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## **7<sup>TH</sup> ANNUAL SAVINGS SURVEY REVEALS PERSISTENCE OF FINANCIAL CHALLENGES FACING MOST AMERICANS**

### *America Saves Week Mobilizes Organizations to Address Savings Challenges*

Washington, DC – The 7<sup>th</sup> annual national survey assessing household saving, released today as part of America Saves Week, revealed that, despite the economic recovery, most Americans continue to face significant personal savings challenges. When asked if they were making progress in meeting their savings needs, only about one-third (35%) said they were making “good” or “excellent” progress while nearly two-thirds (63%) said they were making only “fair” or “no” progress.

Stephen Brobeck, Executive Director of the Consumer Federation of America and a founder of America Saves, noted: “Only about one-third of Americans are living within their means and think they are prepared for the long term financial future. One-third are living within their means but are often not prepared for this long term future. And one-third are struggling to live within their means.”

### **Most Americans Meeting Immediate Financial Needs But Worse Off Than Several Years Ago**

While only about one-third of Americans feel prepared for their long term financial future, a much larger percentage say that they are at least paying their bills and saving a little. About two-thirds (68%) reported that they are spending less than their income and saving the difference. This figure was up from 65 percent in 2013 though much lower than the 73 percent in 2010.

Moreover, nearly two-thirds of respondents (64%) said that they “have sufficient emergency savings to pay for unexpected expenses like car repairs or a doctor visit”, and about three-quarters (76%) said that they are reducing their consumer debt, or are consumer debt-free. These two numbers are about where they were last year, though they are lower than in 2010 when 71 percent said they had sufficient emergency savings and 79 percent said they were reducing consumer debt or were consumer debt-free.

These and other survey numbers reveal the continuing struggles of the American middle class. While unemployment rates have come down, unemployment and underemployment rates are still relatively high. More importantly, real wages have been stagnant, and fewer middle class families are building wealth successfully through homeownership. The proportion of respondents who said they “are building equity in their home or other property” declined from about two-thirds (68%) in 2010 to little more than half (54%) this year. And the proportion of

those homeowners who said they expect to pay off their mortgage debt before they retire fell from over nearly four-fifths (78%) in 2010 to only about two-thirds (68%) today.

One factor in this decline may be the decreasing percentages who said they have saving and spending plans. The proportion of those with a “savings plan with specific goals” slipped from 55 percent in 2010 to 54 percent in 2013 to 51 percent in 2014. The proportion of those with a spending plan which allows sufficient saving declined from 46 percent in 2010 to 43 percent in 2013 to 40 percent in 2014. “As numerous studies have shown, those with a plan save much more effectively than those without one,” noted Dallas Salisbury, EBRI CEO and President and Chairman of ASEC.

### **Sharp Differences Between Middle Class Households With Incomes Above and Below \$50,000**

There are also some noticeable differences between, lower middle class Americans (\$25,000-\$50,000 annual household incomes), on the one hand, and middle and upper middle class Americans (\$50,000-\$100,000 annual household incomes).

	\$25k-\$50k	\$50k-\$75k	\$75k-\$100k
Spend less than income, save difference	69%	82%	81%
Reduce consumer debt or debt-free	78	88	91
Sufficient emergency fund	63	82	85

As the table above suggests, there are few differences in saving characteristics between households with \$50,000-75,000 incomes and those with \$75,000-\$100,000 incomes, yet pronounced differences between both these groups and the roughly one-quarter of Americans in households with incomes of \$25,000-\$50,000. “The group hit the hardest by the Great Recession and its aftereffects have been moderate income households,” noted CFA’s Brobeck. “The rest of the middle class was not damaged as severely, and lower income households were protected somewhat by the social safety net,” he added.

“Individuals continue to become more realistic about the need to save and plan themselves, rather than assume it will be done for them,” noted EBRI’s Salisbury. “Increased knowledge about the Social Security and Medicare programs, as well as the potential costs of Long Term Care, and longevity risks, continue to dampen expectations for an early and golden retirement.”

The survey was released the first day of America Saves Week, an annual event where government, business, and non-profit organizations at the local, state, and national levels work together to promote good savings behavior. America Saves, managed by the Consumer Federation of America (CFA), and the American Savings Education Council (ASEC), managed by EBRI, coordinate this effort. These organizations commissioned the survey, undertaken by ORC International, of a representative sample of 1,018 adult Americans using split-sample (landline and cell) phone interviews January 30-February 2. The margin of error is plus or minus three percentage points.

### **Almost 1,800 National, State, and Local Organizations Join 8<sup>th</sup> Annual America Saves Week to Encourage and Assist Personal Saving**

America Saves Week, in conjunction with Military Saves Week, is an annual opportunity for organizations – non-profits, government agencies, financial institutions, and employers – to join together to encourage individuals and families to take financial action. “To help individuals and families keep track of their saving progress, we have launched a new interactive Assess Your Savings Plan tool that motivates people to review their current savings strategies and find new ways to save,” said Nancy Register, America Saves Director and CFA Associate Director. “America Saves Week is the perfect opportunity for individuals to use our new tool to quickly review their savings situation by answering a simple series of yes/no questions and receive information to help them create a successful savings plan.”

