

FINRA Investor Education Foundation Insights from the National Financial Capability Study

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Agenda

- About the NFCS
- Some National Findings
- A Look at the Young
- Financial Education
- The NFCS and the ALP

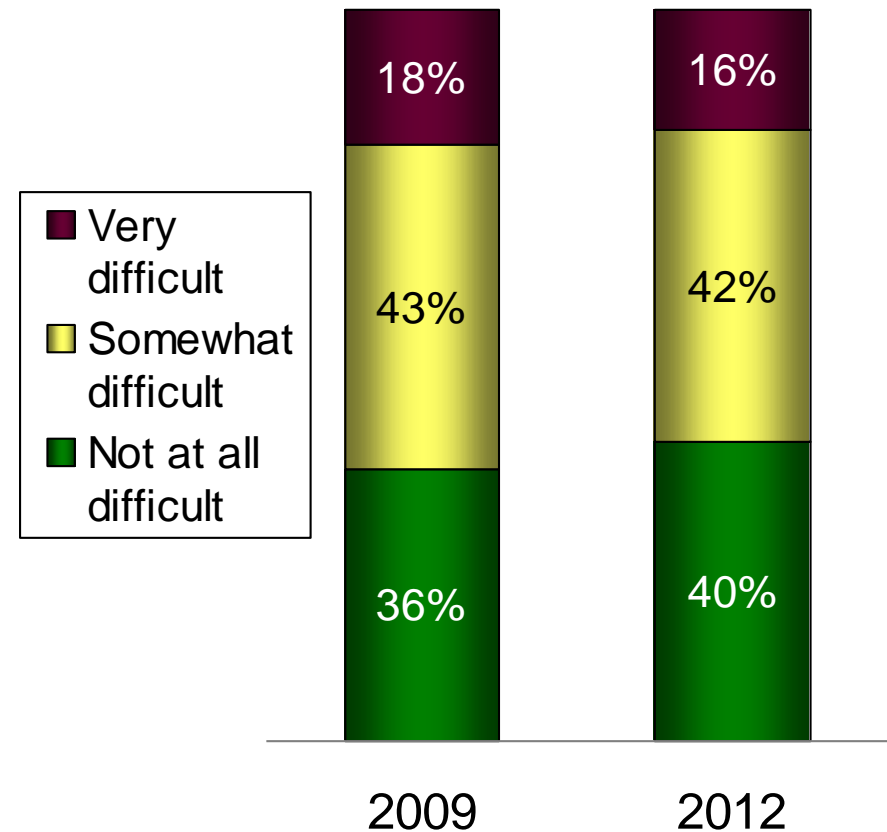
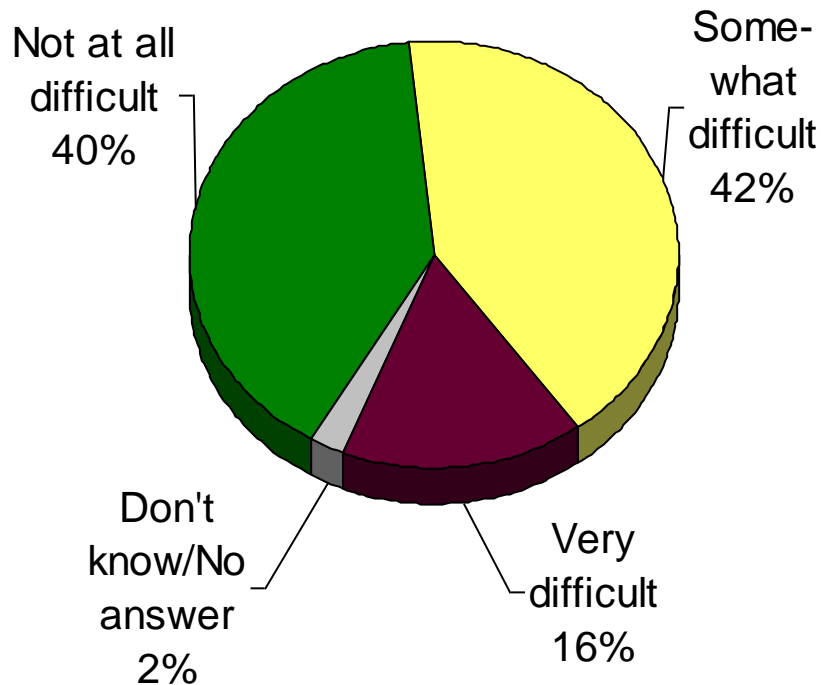
NFCS Background

- Objective—Benchmark and better understand financial capability in America
- Topics—Four components of financial capability
- Timing—2009 and 2012 waves
- Populations—National and Military
- More information at www.USFinancialCapability.org

SOME NATIONAL FINDINGS

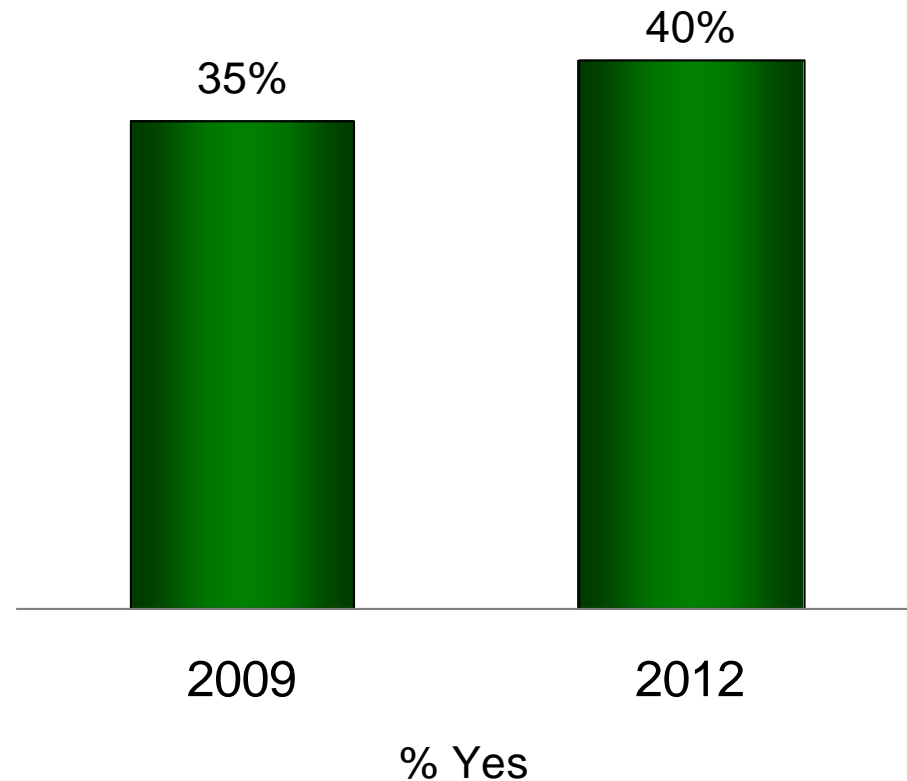
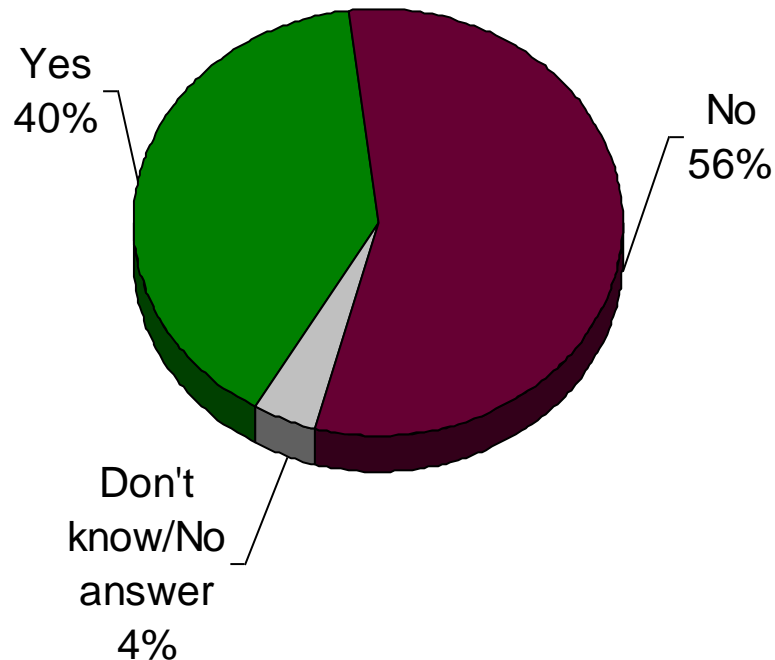
Making Ends Meet

