

Financial well-being: Our latest research and how to apply it

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Agenda

- Defining financial well-being
- Spotlight on financial well-being in the workplace
- Measuring financial well-being
- Latest research on financial well-being
- Questions

What is financial well-being?

Definition of financial well-being

Having a sense of financial security and financial freedom of choice, in the present, and for the future

	Present	Future
Security	Control over your day-to-day, month-to-month finances	Capacity to absorb a financial shock
Freedom	Financial freedom to make choices to enjoy life	On track to meet your financial goals

What influences financial well-being?



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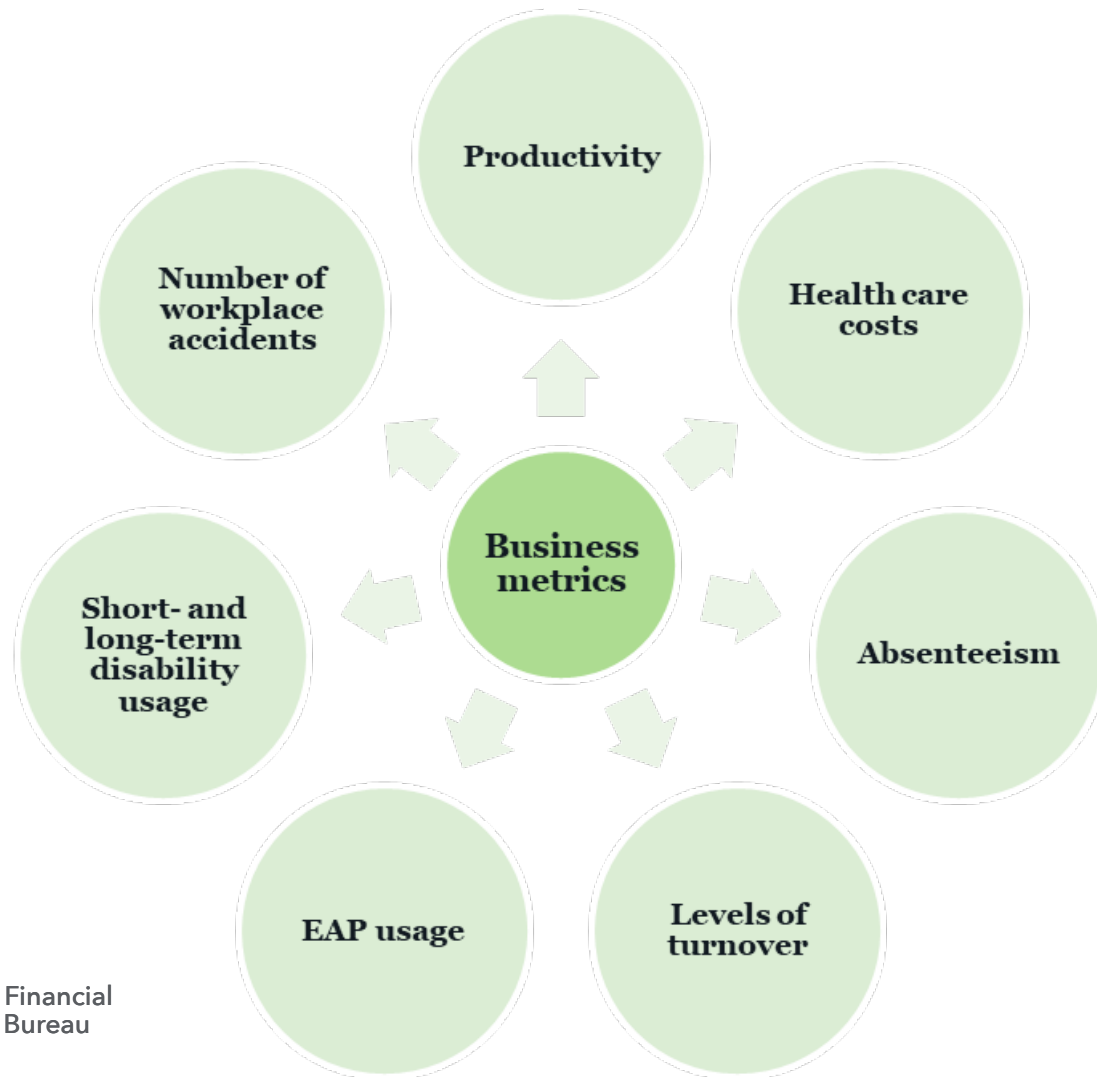
Spotlight: Financial well-being in the workplace

