Center for
Financial Services Innovation

Understanding and Improving Consumer Financial Health in America

The Center for Financial Services Innovation (CFSI) is the nation's authority on consumer financial health. CFSI leads a network of financial services innovators committed to building a more robust financial services marketplace with higher quality products and services. Through its Compass Principles and a lineup of proprietary research, insights and events, CFSI informs, advises, and connects members of its network to seed the innovation that will transform the financial services landscape.

Center for Financial Services Innovation
20 N. Clark, Suite 1950
Chicago, IL 60602
312.881.5856

For more on CFSI, visit our website and join the conversation online:
www.cfsinnovation.com
@CFSInnovation
/CFSInnovation

Authors

Aliza Gutman, Director
Thea Garon, Senior Analyst
Jeanne Hogarth, Vice President
Rachel Schneider, Senior Vice President

Many members of the CFSI staff contributed to this work, including Kimberly Gartner, Stacy Huston, Sarah Parker, Josh Sledge, Jennifer Tescher, John Thompson, and Elizabeth Vivirito.

Acknowledgements

We are deeply grateful for the engagement and contributions of the organizations that made this work possible.

The Consumer Financial Health Study benefited from guidance and generous financial support from Ford Foundation and MetLife Foundation. The Consumer Financial Health Study also benefited from generous financial support from American Express.

Experian® [1] and LexisNexis® [2] Risk Solutions provided in-kind support to facilitate inclusion of objective measures of creditworthiness (VantageScore® credit score and RiskView™ score, respectively) into this study.

The opinions expressed in this report are those of CFSI and do not necessarily represent those of our funders.

External Reviewers

J. Michael Collins (University of Wisconsin-Madison) and Don Dillman (Washington State University) provided valuable reviews of the survey instrument as it was developed.

Max Schmeiser (Senior Economist in the Microeconomic Surveys Section at the Federal Reserve Board) reviewed an early draft of this paper and provided valuable feedback.

[1] Experian® and the Experian marks used herein are service marks or registered trademarks of Experian Information Solutions, Inc.
VantageScore® is a registered trademark of VantageScore Solutions, LLC.

[2] LexisNexis is a registered trademark of Reed Elsevier Properties Inc., used under license. RiskView is a trademark of LexisNexis Risk Solutions FL Inc.

Table of Contents

This report, first published in March 2015, has been updated to include revised calculation methodologies for two debt ratios: non-mortgage debt-to-income ratio and financial obligation ratio. The figures that were updated are noted throughout the paper.

Executive Summary

The Center for Financial Services Innovation (CFSI) has an ambitious goal: to improve the financial health of Americans, with a focus on those who are struggling and underserved. Financial health is achieved when an individual's day-to-day financial system functions well and increases the likelihood of financial resilience and opportunity.

For over ten years, CFSI has conducted original research to develop a deep understanding of the needs of underserved consumers; convened cross-sector groups to identify best practices; invested in financial technology and nonprofit innovation; and advised financial services providers on strategy and product development. The concept of financial health reflects an evolution in thinking about how to serve Americans who are struggling with their finances—a group sometimes referred to as "unbanked" or "underbanked." While the terms un- and underbanked were effective at raising awareness of the challenges these consumers faced, and helped to galvanize financial service providers and policymakers to take notice, the labels have outlived their usefulness. Focusing on positive financial outcomes for Americans—financial health—can transform product design and policy development. Understanding the drivers of financial health can shed light on the ways in which consumer behavior and decisionmaking, policy design, government and nonprofit social services, and high-quality financial products that are aligned with CFSI's Compass Principles can create increased opportunities for consumer success.

Establishing and maintaining financial health requires individual persistence, a supportive economic environment, availability of robust social services, and access to high-quality financial products and services. For policymakers, consumer advocates, and other public leaders, supporting consumer-focused policies that enable financial health will result in macroeconomic benefits. Financial service providers have an opportunity to gain a competitive advantage by committing to understanding, measuring, and helping to improve consumers' financial health. High-quality products and services that help consumers make better financial decisions, retain greater control over their money, and plan for the future, are important tools for achieving financial health. For-profit and nonprofit providers that successfully address consumers' needs will be able to acquire new customers and better serve existing ones. They will be poised to reap the rewards of satisfied customers, including long-term loyalty and the associated revenue that comes with this loyalty. Investing in consumers' financial health is fundamentally a sound business decision; there is no better way to build a successful franchise than to offer products and services designed to promote financial health.

To assess the current state of financial health in America and to glean insights that can inform cross-sector efforts to improve consumer outcomes, CFSI designed and commissioned a nationally representative survey focused on consumers' financial behaviors, attitudes, and preferences. CFSI's Consumer Financial Health Study includes this survey and a segmentation analysis that groups individuals based upon patterns of responses to a range of survey questions corresponding with subjective and objective indicators of financial health. This report explores the resulting financial health segmentation and puts forth a number of consumer insights from this survey and recommendations that draw upon CFSI's decade of experience in this field to help policymakers, social services agencies, and financial service providers better serve the millions of Americans who are struggling financially.

Key Findings:

1. More than half of the U.S. population is struggling financially.

Fifty-seven percent of American adults—approximately 138 million—are struggling financially. This proportion is larger than the population categorized as "unbanked" or "underbanked," which underscores how widespread the consumer challenges and business opportunities are. These individuals are struggling, to varying degrees, with managing their day-to-day financial lives, establishing a cushion for financial resilience, and positioning themselves for financial security and mobility.

This finding highlights the significant opportunity for financial service providers to address unmet needs in the market with high-quality products and services. Designing products that promote consumer financial health will help providers better serve their existing customers and acquire new ones.

2. Consumers' behaviors and attitudes within segments are consistent across the core elements of financial health.

The segments in the Financially Healthy tier tend to exhibit positive behaviors, attitudes, and outcomes across all elements of financial health; the Financially Coping segments tend to display more moderate behaviors, attitudes, and outcomes; and the Financially Vulnerable segments tend to have the least healthy behaviors, attitudes, and outcomes. At the outset of this study, CFSI had several hypotheses about what the outcome of this analysis might be. Perhaps one segment would excel in day-to-day financial management with little preparation for financial shocks or opportunity; while another segment would be equipped to deal with unforeseen expenses, but would not plan or save for the future; while another segment would excel in all three core elements of financial health. Another possibility was that some segments would excel in certain indicators (like keeping up with bills), while exhibiting less healthy behaviors in other indicators (such as debt management).

This finding underscores the interrelatedness of the different components of financial health; managing one's day-to-day financial life is intimately connected to building a financial cushion for the future and being well-positioned to seize opportunities to achieve financial security and mobility. Whether providers sell a single product or a suite of services, they have an opportunity to assess whether their offerings facilitate day-to-day activities that support, or detract from, customers' capacity to be resilient and achieve their financial aspirations. Understanding a product's impact on financial health can help providers better communicate the consumer value proposition and further enhance their products to address customer needs.

3. While income significantly influences financial health, consumer behaviors—particularly those related to planning ahead and saving—also have a significant impact on consumers' financial health segment.

Holding income and other demographic and behavioral variables constant, consumers who plan ahead for large, irregular expenses are ten times as likely to be in a Financially Healthy segment compared with those who do not, and those who have a planned savings habit are four times as likely to be in a Financially Healthy segment compared with those who do not.

These findings suggest that, while increased income might help, a consumer's financial health might also improve with the adoption of beneficial financial habits, even if income stays the same.

4. The financial services community—from policymakers to nonprofit organizations to financial institutions—has an opportunity to help consumers adopt and sustain behaviors that contribute to improved financial health.

The financial health segmentation highlights distinct clusters of behaviors, attitudes, and financial circumstances. The Financially Coping and Financially Vulnerable segments have both significant need for and potential to benefit from: products and services that are designed for consumer success; increased access to, awareness of, and help leveraging high-quality products and services; and policies that incentivize struggling households to maintain positive habits and that create an environment in which consumers can improve their financial health.

Understanding consumers' pain points, how segments currently behave, and how they use different financial products, provides a foundation for targeted product design and marketing, enhanced nonprofit programming, and consumer-focused policymaking.

This is CFSI's first extensive report exploring what it means to be financially healthy in America. CFSI will continue to analyze data from the Consumer Financial Health Study and to release additional findings and recommendations. CFSI will also build upon this foundational body of knowledge in the coming years by developing financial health metrics, testing products' impact on financial health, and exploring the connection between improved customer outcomes and provider profitability.

But we cannot do this alone. Improving Americans' financial health will require commitment, creativity, collaboration, and investment from all members of the financial ecosystem, including policymakers, consumers, nonprofit organizations, and financial service providers. CFSI invites you to join us in this endeavor.

I. Introduction

Financial health, like physical health, is necessary to lead a fruitful and productive life. Financial health means that an individual's day-to-day financial system functions well and increases the likelihood of financial resilience and opportunity. There are three core elements of financial health:

- **Smooth and effective management of one's day-to-day financial life**
- **Resilience in the face of inevitable ups and downs**
- **The capacity to seize opportunities that will lead to financial security and mobility**

A sound financial present is connected to a better financial future. Just as people who eat balanced diets today are more likely to avoid heart disease and other physical ailments later in life, people with reasonable debt today, for example, are more likely to avoid bankruptcy, build wealth, and plan for retirement.

Like physical health, financial health is not a one-time result that can be achieved and then ignored. Rather, it must be cultivated over time. Establishing and maintaining financial health requires individual persistence, a supportive economic environment, availability of robust social services, and access to high-quality financial products and services. Public policy can create an environment that is conducive to opportunity and mobility. Social services can provide critical support, skill-building, and resources for communities that are vulnerable or underserved. Financial tools can help consumers make better financial decisions, retain greater control over their money, and plan for the future. Leveraging technology, smart design, and learnings from behavioral economics and financial capability, products and services can help consumers manage their financial lives more easily, conveniently, and affordably.[2]

CFSI's Compass Principles are guidelines for the U.S. financial services industry for building high-quality products. Financial services that are designed to Embrace Inclusion, Build Trust, Promote Success, and Create Opportunity will position consumers to achieve lasting financial health. At the heart of the Compass Principles is a commitment to mutual success in the customer-provider relationship. By approaching each customer interaction as an opportunity to build a lasting relationship, providers can successfully and profitably design products and services that align provider success with customer satisfaction.[3]

Investing in consumer financial health represents an immense opportunity for for-profit and nonprofit financial service providers to address unmet needs in the market. At 57 percent of the country, the number of Americans struggling with their financial health is significant. Designing products and services that meet the needs of these consumers will allow providers to acquire new customers and better serve existing ones. Well-served and satisfied customers drive increases in retention rates, lifetime values, and net promoter scores, as well as other financial and non-financial rewards. Investing in consumers' financial health is fundamentally a sound business decision; there is no better way to build a successful franchise than to offer products designed to improve customers' financial health.

Just as doctors measure patients' physical health outcomes to provide better treatments, the financial services community has an opportunity to measure customer financial health outcomes to design better policies and products. CFSI's Consumer Financial Health Study is the first component of a major initiative that includes developing a set of financial health measurement tools. This effort complements and builds upon other financial industry thought leadership including the Consumer Financial Protection Bureau's (CFPB) work to define and measure financial wellbeing, and the Federal Reserve Board's Survey of Household Economic Decision-making which aims to better understand the financial state of U.S. households.[4] Understanding the drivers of financial health can shed light on the ways in which consumer behavior and decisionmaking, policy design, government and non-government social services, and high-quality financial products can create increased opportunities for consumer success.

[2] While financial literacy refers to what you *know* and financial capability captures what you *do*, financial health refers to what you *achieve*.

[3] For more on the Compass Principles, visit CFSI's website.

[4] The CFPB defines financial wellbeing as having controls over day-to-day and month-to-month finances; having capability to absorb a financial shock; being on track to meet financial goals; and having the financial freedom to be able to make the choices that allow one to enjoy life. See also the Federal Reserve Board's Survey of Household Economic Decisionmaking. For more on other work related to consumer financial health, see Appendix A.

II. Methodology

The Survey

To better understand the current state of financial health in America and consumer challenges, CFSI commissioned GfK, a global market and consumer research firm, to deploy the Consumer Financial Health Study's nationwide survey, leveraging GfK's KnowledgePanel®.[5]

The survey was fielded from June to August 2014, yielding 7,152 responses. The sample is comprised of adults (18 and older) residing in the U.S. at all levels of the income spectrum; consumers with annual incomes under $50,000 were over-sampled to provide a robust set of data on consumers in the lower half of the income distribution. This sampling methodology reflects CFSI's focus on consumers who are struggling financially and anticipates data requirements for ongoing and deeper analysis. All data contained in this report has been weighted back to the total U.S. population to ensure that it is nationally representative.

Depending upon the nature of the survey question, some questions were asked at the household level and some questions were asked at the individual level.[6] The terms "households" and "individuals" are both used throughout this report, in accordance with how the question was phrased.

Financial Health Indicators

CFSI developed a set of subjective and objective indicators to accompany its definition of financial health and provide an initial framework for assessing financial health (Table 1). The development of the indicators was informed by financial industry research, and the survey instrument was designed to provide insight into these indicators—patterns within core elements of financial health, across the core elements, and the interplay with financial products and services. The combination of data points across indicators, combined with the context about an individual's life stage and circumstances, provides an overall picture of financial health.

Table 1: Financial Health Indicators

Smooth and effective management of day-to-day financial life		
• Receives enough income to equal or exceed expenses • Pays bills on time and avoids late fees (and other negative consequences of late payment) • Is able to pay off debt balances	• Has an acceptable monthly debt service to income ratio • Is aware of financial situation and status • Plans ahead for large, irregular expenses	• Has access to financial services and advice to manage financial life • Is satisfied with current financial condition • Has an acceptable level of financial stress • Is confident in ability to meet short-term goals
Resilience in the face of life's inevitable ups and downs		
• Builds savings and achieves short-term savings goals • Owns appropriate insurance policies (property, life, and health)	• Has a diverse safety net, including an emergency fund and access to affordable credit or a social network	• Is able to recover from financial problems • Perceives self as in control of financial matters
Capacity to seize opportunities leading to financial security and mobility		
• Saves regularly • Has a retirement plan and saves for retirement • Keeps total indebtedness at a manageable level	• Maintains a positive credit profile • Stays on track to meet long-term savings goals • Has the means to improve human capital (education or training as needed)	• Has an acceptable tolerance for risk • Plans ahead for the medium- and long-term • Is confident in ability to meet long-term goals

[5] For more information about the survey instrument, GfK and KnowledgePanel, see Appendix A.

[6] A household was defined as "you and others living with you, who either contribute financially to the home or for whom you are at least partially financially responsible."

Consumer Financial Health Segmentation

To identify and understand patterns among the financial health indicators, CFSI partnered with GfK to conduct a segmentation analysis. Survey questions meeting the following criteria were selected for inclusion in the segmentation model: (a) questions corresponding to each of the three core elements of financial health (day-to-day management, financial resilience, and opportunity); (b) questions providing strong differentiation among consumers; and (c) questions that were asked to all respondents.[7] The resulting segmentation is based upon respondents' patterns of responses across the subset of survey questions, listed in Table B.1.

III. Financial Health Segmentation Overview

The seven consumer segments derived from the segmentation analysis are grouped into three tiers corresponding with their overall level of financial health.[8] Demographic variables were not included as variables in the segmentation model because the objective of the segmentation was to understand patterns among financial behaviors, attitudes, and circumstances. As a result, each of the segments has a diverse demographic composition. Instances where the segments skew toward one demographic group or another are highlighted in the descriptions below; the detailed data are available in Table E.1.

Financially Healthy

The three Financially Healthy segments tend to do well across all indicators of financial health. Individuals in these segments are able to manage their day-to-day financial lives; they have a significant financial cushion in case of an emergency; and they are better positioned to seize financial opportunities. They demonstrate the highest rates of checking account, savings account, and credit card ownership of all segments (Table E.2 and Figure N).

- **Financially Thriving** (12.2 percent):[9] These individuals have the highest mean income, the most savings, the lowest non-mortgage debt, and the second-longest outlook for saving for the future (Tables E.1 and Figure A). They are more likely to be older, white, male, and married; to have a bachelor's degree or higher; and to be retired, with no children living at home (Table E.1).
- **Financially Focused** (14.9 percent): These individuals stand out among all segments for having the most long-term outlook for saving for the future; 100 percent say that their most important time frame for saving for the future is five years or more. They have the second-highest mean income, sizeable savings, and moderate debt—the highest non-mortgage debt load of the three Healthy segments (Table E.1 and Figure A).[10] They are more likely to be middle-aged, white, male, and married; to have a bachelor's degree or higher; and to be working (Table E.1).[11]
- **Financially Stable** (16.4 percent): While the other Healthy segments tend to have a long-term savings outlook, these consumers are more focused on saving for the next few years; in contrast to the Focused segment, none of the Stable segment indicate that their most important time frame for saving for the future is five years or more. They have the third-highest mean income, sizeable savings, and manageable debt (Table E.1 and Figure A). This segment contains several sub-segments that are demographically distinct but share similar financial behaviors and attitudes. The largest sub-segment is comprised of individuals who are older, white, married, and retired, with no children living at home. However, this segment also contains a sub-segment of full-time students that is distinct from the population of retirees (Table E.1).[12]

Financial Health Tiers & Segments

Healthy			Coping		Vulnerable	
Thriving	Focused	Stable	Striving	Tenuous	Unengaged	At Risk

[7] Due to survey skip logic, some questions were only asked to a subset of respondents; these questions were not eligible for inclusion in the segmentation model.