In a typical month, how difficult is it for you to cover your expenses and pay all your bills?



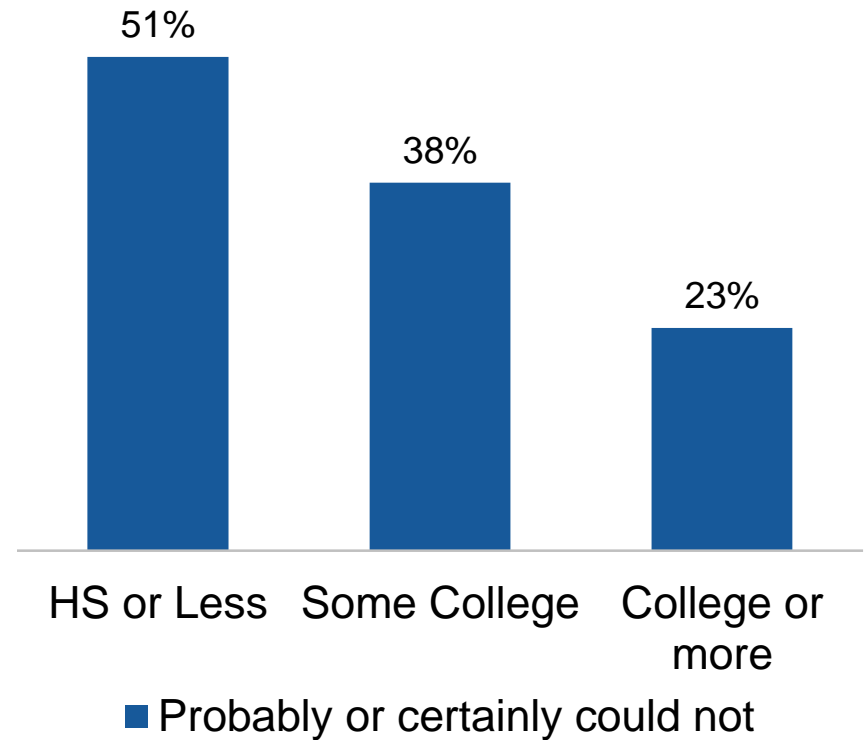
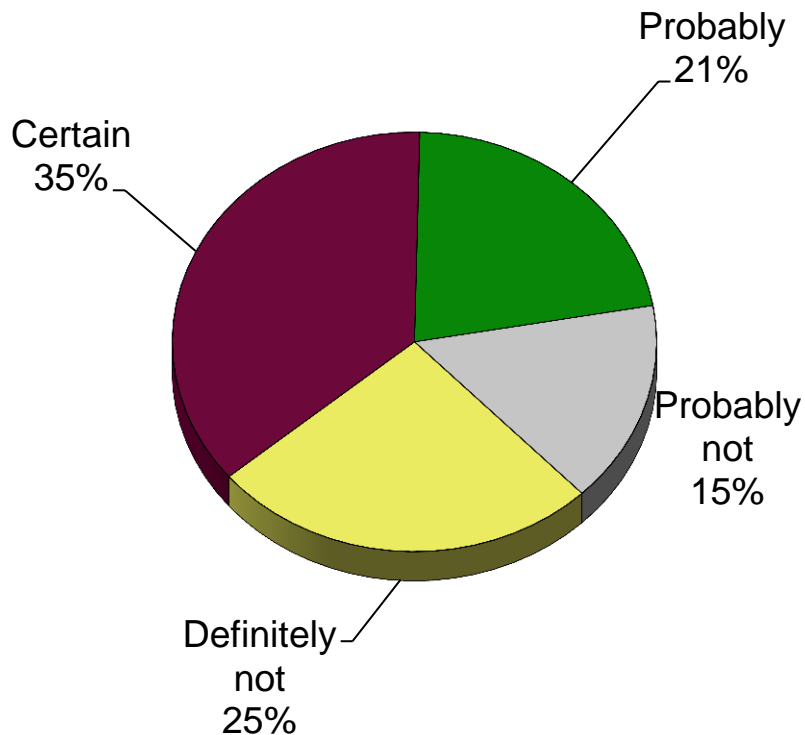
Emergency Funds

Have you set aside emergency or rainy day funds that would cover your expenses for 3 months, in case of sickness, job loss, economic downturn, or other emergencies?