Workers and financial well-being

When a worker at any level of an organization is going through money stress, it can show up in their:

- Productivity
- Health
- Job satisfaction

Financial well-being may affect business metrics



Why provide financial well-being in the workplace

- Employers are in a unique position to have a positive impact on their workforce

The nature of the relationship between a worker and an organization is financial

Workers make money decisions at work, and related to work

The workplace is the only place where many adults get any financial education

- Employers have an opportunity to go beyond information about benefits and retirement savings

An understanding of their workforce can help better support their day-to-day and long-term decisions

Measuring financial well-being

What is the financial well-being scale?

- The CFPB developed and tested a set of questions—a “scale”—to measure financial well-being
- The scale is designed to allow practitioners and researchers to accurately and consistently quantify, and therefore observe, something that is not directly observable
- A person’s financial well-being score is generally stable and should not vary much in the short term; for this reason it can be used to measure differences in an individual or a group over time
- The scale is free and publicly available

What the scale is – and what it isn't

- This is part of your toolbox to help provide a full picture of a person's financial state
 - ❑ Use the scores from a larger audience to make decisions and track trends
- The financial well-being scale is not a diagnostic
 - ❑ It does not provide a topic or action that people should take to improve financial well-being

The questions that make up the scale

- The questions were selected through a state-of-the-art process that involved:
 - ❑ A series of **cognitive interviews** to ensure people understand the questions and what they are designed to ask
 - ❑ **Factor analysis** to select the questions that best measured the underlying concept of interest
 - ❑ Three rounds of **psychometric testing** with over fifteen thousand respondents in order to select the questions that provided the greatest reliability across adults

The questions that make up the scale

Questions	Response Options
How well does this statement describe you or your situation?	
1. I could handle a major unexpected expense	<ul style="list-style-type: none">• Completely• Very well• Somewhat• Very little• Not at all
2. I am securing my financial future	
3. Because of my money situation, I feel like I will never have the things I want in life*	
4. I can enjoy life because of the way I'm managing my money	
5. I am just getting by financially*	
6. I am concerned that the money I have or will save won't last*	
How often does this statement apply to you?	
7. Giving a gift for a wedding, birthday or other occasion would put a strain on my finances for the month*	<ul style="list-style-type: none">• Always• Often• Sometimes• Rarely• Never
8. I have money left over at the end of the month	
9. I am behind with my finances*	
10. My finances control my life*	
* Denotes questions for which the response options are "reverse coded"	

Using the financial well-being scale

Using the financial well-being scale

The scale can be used in a variety of ways, including:

- **Initial assessment**
 - ❑ **Assess financial well-being in the moment**
- Tracking individual progress
- Assessing benefits and communications outcomes
- Financial well-being survey research

Using the financial well-being scale

The scale can be used in a variety of ways, including:

- Initial assessment
- **Tracking individual progress**
 - ❑ **Track financial well-being over time**
 - ❑ **Answer changes may provide additional insight into financial situation over time**
- Assessing benefits and communications outcomes
- Financial well-being survey research

Using the financial well-being scale

The scale can be used in a variety of ways, including:

- Initial assessment
- Tracking individual progress
- **Assessing program outcomes**
 - ❑ **Measure the extent to which programs are improving the financial well-being of the individuals that they serve**
 - ❑ **Used as part of reports on the effectiveness of programs and services**
 - ❑ **Compare different populations in one program**
- Financial well-being survey research

Using the financial well-being scale

The scale can be used in a variety of ways, including:

- Initial assessment
- Tracking individual progress
- Assessing benefits and communications outcomes
- **Financial well-being survey research**
 - ❑ **Analyze the relationship between financial well-being and other factors**

Administering the questionnaire

- Two versions of the questionnaire exist:
 - ❑ Long version (10 questions)
 - ❑ Short version (5 questions)
- Individuals can answer the questions on their own
- If your organization wants to administer the scale, it can be included as part of an:
 - ❑ Annual workforce survey
 - ❑ Education outreach program
 - ❑ Information or communication plan

CFPB Financial Well-Being Scale

Find out your financial well-being

Answer ten questions to measure your current financial well-being and see steps you can take to improve it.



[Ver página en español](#)

Here's how it works:

Answer the questions and get your score. You won't be asked about any personal financial data—it's not that kind of questionnaire. [See how and why we developed it.](#)

About us

We're the Consumer Financial Protection Bureau (CFPB), a U.S. government agency that makes sure banks, lenders, and other financial companies treat you fairly.

[Learn how the CFPB can help you](#)

consumerfinance.gov/consumer-tools/financial-well-being




Consumer Financial
Protection Bureau

Take the questionnaire online at consumerfinance.gov

Find out your financial well-being

Answer ten questions to measure your current financial well-being and see steps you can take to improve it.



Here's how it works:

Answer the questions and get your score. You won't be asked a data—it's not that kind of questionnaire. [See how and why we do this.](#)

Review steps you can take if you want to be able to answer the questions differently next time. [See how your score compares to other U.S. adults from our national survey.](#)

! We never collect or store the answers you provide. [See how.](#)

Part 1: How well does this statement describe your situation?

I could handle a major unexpected expense

This statement describes me ☐ Completely ☐ Very well ☒ Somewhat

I am securing my financial future

This statement describes me ☐ Completely ☒ Very well ☐ Somewhat

Your financial well-being score

You've taken a good step in understanding your financial picture. Your financial well-being score is calculated based on the answers you gave.

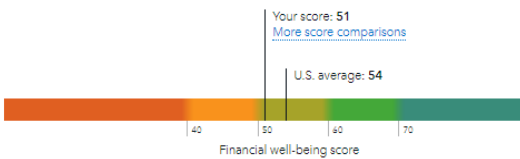
Review your score and your answers below and think about whether you want to take action and make improvements. Our tools and resources can help. You can return and retake the questionnaire to see if you are able to answer the questions differently next time.

[Print](#) [Save](#)

Your result

Your score: 51 [More score comparisons](#)

U.S. average: 54



Financial well-being score

Your score is based on the answers to the financial well-being questionnaire. If you'd like to be able to answer the questions differently next time, see our suggestions and next steps.

[Review your answers](#) [Show](#)

What would you like to do next?

If you have a sense of the top money challenges or goals you'd like to work on, you can get started on your own.

Take control of day-to-day money management

- Track where your money goes. Fill out the [bill calendar](#) and [spending tracker](#) to see and manage your everyday expenses.
- Get a grip on debt. Stay on top of what you owe with our [debt log](#) and find templates to help you.
- Regain control of your debt.

Get on track for your financial future

- Look toward home ownership. Consult our [Owning a Home](#) tools and resources.
- Create an action plan to meet your goals. Use our [worksheet](#) or [budgeting tool](#).
- Consider the right age for claiming Social Security. Use our [Planning for Retirement](#) tool.