[8] The segments were not scored using a quantitative index. Rather, the tier groupings and the segment names represent an assessment of the segments' overall level of financial health, based upon respondents' answers to questions corresponding with the financial health indicators.

[9] The figure in the parenthetical next to each segment name represents the percent of the U.S. adult population that comprises each segment.

[10] Non-mortgage debt corresponds to a households' total student debt, medical debt, and other non-mortgage debt.

[11] For the remainder of this report, "more likely to" signifies that a certain segment has an incidence rate that is statistically higher, at a 95 percent significance level, than the total sample. The phrase "less likely to" signifies that a segment has an incidence rate that is statistically lower, at a 95 percent significance level, than the total sample.

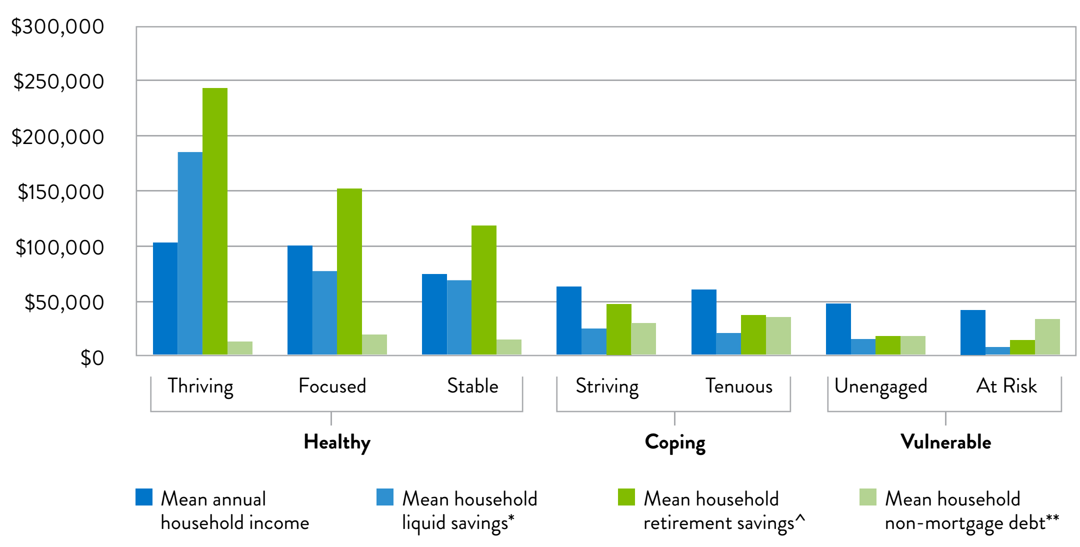
[12] This segment has a higher concentration of full-time students than the total sample, but students only account for 10 percent of the segment, while retirees account for 34 percent of the segment.

Financially Coping

The two Financially Coping segments generally exhibit more moderate behaviors and attitudes across the financial health indicators, compared with their Financially Healthy counterparts. These individuals are more likely to struggle with management of their day-to-day financial lives, to have less of a financial cushion for an emergency, and to be less well positioned to take advantage of financial opportunities. Individuals in these segments tend to use a variety of financial products and services—traditional, non-bank, and new technology-enabled—to manage their financial lives.

- **Financially Striving** (16.1 percent): The frequency with which this segment plans ahead distinguishes them from other segments; they report the highest rate of budgeting across all segments and 100 percent of them say they plan ahead for large, irregular expenses (Figures J and O). They have moderate income, moderate savings, and high debt (Table E.1 and Figure A). These individuals have very active financial lives, in that they are more likely than other segments to regularly perform many financial activities via a variety of channels and outlets, including visiting bank branches, calling financial service providers (banks and non-banks), using ATMs, receiving text alerts, using internet and mobile banking, and conducting financial transactions at retail stores (Table E.3). These individuals are more likely to be younger, non-white, female, working, and to have children living at home (Table E.1).
- **Financially Tenuous** (12.1 percent): This segment is similar to the Striving segment in many ways, though the two segments have significant differences in planning behaviors; none of the Tenuous segment plans ahead for large, irregular expenses, and they report low rates of budgeting and planned saving (Figures O, J and H). They have moderate income, moderate savings, and high debt (Table 1 and Figure C). They regularly use financial services via a variety of channels, including ATMs, internet banking, and mobile banking (Table E.3). These individuals are more likely to be younger, non-white, working, and to have children living at home (Table E.1).

Figure A: Average Income, Savings, and Debt by Segment



* Liquid savings includes any money in checking, savings, money market accounts, stocks, and bonds. It does not include money in formal retirement funds such as Individual Retirement Accounts (IRAs), 401k's, Roth IRAs or company retirement funds.

^ Retirement savings includes funds in retirement accounts (401k's, IRAs, etc.) but not funds expected from employer pensions or Social Security.

** Non-mortgage debt includes a household's total student debt, medical debt, and other non-mortgage debt. Households with zero debt were included in the calculation of this figure.

Financially Vulnerable

The two Financially Vulnerable segments are doing the least well across financial health indicators. These individuals are more likely to be struggling with their day-to-day financial lives; they have little or no financial cushion in case of an emergency; and they are not prepared to seize financial opportunities for security and mobility. They are the least likely of all segments to own a credit card and the most likely to be unbanked (Figure N and Table D.1).

- **Financially Unengaged** (15.9 percent): These individuals differ significantly from other segments due to the frequency with which they answer "don't know" to survey questions. They have the second-lowest income and savings, low debt, and they are the most risk averse of all segments (Table E.1 and Figures A and I). These individuals are the youngest on average, with more than a quarter of the segment between the ages of 18 and 25. They are more likely to be non-white, not married, not working, and to have a high school-level education or lower. This segment has the highest concentration of full-time students and the highest percentage of foreign-born individuals, with little overlap between the two groups (Table E.1).
- **Financially At Risk** (12.4 percent): Of all segments, these individuals have the most precarious financial situation; more than a quarter say they could only make ends meet for a week or less if they were to experience a sudden drop in income and they are more than twice as likely as any other segment to indicate that they frequently juggle bills (Figures G and E). They have the lowest income, the lowest savings, and high debt (Table E.1 and Figure A). Like the Striving and Tenuous segments, this segment leverages many channels to access financial services (Table E.3). These individuals are more likely to be middle-aged, female, to have children in the household, and to have a high school-level education or lower. They are the most likely, of all segments, to be widowed, divorced, or separated, and the sole primary financial decision maker in the household (Table E.1).

The remainder of the report further explores the differences among segments. See Table E.1 for additional detail about the demographic characteristics of the segments, and Tables E.2 – E.14 for additional information on the segments' financial behaviors and attitudes.

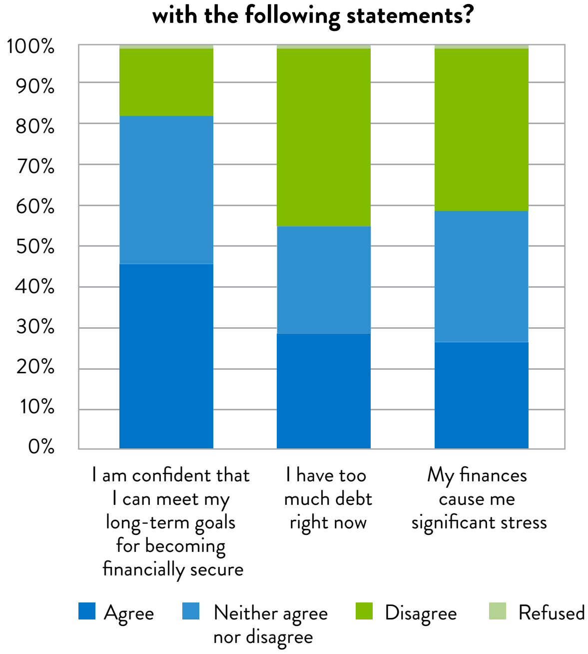
IV. Discussion of Key Findings

Key Finding 1: More than half of the U.S. population is struggling financially.

CFSI's Consumer Financial Health Study reflects the financial challenges with which American households are grappling. More than a third of all households (36 percent) say they frequently or occasionally run out of money before the end of the month and more than four in ten households (43 percent) struggle to keep up with their bills and credit payments. More than a quarter of households (28 percent) have less than $1,000 in liquid savings and almost a third (30 percent) say they could only make ends meet for three months or less if they were to experience a sudden drop in income. Less than half of Americans (45 percent) are confident they can meet their long-term goals for financial security, and more than a quarter (28 percent) believe they have too much debt and say their finances cause them significant stress (26 percent) (Figure B).

Figure B: Attitudinal Indicators of Financial Health, U.S. Adult Population

How much do you agree or disagree with the following statements?



The seven consumer segments derived from the Consumer Financial Health Study's segmentation analysis are grouped into three tiers corresponding with their overall level of financial health. The Thriving, Focused, and Stable segments are categorized as Healthy because the patterns that emerge about their financial behaviors and attitudes correspond with positive financial health indicators (listed in Table 1) including paying bills on time, saving regularly, planning for the long term, and feeling less financial stress and more financial confidence. The two segments that comprise the Coping tier and the two segments that comprise the Vulnerable tier are doing less well across these indicators, and are struggling, to varying degrees, with their financial lives. Together, the four segments that comprise the Coping and Vulnerable tiers account for 57 percent of the U.S. population—approximately 138 million American adults—a share that is larger than the population categorized as "unbanked" or "underbanked," which underscores how widespread the consumer challenges and business opportunities are.[13] [14]

This finding is aligned with other research that also finds a significant number of Americans are struggling with their financial lives.[15] Financial service providers have an opportunity to offer consumers affordable, accessible, and high-quality financial products that can help them achieve and maintain financial health. Doing so will help providers better serve existing customers and acquire new ones.

Key Finding 2: Consumers' behaviors and attitudes within segments are consistent across the core elements of financial health.

Across the three core elements of financial health, Healthy segments tend to exhibit positive behaviors, attitudes, and outcomes; Coping segments tend to display more moderate behaviors, attitudes, and outcomes; and Vulnerable segments tend to have less healthy behaviors, attitudes, and outcomes. Figure C illustrates these patterns by showing the percentage of each segment that replied affirmatively to questions corresponding to financially healthy behaviors, attitudes, and outcomes.

[13] The estimate of 138 million American adults is based upon 2013 Census data that there are 242 million adults living in the United States.

[14] According to the Federal Deposit Insurance Corporation (FDIC), 7.7 percent of U.S. households are unbanked and 20 percent of households are underbanked, with another 5 percent whose underbanked status is unknown. The FDIC defines unbanked households as those that do not have a checking or savings account at an insured financial institution. It defines underbanked households as those that have a bank account but also use alternative financial services outside of the banking system.

[15] See the Federal Reserve's Survey of Household Economic Decisionmaking, the FDIC's 2013 National Survey of Unbanked and Underbanked Households, FINRA's National Financial Capability Study, and the CFPB's Financial Literacy Annual Report.

Figure C: Heatmap Illustrating Positive Financial Health Indicators

		Total (%)	Healthy			Coping		Vulnerable	
			Thriving	Focused	Stable	Striving	Tenuous	Unengaged	At Risk
Day-to-Day	I seldom or never juggle bill payments	65	99 ▲	89 ▲	94 ▲	53 ▼	45 ▼	55 ▼	13 ▼
	My household never runs out of money before the end of the month	58	99 ▲	87 ▲	93 ▲	42 ▼	36 ▼	36 ▼	6 ▼
	I do not always find myself living paycheck to paycheck	41	99 ▲	73 ▲	70 ▲	19 ▼	10 ▼	14 ▼	1 ▼
	My household keeps up with all bills and payments without any difficulties	52	98 ▲	79 ▲	87 ▲	34 ▼	23 ▼	36 ▼	3 ▼
	I do not worry all the time about meeting monthly expenses	47	96 ▲	72 ▲	70 ▲	33 ▼	25 ▼	23 ▼	7 ▼
	I always pay off my credit cards in full^	52	94 ▲	67 ▲	67 ▲	30 ▼	22 ▼	44 ▼	6 ▼
	I am confident I can meet my short-term saving goals	52	92 ▲	72 ▲	72 ▲	51	36 ▼	26 ▼	14 ▼
	My finances do not cause me significant stress	41	88 ▲	57 ▲	63 ▲	28 ▼	18 ▼	22 ▼	7 ▼
	I am highly satisfied with my present financial condition	30	84 ▲	40 ▲	46 ▲	15 ▼	10 ▼	16 ▼	2 ▼
	Financial obligation ratio under 40%+	45	76 ▲	64 ▲	57 ▲	44	42 ▼	9 ▼	27 ▼
	My household plans ahead for large, irregular expenses	56	66 ▲	79 ▲	74 ▲	100 ▲	0 ▼	33 ▼	20 ▼
	My household has a budget or spending plan that is used to guide monthly spending	50	45 ▼	55 ▲	55 ▲	73 ▲	37 ▼	34 ▼	46 ▼
Resilience	I am very or somewhat confident I could come up with $2,000 if an unexpected need arose within the next month	63	100 ▲	98 ▲	96 ▲	56 ▼	49 ▼	31 ▼	4 ▼
	My household could make ends meet for more than three months if faced with a drop in income	47	96 ▲	77 ▲	72 ▲	30 ▼	32 ▼	17 ▼	4 ▼
	My household has $10,000 or more in liquid savings	45	90 ▲	74 ▲	67 ▲	32 ▼	28 ▼	16 ▼	8 ▼
	At least one person in my household has health insurance	75	87 ▲	85 ▲	78 ▲	81 ▲	73	50 ▼	69 ▼
	At least one person in my household has life insurance	62	71 ▲	82 ▲	73 ▲	69 ▲	63	29 ▼	48 ▼
Opportunity	Non-mortgage debt-to-income ratio under 40%	70	98 ▲	83 ▲	87 ▲	60 ▼	53 ▼	72	35▼
	I do not have too much debt right now	45	97 ▲	59 ▲	69 ▲	30 ▼	17 ▼	32 ▼	7 ▼
	My household has $10,000 or more in retirement savings	55	90 ▲	86 ▲	71 ▲	51 ▼	46 ▼	20 ▼	21 ▼
	I am confident I can meet my long-term goals for financial security	45	86 ▲	61 ▲	57 ▲	41 ▼	33 ▼	24 ▼	16 ▼
	I have the skills and knowledge to manage my finances well	53	81 ▲	62 ▲	65 ▲	54	45 ▼	30 ▼	32 ▼
	I am willing to take some risk when I save or invest	55	79 ▲	82 ▲	64 ▲	58 ▲	58 ▲	18 ▼	26 ▼
	I save regularly with a plan*	40	71 ▲	70 ▲	56 ▲	35 ▼	20 ▼	22 ▼	2 ▼
	When I think about saving money for the future, the most important time frame is the next 5-10 years or longer	32	64 ▲	100 ▲	0 ▼	23 ▼	25 ▼	7 ▼	12 ▼

Legend: Dark green denotes that 100% of respondents replied affirmatively and dark red denotes that 0% of respondents replied affirmatively. Figures followed by ▲ are higher than the corresponding incidence rate for the total population at a 95% confidence interval; those denoted with ▼ are lower than the corresponding incidence rate for the total population at a 95% confidence interval.

Data for the two debt ratios included in Figure C have been revised since original report publication to reflect updated calculation methodologies.

^ This question was only asked to respondents who indicated they own a credit card, so the proportion represented is out of those in each segment who own a credit card, not of the entire segment.