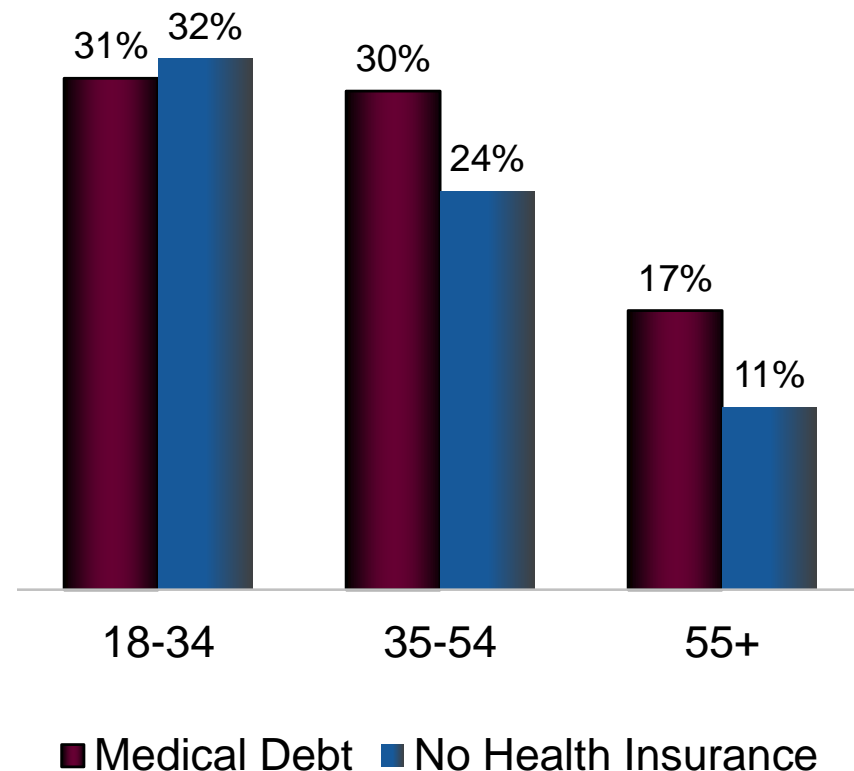
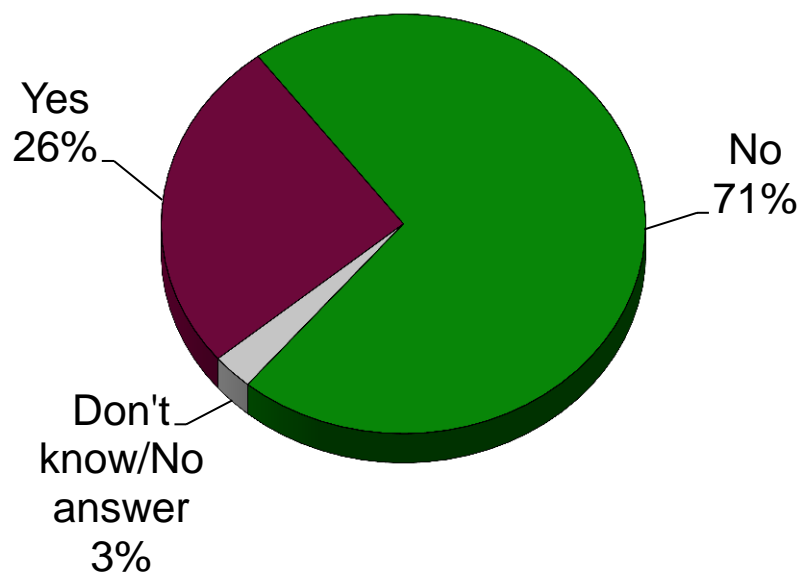
Financial Fragility

How confident are you that you could come up with \$2,000 if an unexpected need arouse within the next month?



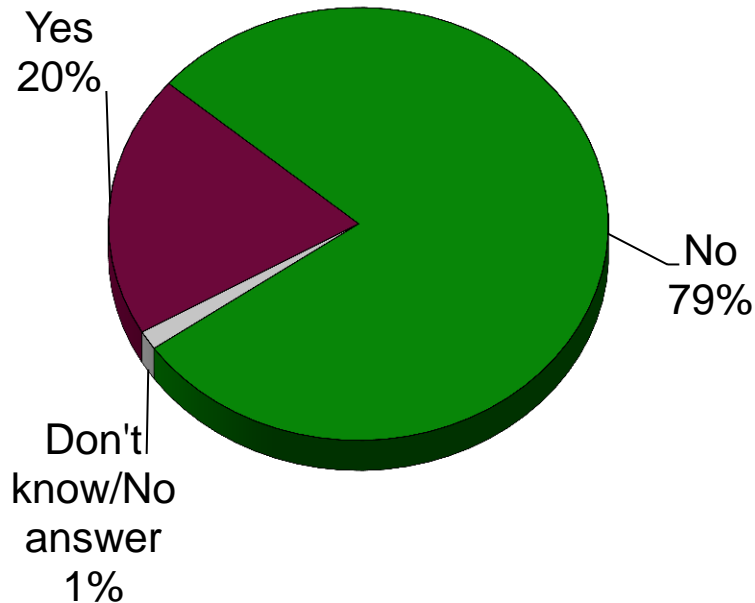
Medical Debt

Do you currently have any unpaid bills from a health care or medical service provider (e.g., a hospital, a doctor's office, or a testing lab) that are past due?



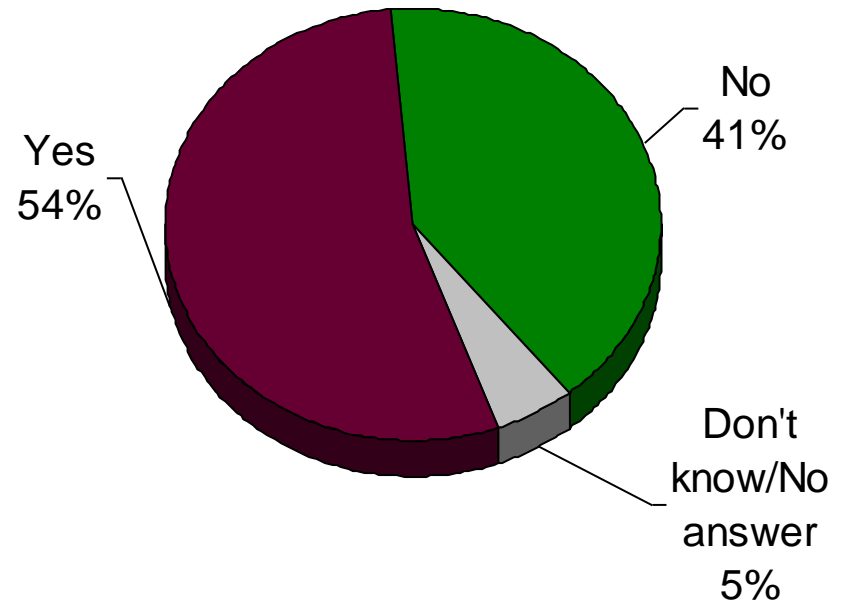
Student Debt

Do you currently have any student loans?



Are you concerned that you might not be able to pay off your student loans?