See how your score compares to group averages

Compare by

Age Household income Employment status

Your score	51
U.S. average	54
18-24 year olds	51
25-34 year olds	51
35-44 year olds	52
45-54 year olds	54
55-64 year olds	55
65-74 year olds	61
75+ year olds	60

Interpreting the financial well-being score

Scoring

- The score used for the financial well-being scale is based on Item Response Theory (IRT) analysis.
- IRT analysis underlies the scoring model used in standardized tests such as the SAT
- IRT is a statistical method that provides a more precise measure than a simple summary score
- IRT gives more precise individual estimates because it allows different items in a scale, and people's responses to these items, to contribute differently to the final score

Interpreting the score

VERY LOW 0-29	LOW 30-37	MEDIUM LOW 38-49	MEDIUM HIGH 50-57	HIGH 58-67	VERY HIGH 68-100
People in these ranges tend to experience the following:					
<ul style="list-style-type: none"> Just 5% are certain they could come up with \$2,000 for an emergency. Most (82%) sometimes or often experience food insecurity or food hardship. Almost all (96%) find it somewhat or very difficult to make ends meet. 	<ul style="list-style-type: none"> Few (23%) habitually save and only some (38%) have more than \$250 in liquid savings Just 12% always stay on budget Nearly half (45%) have experience with debt collectors. 	<ul style="list-style-type: none"> Most (60%) have minimal savings of \$250 or more, but only 30% have \$2,000 or more Almost all (80%) find it somewhat or very difficult to make ends meet. Some (32%) have had a credit application rejected or are concerned about credit rejection. 	<ul style="list-style-type: none"> More than half (55%) have automated deposits into a savings or retirement account. A minority (32%) always pay off credit cards in full. Few (16%) sometimes or often experience food insecurity or hardship. 	<ul style="list-style-type: none"> The vast majority (81%) are certain they could come up with \$2,000 for an emergency. Just 35% always stay on budget. Very few (6%) have experienced a credit rejection or are concerned about credit rejection. 	<ul style="list-style-type: none"> Most have high levels of savings; 80% have \$10,000 or more in liquid savings. The majority (69%) make automated deposits into a savings or retirement account. Most (81%) have health insurance.

Interpreting the score

Top factors associated with higher financial well-being:

- Higher level of liquid savings
- Lack of a negative experience with a debt or credit product
- Certain money skills and day-to-day money management habits
- Financial self-efficacy or confidence

Your objective financial situation explains about 70% of your financial well-being score

- Theoretically if your financial situation improves, your score will get higher

How the scale can help in the workplace

- Evaluate the impact of programs
 - Add-ons through retirement plan providers
 - Specialist financial wellness benefit providers
- Address immediate issues in workers' financial well-being
 - Check adoption of financial well-being programs among different demographics indicated by scale research
 - Programs often appeal to workers who are already diligent planners
- Help your organization identify needs or gaps in benefits
 - Recognize the context that workers are bringing with them to the workplace, and connect to diversity, equity, and inclusion efforts

Interpreting the score

Scores can be gathered, analyzed, and used to:

- Identify whether people are self-reporting a high level of financial well-being
 - ❑ What might the reason be for a low level of financial well-being?
 - ❑ Could we provide other benefits, support, or information?
 - ❑ Examine averages for your workforce compared to national averages
- Identify differences among groups
 - ❑ Can influence communications strategy
 - ❑ May change the resources you provide
- Compare and benchmark against peers
 - ❑ Relate to program satisfaction

The scale as an education tool in the workplace

- Begins the discussion
 - ❑ Even without a full financial wellness program in place, the scale can draw attention to the importance of financial well-being
 - ❑ An interactive activity for workers, to get them started on a path to financial wellness
- Supports a self-service strategy
 - ❑ Provide the link to the questionnaire on consumerfinance.gov
 - ❑ Encourage people to get their scores and make decisions based on the information

Latest research on financial well-being

Characteristics of financial well-being

- Financial well-being scores reflect real differences in underlying financial circumstances, beyond traditional measures
- Financial well-being varies widely across adults
- Socioeconomic characteristics are associated with financial well-being
- Savings and financial cushions provide the greatest differences between people at different levels of financial well-being
- Certain experiences with debt and credit are strongly associated with financial well-being (for example, having been denied credit or being contacted by a debt collector)