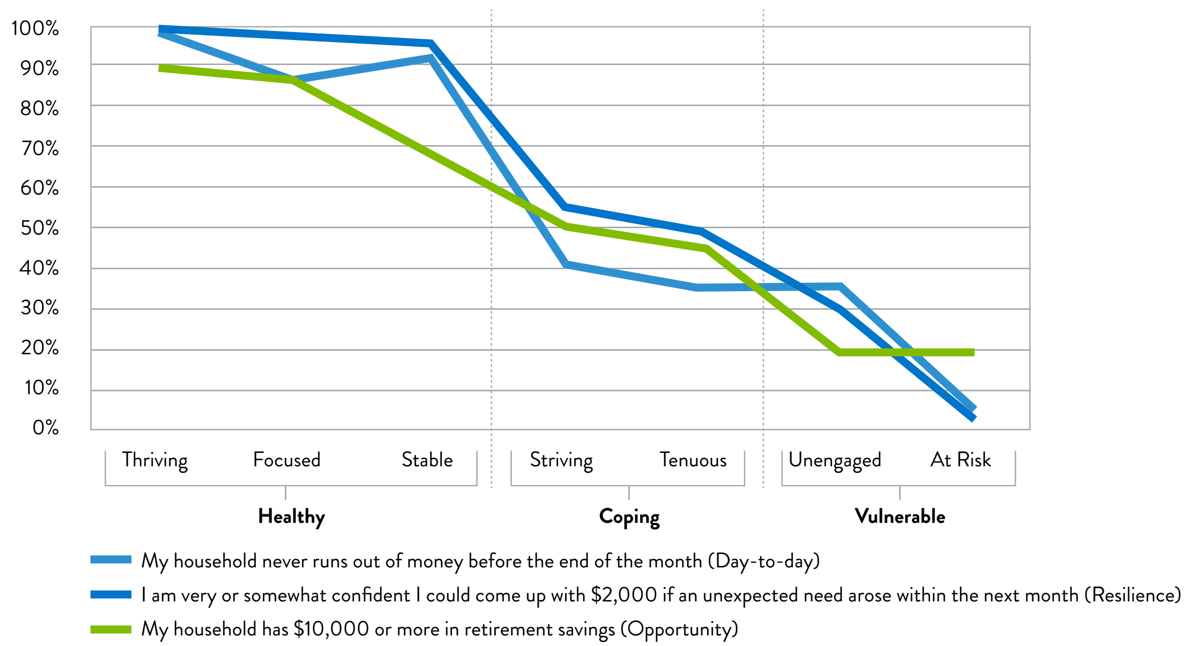
\+ A financial obligation ratio could not be calculated for 31% of the sample because respondents answered "don't know" or refused to answer at least one of the questions that provided data for the ratio.

* Planned saving includes: (a) saving regularly by putting money aside each month; (b) saving income of one family member, spending the other; and (c) spending regular income, saving other income (where "regular income" includes wages, salaries, pensions, and other income you receive on a regular ongoing basis [e.g. rent, if you rent out a house or apartment] and "other income" includes bonuses, gift money, occasional investment income, tax refunds, etc.)

At the outset of this study, CFSI had several hypotheses about what the outcome of this analysis might be. Perhaps one segment would excel in day-to-day financial management with little preparation for financial shocks or opportunity; while another segment would be equipped to deal with unforeseen expenses, but would not plan or save for the future; while another segment would excel in all three core elements of financial health. Another possibility was that some segments would excel in certain indicators (like keeping up with bills), while exhibiting less healthy behaviors in other indicators (such as debt management). This finding, that indicators across the core elements of financial health generally trend together (high, medium, or low), highlights the degree to which the components of financial health are intimately connected to one another.

Moreover, in many cases, there are step-wise differences among the Healthy, Coping, and Vulnerable segments. As Figure D illustrates, nearly all households in the Healthy segments say they never run out of money before the end of the month (99, 87, and 93 percent); yet, this incidence rate drops by more than half among the Coping segments (42 and 36 percent), and plunges further for the At Risk segment (6 percent). Many indicators of resilience and financial opportunity, including those illustrated in Figure D, reflect a similar pattern. Not only do these data illustrate the interconnectedness of the elements of a household's financial life, they also illuminate the substantial chasm that exists between financially healthy and financially struggling households.

Figure D: Trends Across Select Indicators of Financial Health



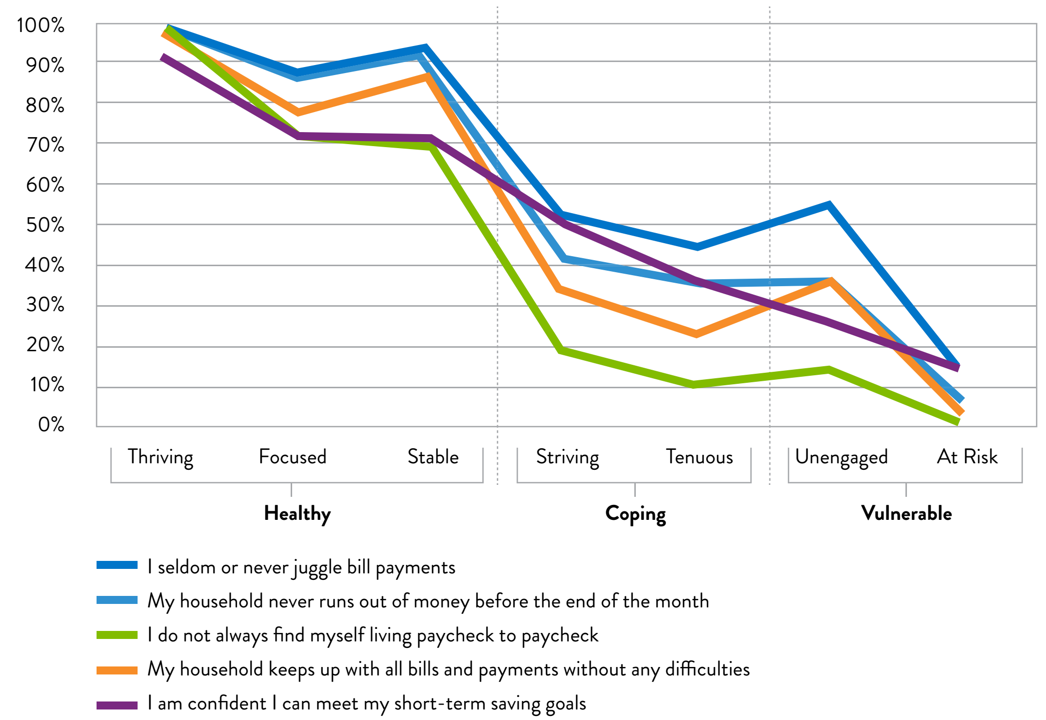
Trends

Day-to-Day Financial Management

Across day-to-day financial management indicators, Healthy segments almost uniformly exhibit positive behaviors, attitudes,and outcomes, while Coping and Vulnerable segments struggle to varying degrees (Figure E). Very few of the individuals in the Healthy segments (0, 5, and 4 percent) say they always find themselves living paycheck to paycheck; yet, almost half of the Coping segments (42 and 53 percent) and nearly all of the At Risk segment (93 percent) do.

The extent to which segments are struggling with day-to-day financial management is further reflected in other indicators, depicted in Figure E, including the frequency with which households run out of the money before the end of the month, the extent to which they are keeping up with their bills and credit payments, and the frequency with which they juggle bill payments to make ends meet. In many instances, the Unengaged segment exhibits behaviors that are more closely aligned with the Coping segments than with the At Risk segment, the other Vulnerable segment. (See below for further discussion of the Unengaged segment.)

Figure E: Positive Indicators of Day-to-Day Financial Management

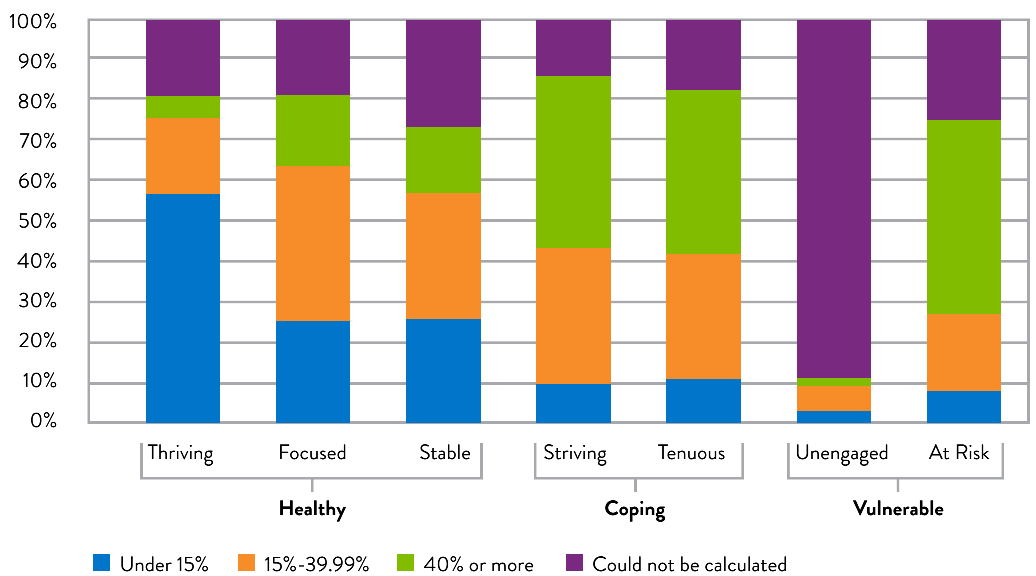


Debt obligations and the fees paid to carry debt are important components of an individual's day-to-day financial life. The financial obligation ratio (FOR) is a measure that captures a household's monthly payment obligations —including rent or mortgage payments, lease payments, and debt payments—in the context of monthly income to assess how well a household can meet its monthly financial commitments.[16] As Figure F shows, more than four in ten households in the Striving, Tenuous, and At Risk segments (42, 41, and 48 percent) have a FOR above 40 percent, which is considered unhealthy and suggests that a household may be struggling to meet its financial obligations. This incidence rate is more than double that of the Healthy segments.

In addition to the fact that Healthy segments have less debt overall, the disparity in segments' FORs may be amplified by the fact that Healthy segments, particularly the Thriving and Stable segments, are less likely to have rent or mortgage payments. This may be because the Thriving and Stable segments skew older and are therefore more likely to have paid off their mortgages (Table E.1). A FOR was not calculated for the majority of the Unengaged segment because 86 percent of the individuals in this segment could not estimate their total monthly debt payments and 32 percent did not know the amount of their monthly mortgage or rent payment.

The extent to which the Healthy, Coping, and Vulnerable segments can meet their daily financial obligations is reflected in their sentiments. Very few members of the Healthy segments (3, 12, and 6 percent) indicate that their finances cause them significant stress, but more than a third of the Coping segments (33 and 41 percent) and nearly three-quarters of the At Risk segment (74 percent) report feeling stressed. Healthy segments are also significantly more likely than Coping and Vulnerable segments to say they do not worry all the time about meeting monthly expenses and that they are satisfied with their present financial condition (Figure C).

Figure F: Financial Obligation Ratio by Segment



[16] Financial obligation ratios (FOR) were calculated by aggregating a household's monthly debt and lease payments—including car loans and leases, student loans, installment loans, medical debt, and credit card debt—and their monthly mortgage or rent payments, multiplying that number by 12, and dividing that by the household's annual income. Unlike the debt-to-income ratio, this ratio takes into account the interest households are paying on outstanding debt. A FOR was not calculated for respondents who did not provide monthly debt or monthly mortgage/rent payment data (that is, respondents who answered "don't know" to, or refused to answer, one or both of those survey questions). A financial obligation ratio of less than 15 percent is considered healthy and suggests that a household can easily meet its monthly obligations; a ratio between 15 and 40 percent is considered high, but acceptable; and a ratio of more than 40 percent is considered unhealthy and suggests that a household may be struggling to meet its financial obligations. For more on these benchmarks, see Recent Changes to a Measure of U.S. Household Debt Service, Household Debt Service and Financial Obligation Ratios and Changes in U.S. Family Finances from 2010 to 2013: Evidence from the Survey of Consumer Finances, Table 5, page 29.

Financial obligation ratio data has been revised since original publication to reflect an updated calculation methodology.

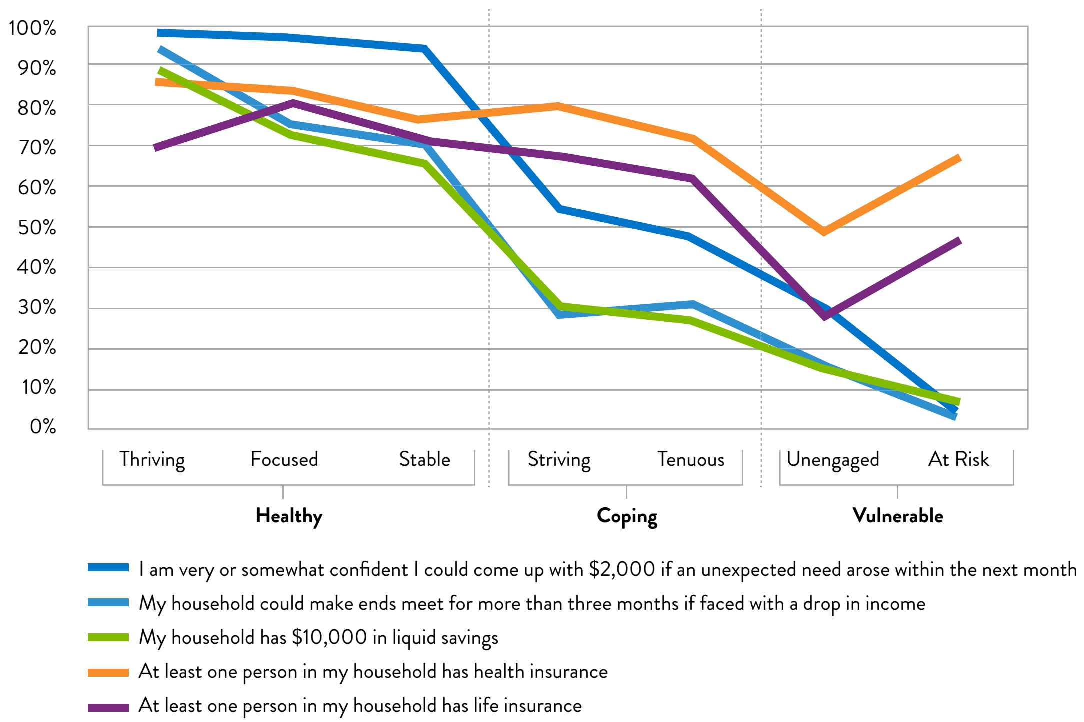
Financial Resilience

While the Unengaged segment looks similar to the Coping segments across many indicators of day-to-day financial management, the segments are more strongly differentiated with respect to their preparedness to deal with financial shocks. As Figure G shows, the vast majority of households in the Healthy segments (96, 77, and 72 percent) say they could make ends meet for more than three months in the event of a sudden drop in income, but approximately three in ten households in the Coping segments (30 and 32 percent) and less than two in ten households in the Vulnerable segments (17 and 4 percent) say they could make ends meet for more than three months.

Savings and access to high-quality, affordable credit are both important components of a household's financial cushion. While the Healthy segments have significant liquid savings, more than a quarter of the Coping segments (28 and 29 percent), more than half of the Unengaged segment (57 percent), and more than three-quarters of the At Risk segment (77 percent) have less than $1,000 in liquid savings.[17] Exacerbating this situation, approximately half of the Coping segments (44 and 51 percent), two-thirds of the Unengaged segment (66 percent), and nearly all of the At Risk segment (96 percent) are only slightly or not at all confident they could come up with $2,000 if an unexpected need were to arise within the next month. This suggests that not only do less financially healthy households have less liquid savings, but they also may lack access to affordable credit or a social network that they could turn to in the event of an emergency.

While Healthy segments are generally more likely than Coping and Vulnerable segments to have health insurance and life insurance, the differences in coverage rates are less extreme than that of other indicators.[18] Nevertheless, more than a quarter of households in the Vulnerable segments (27 and 28 percent) do not have health insurance and nearly half (44 and 46 percent) do not have life insurance. Given that insurance can provide a critical financial cushion in the event of an emergency, households without insurance are more vulnerable to the potentially far-reaching consequences of a negative life event, such as the death of a primary breadwinner or a serious medical emergency. In less dire circumstances, medical insurance can provide much-needed financial relief for more routine healthcare.

Figure G: Positive Indicators of Financial Resilience



[17] Liquid savings includes any money in checking, savings, money market accounts, stocks, and bonds. It does not include money in formal retirement funds such as Individual Retirement Accounts (IRA), 401k's, Roth IRAs, or company retirement funds.

[18] This study includes data about the presence or absence of coverage for at least one member of the household, not about the level or quality of coverage.

These findings underscore how vulnerable less financially healthy households are to the inevitable ups and downs of life. This is problematic because the Coping and Vulnerable segments say they experienced unexpected events more frequently than Healthy segments (Table E.4).[19] Since households in the Coping and Vulnerable segments generally do not have a significant financial safety net, they are less prepared for and more susceptible to unexpected financial shocks.

