

Financial well-being by state in 2021

FinEx Webinar | November 2023



Introduction to the CFPB

Federal agency created in 2010

Dedicated to making sure you are treated fairly by banks, lenders and other financial institutions

On your side through life's financial moments



Today's presentation

- Review of the CFPB financial well-being scale and score
- Background on the existing research on financial well-being by state and other geographic units
- Findings about how financial well-being varies by state
 - By age, sex, and race
 - Changes from 2018 to 2021
 - Relationship to income and poverty, housing, financial literacy, financial inclusion, use of alternative financial products, health insurance coverage
- Implications of the findings

Disclaimer

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This document was used in support of a live discussion. As such, it does not necessarily express the entirety of that discussion nor the relative emphasis of topics therein.

Background

How people define *financial well-being*

A state of being reflecting a person's ability to meet current and ongoing financial obligations, feel secure in their financial future, and make choices that allow enjoyment of life.


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

Financial well-being scale

| Questions | Statement | Response Options |
|---|---|---|
| How well does this statement describe you or your situation? | <i>I am securing my financial future.</i> <i>Because of my money situation, I feel like I will never have the things I want in life.</i> <i>I am just getting by financially.</i> <i>I am concerned that the money I have or will save won't last.</i> | <ul style="list-style-type: none">• Describes me completely• Describes me very well• Describes me somewhat• Describes me very little• Does not describe me at all |
| How often does this statement apply to you? | <i>My finances control my life.</i> | <ul style="list-style-type: none">• Always• Often• Sometimes• Rarely• Never |

Financial well-being scores

- A standardized number (similar to SAT score) between 0 and 100
- Adjusted by mode of administration (self/someone else) and age group (18 to 61/ 62+)
- Scores were benchmarked into the following categories:



| | | | | | |
|-------------------------|---------------------|----------------------------|-----------------------------|----------------------|----------------------------|
| VERY LOW 0-29 | LOW 30-37 | MEDIUM LOW 38-49 | MEDIUM HIGH 50-57 | HIGH 58-67 | VERY HIGH 68-100 |
|-------------------------|---------------------|----------------------------|-----------------------------|----------------------|----------------------------|

Scores reflect a continuum of real financial experiences

| Experiences | Very Low Scores (0-29) | Low Scores (30-37) | Medium Low Scores (38-49) | Medium High Scores (50-57) | High Scores (58-67) | Very High Scores (68-100) |
|---|-----------------------------------|-------------------------------|--------------------------------------|---------------------------------------|--------------------------------|--------------------------------------|
| Percent reporting it is very difficult to cover bills | 51% | 26% | 10% | 3% | 2% | <1% |
| Percent anxious about their finances | 84% | 76% | 53% | 31% | 15% | 5% |
| Percent with bad or very bad credit | 48% | 33% | 21% | 10% | 5% | 2% |
| Percent with no emergency savings | 86% | 73% | 58% | 40% | 20% | 9% |
| Percent unbanked | 18% | 16% | 13% | 7% | 4% | 2% |
| Percent with unpaid medical bills | 48% | 42% | 31% | 18% | 10% | 3% |
| Percent contacted by a debt collector | 46% | 36% | 25% | 13% | 6% | 2% |
| Percent skipping medical care due to costs | 40% | 34% | 23% | 12% | 6% | 2% |

Financial well-being and geography

Prior research found that:

- People's definition of financial well-being was the same regardless of geographic location and other demographic factors.
- Many factors are individual or household level factors such as income, education, occupation, and debt, while others relate to the context and environment in which individuals and families navigate their financial lives and decisions, whether in their neighborhood or their state of residence.
- In 2018, CFPB found that the average financial well-being score for adults was generally similar across states. Only a handful of states had scores that were statistically different from other states.

Data and methodology

Variations and disparities by state

National Financial Capability Study (NFCFS) State-by-State Survey

Since 2009 the FINRA Foundation has sponsored a new round of NFCFS surveys every three years to serve as the national source of the state of financial capability in the United States, and to examine how capability varies across key demographic, behavioral, attitudinal, and financial literacy characteristics.

- **2021 NFCFS State-by-State Survey** was administered online to a sample of 27,119 American adults (roughly 500 per state plus the District of Columbia) between June and October 2021. The survey also administered to a sample of 1001 adults in Puerto Rico.
- **2018 NFCFS State-by-State Survey** was administered online to a sample of 27,091 American adults (roughly 500 per state, plus the District of Columbia) between June and October 2018.

Limitations

- While the survey was constructed to provide a diverse and representative sample of adults, it is likely to undercount specific groups including those who only read a language other than English and Spanish, those who have significant physical limitations that prevent them from using a computer or answering an online survey, and those residing in institutional settings such as nursing homes, hospitals, and military facilities during the survey period.
- This analysis provides a description of the associations between financial well-being and states' social and economic conditions. The results do not indicate causality.

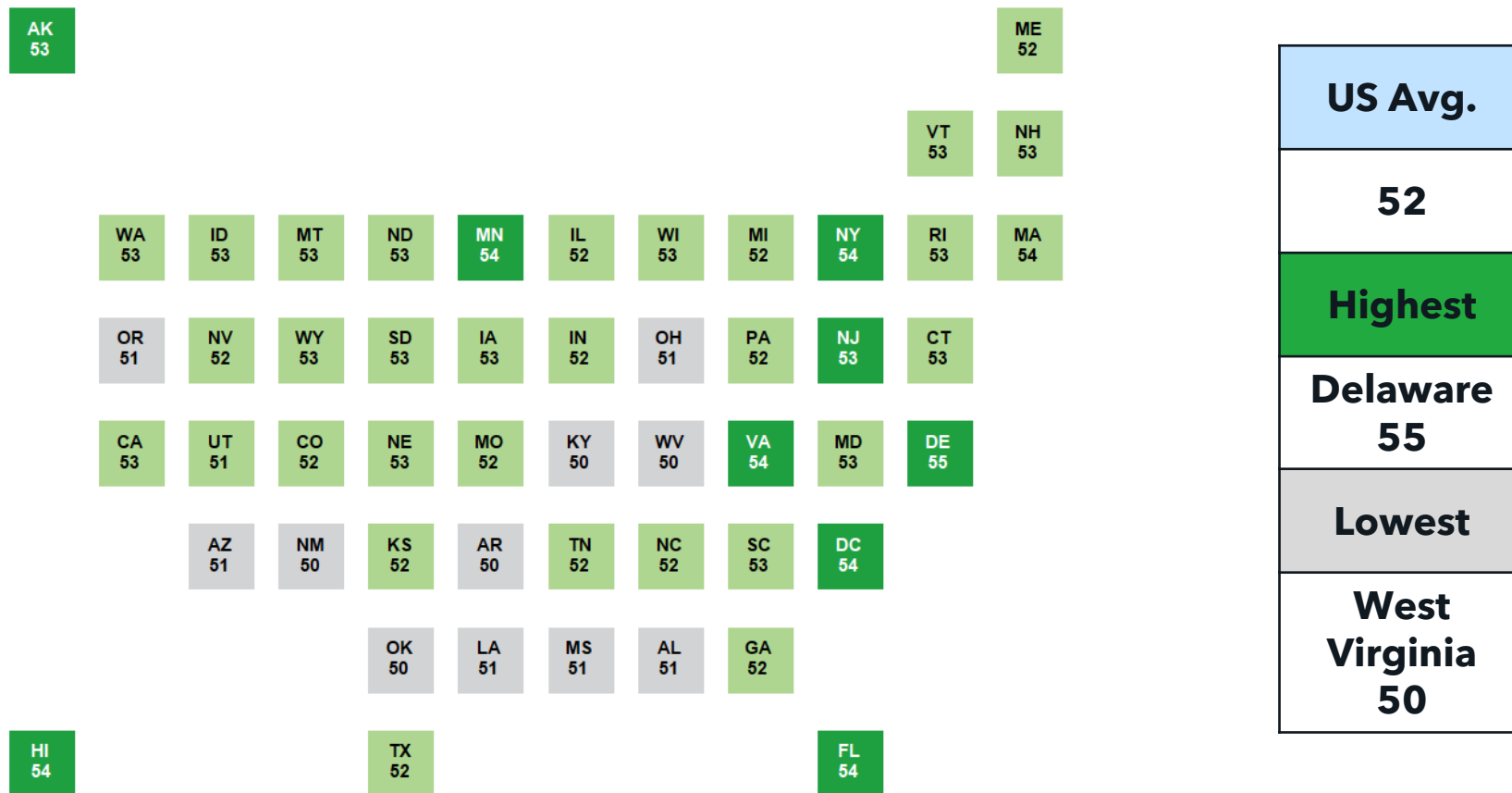
Analysis

- The analysis was a joint project of the CFPB's Office of Financial Education and Office of Financial Protection for Older Americans, with the research analysis and support of Carly Urban, Ph.D., Associate Professor of Economics at Montana State University.

