
Recent Trends in Economic Well-Being from the Survey of Household Economics and Decisionmaking

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The analysis and conclusions set forth in this presentation are our own do not indicate concurrence of the Federal Reserve Board, the Federal Reserve Banks, or their staff.

Outline of talk

- **Overview of survey**
- **Recent trends in financial well-being**
- **Three aspects of financial decisionmaking**
 - College financing and enrollment decisions
 - Vehicle purchasing and auto lending decisions
 - Retirement planning and investing decisions

What is the SHED?

- **Annual Federal Reserve Survey on household financial conditions**
- **Emphasis on challenges of low and moderate income families**
- **Three primary motivations:**
 1. Monitor trends in consumer behavior and sentiment
 2. Cast light on current issues affecting consumer financial well-being
 3. Fill data gaps where there may not be other reliable data sources

Reports and data are available at:

<http://www.federalreserve.gov/communitydev/shed.htm>

Topics Covered in 2015 Survey

SECTION

1 Economic Well-Being

SECTION

2 Income and Savings

SECTION

3 Economic Preparedness
and Emergency Savings

SECTION

4 Banking and Credit

SECTION

5 Housing and Living
Arrangements

SECTION

6 Vehicle Purchases and
Auto Lending

SECTION

7 Education and Human
Capital

SECTION

8 Student Loans

SECTION

9 Retirement

Survey Methods: GfK KnowledgePanel[®]

Random selection of U.S. Households into KnowledgePanel[®] using
Address Based Sampling



Accept invitation into panel and complete profile survey
Offered computer and internet if none in household
(about 55,000 adults)



Invited to take SHED survey
(8,681 adults)



Complete SHED survey
(5,695 adults – 65.5%)

SHED Sample Overview

SHED sample is made up of three components

2,137 adults

Re-interviewed
respondents from
2014 SHED survey

2,036 adults

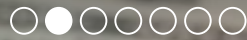
New respondents
randomly selected

1,522 adults

Oversample of adults
with household
income under
\$40,000

Sample Demographics

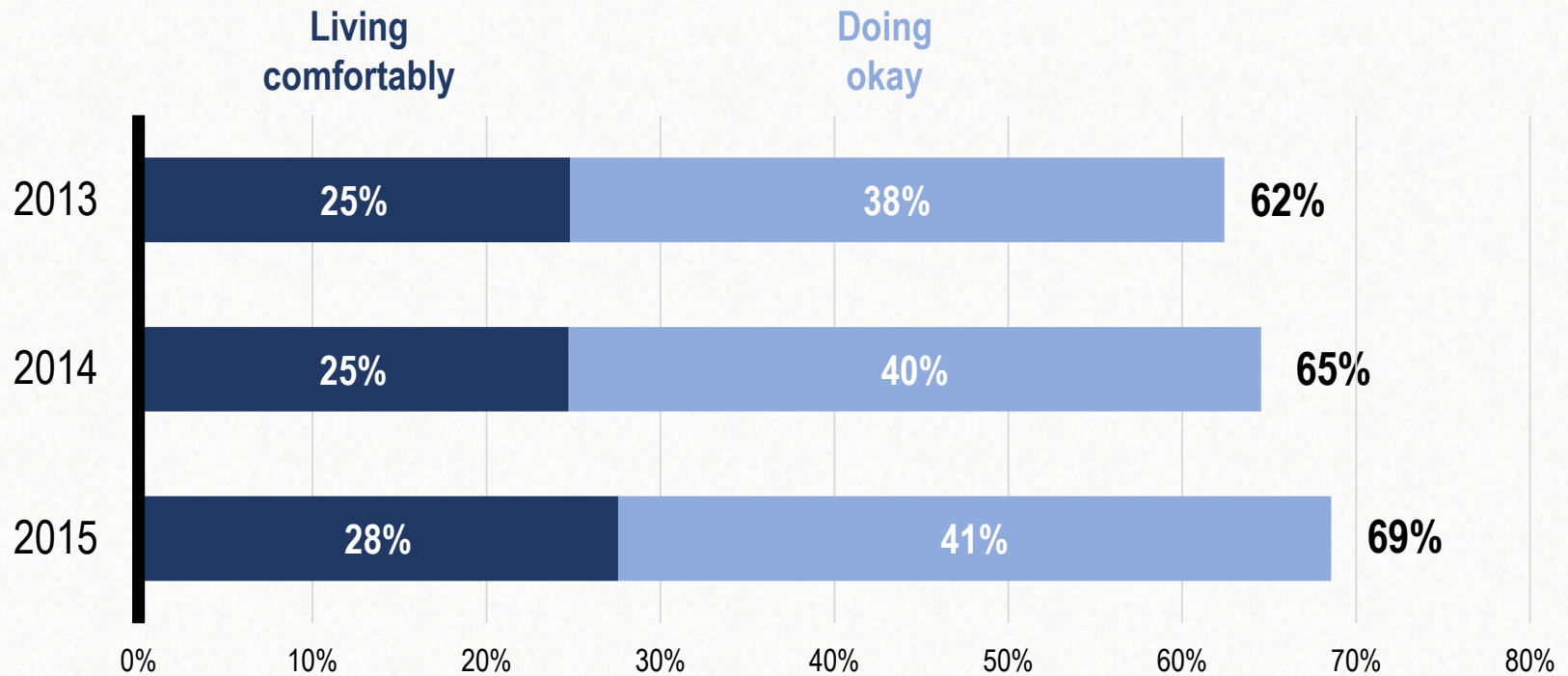
Marital status	SHED (2015) unweighted	SHED (2015) weighted	CPS (2014)
Married	52.1	52.8	53.2
Never married or live w/ partner	26.5	30.5	28.0
Divorced, widowed	21.4	16.7	18.8
Age			
18-24	6.4	10.8	12.6
25-34	14.0	18.4	17.7
35-44	13.5	17.1	16.6
45-54	16.6	15.8	17.9
55-64	23.3	19.7	16.6
65-+	26.2	18.3	18.6
Race/Ethnicity			
White, non-Hispanic	73.0	65.2	65.5
Black, non-Hispanic	10.1	11.6	11.6
Other, non-Hispanic	3.6	6.6	6.5
Hispanic	10.4	15.3	15.2
2+ races, non-Hispanic	2.9	1.3	1.3