[among respondents with student loans]



Financial Literacy

Five financial literacy quiz questions:

- Interest rate question
- Inflation question
- Bond price question
- Mortgage question
- Risk question

<i>Number of correct answers</i>	2009	2012
None	7%	7%
One	11%	12%
Two	17%	19%
Three	24%	23%
Four	27%	25%
Five	15%	14%
<i>Average number correct</i>	2.99	2.88

A LOOK AT THE YOUNG

College Students

Consider the context, students...

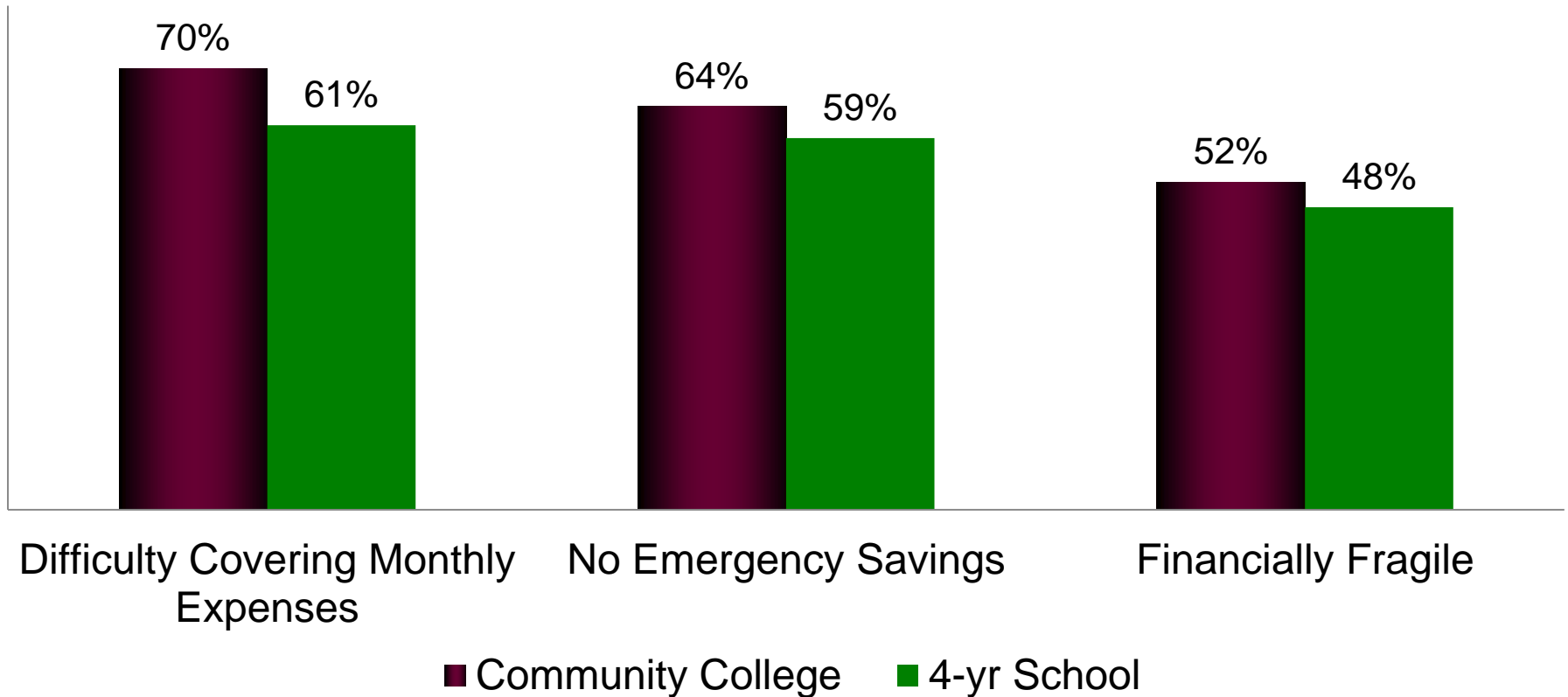
- Tend to be in their twenties
- Many are part time
- Large minority population
- Over a third have dependents
- About a quarter are married
- Generally low income

	Community College	4-Yr School	Nation*
Attending	3%	5%	NA
Part-time student	60%	46%	NA
Age	29	25	47
Female	53%	46%	52%
Minority	49%	39%	25%
Married	27%	22%	56%
Dependents	41%	31%	39%
Income<\$50K	70%	64%	52%

* National figures do not include respondents currently enrolled in a Community College or 4-yr school