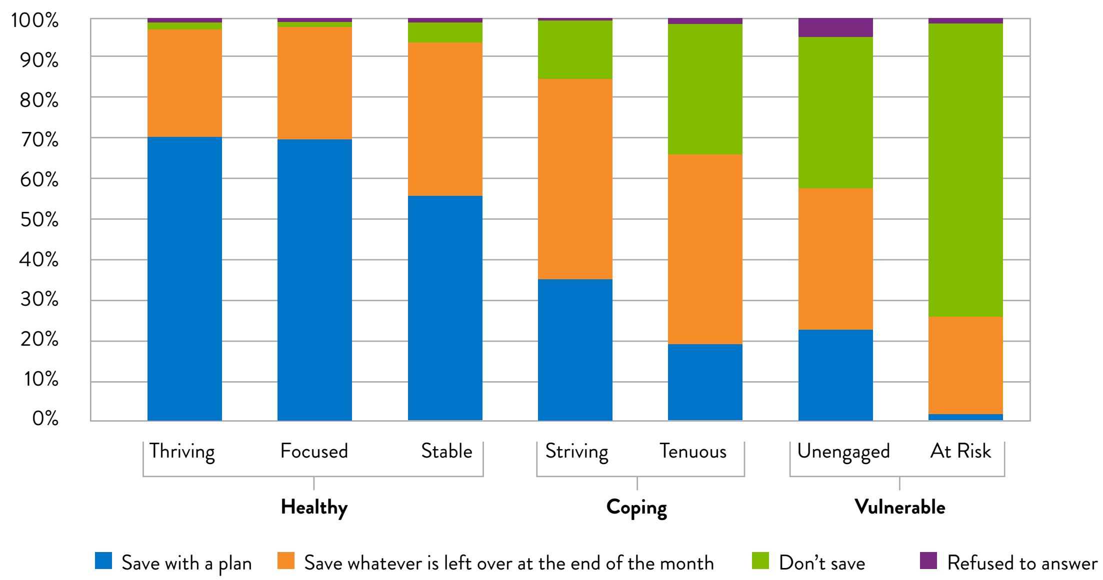
Opportunity to Achieve Financial Security & Mobility

Healthy segments are more likely to save regularly with a plan, and, with the exception of the Stable segment, to say the most important time frame for saving for the future is five years or more (Figures H and I).[20] In contrast, both of the Coping segments are more likely to say they save whatever money is left at the end of the month, and, along with the Stable segment, to indicate that the next year or next few years is their most important time frame for saving for the future. The Vulnerable segments are more likely than other segments to not save at all and to say that the next few weeks or months are their most important time frame for saving for the future.

These differences in saving habits and time horizons likely contribute to the differences in households' savings balances both liquid and retirement (Figure A). While the Healthy segments have the highest retirement savings, more than half of those in the Vulnerable segments (54 and 63 percent) say they have less than $1,000 in retirement savings. This is most concerning for those nearing or at retirement age who will likely need to subsist on Social Security benefits alone or continue working.

While healthier segments are more willing to accept some financial risk when saving or investing, the degree of risk aversion among households in the Vulnerable segments is notable; more than three quarters (78 and 74 percent) are unwilling to take any financial risk. Less financially healthy segments may be more risk averse because they cannot afford to lose what they have or to have funds tied up in long-term investments. This lower risk tolerance may also reflect the reality that without a significant financial cushion, consumers may not feel comfortable taking on additional financial risk. This may be an entirely appropriate decision for these households, but it may also have implications for their ability to grow their savings over time.

Figure H: Savings Habit by Segment



[19] The definition of an unexpected expense was left to the respondent's interpretation. For some, an unexpected expense might consist of a car breaking down, an unexpected bill or late fee, or a large purchase that the household was not expecting to make. One household might consider an expense like new brakes or tires for a car to be unexpected, while another household might have planned for such an expense or might not have found it noteworthy because it had sufficient cushion to cover it. It is therefore possible that the difference in segments' responses to this question has less to do with actual frequency and more to do with perception, since less financially healthy segments have less slack in their budgets and more difficulty planning ahead.

[20] Planned saving includes: (a) saving regularly by putting money aside each month; (b) saving income of one family member, spending the other; and (c) spending regular income, saving other income (where "regular income" include wages, salaries, pensions and other income you receive on a regular ongoing basis [e.g. rent, if you rent out a house or apartment] and "other income" includes bonuses, gift money, occasional investment income, tax refunds, etc.)

Since some debt can be necessary to achieve greater financial health over the long run, the non-mortgage debt-to-income (DTI) ratio can be a helpful measure to assess total outstanding non-mortgage debt (as opposed to monthly debt payments included in the FOR) in the context of total annual income (as opposed to monthly income included in the FOR).[21] The majority of the Healthy segments have a manageable amount of debt, while approximately four in ten households in the Coping segments (40 and 47 percent), more than a quarter of the Unengaged segment (28 percent), and almost two-thirds (65 percent) of those in the At Risk segment have a non-mortgage DTI over 40 percent, which is considered unhealthy. Consistent with households' FORs, these data highlight the extent to which the Coping and Vulnerable segments are over-leveraged.

Many of those in the Coping and Vulnerable segments are aware of their challenges managing debt. Approximately four in ten individuals in the Coping segments (39 and 47 percent) and more than three-quarters of the At Risk segment (77 percent) say they currently have too much debt. Furthermore, 42 percent of the At Risk segment say they believe they have poor or very poor credit. The Coping segments rate their credit more favorably, which suggests that these individuals are either able to manage their debt more effectively, or that they are unaware of how their behavior is affecting their credit scores. Given the importance of credit scores in facilitating access to low-cost credit, as well as the fact that credit scores are increasingly being used to secure housing and employment, having a positive credit score is an important component of ensuring consumers are positioned to seize opportunities for financial success. (A future publication will focus on the analysis of the objective measures of credit worthiness—VantageScore® credit score and RiskView™ score—captured in this study.)

Figure I: Positive Indicators of Financial Opportunity

[21] Non-mortgage debt-to-income ratio was calculated by aggregating a household's student loan debt, medical debt, and other non-mortgage debt, and then dividing that number by the household's annual income. Where respondents answered "don't know" or refused to answer any of the questions that provided data for the numerator of the ratio, values were calculated using a regression imputation. A variety of demographic and financial indicators were used in constructing the imputation model. For the 8% of respondents for whom income was unavailable (the denominator of the ratio), hot deck imputation was used to impute values.

A non-mortgage DTI of less than 10 percent is considered a manageable amount of debt; a ratio between 10 and 40 percent is considered high, but still manageable; and a ratio over 40 percent is considered unhealthy. For more on these benchmarks, see the Federal Housing Administration's debt-to-income ratio guidelines and "Ratios and Benchmarks for Measuring the Financial Well-Being of Families and Individuals."

Non-mortgage debt-to-income ratio data has been revised since original publication to reflect an updated calculation methodology.

The disparities among the Healthy, Coping, and Vulnerable segments' capacity to seize financial opportunities is echoed in their attitudes. Healthy segments are significantly more likely than Coping and Vulnerable segments to be confident they can meet their long-term goals for becoming financially secure (Figure I). Coping and Vulnerable segments are also less likely to believe they have the skills and knowledge to manage their finances well (Figure C). Only about four in ten individuals in the Coping segments (42 and 37 percent), 23 percent of the Unengaged segment, and 30 percent of the At Risk segment are confident they will have the skills they will need for the kinds of jobs they want in ten years (Table E.5). This finding is alarming given that the Coping and Vulnerable segments are the youngest segments on average, and that employment will be critical to these consumers' financial future (Table E.1).

Exceptions

The Unengaged Segment

Across the indicators of financial health, there are a number of instances where the Unengaged segment has higher rates of positive financial behavior than the Tenuous segment. Some of these anomalies—which are more prevalent among indicators of day-to-day financial management than among those related to resilience and opportunity—may be explained by demographic and other differences among segments, explored in more detail below. However, assessing the data across all financial health indicators, the Unengaged segment appears more financially vulnerable than the Coping segments.

When asked about their financial situation, the Unengaged segment has the highest rate of uncertainty of any segment: nearly two-thirds (62 percent) do not know how long their household could make ends meet in the event of a sudden drop in income; nearly a third (32 percent) do not know where they would turn to get $600 if they had a week to pay for an emergency expense (Table E.6); and one fifth (20 percent) do not know whether their household has a budget or how often their household ran out of money before the end of the month in the past year.

This uncertainty may be partially explained by the fact that the Unengaged segment seems to have less financial responsibility than other segments: more than a quarter (27 percent) say they are not a primary financial decision maker in their household, nearly a third (29 percent) do not pay rent or mortgage, and eight percent say they do not have any bills or credit payments (Table E.1). These findings suggest that individuals in this segment may be living with, or may be financially supported by, their parents or other relatives.

This segment also skews younger (26 percent are between the ages of 18 and 25) and contains more full-time students (14 percent) and more foreign-born individuals (16 percent) than any other segment (Table E.1). However, nearly two-thirds of individuals in the Unengaged segment (66 percent) say they are a primary financial decision maker in their household, which makes their significant lack of awareness and engagement with their financial situation particularly concerning (Table E.1).

Compared with the other Coping and Vulnerable segments, individuals in the Unengaged segment worry less, feel less stressed, and are more satisfied with their financial lives. The Unengaged segment also answers "neither agree nor disagree" to these attitudinal questions more than any other segment, reinforcing the notion that these individuals may have less financial responsibility than others, which may enable them to be less engaged with their finances than other segments. Nevertheless, this lack of engagement and awareness may also make them more vulnerable to a financial shock or emergency.

Budgeting

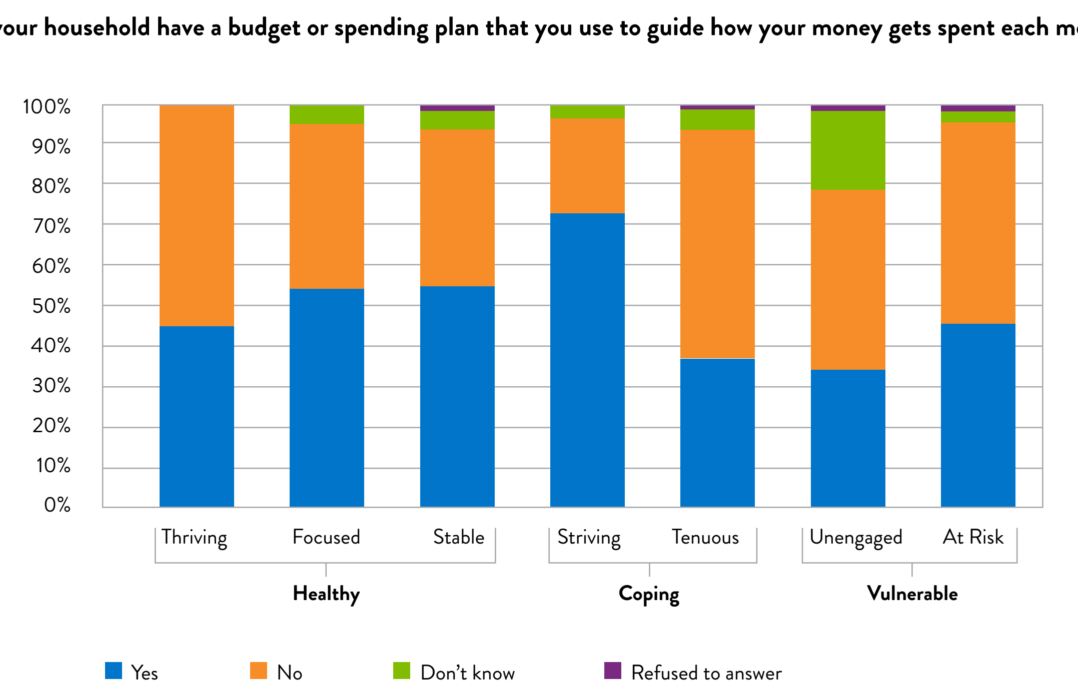
Budgeting behavior is another notable exception to the general pattern illustrated in Figure C.[22] As Figure J shows, the Striving segment has the highest rate of budgeting, while the Thriving segment reports one of the lower rates. The Striving segment's high rate of budgeting aligns with their penchant for planning ahead for large, irregular expenses (Figure O).

The Thriving segment may budget less than other Healthy segments because, as the highest income segment, these individuals may not need to carefully monitor their spending since they have adequate cushion. Nearly all of this segment (99 percent) say they never run out of money at the end of the month, and almost a third (29 percent) say they do not need to plan ahead for large, irregular expenses because there is always enough money in the bank account to pay for them (Figures E and O).

At the opposite end of the spectrum, the At Risk segment is the fourth most likely to budget, narrowly eclipsing the Thriving segment. Despite this segment's low level of overall financial health, almost half of these households (46 percent) use a budget or spending plan to guide monthly expenditures. This may be indicative of the fact that budgeting is necessary for these households, given their constrained resources, or it may reflect a desire to adopt healthier financial behaviors.

Budgeting may also be complicated by the ease with which individuals can predict their household's monthly income. Without knowing how much money you will earn the following month, it may be hard to maintain a budget and plan ahead.[23] Since Healthy segments tend to have more predictable incomes than Coping and Vulnerable segments, budgeting may be easier for these households (Table E.7).

Figure J: Budgeting Behavior by Segment



[22] The survey question reads: Does your household have a budget or spending plan that you use to guide how your money gets spent each month?

[23] This data is in line with findings from CFSI's U.S. Financial Diaries project, which observed high levels of income volatility among low-to-moderate income households across the United States. The U.S. Financial Diaries is a research project that tracked more than 200 low- and moderate-income households over the course of a year and collected highly detailed data on household financial activity. The U.S. Financial Diaries is a joint initiative of NYU Wagner's Financial Access Initiative and CFSI. Leadership support for the project is provided by the Ford Foundation and the Citi Foundation, with additional support and guidance from the Omidyar Network.

Implications

These exceptions notwithstanding, the segments' behaviors, attitudes, and outcomes are generally consistent across the three core elements of financial health. These data suggest that financial health does not consist of components that function independently of one another. Managing one's day-to-day financial life is intimately connected to building a financial cushion for the future and being well-positioned to seize opportunities to achieve financial security and mobility.

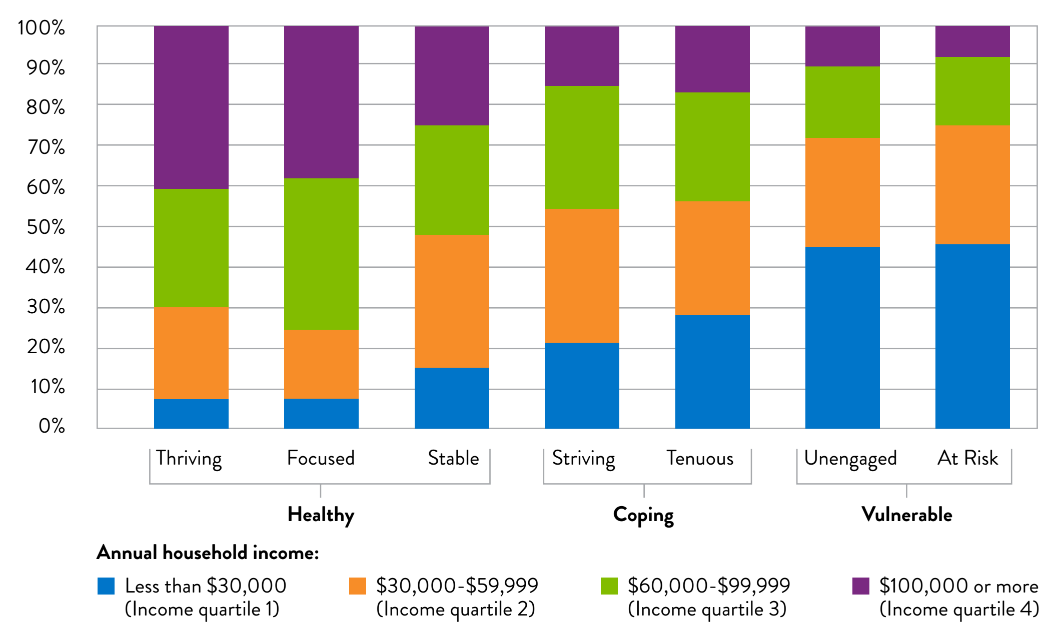
For example, a positive credit score positions an individual to take advantage of financial opportunities, including securing a mortgage. However, a credit score is significantly influenced by day-to-day financial matters, such as whether bills are paid on time. Additionally, one's saving habits cut across the three core elements of financial health. Saving habits are influenced by an individual's ability to manage day-to-day financial matters so that surplus funds are available to be saved; saving habits impact one's ability to amass a financial cushion; and saving habits affect the chances that one will be able to seize opportunities to achieve financial security and mobility, such as financing higher education, purchasing a home, or saving for retirement.

The relationship among the core elements of financial health suggests that, whether providers sell a single product or a suite of services, they have an opportunity to assess whether their offerings facilitate day-to-day activities that support, or detract from, customers' capacity to be resilient and achieve their financial aspirations. Understanding a product's impact on financial health can help providers better communicate the consumer value proposition and further enhance their products to address customer needs.

Key Finding 3: While income significantly influences financial health, consumer behaviors—particularly those related to planning ahead and saving—also have a significant impact on consumers' financial health segment.