Changes in financial well-being: 2017 to 2020

- American adults experienced a slight increase in financial well-being between 2017 and 2020

Average financial well-being increased one point, from 54 to 55

Increase was likely due to the large government response to COVID-19

- Largest increases were experienced by those with higher incomes
- Many Americans still struggle

1 in 10 adults had low or very low financial well-being in 2020

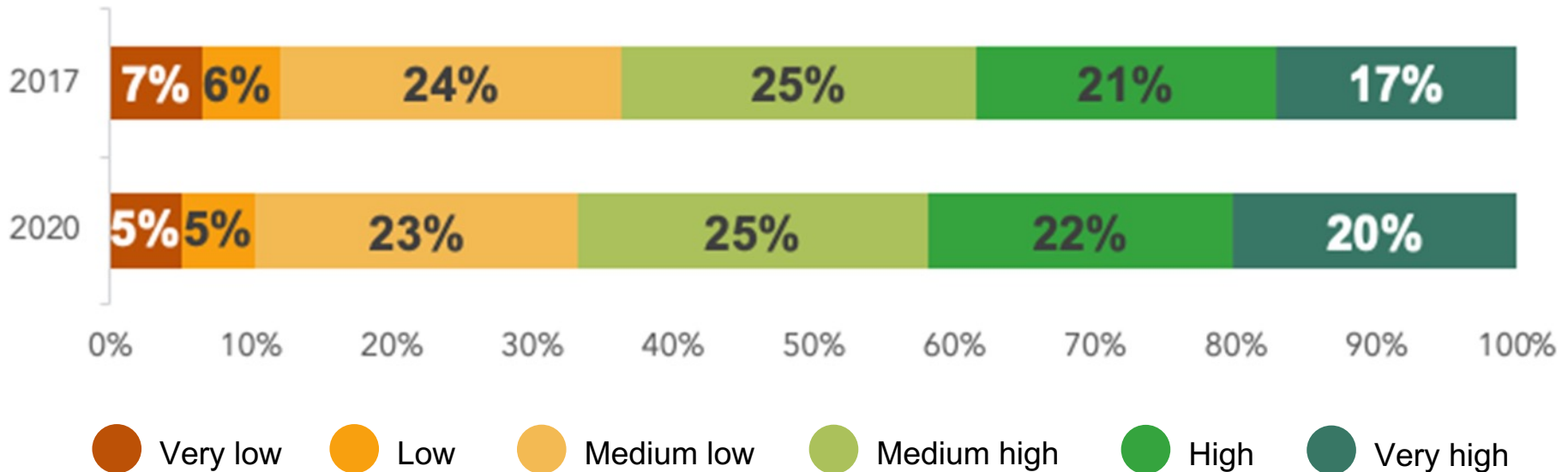
About one-third of Americans saw a decline in financial well-being