Findings

Variations and disparities by state

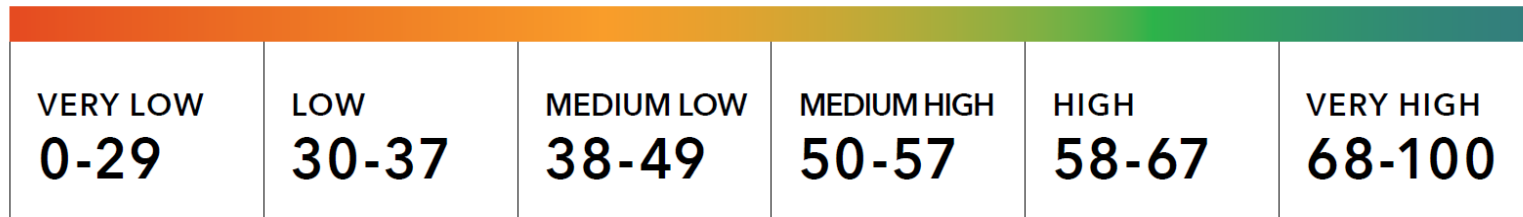
AVERAGE FINANCIAL WELL-BEING SCORES BY STATE, ADULTS AGES 18 AND OLDER



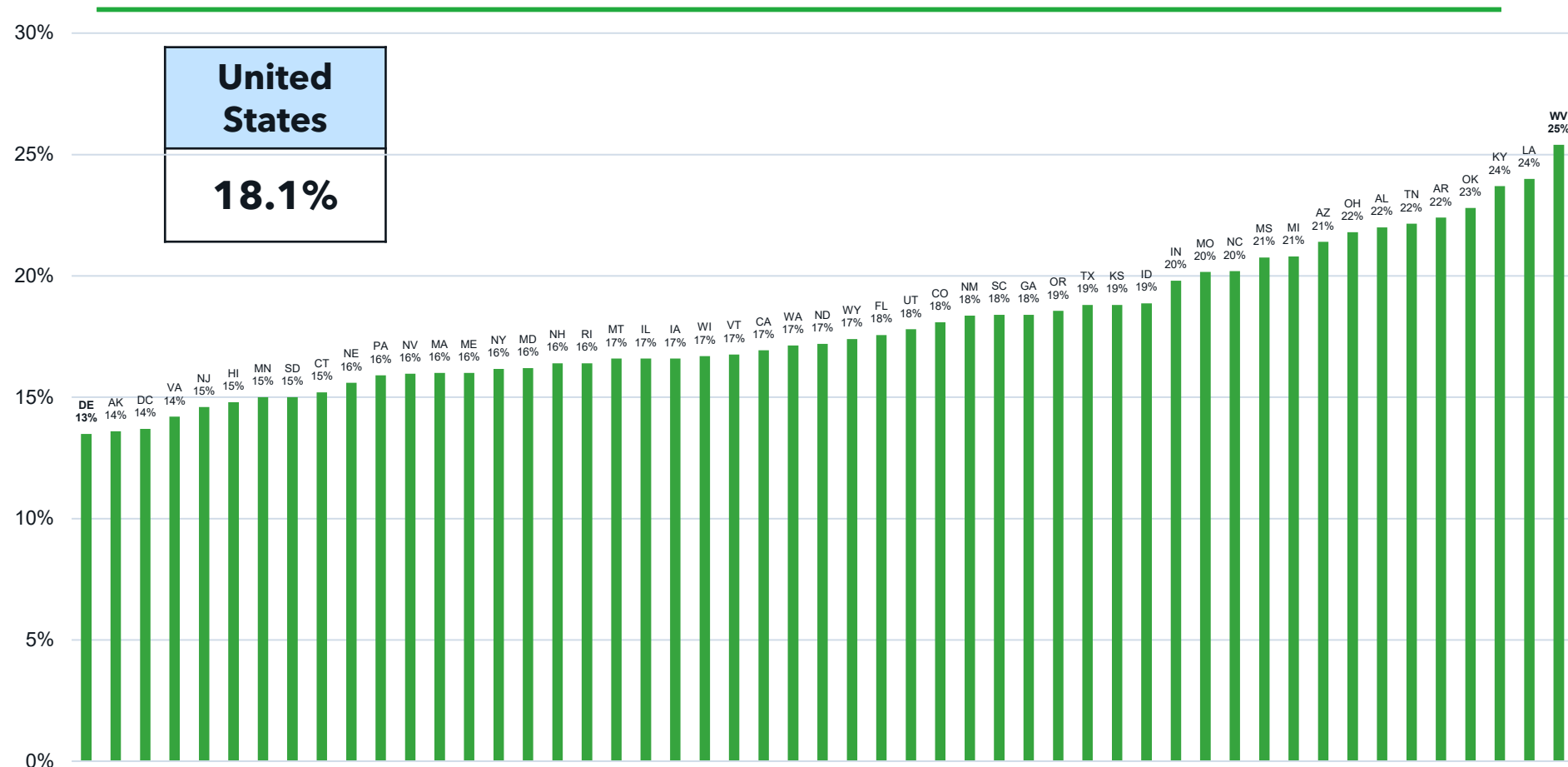
■ Statistically Higher
 ■ Statistically Similar
 ■ Statistically Lower

Source: CFPB analysis of 2021 NFCS State-by-State Survey data.

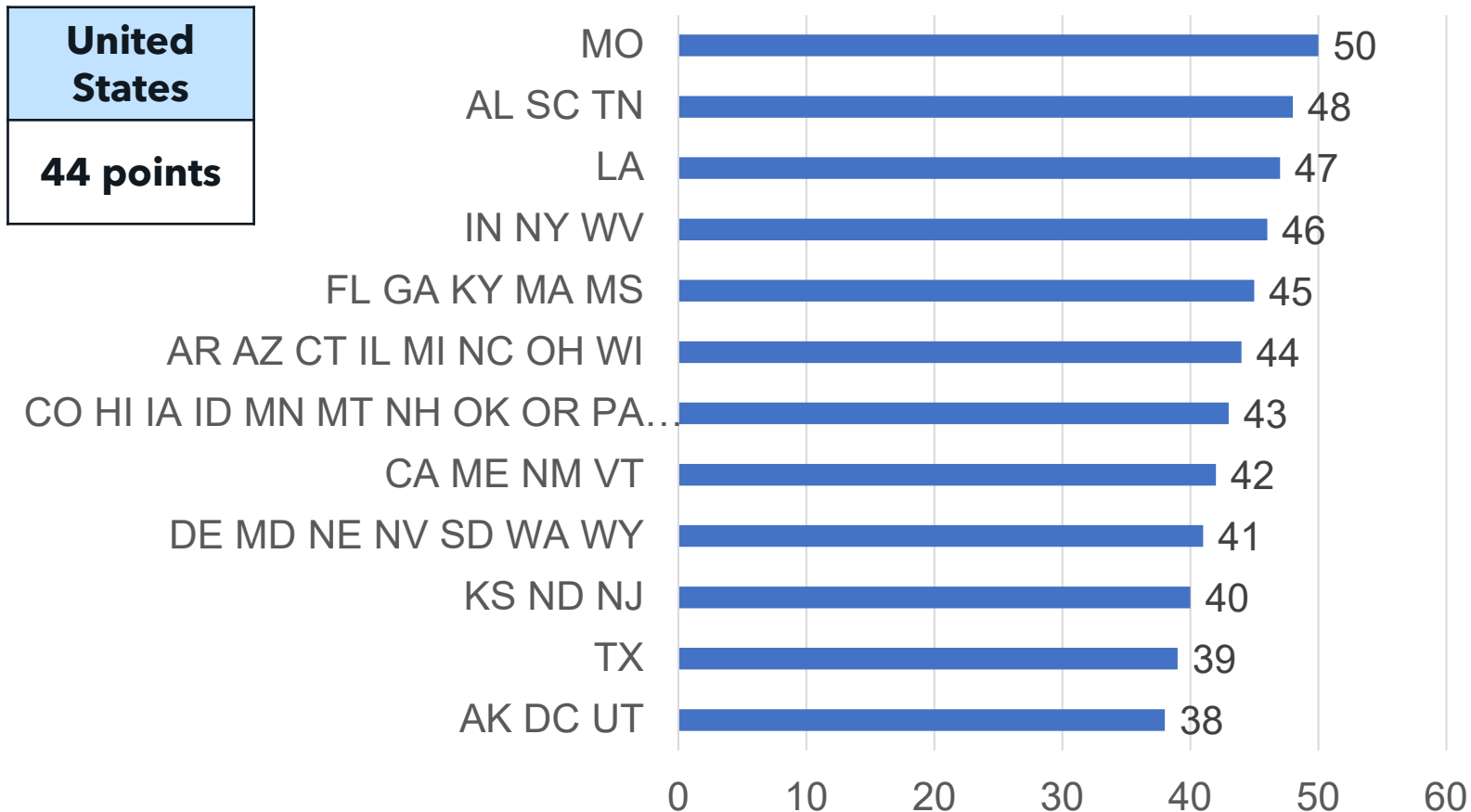
Low and very low financial well-being scores