Income is a critical component of financial health. It is intuitive that an individual with greater financial resources is more likely to be financially healthy than an individual with fewer financial resources. As Figure K illustrates, although households of all income levels are represented across all segments, a larger proportion of higher income households are in Healthy segments and a larger proportion of lower income households are in Coping and Vulnerable segments.

Figure K: Percent of Households In Each Financial Health Segment by Income Quartile



However, income is not the only determinant of financial health segment. Fifteen variables, related to financial behaviors, attitudes, and situation, have a greater impact on determining financial health segment than income.

Regression Analysis

To arrive at this conclusion, a multiple regression analysis was employed to determine the extent to which a household's financial health segment was driven by income, and other demographic characteristics associated with income, as compared with the financial health indicators that drove the segmentation model (listed in Table B.1). Since socioeconomic and demographic characteristics of respondents were not included in the financial health segmentation model, the regression analysis sheds light on whether the segmentation outcome (the seven financial health segments) merely reflect socioeconomic and demographic characteristics rather than the indicators that drove the model.

When the regression analysis was restricted to only socioeconomic and demographic characteristics—income, education, age, race/ethnicity, marital status, gender, household size and composition, region and community type, employment status, and home ownership—income emerged as one of the key determinants of segment placement. That is, in this restricted model, holding all else constant, households in the highest quartile of the income distribution (quartile 4) are 6 times more likely to be in the Healthy segments than households in the lowest quartile of the income distribution; they are 3 times as likely as those in the second income quartile to be in the Healthy segments; and they are 1.8 times as likely as those in the third quartile to be in the Healthy segments.

However, when the regression analysis was expanded to include the financial health indicators that were included in the segmentation model (Table B.1), the impact of income diminishes substantially or vanishes. As Table 2 shows, in this full model, holding all else constant, households in the highest quartile of the income distribution are only 1.4 times as likely to be in the Healthy segments than households in the lowest quartile of the income distribution. Households in the highest quartile of the income distribution are 1.2 times as likely as those in the second quartile to be in the Healthy segments, and households in the third quartile are equally as likely as those in the top quartile to be in the Healthy segments. In this full model, income, age, and education continue to be significantly associated with the financial health segments, but their impact is surpassed by the other behavioral and attitudinal variables.

This analysis also sheds light on the variables that have the largest impact on households' financial health segment placement. As shown in Table 3, households that plan ahead for large, irregular expenses are 10 times as likely to be in the Healthy segments as those that do not plan ahead. Households that indicate that their most important time frame for saving money for the future is five years or more are eight times as likely to be in the Healthy segments as those households who answered less than five years. The top 13 variables that have the greatest impact in determining a household's financial health segment are listed in Table 3. (See Table C.1 for the full regression analysis, including all of the variables.)

Table 2: Impact of Income: Restricted Model vs Full Model
Comparison Group is Income Quartile 4 (75 – 100% of income distribution)

	Restricted model odds ratio	Full model odds ratio
Income Quartile 1 (less than 25% of income distribution)	6.1*	1.4*
Income Quartile 2 (25-49.99% of income distribution)	3.2*	1.2*
Income Quartile 3 (50-74.99% of income distribution)	1.8*	1.1

The table reads: In the restricted model, holding all else constant, households in income quartile 4 are 6 times more likely to be in the healthy segments than households in the lowest income quartile. In the full model, holding all else constant, households in income quartile 4 are 1.4 times more likely to be in the healthy segments than households in the lowest income quartile.

The "restricted model" refers to the analysis that only includes socioeconomic and demographic variables. The "full model" refers to the analysis that includes the socioeconomic and demographic variables as well as the financial health behaviors and attitudinal variables that drove the financial health segmentation model.

* Denotes that the variable is statistically different than those in income quartile 4.

Table 3: Top Variables Influencing Financial Health Segment

Holding all else constant, those who say	are____times more likely	to be in the Healthy segments than those who say
they do not need to plan ahead for large, irregular expenses because they have enough money in the bank to pay for them	14	they do not or cannot plan ahead.
they plan ahead to make sure they have the money to pay for large, irregular expenses	10	they do not or cannot plan ahead.
their time frame for thinking about saving money for the future is five years or more	8	their time frame is less than 5 years.
they have a planned savings habit	4	they do not save or do not have a planned saving habit.
they do not agree that they always find themselves living paycheck to paycheck	3.6	they agree that they always find themselves living paycheck to paycheck.
they could make ends meet for more than 12 months if faced with unemployment, a longer-term illness, job loss, economic downturn, or other emergency that caused a drop in income[24]	3.5	they could not make ends meet for more than 12 months.
they are very confident they could come up with $2,000 if an unexpected need arose within the next month	2.8	they are somewhat confident, only slightly confident, or not confident at all that they could come up with $2,000 in a month.
they believe they have an excellent credit score	2.8	they believe they have a good, fair, poor, or very poor credit score; those who don't know; or those who don't know they have a score.
they never have to juggle which bills get paid when	2.4	they always, most of the time, sometimes, or seldom have to juggle bills.
they disagree that they have too much debt right now	2.3	they agree that they have too much debt right now.
they agree that they are satisfied with their present financial condition	2.2	they do not agree that they are satisfied.
they are keeping up with bills and payments without any difficulties or they have no bills or credit payments	2.0	that it's a struggle from time to time or it's a constant struggle or that they are falling behind on bills or credit payments.
they never run out of money before the end of the month	2.0	they run out of money every month, most months, some months, or a few months a year.

[24] In contrast, households that say they could make ends meet for three months or less if faced with an unexpected drop in income are only half as likely to be in the Healthy segments as those that say they could make ends meet for longer than three months.

The figure in the paycheck to paycheck row was been revised since original publication from 3.5 to 3.6.

Implications

Forty-eight demographic and financial health variables were included in the regression analysis, and sixteen variables rank higher than income on determining a household's financial health segment. Some of those variables are behavioral (for example, planning ahead for large expenses), some are attitudinal (for example, feeling satisfied with present financial condition) and some reflect behaviors and attitudes that are influenced by financial circumstances which may or may not be within the household's control. For example, a household may run out of money before the end of the month because it does not control its spending well; however, that household might also run out of money before the end of the month because its income is not sufficient to make ends meet, despite efforts to budget and limit spending. One household may not be able to make ends meet for more than twelve months because it does not save, whereas another household may not be able to make ends meet because it recently experienced an unexpected job loss or medical emergency that required it to draw upon its savings reserves.

Nevertheless, holding all other variables constant (including income, age and other demographic characteristics), the variables that rank highest in determining a household's financial health segment are indicators related to planning ahead and saving. Of course, some of the financial behaviors described in Table 3 may be more challenging for households with fewer financial resources. For example, a household may have enough money in the bank to pay for large, irregular expenses because its income is significantly higher than its living expenses, or because the members of the household made a conscious decision to save carefully, or both. However, healthier segments contain households at all income levels that plan ahead for large, irregular expenses and that engage in planned savings more than less financially healthy segments (Figures L and M).

This finding suggests that, while increased income might help, a household's financial health might improve with the adoption of beneficial financial habits, even if its income stays the same. Together, financial products and services, social programs, and policies that enable individuals to cultivate these behaviors can be instrumental in helping households achieve financial health.

Figure L: Households That Plan Ahead for Large, Irregular Expenses by Segment and Income

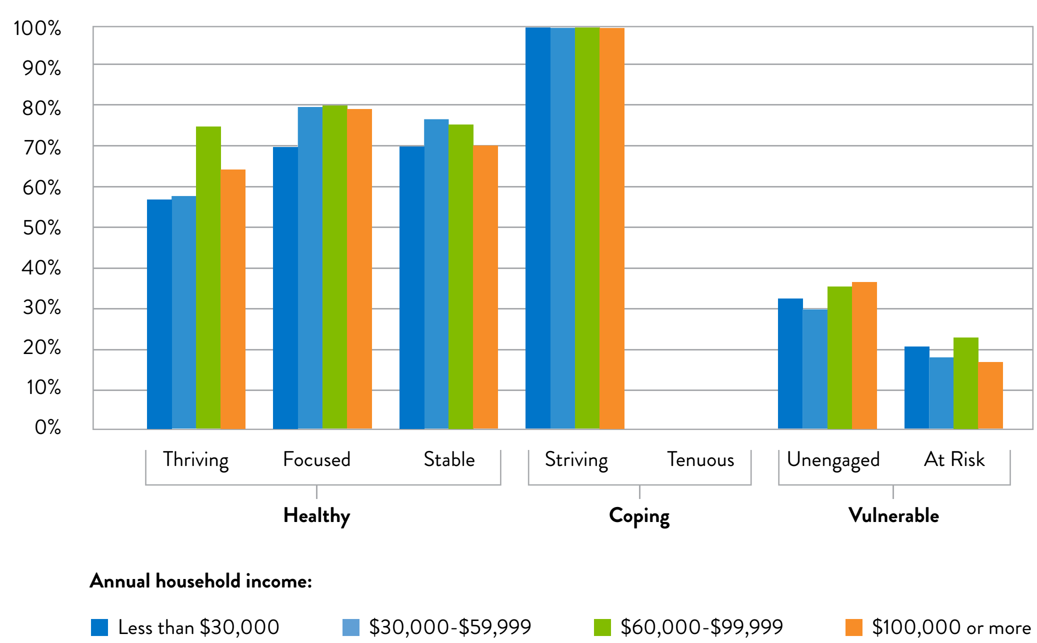
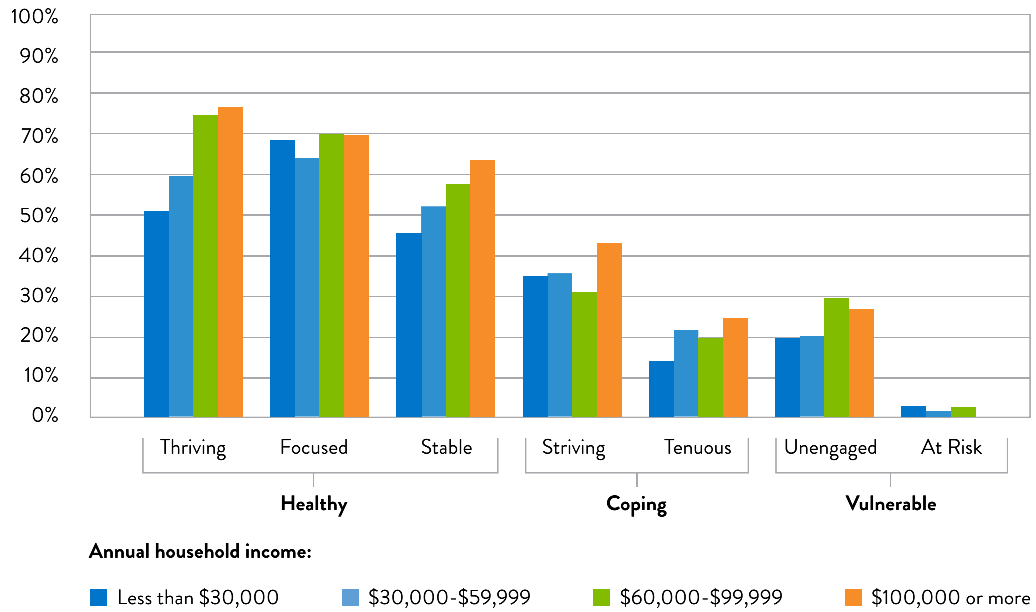


Figure M: Households That Save With a Plan by Segment and Income



Key Finding 4: The financial services community—from policymakers to nonprofit organizations to financial institutions—has an opportunity to help consumers adopt and sustain behaviors that contribute to improved financial health.

The financial health segmentation presented in this report highlights distinct clusters of consumer behaviors, attitudes, and financial circumstances. Understanding consumers' pain points and how segments currently use and perceive different financial products provides a foundation for targeted product design and marketing, enhanced nonprofit programming, and consumer-focused policymaking. Coping and Vulnerable segments, in particular, can benefit from products and services that are designed for consumer success; increased access to, awareness of, and help leveraging high-quality products and services; and policies that incentivize struggling households to maintain positive habits and create an environment in which consumers can improve their financial health. High-quality financial products, effective programs, and strategic policies can all help consumers transact, save, borrow, and plan in ways that promote financial health.

Spending and Transacting

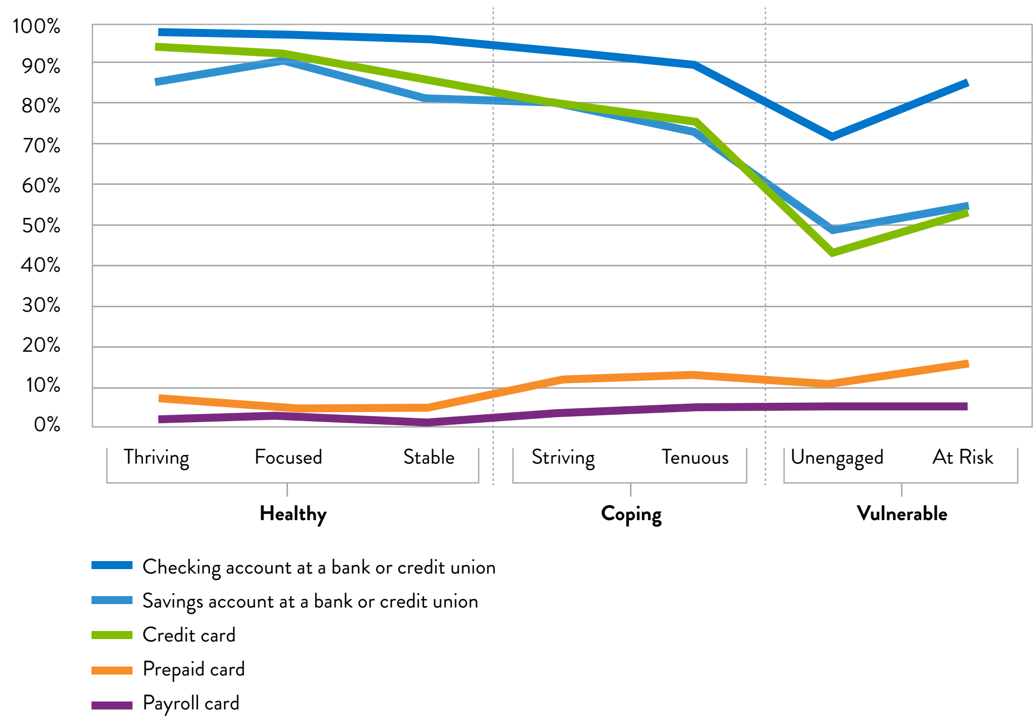
High-quality, low-cost transaction products are an important enabler of financial health because they can facilitate regular money management, allowing consumers to retain mental space and energy to build a financial cushion and plan for the future. New technology-driven personal financial management tools, alerts, nudges, and other innovations are helping consumers manage their day-to-day finances more efficiently and effectively. Yet, there is continued demand for services that help consumers track, plan, and execute transactions with a high degree of transparency, control, and convenience.

The Consumer Financial Health Study's findings on transaction product ownership and usage align with other industry research. Similar to the FDIC's National Survey of Unbanked and Underbanked Households, this study finds that approximately 7 percent of American households do not have a checking or savings account (Table D.1). Less financially healthy households, particularly those in the Vulnerable segments, own checking accounts at a far lower rate than Healthy segments; only 72 percent of the Unengaged segment has a checking account, compared with 99 percent of the Thriving segment (Table E.2 and Figure N). Among households that do not have a checking account, the most commonly cited reasons for not having an account are the high cost ("Don't have enough money" and "Bank account fees or minimum balance requirements are too high") and a lack of utility ("I don't need or want an account") (Table E.8).

The financial services industry has seen significant growth in prepaid and payroll card adoption over the past few years, as both serve as substitutes and complements to checking accounts. Consumers most commonly cite access ("Prepaid cards are accepted almost everywhere" and "It is easy to get a prepaid card"), financial management ("With a prepaid card, I can only spend money that I have"), and security ("[Prepaid cards are] a secure way to make purchases...") as reasons they use these products (Table E.9).

The need for immediate and irreversible access to funds from paper checks, both by consumers who do not have a checking account as well as those who do, is evident from consumers' use of non-bank check cashing services. The Coping and Vulnerable segments cash checks at retail stores (including big box stores, grocery stores, drug stores, liquor stores, and convenience stores) more frequently than Healthy segments, irrespective of whether they have a checking account (Table E.10).

Figure N: Product Ownership by Segment



Differences in consumer behavior are also evident in bill payment. Healthy segments have the highest rates of automatic bill payment use, though they use on-demand bill payment even more frequently; Coping segments favor on-demand online bill payment; and Vulnerable segments have the highest rates of in-person bill payment (Table E.11).[25] These differences may reflect the fact that less financially healthy individuals wish to retain greater control over when they pay bills so they can juggle payments, or it may reflect their more limited ownership of financial products, such as checking accounts, credit cards, and prepaid cards, which offer online bill payment services (Figure N and Table E.2).

