

Report on the Economic Well-Being of U.S. Households in 2015 Overview

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ARTURO GONZALEZ. The Federal Reserve Board conducted its 3rd Annual Survey of Household Economics and Decisionmaking in October and November 2015. This survey focuses on individual consumers and gives us an opportunity to gather evidence on what people are thinking about on a wide range of activities in their financial and economic lives.

JEFF LARRIMORE. Overall, the well-being of individuals and their families expressed a mild improvement over that seen when we conducted the survey in the two previous years. 69 percent of respondents say that they are either living comfortably or doing OK financially, which is a 4 percentage point improvement over that which we saw in the 2014 survey, and is an even larger improvement over that seen when we asked these questions in 2013. These improvements are observed across a number of aspects of individual's financial lives in the survey, including preparedness for a modest financial disruption. When people are faced with a \$400 emergency expense, we find that 46 percent of consumers either wouldn't be able to cover such an expense but they say they would do so by borrowing money or by selling something. This is still a sizable fraction of the population but it does represent a slight improvement over that which we saw when we asked the same question in previous years.

ARTURO GONZALEZ. The survey results also highlight concerns that recent improvements and financial well-being may not be felt universally. When looking at who says their well-being improved over the past year, we find that those with less education and those who were struggling financially in 2014 are the least likely to say that their financial situation is getting better.

JEFF LARRIMORE. There's also evidence in the survey that there are characteristics of individuals that make them more susceptible to various financial challenges. For example, low-income individuals are likely to say that they're struggling to save for retirement. Looking at retirement savings by income, 94 percent of respondents with a family income of over \$100,000 reported to have at least some retirement savings. 82 percent of those making between \$40,000 and \$100,000 per year have some retirement savings. But among respondents who are making under \$40,000 a year, only 44 percent say they have any retirement savings at all. The SHED results also show stark differences in asset holdings across different races and ethnicities. And these differences go beyond that which can be explained purely by current income. Non-Hispanic Black and Hispanic adults are less likely to own a home, to own a car, to have three months emergency savings, to cover a \$400 emergency expense without borrowing, or to have any retirement savings. We also find in the survey that they're less likely to have acquired human capital assets as they reported substantially lower rates of completing a bachelor's degree than we see among White respondents.

ARTURO GONZALEZ. The results of the 2015 Survey of Household Economics and Decisionmaking offer reasons for optimism and concern about the financial well-being on U.S. families. Aggregate level results for the population show signs of improvement across a number of dimensions. The most recent results indicate that individual's financial picture is similar to or better than it was in the two years earlier. But they also highlight some other areas where individuals may not feel that they are fully benefiting from recent economic growth.