PERCENT OF ADULTS WITH LOW OR VERY LOW LEVELS OF FINANCIAL WELL-BEING, 2021



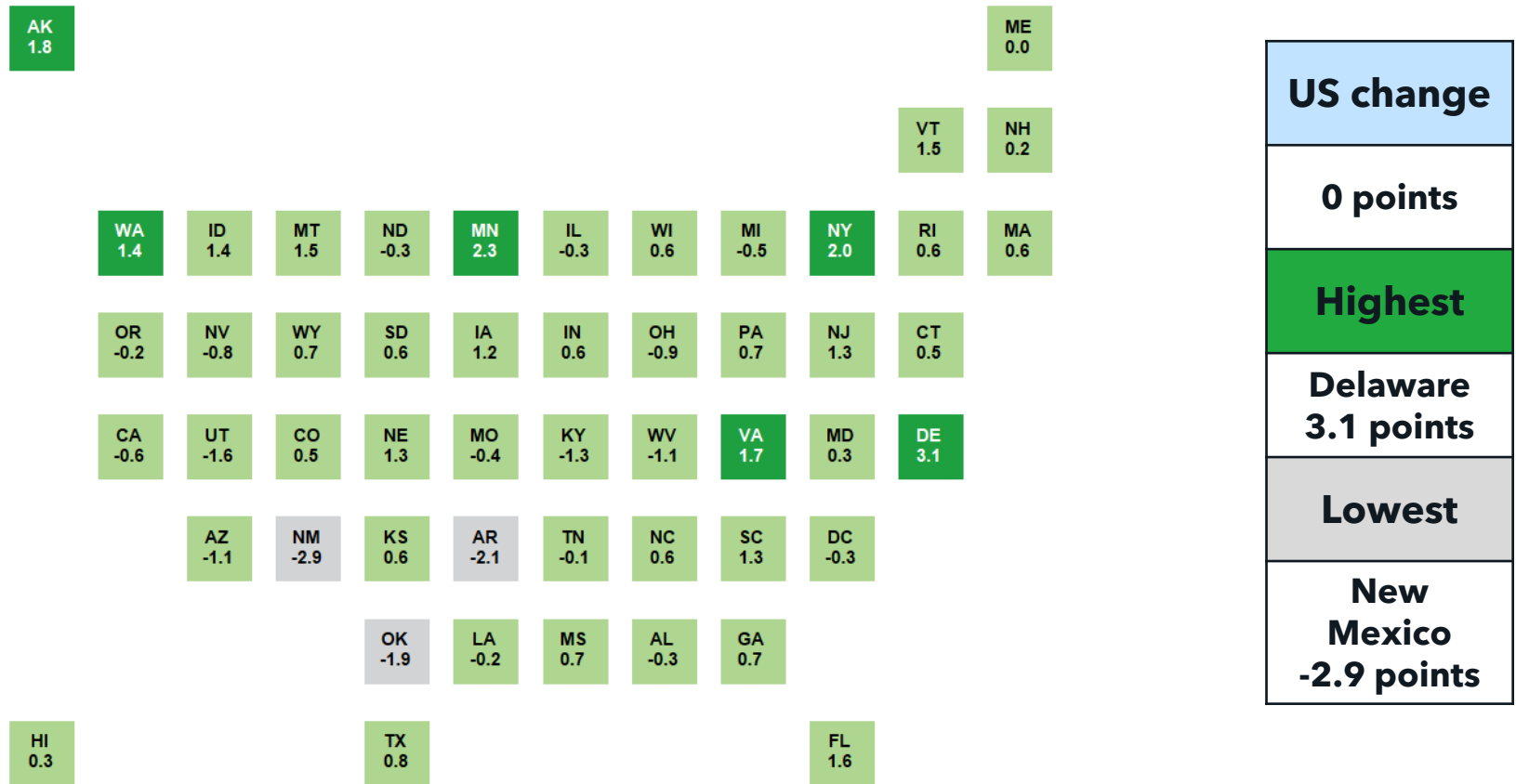
DIFFERENCE IN FINANCIAL WELL-BEING SCORES BETWEEN THE 10TH AND 90TH PERCENTILES BY STATE, ADULTS AGES 18 AND OLDER



Findings

Changes between 2018 and 2021

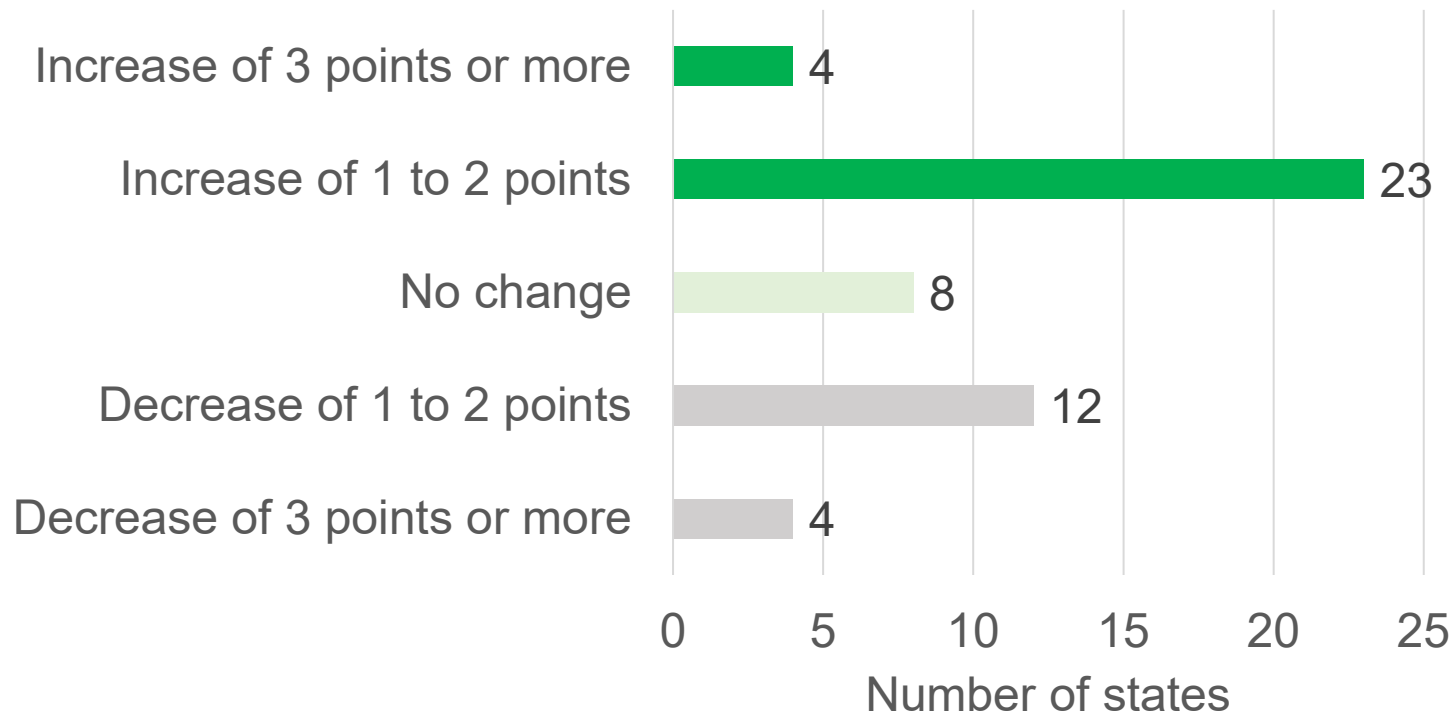
RAW SCORE CHANGE BETWEEN 2018 AND 2021 IN THE AVERAGE FINANCIAL WELL-BEING SCORES BY STATE



■ Statistically Higher
■ Statistically Similar
■ Statistically Lower

Source: CFPB analysis of 2021 NFCS State-by-State Survey data

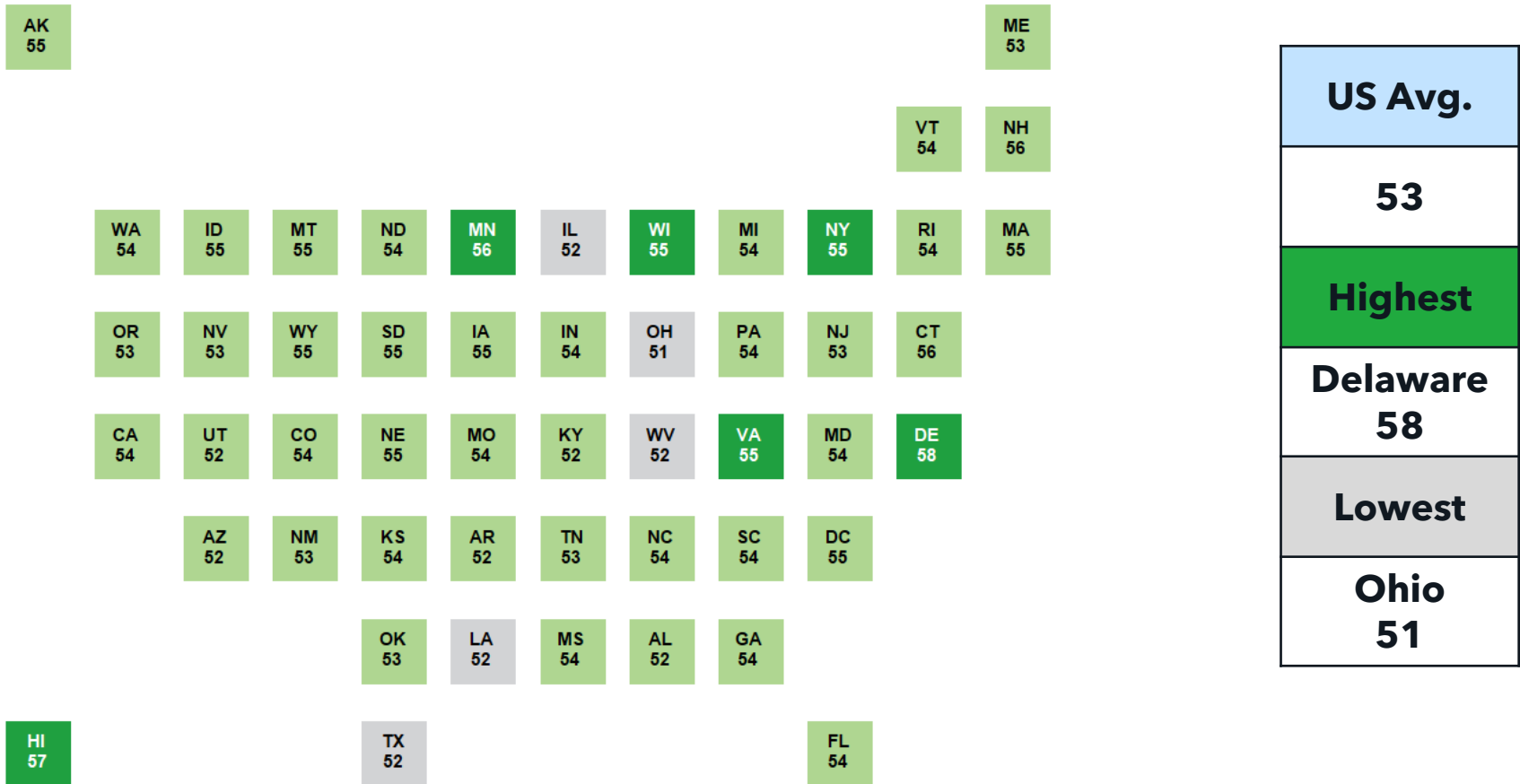
CHANGE BETWEEN 2018 AND 2021 IN THE DIFFERENCE BETWEEN THE SCORES OF THE 10TH AND 90TH PERCENTILES BY STATE