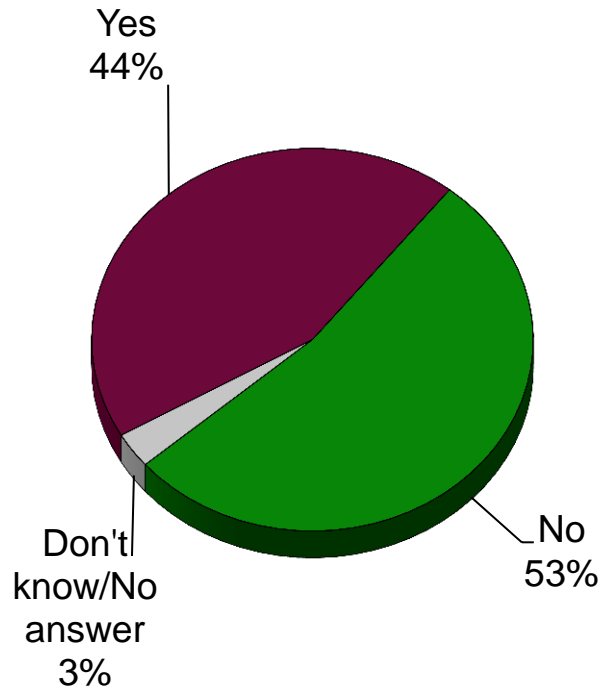
Financial Strain by School Type

Financial strain is high for students—particularly Community College students



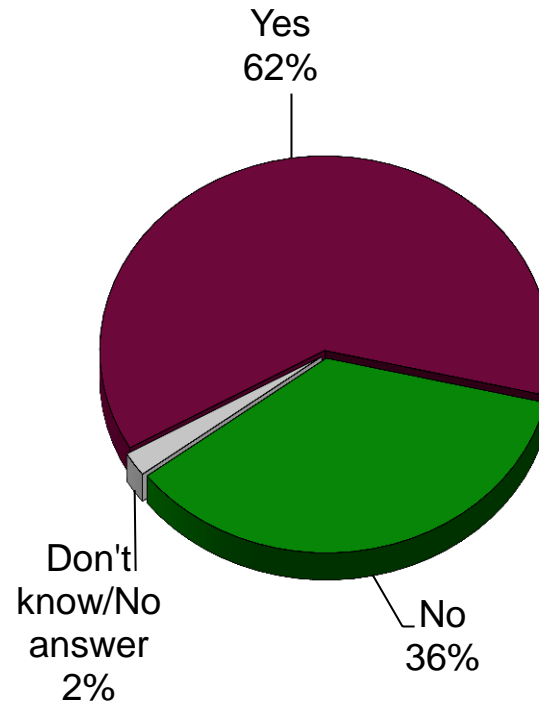
Student Loan Debt is Pervasive

Community College



59% concerned about paying off

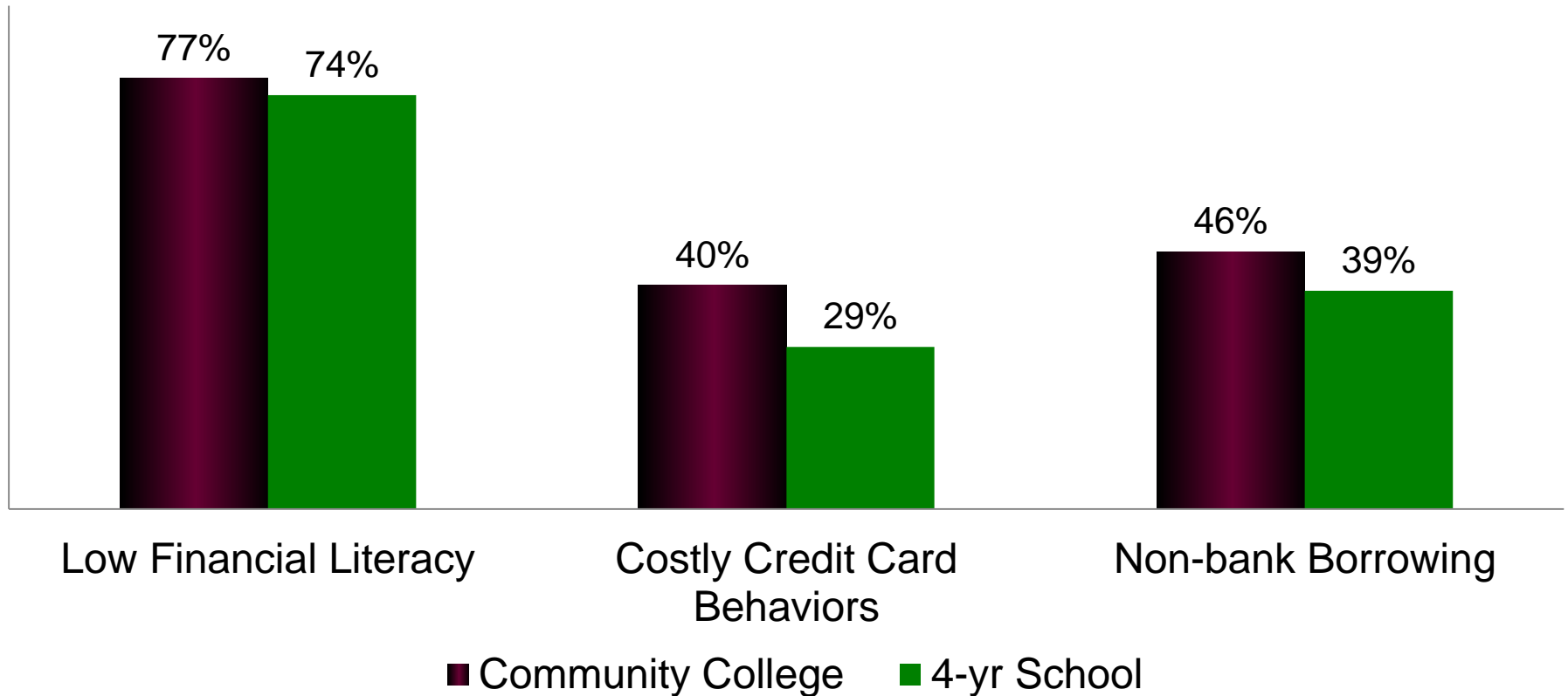
4-Year School



58% concerned about paying off

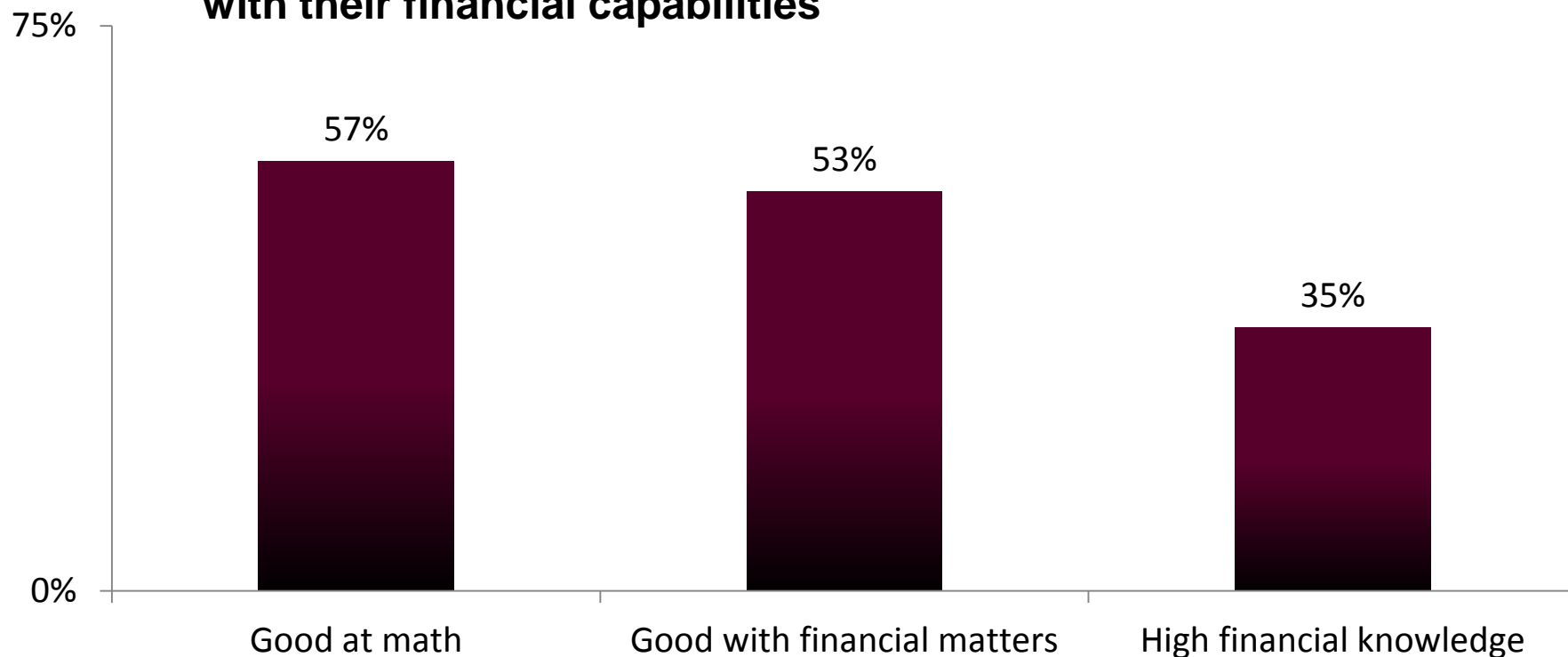
Financial Capability is Low

Community College respondents have *somewhat* lower financial capability levels—but levels are low for all students