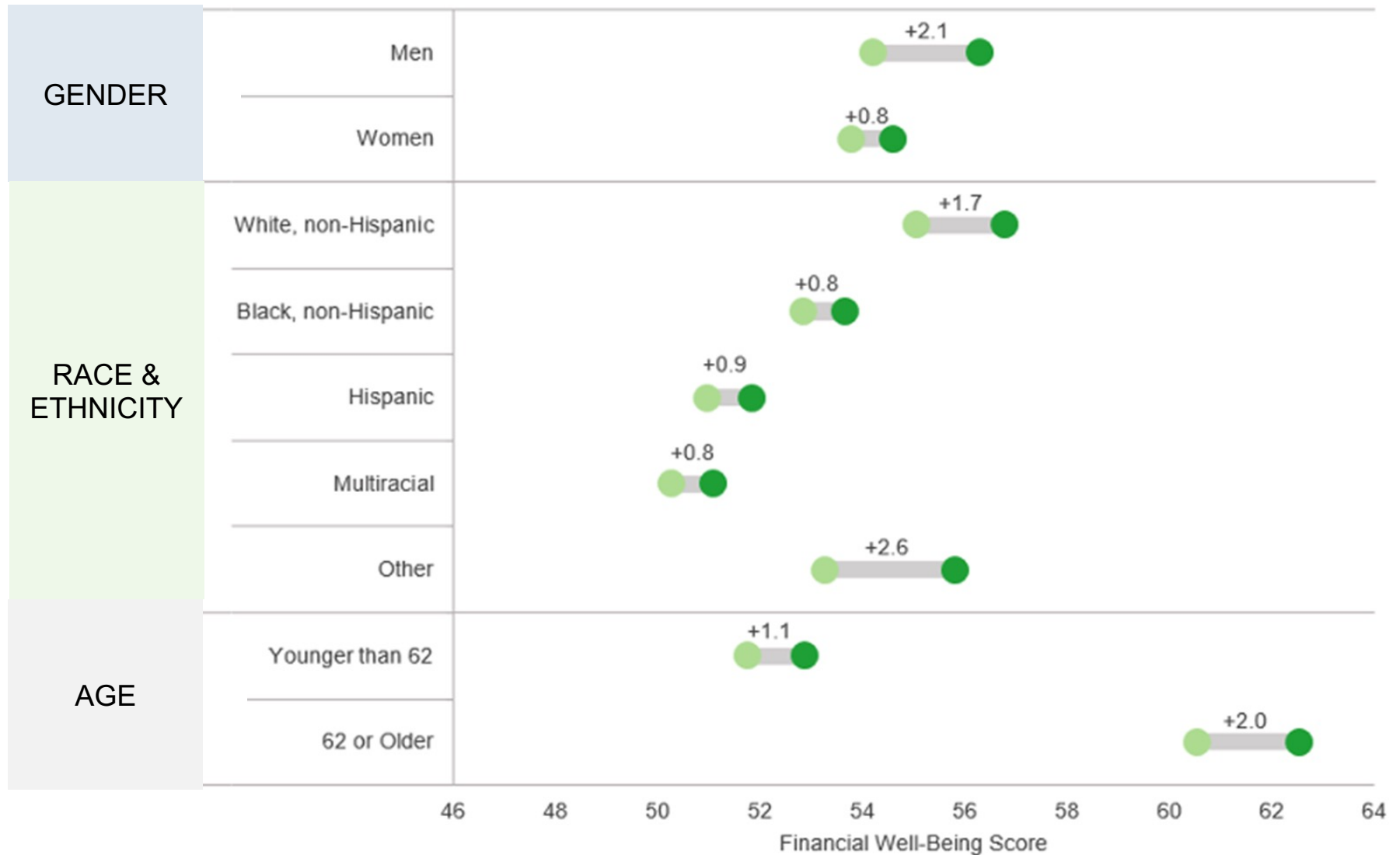
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consumerfinance.gov/data-research/research-reports/data-spotlight-financial-well-being-in-america-2017-2020/