These findings confirm that the consumer challenges highlighted in previous CFSI and other industry research persist. They highlight opportunities for providers to target products to address the day-to-day transaction needs of Coping and Vulnerable segments. For households that frequently juggle bill payments—a common occurrence among Coping and Vulnerable segments—product features that offer convenience, control, and transparency about the timing of payments may be highly valued. For households operating with little slack, immediate access to check funds and transparency about when those funds will be available can be critical. For consumers with uneven incomes—a challenge that is most significant for the At Risk segment—alerts and tools to avoid non-sufficient funds fees, point-of-sale declines, and overdrafts can help avoid embarrassing and costly situations. For consumers who are not deeply involved with their finances, such as the Unengaged segment, visualization tools, real-time feedback, or the integration of financial data into services they use could capture their attention. Product features that help consumers manage their day-to-day lives easily, securely, and affordably can become powerful tools for customer retention and satisfaction.

Nonprofit organizations can help increase awareness of and distribute high-quality financial products to consumers who may not be comfortable working directly with financial institutions or who do not live or work near a financial institution branch. These organizations can also leverage their deep experience working with consumers, particularly those in vulnerable financial situations, to help providers design products that address these consumers' needs. Coupling the financial counseling that many nonprofit organizations already provide with high-quality financial products can help magnify consumer impact.

Finally, policies that streamline payment systems to enable more real-time funds transfers and availability can help consumers track spending and current balances. As payments become closer to real-time, there is an opportunity to revise funds-availability policies, including the benchmarks set by regulation governing the Expedited Funds Availability Act. More timely access to funds from check deposits may address some of the day-to-day financial management challenges facing households in the Coping and Vulnerable segments.

Borrowing and Liquidity

Access to short-term credit can be critical for a household to weather a sudden drop in income or another unexpected expense without having it turn into a financial disaster. CFSI has written extensively about the consumer challenges around accessing credit and the need for more high-quality, small-dollar credit options in the market.[26] Understanding the Coping and Vulnerable segments' borrowing behaviors and challenges can inform innovative product design and testing.

While credit cards can provide a convenient liquidity option for consumers, the Coping and Vulnerable segments are less likely to own credit cards than Healthy segments; just 43 percent of the Unengaged segment and 53 percent of the At Risk segment own a credit card, compared with 95 percent of the Thriving segment (Figure N). Among individuals in the Coping and Vulnerable segments, the most commonly cited reasons for not owning a credit card include, lack of utility ("I don't need or want one"), financial management ("I've heard that credit cards can get you into trouble"), and accessibility ("I don't think I would qualify for a credit card" and "I don't have good enough credit to get one") (Table E.12). Among individuals in the Coping and Vulnerable segments that owned a credit card in the past, but no longer have one, the most common reasons cited for no longer having one relate to negative past experiences ("I had trouble making payments...;" "The card was shut off or cancelled for lack of payment;" and "I had a dispute with the credit card company") (Table E.13).

[25] Automatic bill payment involves setting up a payment to occur automatically, with a payment mechanism of the individual's choice and with a set cadence; for example, setting up a credit card payment to occur on the 15th of each month or setting up a bank account withdrawal on a bill's monthly due date. On-demand online bill payment requires an individual actively make the payment each month, either by visiting the biller's website and entering payment information or logging into online banking and sending a payment when the individual wishes to make the payment.

[26] To see all of CFSI's research on consumer credit, visit CFSI's website.

These data also provide insight into other ways consumers seek to meet their liquidity needs. Coping and Vulnerable segments are more likely to use alternative sources of credit, including payday, pawn, and auto title loans than Healthy segments (Table E.14). These households are also more likely to borrow from friends and family; nearly half of the At Risk segment (46 percent) borrowed from friends and family in the past year, far exceeding the number of individuals in any other segment that borrowed from friends and family (Table E.14).[27]

As discussed earlier, access to high-quality credit is an important component of financial resilience, helping households to weather financial emergencies and unexpected expenses. In the event of a hypothetical $600 financial emergency that has to be paid in a week, only about a third (39 and 30 percent) of the Coping segments, and significantly fewer members of the Vulnerable segments (18 and 7 percent), would turn to cash or cash substitutes to cover the emergency expense (Table E.6).[28] For-profit and nonprofit providers have an opportunity to address Coping and Vulnerable consumers' need for short-term liquidity with innovative, high-quality credit products that are structured to support repayment and help borrowers avoid a cycle of debt. To facilitate this provider activity, policymakers have an opportunity to create an environment that encourages pilot testing and innovation. For example, the idea behind the CFPB's proposed No-Action Letter program is to allow financial service providers to develop and test a variety of credit products that might help households meet their liquidity needs. Regulatory support is an important enabler to help foster innovation in this area of financial services.

Of course, credit is not appropriate for every consumer or every situation; however, for consumers who have the ability to repay, high-quality credit can be a valuable tool for smoothing mismatches in income and expenses and building positive credit history.

Planning and Saving

Saving and planning ahead have a substantial impact on consumers' financial health, influencing both short-term and long-term outcomes. As discussed earlier, holding all other variables constant, households that plan ahead for large, irregular expenses are 10 times more likely to be in a Healthy segment as those that do not, and those who have a planned savings habit are four times more likely to be in a Healthy segment as those that do not (Table 3). This finding underscores the opportunity to help consumers improve their financial health with products, programs, and services that facilitate ongoing planning and saving.

Compared with Healthy segments, Coping and Vulnerable segments say they plan ahead less for large, irregular expenses. As Figure O shows, only 20 percent of the At Risk segment plans ahead for large expenses, compared with 66 percent of the Thriving segment. This is true regardless of income; Healthy segments at all income levels engage in higher levels of planning ahead for large, irregular expenses than less financially healthy segments. However, the desire to plan ahead is evident in the data; over half of the Tenuous and At Risk segments (57 and 52 percent) said they would plan ahead if they could (Figure O). This suggests that these households wish to plan ahead, but that they are unable to do so because they do not know how, they do not have the right tools to do so, or they do not believe they can, given their financial situation or resources.

---

[27] Borrowing from friends and family is one of the informal financial services explored in the U.S. Financial Diaries Issue Brief "An Invisible Finance Sector: How Households Use Financial Tools of Their Own Making."

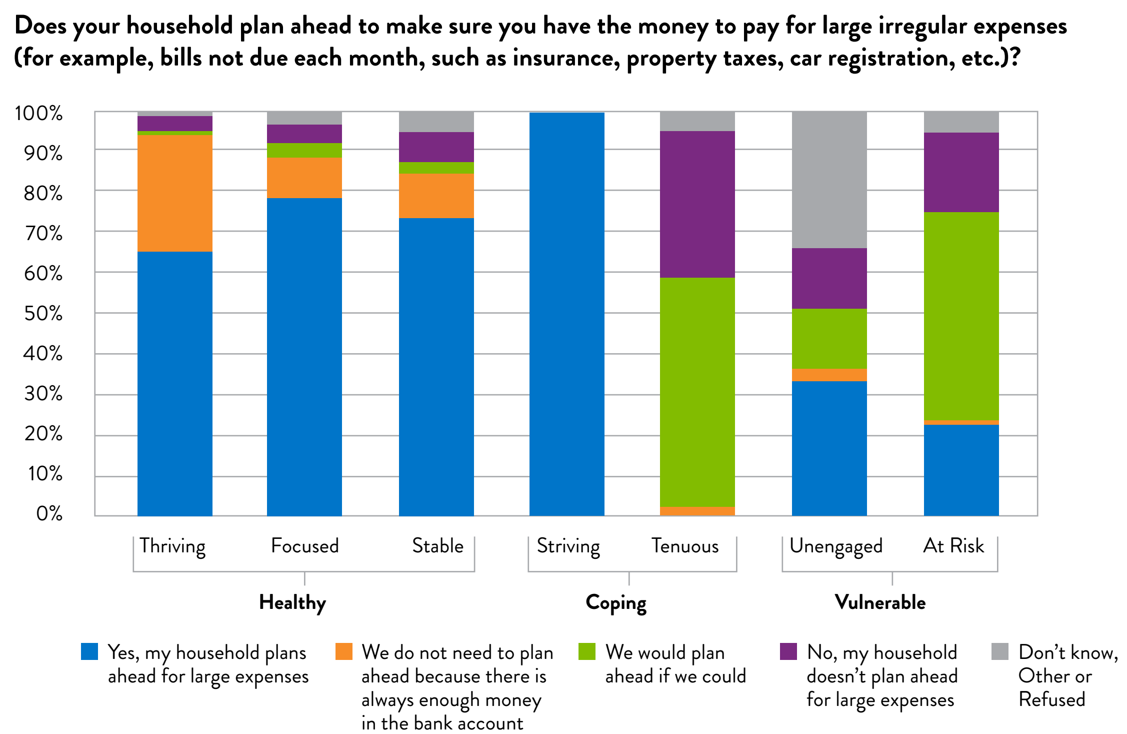
[28] Cash and cash substitutes refer to the following: (a) Money currently in my checking or savings account or on my prepaid or payroll card and (b) Put it on my credit card and pay it off in full at the next statement.

A similar pattern can be observed in households' saving habits. Coping and Vulnerable segments engage in less *planned* saving than Healthy segments (Figure H).[29] Coping segments have the highest rates of unplanned saving (saving whatever is left over at the end of the month), while Vulnerable segments report the highest rates of not saving. The fact that all segments report some planned and unplanned savings behavior signals that the desire to save is present. Yet, approximately a fifth of the Coping segments (20 and 26 percent) and approximately half of the Vulnerable segments (50 and 44 percent) do not have savings accounts, and a quarter of the Striving and Unengaged segments (25 percent) say they store money at home.

Financial service providers have an opportunity to design products and services that help Coping and Vulnerable households plan and save for the future. For consumers who currently save as part of a group—an activity more prevalent among the Striving segment—a savings tool that has social or community features may be effective.[30] For individuals who say they would plan ahead if they could—common among Tenuous and At Risk segments—a simulation tool that shows various time frames, payments options, and incentives for reaching a savings goal might help consumers envision what is possible and adopt the behaviors necessary to reach their goals. By leveraging learnings from behavioral economics, such as well-designed nudges, defaults, and prompts, financial services providers can design products that help consumers save automatically, plan ahead, and reach their goals.

These findings also highlight opportunities for policymakers and nonprofit organizations. For households that frequently juggle bill payments, either due to unpredictable income or a mismatch between income and expenses, personal savings can provide a cushion. The creation and subsequent use of such savings can take place through frequent and small transactions. However, the current regulatory limit of six withdrawals per month on transfers from savings accounts may deter consumers from leveraging savings accounts to build and use these savings. Policymakers have an opportunity to review and update Reserve Requirements of Depository Institutions (Regulation D) to provide more flexibility for low-income households with respect to transferring funds from saving accounts into their transaction accounts.[31]

Figure O: Planning Habits By Segment



[29] Planned saving includes: (a) saving regularly by putting money aside each month; (b) saving income of one family member, spending the other; and (c) spending regular income, saving other income (where regular income includes wages, salaries, pensions and other income you receive on a regular ongoing basis [e.g. rent, if you rent out a house or apartment] and other income includes bonuses, gift money, occasional investment income, tax refunds, etc.)

[30] A savings group is small number of people who save together by making regular (weekly or monthly) contributions and then take small loans from the group's savings when needed, according to the group's rules.

[31] See the FDIC's Reserve Requirements of Depository Institutions.

Policymakers also have an opportunity to revisit social service programs with asset limits to allow, and possibly incentivize, low income consumers to set aside reserve funds without losing eligibility for valuable services. Social service programs should avoid punishing consumers for adopting good habits and, hence, disincentivizing them. Most social service programs do, in fact, have sufficiently high asset limits, but these limits are often not clear to the program participants. The ABLE Act of 2014 is an example of how policies can set asset limits that help households build savings to be resilient and to take advantage of financial opportunities without losing access to social service programs.[32]

The nonprofit community is well positioned to help consumers plan and save; in many cases, nonprofit organizations are already doing so, focusing on asset-building initiatives and engaging with consumers who are struggling financially. These organizations have an opportunity to provide, or continue providing, comprehensive services that help consumers identify savings goals, create a plan, and access products that support positive behaviors and accelerate progress toward their objectives. Nonprofit organizations can also partner with employers to help employees take advantage of retirement and other savings programs. Building upon successful workplace-based financial programs, nonprofits can help employees adopt saving habits and extend their savings time horizon.[33] Finally, nonprofits can support their constituents' financial health with programs that help individuals or families save for higher education and help students stay in school, as higher education is correlated with financial health segment.

V. Looking Ahead

This is CFSI's first extensive report exploring what it means to be financially healthy in America today. Further analysis of the Consumer Financial Health Study data is ongoing and additional findings and recommendations are forthcoming.

CFSI will build upon this foundational body of knowledge in the coming years by developing financial health metrics, testing products' impact on financial health, and examining the connection between improved financial health and business model drivers. We will develop a set of tools to help policymakers and providers measure consumer financial health. We will also seek to identify products and features that help consumers improve and maintain financial health. Armed with this knowledge, we will invest in innovative technologies, policies, and providers that help Americans thrive.

But we cannot do this alone. Improving Americans' financial health will require commitment, creativity, collaboration, and investment from all members of the financial ecosystem, including policymakers, consumers, nonprofit organizations, and financial service providers. It will require members of the financial services community to subscribe to the idea that helping customers improve their financial health is a key objective and that tracking corresponding metrics to assess progress is essential. It will take consumer-focused policies that encourage access, innovation, well-designed and effective education programs, a fair financial services marketplace, and consumer commitment to healthy financial behaviors. It will require financial service providers to devote time and resources to examining how existing products might enable or hinder customers' ability to manage their financial lives, and it will take creativity and ingenuity to devise new products and services that can help customers achieve financial security and mobility.

CFSI invites you to join us in this endeavor. Together, we can create a financial services marketplace that facilitates a healthier financial future for all Americans.

[32] For more on the ABLE act, see "Obama Signs Able Act."

[33] For one review of successful workplace-based financial programs, see "The Effects of Financial Education in the Workplace: Evidence From a Survey of Employers".

Appendix

A. Survey Development & Implementation

Survey Instrument

The Consumer Financial Health Study survey instrument includes questions corresponding to subjective and objective indicators of financial health, financial product usage and attitudes, and demographics.

In developing the financial health indicators and the survey instrument, CFSI consulted with industry experts and reviewed industry research and surveys, including the following:

- The Federal Reserve Board's Survey of Household Economic Decisionmaking (SHED) captures a snapshot of the financial and economic well-being of U.S. households, the issues they face, and perceived risks to their financial stability.
- The Federal Deposit Insurance Corporation's (FDIC) biennial National Survey of Unbanked and Underbanked Households provides insight about the needs of unbanked and underbanked consumers, and, in 2013, was expanded to collect information on consumers' use of mobile financial services and prepaid cards.
- Financial Industry Regulatory Authority's (FINRA) National Financial Capability Study benchmarks key indicators of financial capability and evaluates how these indicators vary with underlying demographic, behavioral, attitudinal and financial literacy characteristics.
- The United Kingdom's 2005 Financial Capability Study determined that consumers' financial lives can be thought of as encompassing four different domains: managing money, planning ahead, making choices, and getting help.

While some of these surveys focused on individuals' financial well-being, others examined consumers' use of financial products and services. CFSI's Consumer Financial Health Study builds upon these surveys by including both of these elements, as well as questions that are identical, or similar, to those asked in other surveys.

The full Consumer Financial Health Study survey instrument can be downloaded here: www.cfsinnovation.com/Document-Library/Consumer-Study-Survey

Survey Implementation

CFSI partnered with GfK, a global market and consumer research firm, to field the Consumer Financial Health Study's survey. E-mail invitations were sent to a random sample of GfK's KnowledgePanel® participants from June - August 2014, yielding 7,152 survey respondents for a completion rate of 32 percent.[34] Panel members with annual incomes under $50,000 were oversampled to create a robust data set of low- and moderate-income respondents. The target over-sample was 1,500 consumers with incomes under $50,000, to augment the generally representative pool of respondents.

Those invited to take the survey were disqualified if they indicated that they did not know if they (and/or their spouse) had a checking account, savings account, prepaid account or payroll account. Disqualification occurred only if they responded "don't know" to all four products.

The survey was deployed in two 18-minute halves to reduce survey fatigue and boost data quality. Respondents who completed the first half of the survey were invited to take the second half five days later. The two sets of responses for each individual respondent were joined together for analysis; only responses from consumers who completed both halves of the survey are included in the study.

To enhance the completion rate, GfK sent e-mail reminders to non-responders. Standard, baseline incentives were given to respondents for survey completion; in addition to a sweepstakes entry, respondents each received between 1,000 and 1,500 points. Panelists typically receive 1,000 points for every survey session they complete, which is equal to $1. Points can be redeemed for cash, games, gift cards, or merchandise. Respondents were also asked for permission to pull their credit score range for analysis purposes. They were offered a $10 incentive, and 45% of respondents provided consent.