Findings

State differences by sex

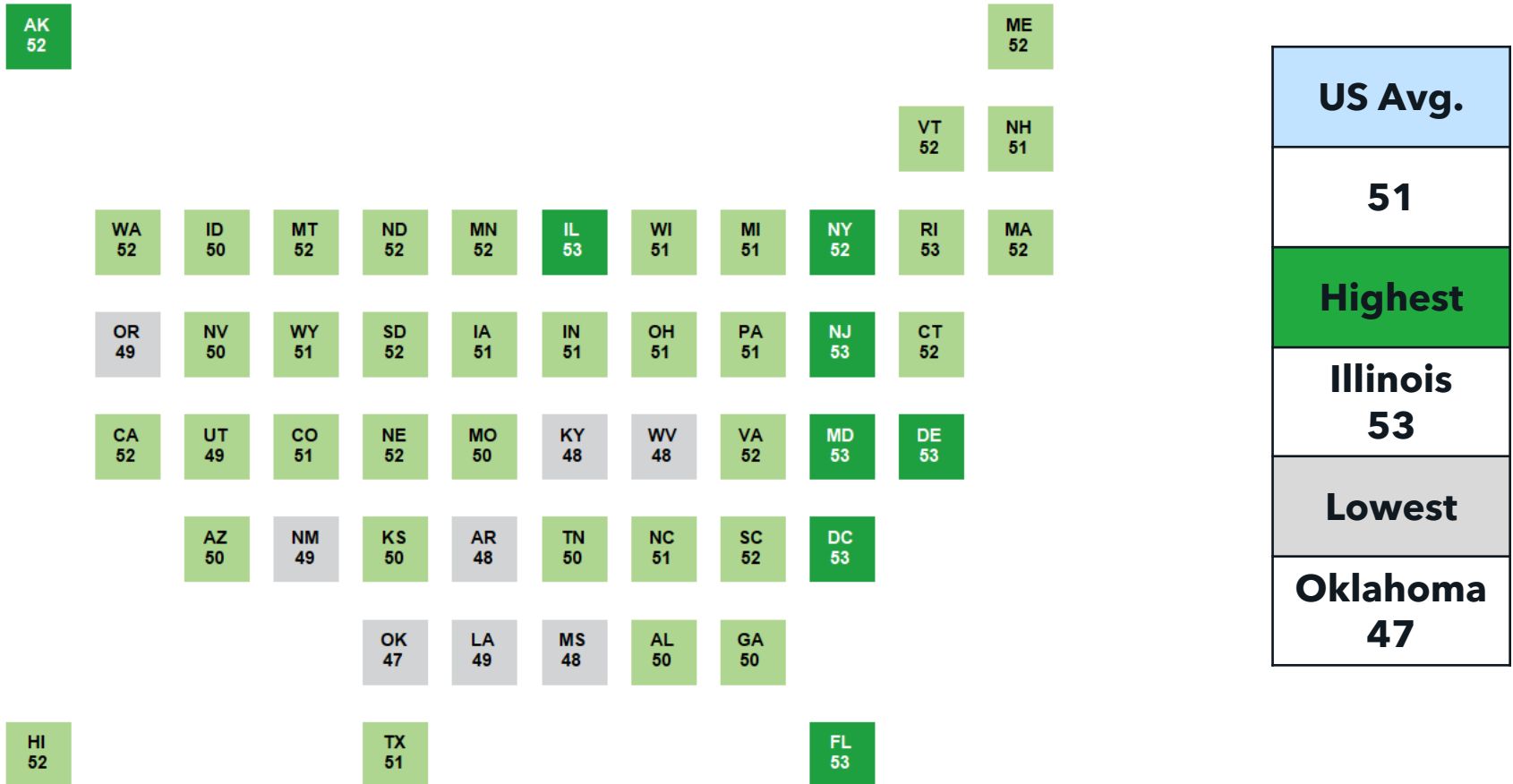
AVERAGE FINANCIAL WELL-BEING SCORES BY STATE, MALES



■ Statistically Higher
■ Statistically Similar
■ Statistically Lower

Source: CFPB analysis of 2021 NFCS State-by-State Survey data.

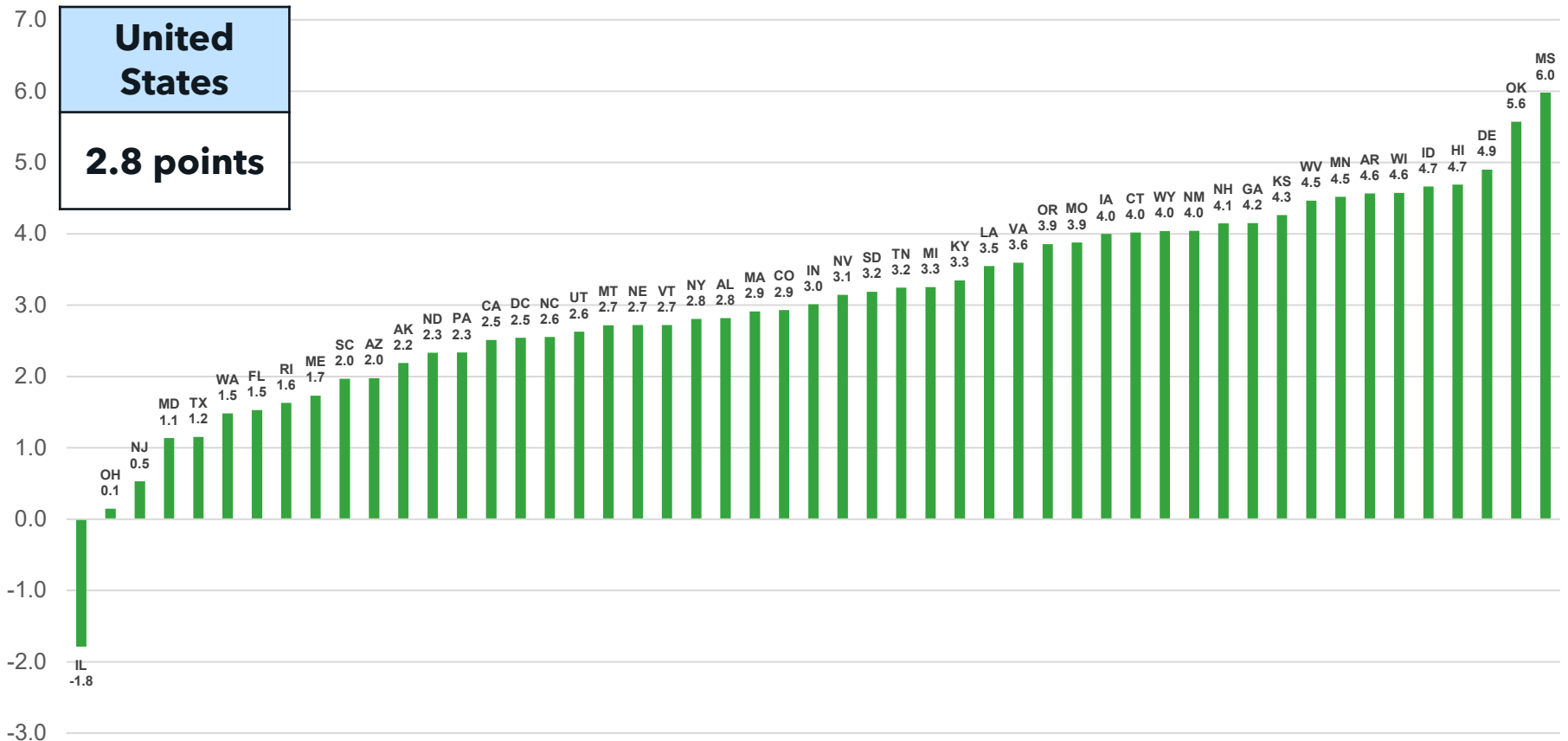
AVERAGE FINANCIAL WELL-BEING SCORES BY STATE, FEMALES



■ Statistically Higher
■ Statistically Similar
■ Statistically Lower

Source: CFPB analysis of 2021 NFCS State-by-State Survey data.