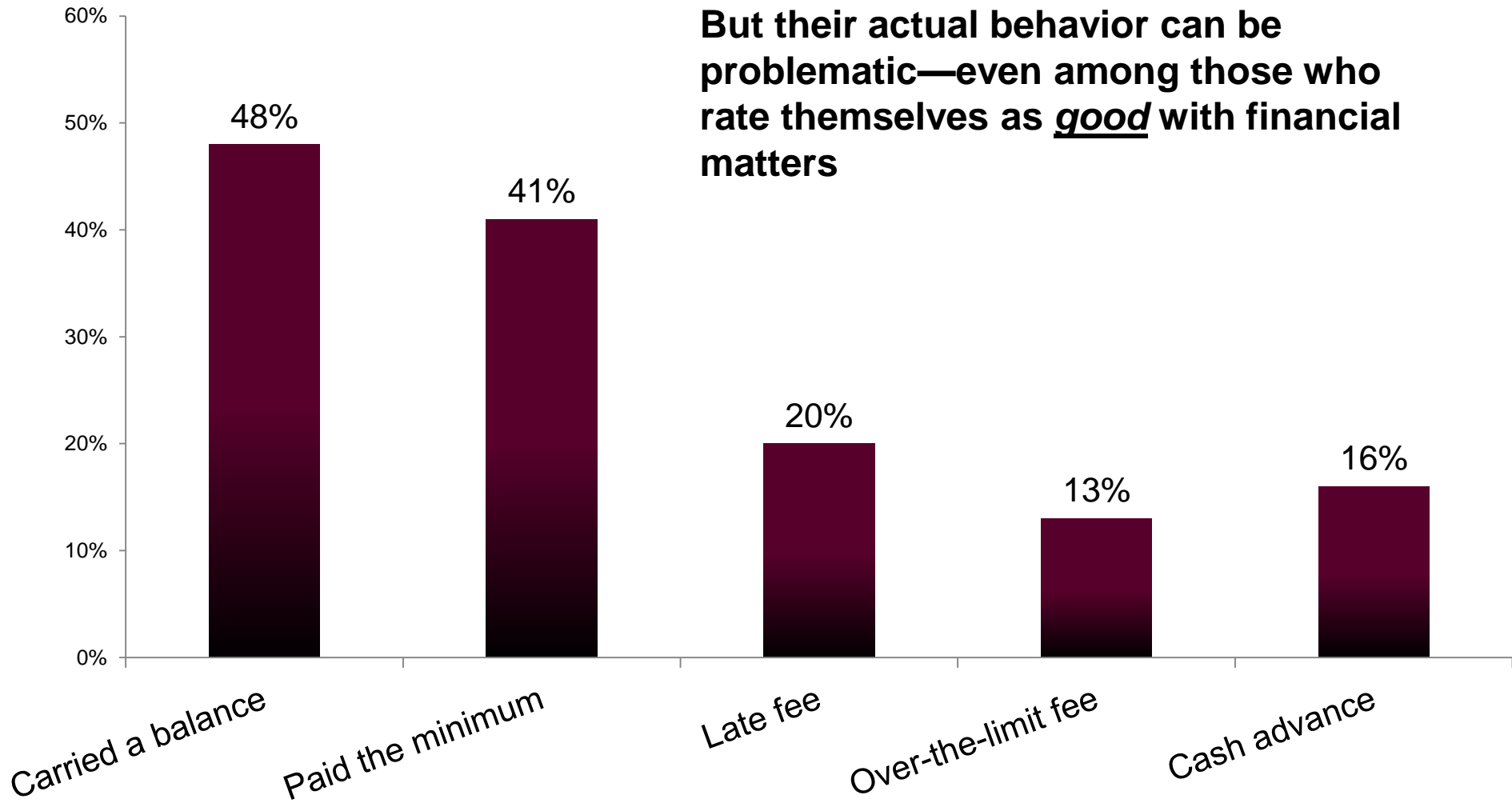
Millennials' Perceptions

Millennials are generally confident with their financial capabilities



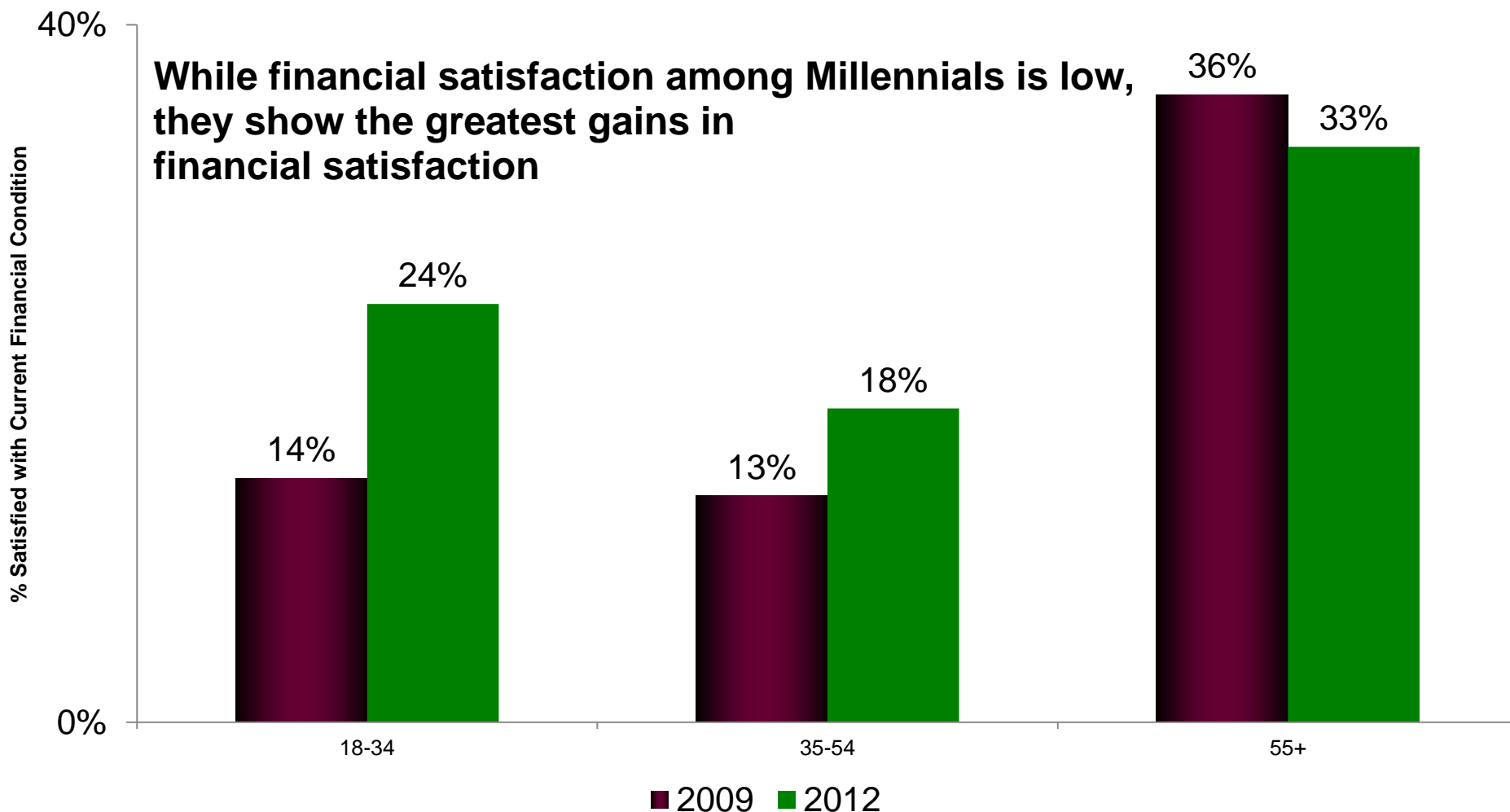
Actual Credit Card Behavior

But their actual behavior can be problematic—even among those who rate themselves as good with financial matters



