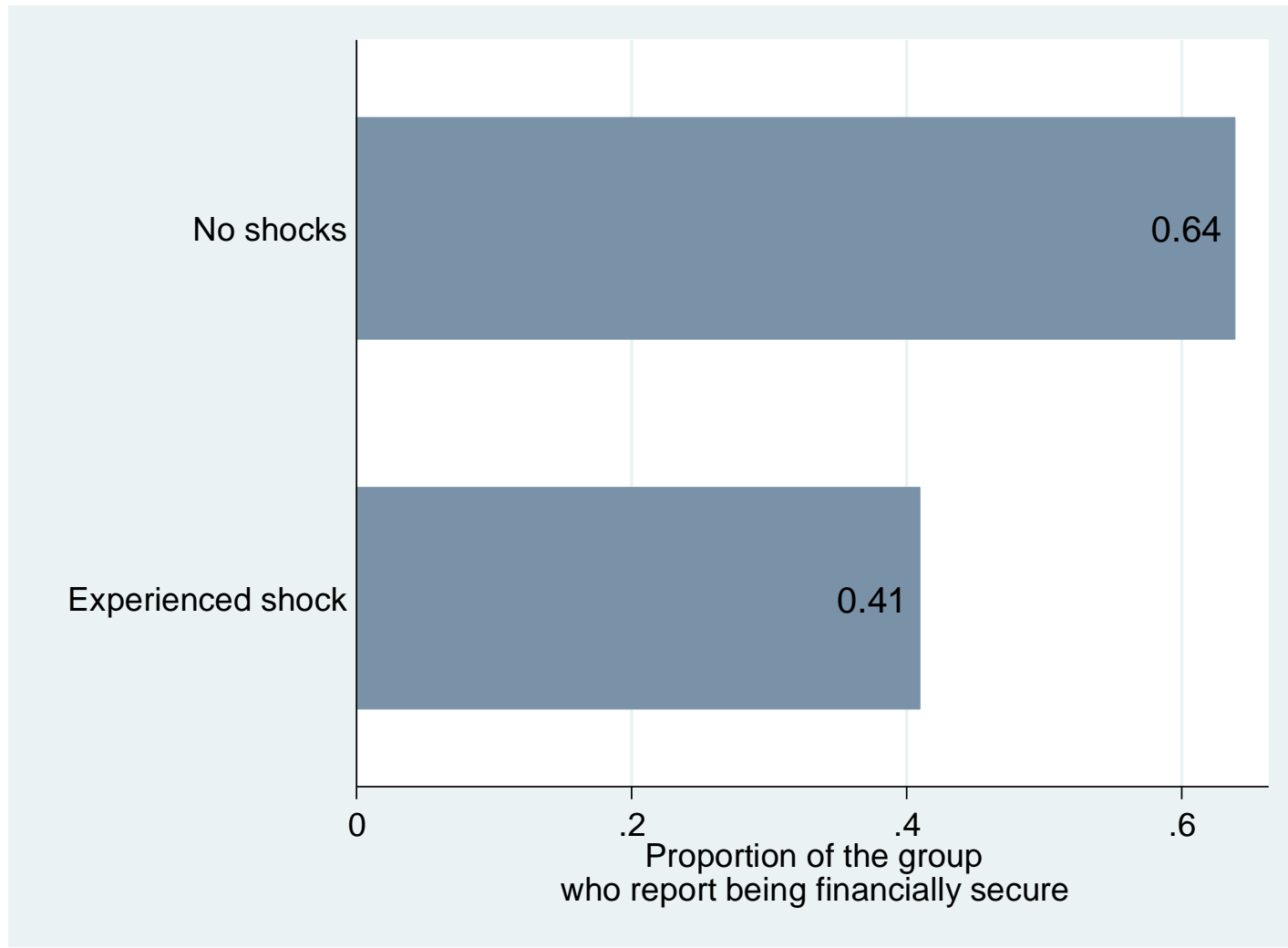
Households who experienced a shock are more likely to have had a financial shortfall

- Financial shortfall: being unable to pay for core expenses such as housing, food, or medical care





Households who experienced a shock feel less financially secure



What's next for this work