DIFFERENCES IN THE AVERAGE FINANCIAL WELL-BEING SCORE BETWEEN MALES AND FEMALES BY STATE, 2021



STATES WITH A SIGNIFICANT CHANGE BETWEEN 2018 AND 2021 IN THE AVERAGE FINANCIAL WELL-BEING SCORE BY SEX AND DIRECTION OF THE CHANGE

| | Male | Female |
|----------------------|-------------|-------------|
| Significant increase | ID KS MN PA | DE MT NE WA |
| Significant decrease | AR | NM OK |

Findings

State differences by age group

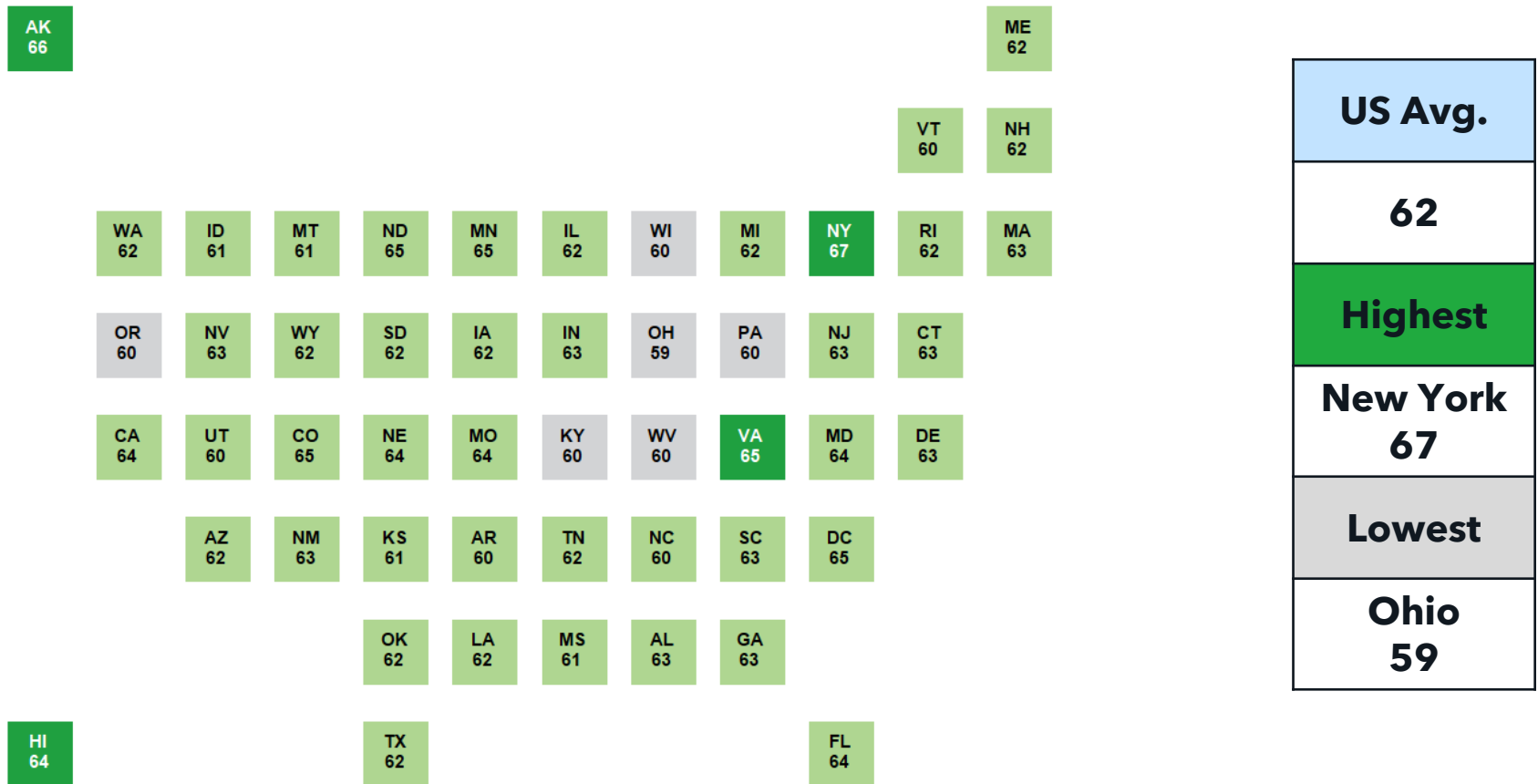
AVERAGE FINANCIAL WELL-BEING SCORES BY STATE, ADULTS AGES 18 TO 61



■ Statistically Higher
■ Statistically Similar
■ Statistically Lower

FCS State-by-State Survey data.

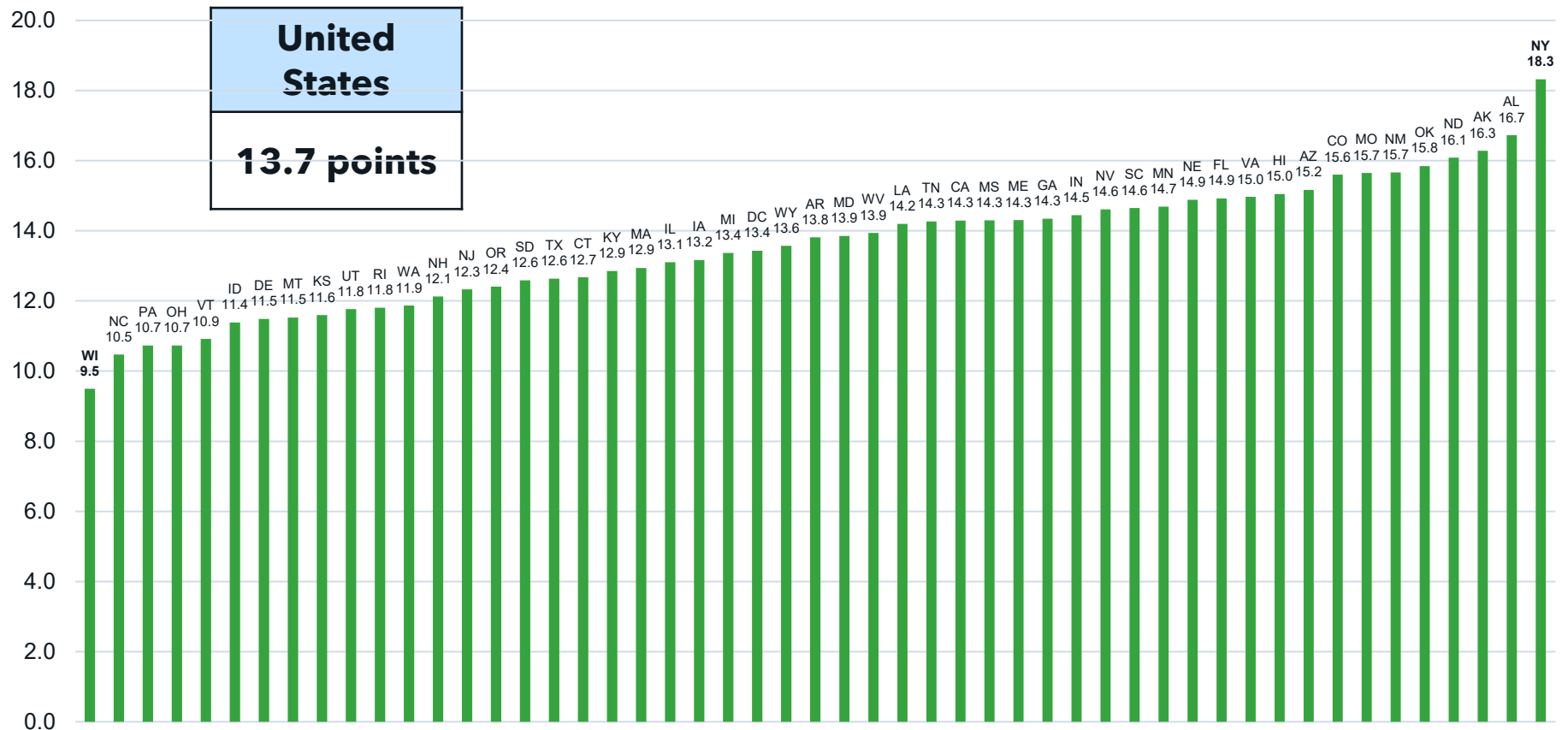
AVERAGE FINANCIAL WELL-BEING SCORES BY STATE, ADULTS AGES 62 AND OLDER



■ Statistically Higher
 ■ Statistically Similar
 ■ Statistically Lower

Source: CFPB analysis of 2021 NFCS State-by-State Survey data.