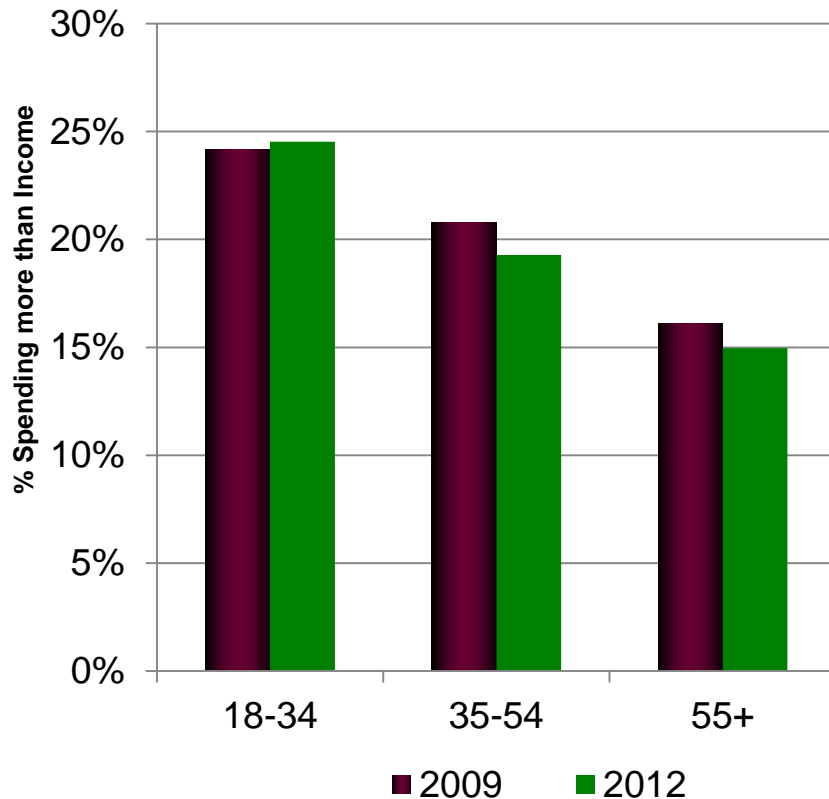
Are Millennials Satisfied?

While financial satisfaction among Millennials is low, they show the greatest gains in financial satisfaction

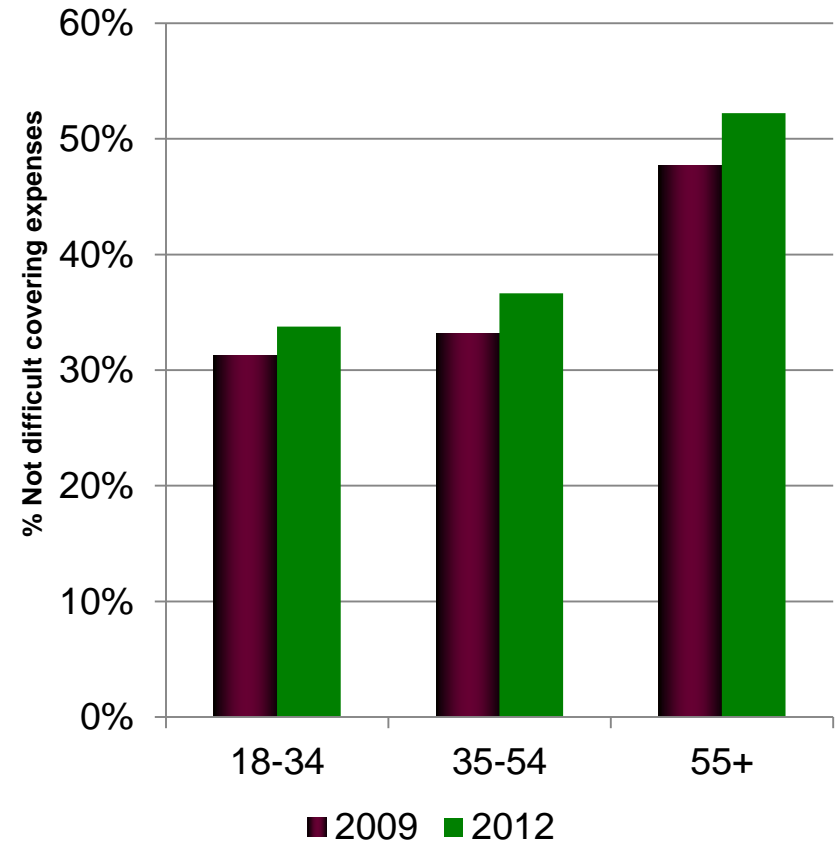


But Why the Improvement?

