



## News Release

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# New Research: Four in 10 American Households Had Difficulty Withstanding a Financial Crisis Before COVID-19

## Financial Resilience Toughest for Millennials, Singles, Women and Those With Lower Incomes, No College Degree and Facing Unemployment

WASHINGTON, D.C.— Well before the COVID-19 pandemic, nearly four in 10 households lacked financial resilience, making them vulnerable to financial hardships, including those associated with the current pandemic or future financial crises, according to a report from the FINRA Investor Education Foundation. Meanwhile, fewer than two in 10 households appeared to be financially resilient.

In the study, [Bouncing Back? The Financial Resilience Of Americans](#), researchers from the FINRA Foundation and Fairleigh Dickinson University used several factors to assess financial resilience: level of financial literacy, income volatility, debt, emergency savings, owning a retirement account, having health insurance and owning a home. Following an analysis of data from more than 27,000 households surveyed for the FINRA Foundation's 2018 National Financial Capability Study (NFCS), researchers identified four discrete segments of the population, each with varying degrees of financial resilience — *Living on the Edge*, *Paycheck to Paycheck*, *Holding Steady* and *Standing Strong*.

"Prior to the pandemic, nearly 40 percent of American households faced financial circumstances that constrained their ability to respond to financial crises," said FINRA Foundation President Gerri Walsh. "This does not bode well for a broad swath of American households looking to rebound from the financial and economic distress associated with the pandemic."

"This may be particularly problematic for African Americans and Hispanics, whose households are much more likely to lack financial resilience than white households," Walsh said. "Our research certainly gives advocates, policy makers and others a more complete picture of the disparities that exist and provides a roadmap to start to address these areas that contribute to financial resilience and, consequently, financial stability."

Across the various categories, a number of sociodemographic differences in the composition of the financial resilience segments emerged. For example, there were sharp differences across segments for income, education, age and marital status, while there were moderate differences by gender.

Key findings from the report include:

- *Living on the Edge* respondents, the largest segment of those surveyed (37 percent), were the least financially resilient, with a majority of these households earning less than \$50,000 a year. This segment had the most diverse racial and ethnic makeup. Nearly half of respondents identified as a minority (22 percent Hispanic, 16 percent African American, 6 percent Asian American).
- *Paycheck to Paycheck* respondents (14 percent) were more financially resilient than *Living on the Edge* but faced high debt and no emergency savings. Nearly 3 out of 5 were female (58 percent), and 59 percent were married.
- One third of respondents were categorized as *Holding Steady*. These individuals had surprisingly low levels of financial literacy, but tended to have stable incomes, emergency savings, low debt and health insurance.
- *Standing Strong* respondents (15 percent), were most likely to rebound from economic hardships, demonstrated high financial literacy levels and excellent finances. They were highly educated and reported little debt and emergency savings.

In addition to the determinants used to assess financial resilience, the four categories differed along other areas, including financial anxiety, medical debt, student loan debt, self-reported credit ratings and the presence of a disability. For access to the dataset used, visit [USFinancialCapability.org](https://USFinancialCapability.org)

FINRA offers an array of [personal finance resources](#) to help individuals set financial goals, control spending, manage debt, and get on the path to saving and investing.

**About the FINRA Investor Education Foundation**

The FINRA Investor Education Foundation supports innovative research and educational projects that give underserved Americans the knowledge, skills and tools to make sound financial decisions throughout life. For more information about FINRA Foundation initiatives, visit [www.finrafoundation.org](http://www.finrafoundation.org).

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