[34] The first survey was sent to 22,124 respondents and had a response rate of 52 percent; the second wave was sent to 10,238 (who completed the first survey) and had a response rate of 69.8 percent. The 32 percent response rate reflects 7,152 completed responses from the original 22,124.

About GfK's KnowledgePanel®

KnowledgePanel® is a large national, probability-based panel that provides a representative sample for online research. The panel was first developed in 1999 by Knowledge Networks, a GfK company, with panel members who are randomly selected, enabling results from the panel to statistically represent the US population with a higher degree of accuracy than results from volunteer opt-in panels (for comparisons of results from probability versus non-probability methods, see Yeager et al., 2011) .[35]

Unlike opt-in panels, individuals can become panelists only after being randomly selected; no one can just volunteer to be a member. Originally, panelists were selected using random-digit dialing (RDD) but address-based sampling (ABS) has been employed since 2009. ABS provides a statistically-valid sampling method with a published sample frame of residential addresses that covers approximately 97 percent of U.S. households, including households that:

- Have unlisted telephone numbers
- Do not have landline telephones
- Are cell phone only
- Do not have current Internet access
- Do not have devices to access the Internet

Non-Internet households that are selected in the sample are provided a web-enabled computer and free Internet service so they can also participate as online panel members. GfK's KnowledgePanel recruitment methodology uses the same or similar quality standards as mandated by the Office of Management and Budget in the "List of Standards for Statistical Surveys," which indicates that "Agencies must develop a survey design, including… selecting samples using generally accepted statistical methods (e.g., probabilistic methods that can provide estimates of sampling error)."

B. Financial Health Consumer Segmentation Methodology

Segmentation Inputs

The data inputs for the financial health segmentation model were selected by identifying questions from the survey instrument that corresponded to each core element of financial health, provided strong consumer differentiation, and were asked of all respondents. A Common Factor Analysis was performed on the battery of attitudinal questions to help determine the latent (unobservable) factors and themes in the data. This data reduction technique helped guide inclusion of specific attitudinal statements in the model. Table B.1 lists the survey questions that were included in the segmentation model.

[35] See Comparing the accuracy of RDD telephone surveys and internet surveys conducted with probability and nonprobability samples.

Table B.1: Survey Questions Driving the Financial Health Segmentation Model

Category	Questions
Day-to-Day Financial Management	Does your household have a budget or spending plan that you use to guide how your money gets spent each month?
	When you plan for your household's day-to-day living expenses, which of these time frames is most important to you?
	How much do you agree or disagree with the following statement? "I always find myself living paycheck to paycheck"
	How well is your household keeping up with your bills and credit payments at the moment?
	How often do you have to juggle which bills get paid when?
	In the past 12 months, how often has your household run out of money before the end of the month, including when you had to use credit to get by?
	Households' financial obligation ratio
	Does your household plan ahead to make sure you have the money to pay for large irregular expenses?
Resilience	Do you or others in your household have life insurance?
	How confident are you that you could come up with $2,000 if an unexpected need arose within the next month?
	How long could your household make ends meet if you faced unemployment, a longer-term illness, job loss, economic downturn, or other emergency that caused a drop in income?
Opportunity	When you think about saving money for the future, which of these time frames is most important to you?
	Which one of the following statements comes closest to describing your, and/or your spouse's or partner's, saving habits?
	Using a scale of 1 to 5 where 1 is "Very Poor" and 5 is "Excellent", where do you think your credit score falls?
	Households' non-mortgage debt-to-income ratio
Attitudes	Which of the following statements comes closest to the amount of financial risk that you are willing to take when you save or make investments?
	How would you describe your current financial situation compared with one year ago?
	What do you expect your financial situation will be like five years from now?
	How much do you agree or disagree with the following statement? "I am highly satisfied with my present financial condition"
	How much do you agree or disagree with the following statement? "I have too much debt right now"
	How much do you agree or disagree with the following statement? "I use technology to manage my money far more than other people I know"
	How much do you agree or disagree with the following statement? "Friends and family rely heavily on me to help with their finances"
	How much do you agree or disagree with the following statement? "I am comfortable having some debt if it allows me to accomplish other goals"
	How much do you agree or disagree with the following statement? "I have the skills and knowledge to manage my finances well"
	How much do you agree or disagree with the following statement? "I prefer to pay as few fees as possible, even if it means trading off a level of service or benefits"

Segmentation Technique

GfK conducted the segmentation modeling, employing Latent Class methodology, which is a technique for segmentation. The Latent Class segmentation approach was selected because it handles different types of data well, it provides excellent diagnostic information to determine how well the model fits the data, it provides insight into how different variables influence the segmentation solution, and it offers flexibility and efficiency in segmenting based on a subset of the sample.

C. Financial Health Segments and Income

To test the extent to which the financial health segmentation is driven by income and other demographic characteristics, as opposed to the behavioral and attitudinal measures in the study, CFSI used multiple regression to estimate the effects of the various variables on segmentation placement. Regression answers the question "What is the effect of X on Y," where X, in this case, are the variables we included in this analysis and Y is the segmentation outcome. For this analysis, CFSI numbered the segments from 1 to 7; segment 7 is the Thriving segment and segment 1 is the At Risk segment.[36]

CFSI estimated two models: a restricted model, with only the income and demographic characteristics of the respondents, and a full model, with the variables included in the restricted model plus the set of financial behaviors and attitudes that were included in the segmentation model. Nearly all the variables in the model are categorical variables, coded as 0 or 1. For example, households who say they plan for large expenses are coded as 1 and all others are coded as 0. Household size is the only continuous variable in the model.

In the restricted model with only the socioeconomic and demographic variables, nearly every variable was significant (that is, the probability values - P values - are 0.05 or less; see Table C.1). Income had the largest impact on segment position, followed by education and age. In the full model, however, most of the demographic variables lose their significance in the presence of the behavioral and attitudinal variables.

Regression coefficients for ordered logit analysis are difficult to interpret directly; odds ratios are provided in Table C.1. Odds ratios greater than 1.0 indicate being more likely; for example, an odds ratio of 10.391 (planning for large expenses) means that households that plan ahead for large expenses are 10 times more likely to be in the healthy segments than those that do not plan for these expenses. Odds ratios less than 1.0 indicate being less likely; for example, an odds ratio of 0.79 (have a budget or spending plan) means that households that say they have a budget or spending plan are only 79% as likely to be in the healthy segments as those without a budget or spending plan.

In the full model, the variables with the largest impacts on segment position are related to planning ahead for large expenses, planned saving, and ability to make ends meet in the event of an unexpected drop in income. Thus, while income plays a role, the financial health segments are not solely determined by income.

[36] Although the segments are numbered from 1 to 7, they do not represent a continuous integer variable; for example, segment 6 is not twice as good as segment 3. The dependent variable – the Y variable – is an ordered categorical variable, and CFSI used ordered probit analysis to estimate the regression model. For more information on ordered probit, see Greene, William H. (2000) *Econometric Analysis, Fourth Edition.* Upper Saddle River NJ: Prentice Hall, pages 875-879.

Table C.1. Ordered Logit Regression Results on Segments

Segments are ordered 1 to 7, with 7 representing the Thriving segment and 1 representing the At Risk segment.

	Restricted Model with Only Socioeconomic & Demographic Variables				Full Model with All Variables			
	Coefficient	**Odds ratio**	**Std. error**	**P value**	**Coefficient**	**Odds ratio**	**Std. error**	**P value**
Income (reference category is Income quartile 4, 75-100% of income distribution)								
Income quartile 1 (less than 25% of income distribution)	1.807	6.089	0.084	0.000	0.348	1.416	0.173	0.004
Income quartile 2 (25-49.99% of income distribution)	1.147	3.150	0.072	0.000	0.177	1.194	0.115	0.067
Income quartile 3 (50-74.99% of income distribution)	0.592	1.808	0.071	0.000	0.123	1.131	0.105	0.185
Age (reference category is 65 and over)								
Age 18 - 25	0.372	1.451	0.118	0.002	0.096	1.101	0.194	0.586
Age 26 - 35	0.734	2.084	0.099	0.000	0.197	1.218	0.165	0.145
Age 36 - 49	0.678	1.969	0.093	0.000	0.283	1.327	0.167	0.024
Age 50 - 64	0.352	1.422	0.073	0.000	0.185	1.204	0.117	0.057
Education (reference category is college degree)								
Less than high school	0.982	2.669	0.108	0.000	-0.318	0.728	0.121	0.057
High school	0.636	1.889	0.063	0.000	-0.072	0.931	0.080	0.402
Some college	0.636	1.888	0.058	0.000	-0.251	0.778	0.060	0.001
Race/ethnicity (reference category is white)								
Black	-0.393	0.675	0.086	0.000	0.112	1.119	0.146	0.388
Hispanic	-0.192	0.826	0.084	0.022	0.109	1.115	0.141	0.389
Other	-0.096	0.908	0.095	0.310	0.046	1.047	0.138	0.726
Marital status & gender (reference category is married)								
Single male	0.115	1.122	0.063	0.070	-0.005	0.995	0.088	0.957
Single female	0.342	1.407	0.062	0.000	0.045	1.046	0.092	0.610
Kids under 18 in household	-0.049	0.952	0.076	0.513	0.045	1.046	0.110	0.666
Household size	-0.199	0.819	0.025	0.000	-0.072	0.930	0.033	0.041
Region (reference category is South)								
Northeast	0.036	1.037	0.065	0.575	0.133	1.142	0.102	0.138
Midwest	0.102	1.108	0.058	0.078	0.257	1.293	0.101	0.001
West	-0.049	0.952	0.060	0.414	0.143	1.154	0.095	0.084
MSA is urban (Metro)	0.146	1.157	0.062	0.019	0.028	1.029	0.087	0.739

Data in this table has been revised since original publication to reflect the adjustment of the non-mortgage debt-to-income ratio benchmark to 40%.

Table C.1. Ordered Logit Regression Results on Segments

Segments are ordered 1 to 7, with 7 representing the Thriving segment and 1 representing the At Risk segment.								
	Restricted Model with Only Socioeconomic & Demographic Variables				Full Model with All Variables			
	Coefficient	Odds ratio	Std. error	P value	Coefficient	Odds ratio	Std. error	P value
Employment status (reference category is not working)								
Working	0.408	1.504	0.069	0.000	-0.018	0.982	0.103	0.863
Retired	0.928	2.530	0.091	0.000	0.122	1.130	0.146	0.343
Own home	0.525	1.690	0.058	0.000	0.115	1.121	0.091	0.159
Behaviors & attitudes								
Do not need to plan ahead because have enough money in the bank					2.659	14.279	2.006	0.000
Plan ahead for large expenses					2.306	10.038	0.094	0.000
Time frame for saving for the future is 5 years or more					2.117	8.304	0.075	0.000
Have habit of saving regularly					1.382	3.981	0.091	0.000
Do not find myself living paycheck to paycheck					1.274	3.575	0.320	0.000
Could make ends meet for 12 months or more if faced with drop in income					1.263	3.534	0.283	0.000
Very confident that could come up with $2,000 within a month					1.029	2.799	0.247	0.000
Believe credit score is excellent					1.020	2.772	0.206	0.000
Never have to juggle bills					0.876	2.401	0.185	0.000
Do not have too much debt right now					0.811	2.251	0.165	0.000
Highly satisfied with present financial condition					0.785	2.191	0.165	0.000
Keeping up with payments without difficulties					0.694	2.001	0.168	0.000
Never run out of money before the end of the month					0.690	1.994	0.169	0.000
Time frame for day-to-day expenses is next few weeks					0.532	1.702	0.112	0.000
Willing to take some financial risk					0.378	1.459	0.104	0.000
Financial obligation ratio is below 40%					0.320	1.377	0.099	0.000
Non-mortgage debt-to-income ratio is less than 40%					0.284	1.329	0.100	0.000
Financial situation is the same or better than last year					0.240	1.271	0.112	0.006
Comfortable having some debt to accomplish goals					0.209	1.232	0.078	0.001
Have skills and knowledge to manage finances well					0.208	1.232	0.081	0.002
Expect financial situation one year from now will be the same or better					0.186	1.205	0.110	0.042
Have life insurance					0.067	1.069	0.076	0.350
Have a budget or spending plan					-0.188	0.828	0.053	0.003
Could make end meet for 3 months or less if faced with drop in income					-0.534	0.586	0.049	0.000

Table C.1. Ordered Logit Regression Results on Segments								
Segments are ordered 1 to 7, with 7 representing the Thriving segment and 1 representing the At Risk segment.								
	Restricted Model with Only Socioeconomic & Demographic Variables				**Full Model with All Variables**			
	Coefficient	**Odds ratio**	**Std. error**	**P value**	**Coefficient**	**Odds ratio**	**Std. error**	**P value**
Constant cut 1	4.454		0.347		3.815		0.482	
Constant cut 2	5.382		0.348		4.199		0.483	
Constant cut 3	6.146		0.349		6.916		0.491	
Constant cut 4	7.018		0.351		10.450		0.508	
Constant cut 5	8.080		0.355		13.542		0.522	
Constant cut 6	9.117		0.358		15.896		0.535	
Number of obs		6602				4908		
LR Chi2(24)/(47)		2510.17				9046.82		
Prob > Chi2(24)/(47)		0.000				0.000		
Log likelihood		-11447.834				-4468.577		
Pseudo R2		0.099				0.503		

D. Unbanked and Underbanked Calculation Methodologies

Table D.1: Unbanked and Underbanked

		Healthy			Coping		Vulnerable	
	Total	Thriving	Focused	Stable	Striving	Tenuous	Unengaged	At Risk
Unbanked	7	*	*	2 ▼	5 ▼	7	21 ▲	12 ▲
Underbanked	25	11 ▼	17 ▼	18 ▼	31 ▲	32 ▲	27	44 ▲

** Denotes there were fewer than 10 unweighted observations, so the data is not reported.*

Unbanked

Respondents who indicated that they had neither a checking nor a savings account were categorized as unbanked. There were eleven (weighted) responses with "don't know" for both the checking and savings account questions; these were categorized as unbanked. There were three (weighted) responses with "no" for either checking or savings account and "don't know" for the other account; these were also categorized as unbanked. If the fourteen "don't know" responses had been excluded from the unbanked calculation, the total unbanked percentage would be 6.9 percent, instead of the reported 7.1 percent.

Underbanked

A protocol mirroring the one used in the FDIC's National Survey of Unbanked and Underbanked Households was used to calculate the percentage of underbanked respondents. Respondents who reported they had *either* a checking or a savings account *and* who reported they used *at least one* of the services listed below were considered underbanked:

- Purchased a money order at a non-bank location in the past 12 months
- Sent money to a friend or family member using a non-bank provider in the past 12 months
- Cashed a check at a check casher or currency exchange in the past 12 months
- Cashed a check at a big box retail store in the past 12 months
- Cashed a check at a grocery store in the past 12 months
- Cashed a check at a drug store in the past 12 months
- Cashed a check at a liquor store in the past 12 months
- Cashed a check at a convenience store in the past 12 months
- Cashed a check using your prepaid card's mobile app in the past 12 months
- Cashed a check at a casino in the past 12 months
- Cashed a check in another location (not listed) in the past 12 months
- Borrowed money in the past 12 months using an advance on your tax refund
- Borrowed money in the past 12 months using a payday loan or payday advance from a payday lender
- Borrowed money in the past 12 months using a pawn loan
- Borrowed money in the past 12 months using an auto title loan
- Borrowed money in the past 12 months using rent to own

E: Tables

Unless otherwise indicated, the following tables contain the percentage of the column's population that selected each answer listed. Percentages are rounded to the nearest whole number. Figures denoted with ▲ are higher than the corresponding incidence rate for the total population, at a 95 percent confidence interval; those denoted with ▼ are lower than the corresponding incidence rate for the total population at a 95 percent confidence interval.

Where there are fewer than 10 unweighted observations, the data is not reported and is denoted with a * in the appropriate cell. Where there are fewer than 50 unweighted observations, significance testing is not reported and is denoted with a * next to the column label.