Little change in spending more than income



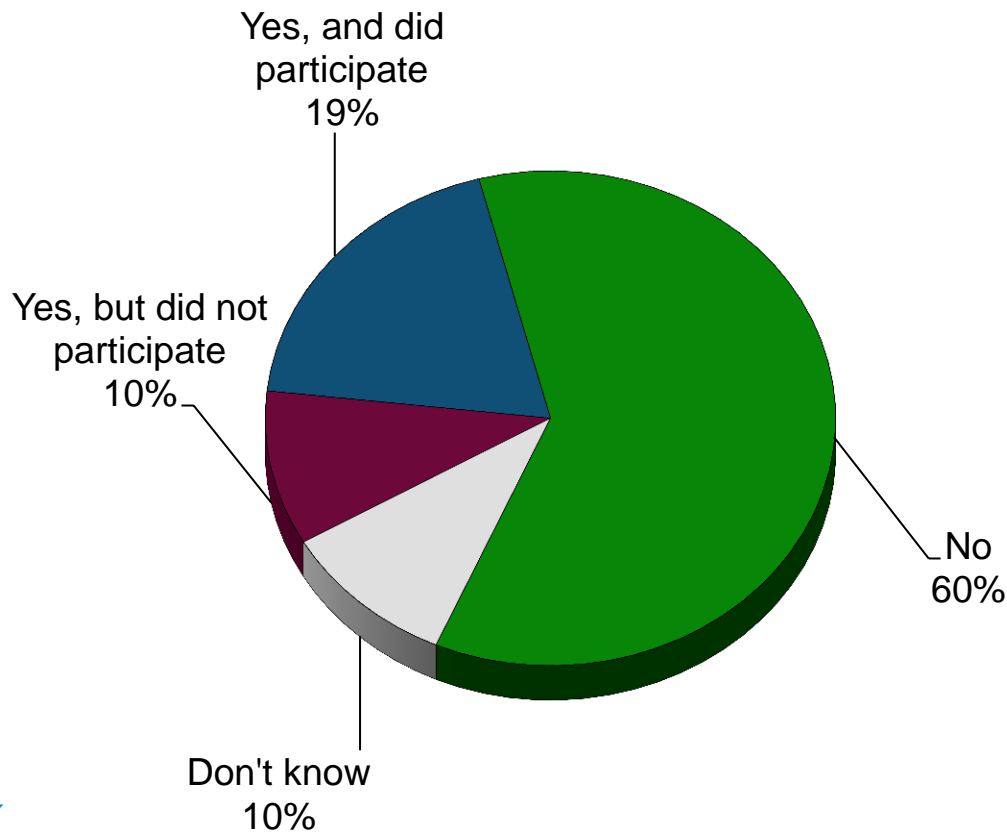
All ages findings it easier to cover monthly expenses



FINANCIAL EDUCATION EFFECTIVENESS

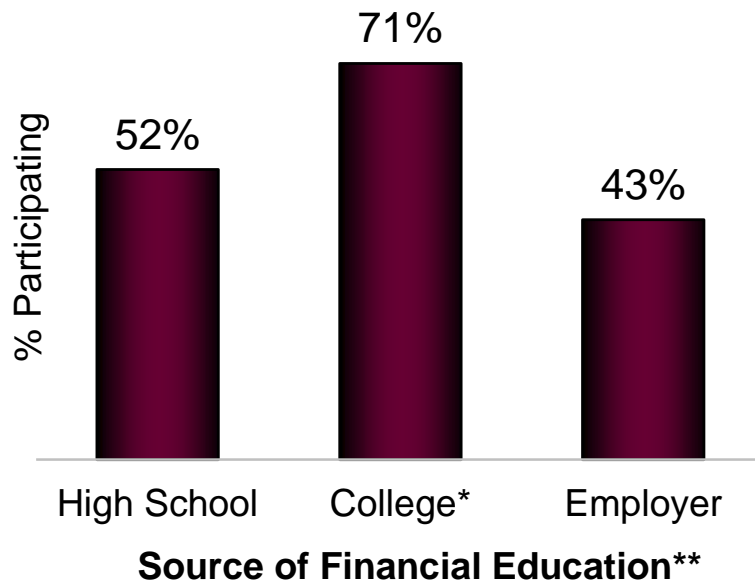
Availability of Financial Education

Was financial education offered by a school or college you attended, or a workplace where you were employed?



Financial Education—A Closer Look

Among those who participated in a financial education program, when did they receive it?



* Only asked among those who attended college

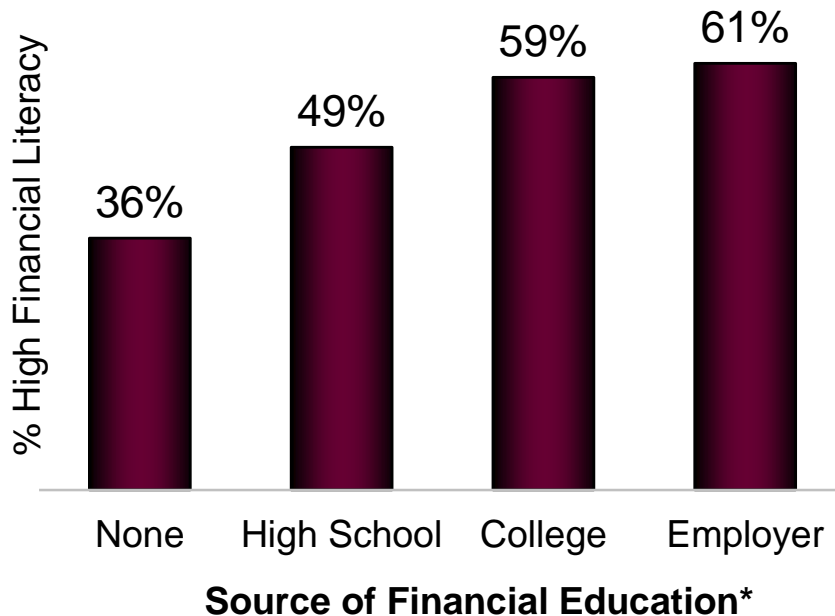
** Respondents could have multiple sources of financial education

But many important questions remain unanswered

- What is being taught?
- What materials and resources are being used?
- Who is teaching the material?

Financial Education—A Closer Look

Financial literacy levels vary by source of financial education.



Very Preliminary—still need to consider...

- demographic differences between these group
- various financial education combinations

* Respondents could have multiple sources of financial education

The NFCS and the American Life Panel

American Life Panel

- NFCS survey administered to ALP panelists
- Allows...
 - NFCS data to be combined with other data sources
 - Longitudinal analysis
 - Experimental manipulations

Overall, State-by-State and ALP samples consistent, but vary on some measures

<i>Measure</i>	<i>State-by-State</i>	<i>ALP</i>
Rainy Day Funds	39%	39%
Student Loans	19%	21%
Unbanked	7%	7%
Financial Fragility	39%	33%
High Financial Literacy	39%	49%

ALP version of NFCS dataset
available for download at
<https://mmicdata.rand.org/alp/>

THANK YOU!