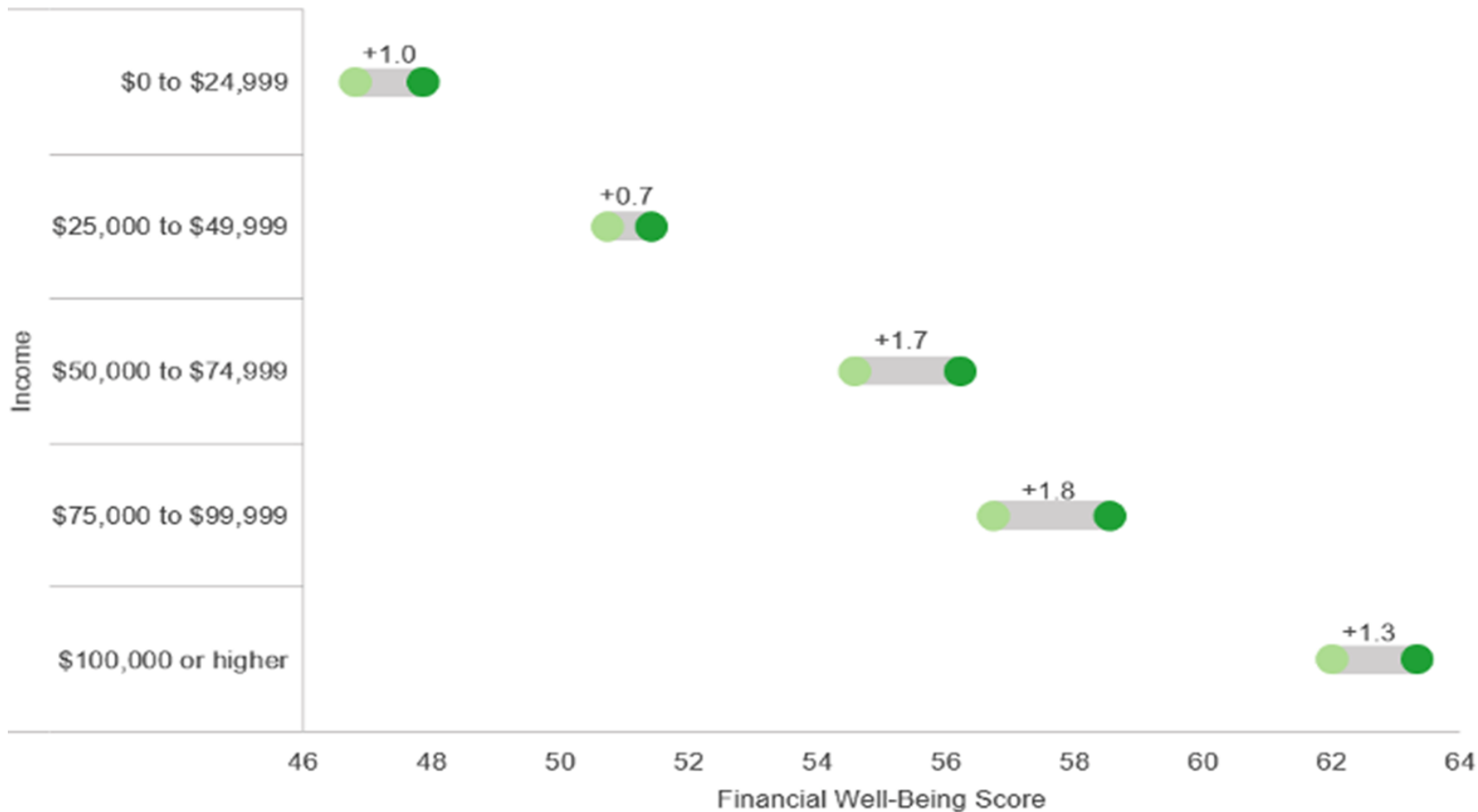
Financial well-being increased from 2017 to 2020



Changes in financial well-being: Demographics



Changes in financial well-being: Income



Groups we've heard need your special attention

- **Those earning lower compensation:** They may be less engaged and not taking full advantage of benefits offered
- **Near-retirees:** They may need help planning for the effects of aging, including physical and cognitive decline
- **Family and extended family:** Workers may need support in thinking about their financial situations holistically
- **Workers who have been historically left out:** They may need your help overcoming structural barriers and unequal access to information, benefits, and support

Resources

- Online questionnaire:

consumerfinance.gov/consumer-tools/financial-well-being/

- How to use and how to score:

consumerfinance.gov/data-research/research-reports/financial-well-being-scale/

Questions