DIFFERENCE IN THE AVERAGE FINANCIAL WELL-BEING SCORE BETWEEN AGE GROUPS SORTED, 2021



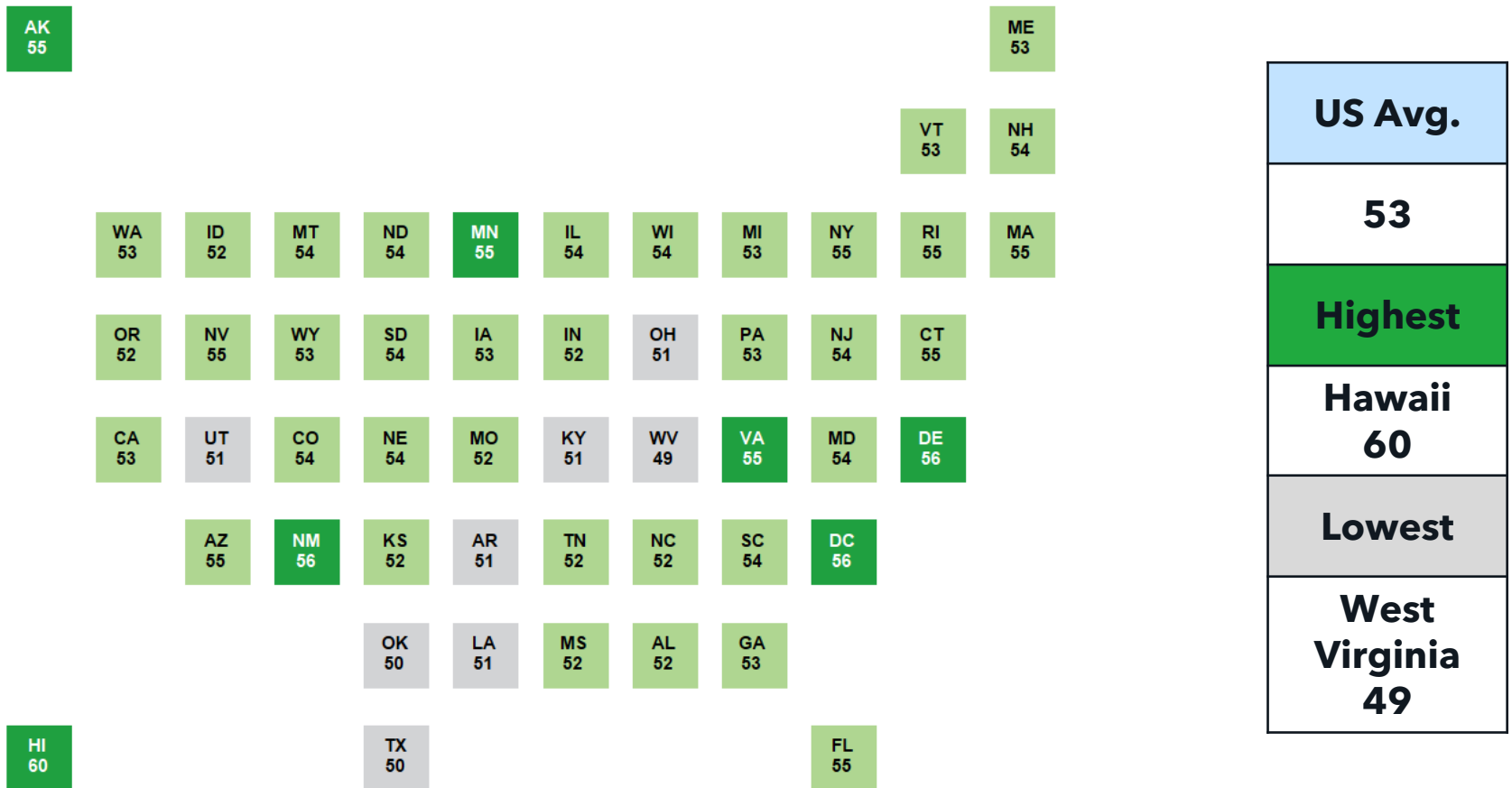
STATES WITH A SIGNIFICANT CHANGE BETWEEN 2018 AND 2021 IN THE AVERAGE FINANCIAL WELL-BEING SCORE BY AGE GROUP AND DIRECTION OF THE CHANGE

| Change | 18 to 61 | 62 and older |
|----------------------|----------------------|-------------------------|
| Significant increase | DE ID MT VT | AK CO FL GA MN NJ NY |
| Significant decrease | AL AZ CA MI NM WA | KY NH UT |

Findings

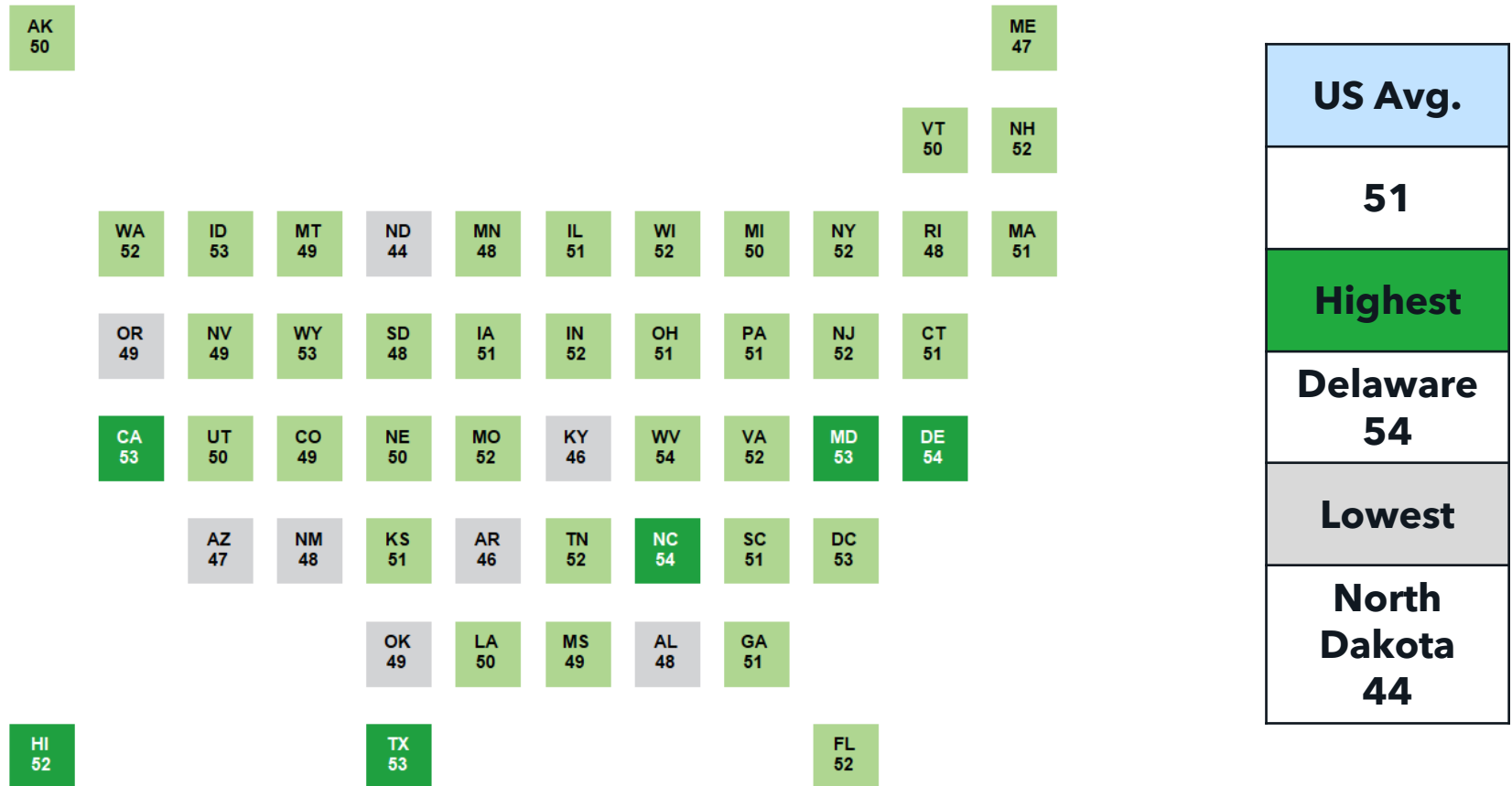
State differences by race and ethnicity

AVERAGE FINANCIAL WELL-BEING SCORES BY STATE, WHITE, NON-HISPANIC



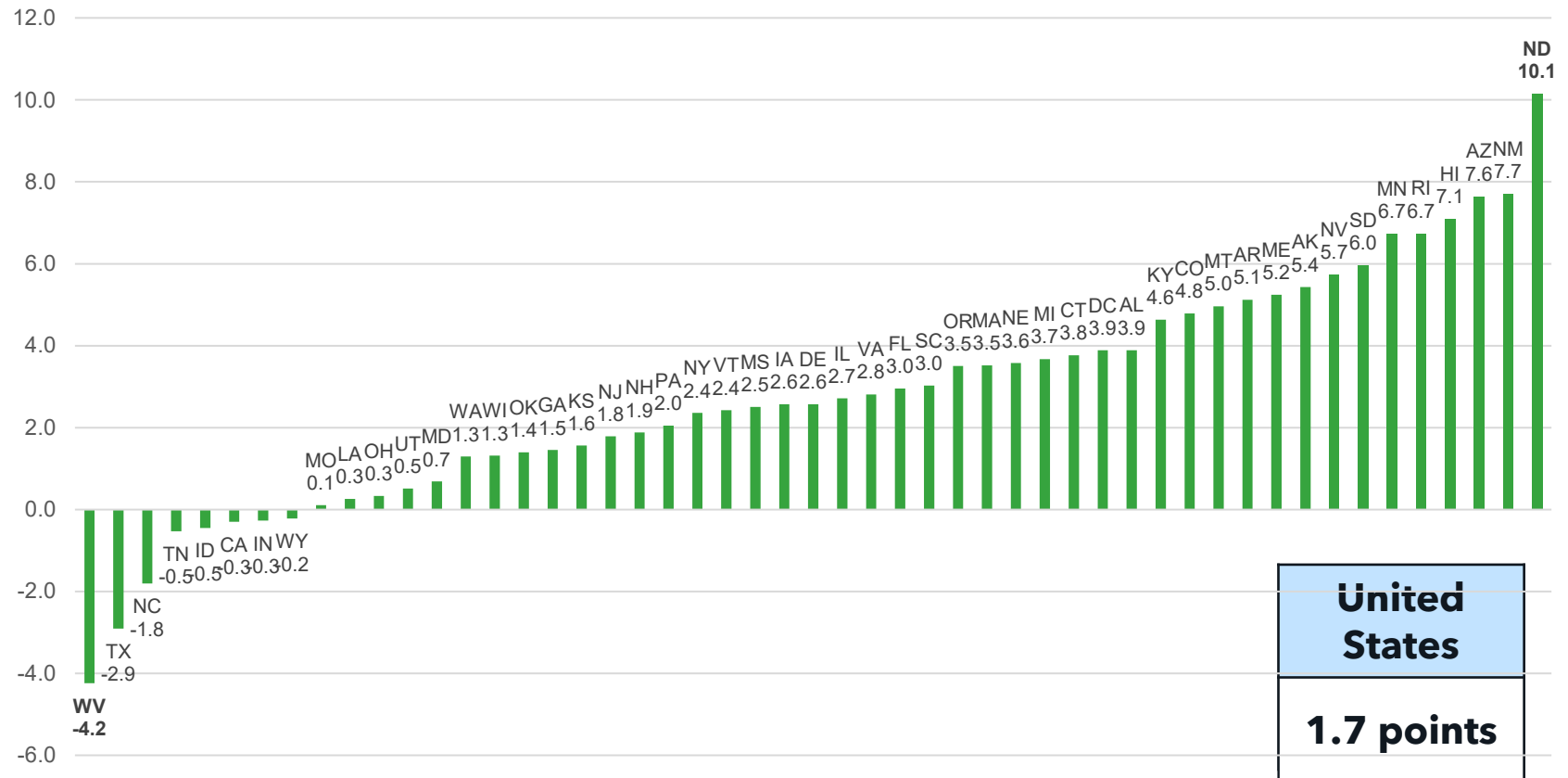
Source: CFPB analysis of 2021 NFCS State-by-State Survey data.