“Savings isn’t something you do once a year, or one week out of the year. However, America Saves Week gives us all a chance for a renewed focus not only on why it’s important to save, or to establish goals for saving, but the role that savings plays in helping us achieve our individual needs and goals,” said Nevin Adams, Director of the American Savings Education Council. “America Saves Week is a great time to revisit or establish those goals – and to start saving, or start saving more.”

Almost 1,800 organizations have signed up to participate in the week including Wiley College, the city of Hattiesburg, Mississippi, Department of Defense, Transamerica, the United States Department of Agriculture /National Institute of Food and Agriculture, and Philadelphia Saves.

Wiley College will host a variety of events for America Saves Week, including financial education sessions and classroom discussions as well as fun activities. Faculty and staff will help inspire students by taking the pledge to save. Faculty members will also devote 15 minutes in their classes to talk to students about the importance of saving for now and for the future. “Wiley College is pleased for the fifth year to participate in America Saves Week,” said Joseph L. Morale, Vice President for Student Affairs and Enrollment Services. “We are proud to be the first historically black college to partner with America Saves to raise awareness on our campus about the importance of establishing and maintaining good saving and spending practices.”

Hattiesburg, Mississippi Mayor Johnny L. DuPree is promoting community events scheduled throughout America Saves Week, including an Individual Development Accounts’ Client Summit, Lunch and Learn Savings Education Seminars, a Credit Workshop for Parents, and an all-day Homebuyers Seminar. Mayor DuPree said, “I and several partners of the Mayor’s Financial Education Initiative, an initiative that has already helped families pocket millions of dollars in tax refunds, are on board and eager to create awareness of the America Saves Campaign, as well as local efforts to grow the economy.”

This is the eighth year that the Department of Defense has had an active role in America Saves Week. “Since that first year, Military Saves Week – as we know it in the military community – has become an important annual event, and the response from our service members and their families has grown each year,” said Barbara Thompson, Director, Office of Family Policy/Children and Youth, Office of the Secretary of Defense. “The Department of Defense offers a range of tools and services, including personal financial counselors, to help service members and their families set a goal, make a plan and save automatically.”

Transamerica Retirement Solutions has several events planned for America Saves Week, including a Facebook promotion centered on uncovering ways to save and a daily savings tip on social media accounts. For retirement plan participants and plan sponsors, Transamerica will be highlighting America Saves Week through an email campaign in addition to an internal promotion to motivate employees to take action and save more for retirement. “We strongly believe every U.S. worker deserves to retire with confidence,” said Stig Nybo, President, Pension Sales and Distribution, Transamerica Retirement Solutions. “Every day, we help more than three million retirement plan participants save and invest wisely to secure their retirement dreams.”

Throughout the nation, Cooperative Extension educators are delivering programs to actively engage Americans to heed the America Saves Week theme: Set a Goal. Make a Plan. Save Automatically. “Cooperative Extension Educators program efforts are expanded by collaborating with partners and volunteers including financial institutions, government agencies, and educational organizations to reach potential savers with innovative methods such as the America Saves Financial Challenge, Twitter Chats, and face-to-face programs for consumers,” said Susan S. Shockey, National Program Leader, Family and Consumer Economics, National Institute of Food and Agriculture /USDA. “The goal is to encourage Americans to take part in America Saves Week and, even more importantly, to start or increase their saving.”

In 2003, Philadelphia Saves launched in collaboration with many partners – The Federal Reserve Bank of Philadelphia, financial institutions, nonprofits, community groups and others who shared the common bond – understanding that savings was a critical piece of the financial puzzle. Philadelphia Saves Founding Coordinator and President of Clarifi Patricia A. Hasson said, “To keep savers motivated we are working on a number of activities scheduled for America Saves Week and the rest of 2014, including holding five webinars with Pennsylvania Treasury and their PA529 program during the week, launching a social media campaign to promote America Saves Week and the importance of saving by having people share what they’re saving using the #(hashtag) whyIsave, and providing financial education programs and tools with Wells Fargo to help Military Personnel, their families and others reach their savings goals.”

Learn more at [americasavesweek.org](http://americasavesweek.org)

Download an infographic of the survey: <http://americasavesweek.org/images/asinfog2014.jpg>

Visit the Assess Your Savings tool: <http://americasavesweek.org/for-individuals/assess-your-savings-progress>

*America Saves, a campaign managed by the nonprofit Consumer Federation of America, uses the principles of behavioral economics and social marketing to motivate, encourage, and support low- to moderate-income households to save money, reduce debt, and build wealth. America Saves encourages individuals and families to take the America Saves pledge and organizations to promote savings year-round and during America Saves Week. Learn more at [americasaves.org](http://americasaves.org) and [americasavesweek.org](http://americasavesweek.org).*

*American Savings Education Council (ASEC), managed by the Employee Benefit Research Institute (EBRI), is a nonprofit national coalition of public- and private-sector organizations undertaking initiatives to raise public awareness about what is needed to ensure long-term personal financial independence. [www.choosetosave.org/asec/](http://www.choosetosave.org/asec/).*