Note that the beginning of the survey included the following note about the use of the word "banks" in the survey questions and answer choices: *Through the survey, when we use the term "banks", we are including both banks and credit unions, but use the single word "banks" for simplicity.*

Table E.1: Demographic Characteristics of Segments

		Healthy			Coping		Vulnerable	
	Total	Thriving	Focused	Stable	Striving	Tenuous	Unengaged	At Risk
Age								
18-25	13	5 ▼	10 ▼	14	14	12	26 ▲	10 ▼
26-35	17	6 ▼	19	11 ▼	20 ▲	23 ▲	19	22 ▲
36-49	23	17 ▼	28 ▲	15 ▼	26 ▲	25	21	28 ▲
50-64	29	35 ▲	32 ▲	28	27 ▼	28	23 ▼	33 ▲
65 or more	18	36 ▲	10 ▼	32 ▲	14 ▼	12 ▼	12 ▼	8 ▼
Mean (years)	46.9	56.8 ▲	45.2 ▼	52.1 ▲	44.9 ▼	44.6 ▼	41.5 ▼	44.3 ▼
Race/ethnicity								
White, Non-Hispanic	68	87 ▲	79 ▲	77 ▲	59 ▼	62 ▼	50 ▼	66
Black, Non-Hispanic	11	2 ▼	6 ▼	8 ▼	14 ▲	13 ▲	18 ▲	14 ▲
Other, Non-Hispanic	6	6	9 ▲	5 ▼	6	9 ▲	6	4 ▼
Hispanic	14	5 ▼	5 ▼	10 ▼	19 ▲	15	24 ▲	15
2+ Races, Non-Hispanic	1	1	1	1	1	2	2	1
Gender								
Male	50	53 ▲	57 ▲	50	47 ▼	49	51	43 ▼
Female	50	47 ▼	43 ▼	50	53 ▲	51	49	57 ▲
Marital status								
Married	52	67 ▲	64 ▲	56 ▲	53	52	32 ▼	44 ▼
Widowed/ Divorced/ Separated	15	13	8 ▼	17 ▲	15	13	16	22 ▲
Never married	26	16 ▼	21 ▼	23 ▼	25	27	43 ▲	24
Living with partner	7	4 ▼	6	5 ▼	7	8	9 ▲	10 ▲

Table E.1: Demographic Characteristics of Segments

		Healthy			Coping		Vulnerable	
	Total	Thriving	Focused	Stable	Striving	Tenuous	Unengaged	At Risk
Education								
Less than high school	13	6 ▼	4 ▼	9 ▼	11	12	27 ▲	18 ▲
High School	35	32 ▼	27 ▼	35	35	36	41 ▲	40 ▲
Some college	28	23 ▼	25	29	30 ▲	30	26	30
Bachelor's degree or higher	25	40 ▲	43 ▲	27 ▲	23	22 ▼	7 ▼	12 ▼
Employment status								
Working	55	49 ▼	70 ▲	50 ▼	65 ▲	62 ▲	38 ▼	54
Not working - retired	18	40 ▲	11 ▼	34 ▲	13 ▼	10 ▼	10 ▼	7 ▼
Not working -not retired (disabled, looking for work, temporary layoff, etc)	27	11 ▼	19 ▼	16 ▼	23 ▼	29	52 ▲	38 ▲
Student status								
Full-time student	9	3 ▼	9	10 ▲	7 ▼	9	14 ▲	6 ▼
Part-time student	3	*	3	2	5 ▲	4 ▲	4	2 ▼
Children under 18 in household								
Yes	30	15 ▼	32	23 ▼	35 ▲	35 ▲	32	40 ▲
Born in the US								
No	11	9 ▼	8 ▼	8 ▼	13 ▲	13	16 ▲	10
Household ownership status								
Owned or being bought by you or someone in your household	72	90 ▲	86 ▲	81 ▲	69	66 ▼	53 ▼	56 ▼
Rented for cash	26	9 ▼	13 ▼	17 ▼	28 ▲	30 ▲	40 ▲	41 ▲
Occupied without payment of cash rent	3	*	1 ▼	2	2	4	7 ▲	3
Monthly rent or mortgage payment								
Don't pay rent or have a mortgage payment	27	54 ▲	22 ▼	36 ▲	15 ▼	17 ▼	29	14 ▼
Primary financial decision maker								
I am the primary decision maker	40	41	36 ▼	40	40	42	36 ▼	46 ▲
Another household member and I share in the decisions	42	46 ▲	48 ▲	43	44 ▲	43	29 ▼	38 ▼
Another household member is the primary decision maker	14	8 ▼	13	13	12 ▼	10 ▼	27 ▲	11 ▼

Table E.2: Do you [and your spouse or partner] currently have any of the following financial products?
(Answers displayed: "yes" to each of the following products)

		Healthy			Coping		Vulnerable	
	Total	Thriving	Focused	Stable	Striving	Tenuous	Unengaged	At Risk
Checking account at a bank	90	99 ▲	97 ▲	96 ▲	93 ▲	90	72 ▼	86 ▼
Savings account at a bank	74	86 ▲	91 ▲	82 ▲	80 ▲	74	49 ▼	55 ▼
Prepaid card	10	7 ▼	5 ▼	5 ▼	12 ▲	13 ▲	11	16 ▲
Payroll card	3	*	3	1 ▼	4	5 ▲	5 ▲	5 ▲

Table E.3: During the last 30 days, have you done or not done each of the following financial activities?
(Multi-select. Answers displayed: "yes" to each of the following.)

		Healthy			Coping		Vulnerable	
	Total	Thriving	Focused	Stable	Striving	Tenuous	Unengaged	At Risk
Used an ATM	60	51 ▼	61	56 ▼	67 ▲	66 ▲	50 ▼	67 ▲
Went to a bank and made a transaction in person with a teller	57	63 ▲	57	58	62 ▲	58	46 ▼	51 ▼
Went to a grocery store or big box store to make a financial transaction in person with a customer service representative	15	11 ▼	14	12 ▼	18 ▲	16	15	17 ▲
Called a bank to make a transaction	11	9 ▼	7 ▼	9	14 ▲	13	10	13 ▲
Called a non-bank to make a transaction	5	4 ▼	4	3 ▼	9 ▲	8 ▲	3 ▼	7 ▲
Used internet banking	57	60 ▲	67 ▲	58	64 ▲	64 ▲	33 ▼	53 ▼
Received an email alert from a financial services provider	34	34	41 ▲	32	41 ▲	35	22 ▼	30 ▼
Used mobile banking	28	18 ▼	29	25 ▼	34 ▲	35 ▲	22 ▼	31 ▲
Used the camera on your mobile phone to take a picture of a check and add the funds to your checking or prepaid account	12	10 ▼	15 ▲	10 ▼	12	15 ▲	10	9 ▼
Received an SMS/ text alert from a financial services provider	12	8 ▼	11	11	14 ▲	18 ▲	8 ▼	15 ▲
Used a non-bank online financial service	11	13 ▲	14 ▲	11	11	10	7 ▼	11

Table E.4: In the past 12 months, how often have you and your household had an unexpected expense crop up?

		Healthy			Coping		Vulnerable	
	Total	Thriving	Focused	Stable	Striving	Tenuous	Unengaged	At Risk
At least once a month or a couple times a month	17	4 ▼	12 ▼	8 ▼	20 ▲	20 ▲	19	35 ▲
Once every 2-3 months or 4-5 months	35	22 ▼	36	29 ▼	46 ▲	45 ▲	23 ▼	45 ▲
1-2 times a year	29	40 ▲	38 ▲	40 ▲	26 ▼	25 ▼	22 ▼	13 ▼
I haven't had any unexpected expenses	18	35 ▲	13 ▼	22 ▲	8 ▼	10 ▼	34 ▲	7 ▼
Refused	1	*	*	*	*	*	2 ▲	*

Table E.5: To what extent do you agree with the statement "I am confident that I will have the skills I will need for the kinds of jobs I want in ten years"?

		Healthy			Coping		Vulnerable	
	Total	Thriving	Focused	Stable	Striving	Tenuous	Unengaged	At Risk
Agree	40	49 ▲	57 ▲	40	42	37	23 ▼	30 ▼
Neither agree nor disagree	42	40	35 ▼	46 ▲	40 ▼	42	55 ▲	36 ▼
Disagree	17	10 ▼	9 ▼	13 ▼	18	19	20 ▲	34 ▲

Table E.6: If you had one week to pay $600 for an emergency expense, such as a car repair or medical bill, where would you turn first to get the money?

		Healthy			Coping		Vulnerable	
	Total	Thriving	Focused	Stable	Striving	Tenuous	Unengaged	At Risk
Money currently in my checking or savings account or on my prepaid or payroll card or with cash	33	53 ▲	52 ▲	55 ▲	29 ▼	21 ▼	12 ▼	5 ▼
Put it on my credit card and pay it off in full at the next statement	19	42 ▲	34 ▲	29 ▲	10 ▼	10 ▼	6 ▼	2 ▼
Put it on my credit card and pay it off over time	11	1 ▼	6 ▼	5 ▼	23 ▲	24 ▲	8 ▼	13
Try to arrange to pay in installments	9	*	2 ▼	3 ▼	13 ▲	15 ▲	10	23 ▲
Borrowing from a friend or family member	8	*	2 ▼	3 ▼	11 ▲	10 ▲	14 ▲	19 ▲
Other	5	*	1 ▼	1 ▼	7 ▲	8 ▲	8 ▲	8 ▲
I wouldn't be able to pay for the expense right now	6	*	1 ▼	1 ▼	4 ▼	5	9 ▲	21 ▲
Don't know	8	*	2 ▼	2 ▼	2 ▼	6	32 ▲	9
Refused	0	*	*	*	*	*	*	*

Table E.7: How easy is it for you to predict next month's income for your household?

		Healthy			Coping		Vulnerable	
	Total	Thriving	Focused	Stable	Striving	Tenuous	Unengaged	At Risk
Very easy or somewhat easy	76	97 ▲	91 ▲	93 ▲	76	69 ▼	48 ▼	60 ▼
Neither easy nor difficult	14	2 ▼	6 ▼	5 ▼	16 ▲	15	35 ▲	15
Somewhat difficult or very difficult	9	1 ▼	3 ▼	1 ▼	7 ▼	15 ▲	15 ▲	25 ▲
Refused	1	*	*	*	*	*	2 ▲	*

Table E.8: Is each of the following a reason or not a reason that you [and your spouse or partner] do not have a checking account? *(Multi-select. Asked of respondents who do not currently have a checking account.)*

		Healthy			Coping		Vulnerable	
	Total	Thriving	Focused	Stable*	Striving*	Tenuous	Unengaged	At Risk
Don't have enough money	49	*	*	*	37	44 ▼	52 ▲	66 ▲
Don't need or want an account	48	*	*	57	46	46	48	51 ▲
Bank account fees or minimum balance requirements are too high	42	*	*	41	55	40	32 ▼	64 ▲
Don't like dealing with banks	33	*	*	28	52	24 ▼	27 ▼	52 ▲
Don't trust banks	28	*	*	*	42	22 ▼	28	35 ▲
Had a bad experience with a bank in the past	25	*	*	*	35	16 ▼	14 ▼	58 ▲
Previously had an account but the bank closed it	18	*	*	*	24	*	14 ▼	37 ▲
My family never used banks growing up	18	*	*	*	*	*	18	16
Can't open an account due to credit history or banking history problems	14	*	*	*	12	*	7 ▼	43 ▲
Banks do not offer the products or services I need	14	*	*	*	25	*	11 ▼	17 ▲
Don't know how to open or manage an account	12	*	*	*	*	*	15 ▲	*
Can't open an account due to ID requirements	8	*	*	*	*	*	4 ▼	*

Table E.9: You indicated that you have a prepaid card. Is each of the following a reason or not a reason that you use a prepaid card? *(Multi-select)*

		Healthy			Coping		Vulnerable	
	Total	Thriving	Focused	Stable	Striving	Tenuous	Unengaged	At Risk
Prepaid cards are accepted almost everywhere	77	57 ▼	61 ▼	71 ▼	82 ▲	72 ▼	72 ▼	96 ▲
It is easy to get a prepaid card	77	52 ▼	58 ▼	66 ▼	82 ▲	81 ▲	76	93 ▲
With a prepaid card, I can only spend money that I have	77	46 ▼	42 ▼	72 ▼	88 ▲	77	80 ▲	93 ▲
It is a secure way to make purchases without exposing my other account numbers	67	49 ▼	46 ▼	56 ▼	84 ▲	65	63 ▼	76 ▲
Prepaid cards give me options for where and how I can buy things (for example, buying online)	67	37 ▼	37 ▼	65	79 ▲	59 ▼	58 ▼	91 ▲
I can get a prepaid card without a credit check	59	22 ▼	32 ▼	45 ▼	67 ▲	56 ▼	65 ▲	80 ▲
I don't have to provide as much personal information to get a prepaid card as I would have to provide to open a checking account	54	28 ▼	37 ▼	33 ▼	68 ▲	49 ▼	54	69 ▲
It helps me with budgeting	53	16 ▼	24 ▼	41 ▼	73 ▲	44 ▼	60 ▲	67 ▲
Prepaid cards are less expensive than a checking account	39	*	*	15 ▼	43 ▲	37	59 ▲	53 ▲
It gives me quick access to my paycheck via direct deposit	39	*	33 ▼	29 ▼	46 ▲	31 ▼	41	55 ▲
I can use a prepaid card to help me build savings	34	*	*	21 ▼	42 ▲	33	43 ▲	42 ▲
I can load money from a check onto a prepaid card from my mobile device or at a non-bank financial service provider location	34	*	18 ▼	18 ▼	46 ▲	30 ▼	35	43 ▲

Table E.10: During the last 12 months, did you cash a check at any of these locations and receive immediate access to the check funds? By "cash a check" we mean converting a check into cash or funds on a prepaid or payroll card that can be used immediately (often for a fee); we are not referring to depositing a check into your account and waiting for the funds to clear. *(Answers displayed: "yes" to big box retail store, grocery store, drug store, liquor store, or convenience store.)*

		Healthy			Coping		Vulnerable	
	Total	Thriving	Focused	Stable	Striving	Tenuous	Unengaged	At Risk
All respondents	8	2 ▼	3 ▼	5 ▼	9	12 ▲	13 ▲	13 ▲
Respondents with a checking account	6	2 ▼	3 ▼	4 ▼	7	9 ▲	7	8 ▲

Table E.11: How often does your household pay your bills (for example utility bills, credit card bills, rent or mortgage, car payments, etc.) in the following ways? *(Answers displayed: Always + Often.)*

		Healthy			Coping		Vulnerable	
	Total	Thriving	Focused	Stable	Striving	Tenuous	Unengaged	At Risk
Online	50	50	59 ▲	50	58 ▲	58 ▲	28 ▼	46 ▼
With automatic bill payment	34	47 ▲	43 ▲	39 ▲	36	30 ▼	19 ▼	23 ▼
By mail	29	29	27	34 ▲	27	27	31	27
In person	14	4 ▼	6 ▼	9 ▼	14	13	30 ▲	21 ▲
By phone	9	3 ▼	3 ▼	6 ▼	10 ▲	9	13 ▲	15 ▲

Table E.12: Is each of the following a reason or not a reason why you don't have a credit card? *(Multi-select. Asked of respondents who do not currently have a credit card and have never had one in the past. Answers displayed: yes.)*

		Healthy			Coping		Vulnerable	
	Total	Thriving*	Focused*	Stable	Striving	Tenuous	Unengaged	At Risk
I don't need or want one	72	85	74	87 ▲	70	71	70	65 ▼
I've heard that credit cards can get you into trouble	59	70	*	47 ▼	66 ▲	57	58	71 ▲
I don't think I would qualify for a credit card	34	*	*	*	37	52 ▲	29 ▼	54 ▲
I don't have good enough credit to get one	30	*	*	*	31	36 ▲	27 ▼	55 ▲
I applied for a credit card but was rejected	17	*	*	*	*	26 ▲	12 ▼	37 ▲
I don't know how to go about getting a credit card	12	*	*	*	*	*	12	10 ▼
I don't have the necessary identification needed to get a credit card	7	*	*	*	*	*	7	*
Other	1	*	*	*	*	*	*	*

Table E.13: Is each of the following a reason or not a reason why you no longer have a credit card? *(Multi-select. Asked of respondents who do not currently have a credit card, but have had one in the past. Answers displayed: yes.)*

		Healthy			Coping		Vulnerable	
	Total	Thriving*	Focused*	Stable	Striving	Tenuous	Unengaged	At Risk
I had trouble making payments and don't want to use it any more	57	*	*	31 ▼	59	53 ▼	57	69 ▲
The card was shut off or cancelled for lack of payment	38	*	*	*	31 ▼	27 ▼	33 ▼	60 ▲
I did not use it when I had it	20	*	*	31 ▲	33 ▲	14 ▼	25 ▲	8 ▼
I had a dispute with the credit card company	14	*	*	*	17 ▲	*	15	15
I was a victim of credit card fraud and stopped using the card	6	*	*	*	*	*	9 ▲	4 ▼
It was in the name of another person who I no longer share an account with	4	*	*	*	*	*	8 ▲	*
It was lost or stolen	2	*	*	*	*	*	*	*
Other	2	*	*	*	*	*	*	*

Table E.14: In the past 12 months, have you and your household used any of the following to borrow money? *(Multi-select)*

		Healthy			Coping		Vulnerable	
	Total	Thriving	Focused	Stable	Striving	Tenuous	Unengaged	At Risk
Friends, family or co-workers	14	*	3 ▼	3 ▼	17 ▲	19 ▲	12	46 ▲
Payday loan or payday advance from a payday lender	3	*	*	*	3	3	3	12 ▲
Pawn loan	3	*	*	*	4	5 ▲	5 ▲	10 ▲
Auto title loan	3	*	*	*	3	5 ▲	2	9 ▲