AVERAGE FINANCIAL WELL-BEING SCORES BY STATE, OTHER RACE/ETHNICITY



Source: CFPB analysis of 2021 NFCS State-by-State Survey data.

DIFFERENCES IN THE AVERAGE FINANCIAL WELL-BEING SCORE BETWEEN WHITE, NON-HISPANIC ADULTS AND ADULTS OF OTHER RACES/ETHNICITIES, 2021



STATES WITH A SIGNIFICANT CHANGE BETWEEN 2018 AND 2021 IN THE AVERAGE FINANCIAL WELL-BEING SCORE BY RACE/ETHNICITY AND DIRECTION OF THE CHANGE

| Change | White, non-Hispanic | Other Race/Ethnicity |
|----------------------|----------------------|-------------------------------|
| Significant increase | DE FL MN | CO DE KS LA NY PA TX WA WI |
| Significant decrease | AR CA LA OK TX UT | ND |

Findings

State economic and social conditions

RELATIONSHIP BETWEEN STATE MEDIAN HOUSEHOLD INCOME AND STATE'S AVERAGE FINANCIAL WELL-BEING SCORE, 2021

Correlation

0.6268*



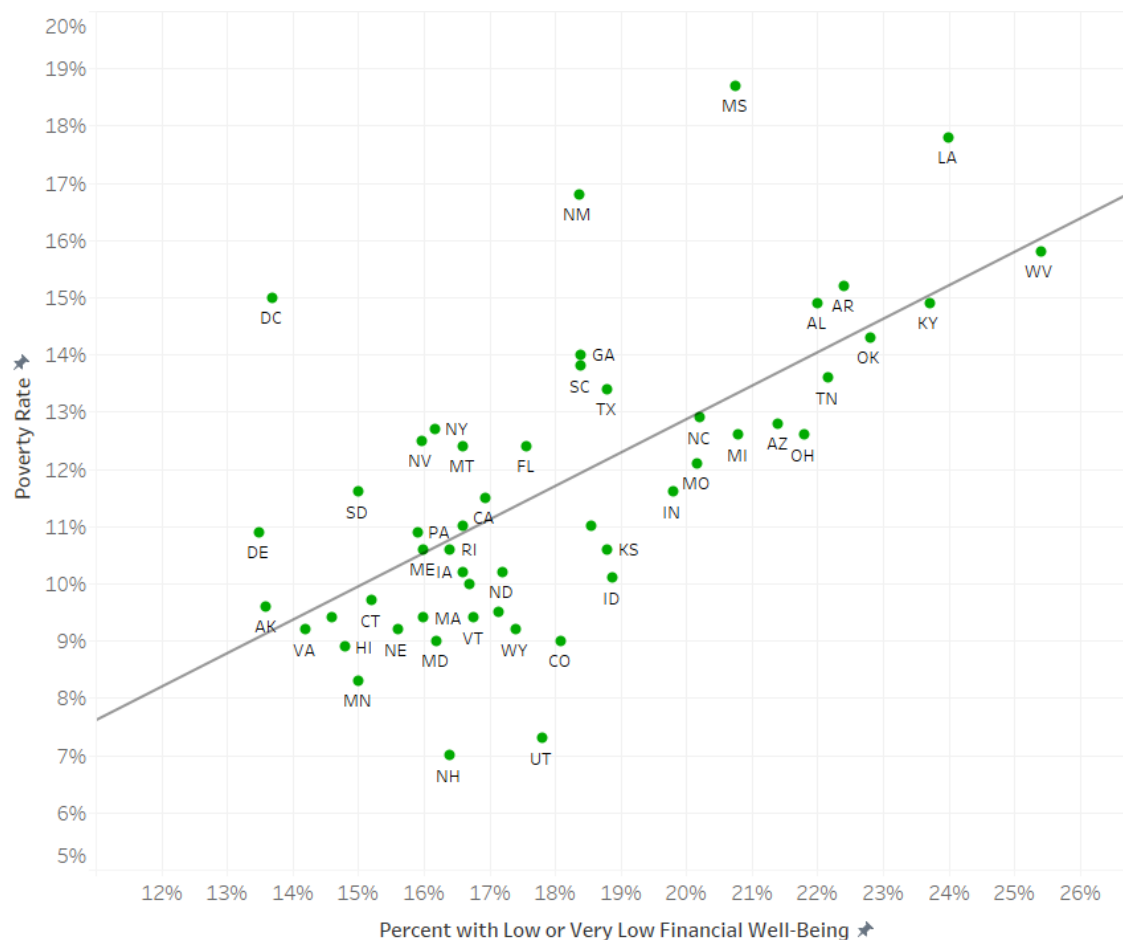
Consumer Financial
Protection Bureau

Source: CFPB analysis of 2021 NFCS State-by-State Survey data and U.S. Census Bureau
Note: Blue solid line shows the predicted linear relationship between the two variables.

PERCENT OF THE STATE POPULATION IN POVERTY AND PERCENT OF ADULTS (18 AND OLDER) WITH LOW OR VERY LOW FINANCIAL WELL-BEING SCORES

Correlation

0.6496*



Consumer Financial
Protection Bureau

Sources: CFPB analysis of 2021 NFCS State-by-State Survey data and U.S. Census Bureau Small Area Income and Poverty Estimates, 2020
Notes: Low and Very Low financial well-being scores range between 0 and 37.

CORRELATIONS BETWEEN FINANCIAL WELL-BEING SCORES AND MEASURES OF FINANCIAL LITERACY AND INCLUSION

| | (a) | (b) | (c) | (d) |
|---|------------|-----------|-----------|---------|
| (a) Average financial well-being | 1.0000 | | | |
| (b) Percent with low or very low financial well-being | -0.8376 ** | 1.0000 | | |
| (c) Financial knowledge (# correct answers) | 0.5252** | -0.5436** | 1.0000 | |
| (d) Percent using alternative financial services | -0.4647** | 0.6576** | -0.6615** | 1.0000 |
| (e) Percent unbanked | -0.723** | 0.4307** | -0.6145** | 0.374** |

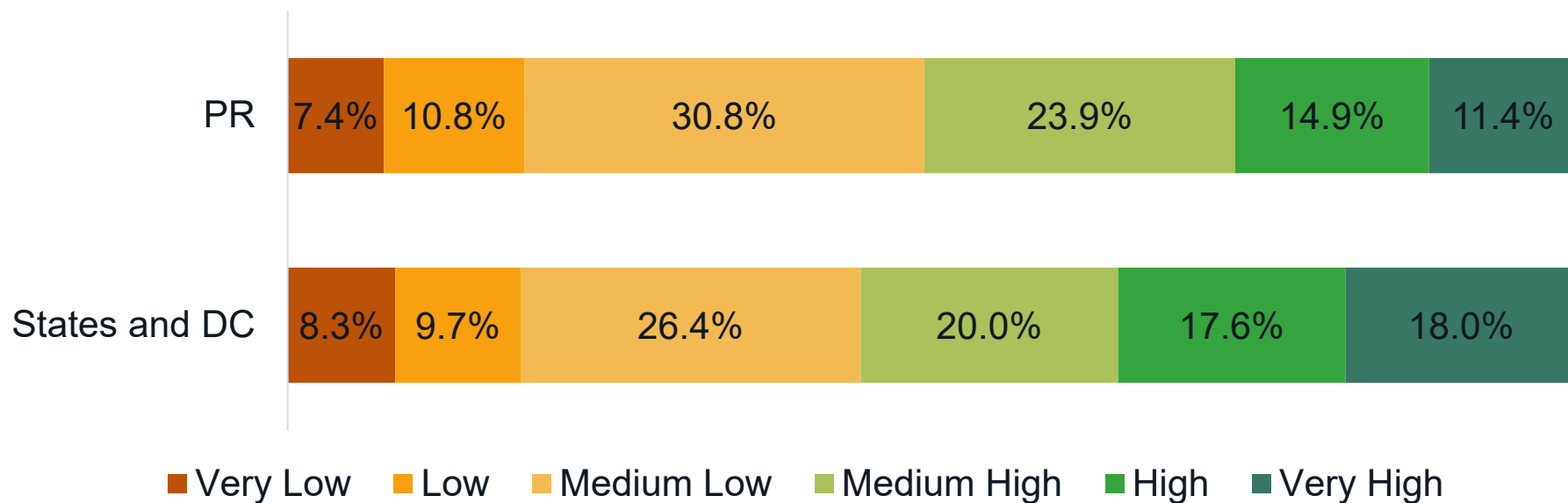
CORRELATIONS BETWEEN FINANCIAL WELL-BEING SCORES AND MEASURES OF HOUSING, HEALTH, AND EMPLOYMENT SITUATION

| | (a) | (b) | (c) | (d) |
|---|----------|-----------|---------|--------|
| (a) Average financial well-being | 1.0000 | | | |
| (b) Percent with low or very low financial well-being | -0.8376 | 1.0000 | | |
| (c) Housing cost burden | 0.4017* | -0.4612** | 1.0000 | |
| (d) Percent of adults with insurance coverage | -0.4172* | 0.3068* | -0.0874 | 1.0000 |
| (e) Unemployment rate | -0.0423 | -0.0819 | 0.5626 | 0.1408 |

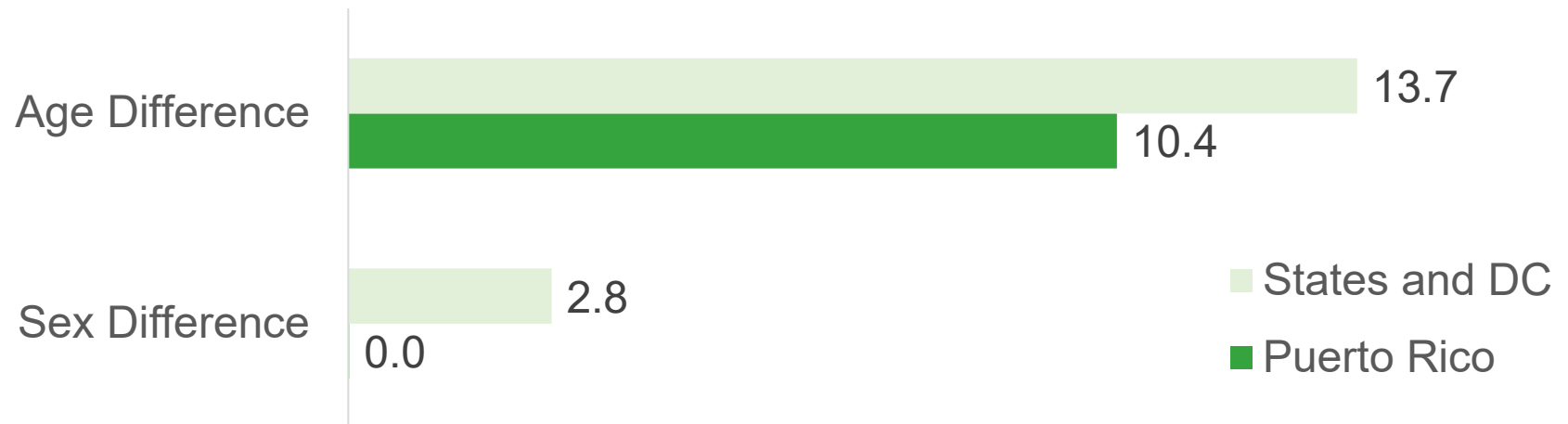
Findings

Financial well-being in Puerto Rico

PERCENT OF ADULTS AGES 18 AND OLDER BY FINANCIAL WELL-BEING SCORE RANGE, 2021



SEX AND AGE DIFFERENCES IN FINANCIAL WELL-BEING FOR PUERTO RICO AND THE STATES, 2021



Implications

Financial well-being in 2021

Financial well-being is experienced differently across states and in meaningful ways despite only 5 points separating the state with the highest average financial well-being from the state with the lowest financial well-being.

- In 14 states, one-fifth or more of the adult population of that state have *low or very low* financial well-being.

Changes from 2018 to 2021

- There are larger differences in financial well-being between states in 2021 than in 2018. Furthermore, 20 states show a decline in their financial well-being between 2018 and 2021.
 - This increasing variation and patterns in financial well-being across states is an indicator that the pandemic may have created disparities in people's experience of well-being across states.
 - This finding may indicate state's circumstances and responses to the pandemic also mattered in shaping people's financial experiences between 2018 and 2021.

Financial well-being and poverty

- The analysis shows that the percent of the population in *low* or *very low* financial well-being exceeds the percent of the population with incomes under 100 percent of the FPL.
 - The weak association between both measures highlights the limitations of using the poverty threshold as the sole measure of economic well-being of communities.

Disparities in financial well-being



- There are significant disparities in the experience of financial well-being across states and within each state as measured by the score of those with the lowest and those with the highest levels of financial well-being. This gap also increased between 2018 and 2021, and is reflected by age, sex, and race.
 - Examining the social and economic circumstances of these “exceptions” can enhance our understanding of the role that states can play in addressing disparities and inequities.

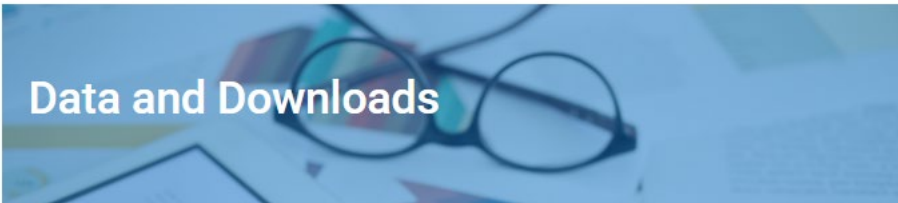
State economic conditions

- Important state economic and social circumstances, most notably their median income, health insurance coverage, and levels of financial inclusion, are positively correlated with their residents' financial well-being. At the same time, the analysis shows no association between the states' rates of housing burden and unemployment with their residents' financial well-being.
 - These findings suggest that policies can advance financial well-being but also mitigate the negative effects of some of these factors.

Resources

National Financial Capability Study Data

RESEARCH CENTERNEWSABOUT USCONTACT US




Data and Downloads


The FINRA Foundation makes data files for various components of the National Financial Capability Study (NFCS) available for download, free of charge. Select the survey of interest and download the zip file. Datasets are available in .dta, .csv, and .sav file formats. Note that datasets in .sav and .dta format have variable descriptions and value labels within the datasets for ease of use. All dataset zip file downloads include the above file formats, the respective codebook, questionnaire, and methodological information, including sampling and data collection practices.

NFCS State by State Survey


Examines the financial capability of over 25,000 U.S. adults across the nation, reaching at least 500 individuals per state, plus the District of Columbia.



- Download Report
- Download Data & Data Info
- Download Questionnaire
- Methodology



- Download Report
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- Methodology



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- Download Data & Data Info
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Explore the 2021 NFCS Through Interactive Web Visualizations

Delve into the 2021 NFCS highlights. [Learn more >>](#)

See how financial capability varies by U.S. state. [Read more >>](#)


Learn more about investors. [Explore the data >>](#)

Download the 2021 NFCS Report



[Download PDF >>](#)

Download the 2021 NFCS Investor Report





Consumer Financial
Protection Bureau

Available at:

<https://finrafoundation.org/knowledge-we-gain-share/nfcs/data-and-downloads>

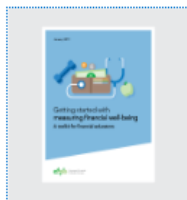
Financial well being hub

Financial well-being resources

Financial well-being is the ultimate goal of financial education. To help people improve their financial well-being, you first must be able to measure it.

Financial well-being describes a condition wherein a person can fully meet current and ongoing financial obligations, can feel secure in their financial future, and is able to make choices that allow them to enjoy life. It's determined by the extent to which people feel that they:

- Have control over day-to-day, month-to-month finances
- Have the capacity to absorb a financial shock
- Are on track to meet his or her financial goals
- Have the financial freedom to make the choices that allow one to enjoy life



Get started measuring financial well-being

The toolkit provides an introduction to the financial well-being scale, with instructions, case studies, and other resources.

[Download the toolkit for financial educators](#)

Measure and score financial well-being

The financial well-being scale is a free tool to help you measure your client's financial well-

FINANCIAL SKILL SCALE

Measure how well a person has developed three key skills that apply to money decisions.

[Read the report](#)

DATA ON FINANCIAL WELL-BEING IN AMERICA

Explore and download data from the 2016 national survey.

[View the data](#)

FINANCIAL WELL-BEING REPORTS

Catch up on background and research on the state of financial well-being and how people can improve it.

[Financial well-being in America](#)

[Financial well-being: The goal of financial education](#)

[Pathways to financial well-being](#)

Online version

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.

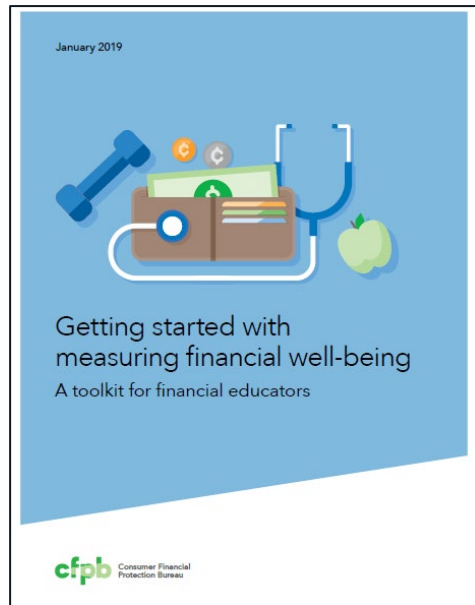


Interactive tool that allows consumers to:

- Answer the questions and get their score
- Find steps they can take to improve their financial well-being
- See how their score compares to other U.S. adults

consumerfinance.gov/financial-well-being

Financial well-being toolkit



A toolkit for financial educators:

- How to use the scale
- Case studies
- Benchmark tables
- Complementary resources

consumerfinance.gov/practitioner-resources/financial-well-being-resources/

Thank you!

If you have questions about this work, contact us at
FinancialEducation@cfpb.gov