Overall Trends in financial well being

Self-assessed financial well-being

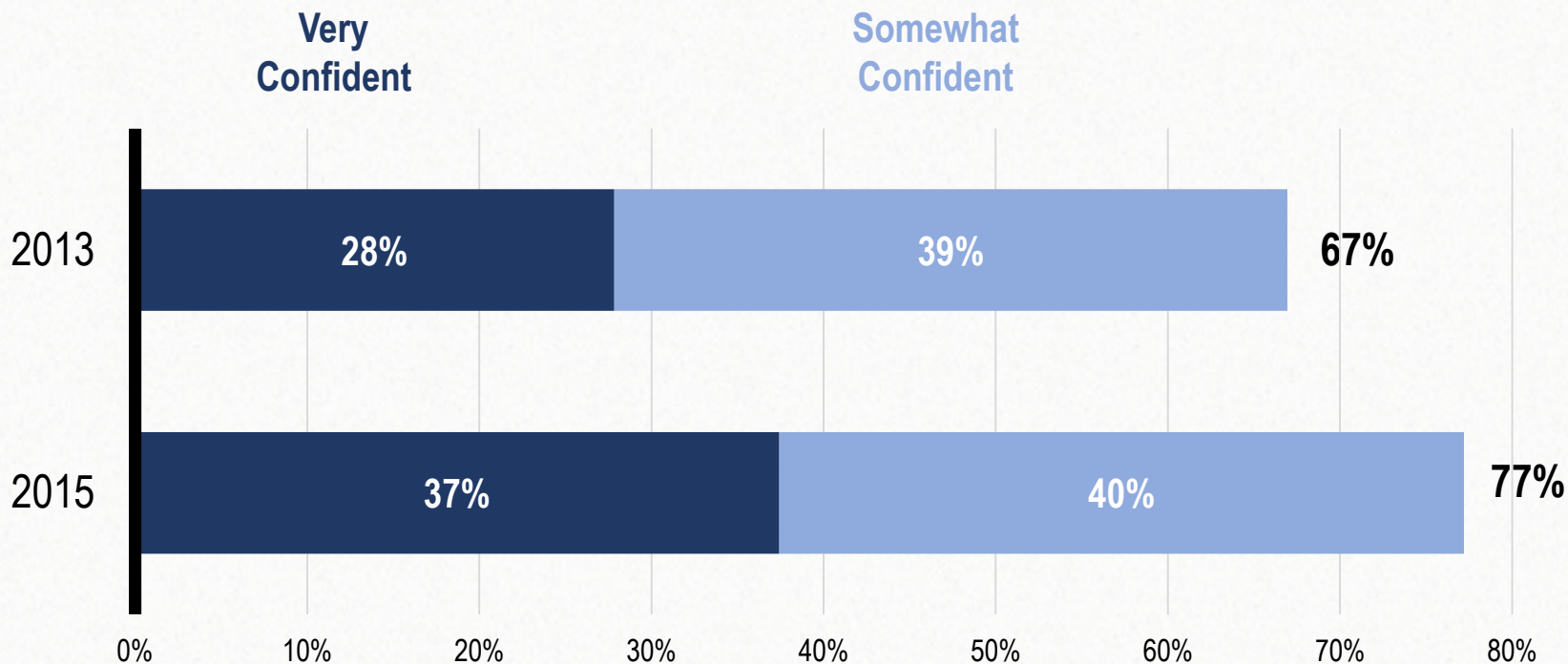
Which one of the following best describes how well you are managing financially these days?



Asked of all respondents. n = 5,642 in 2015

Confidence in job-skills

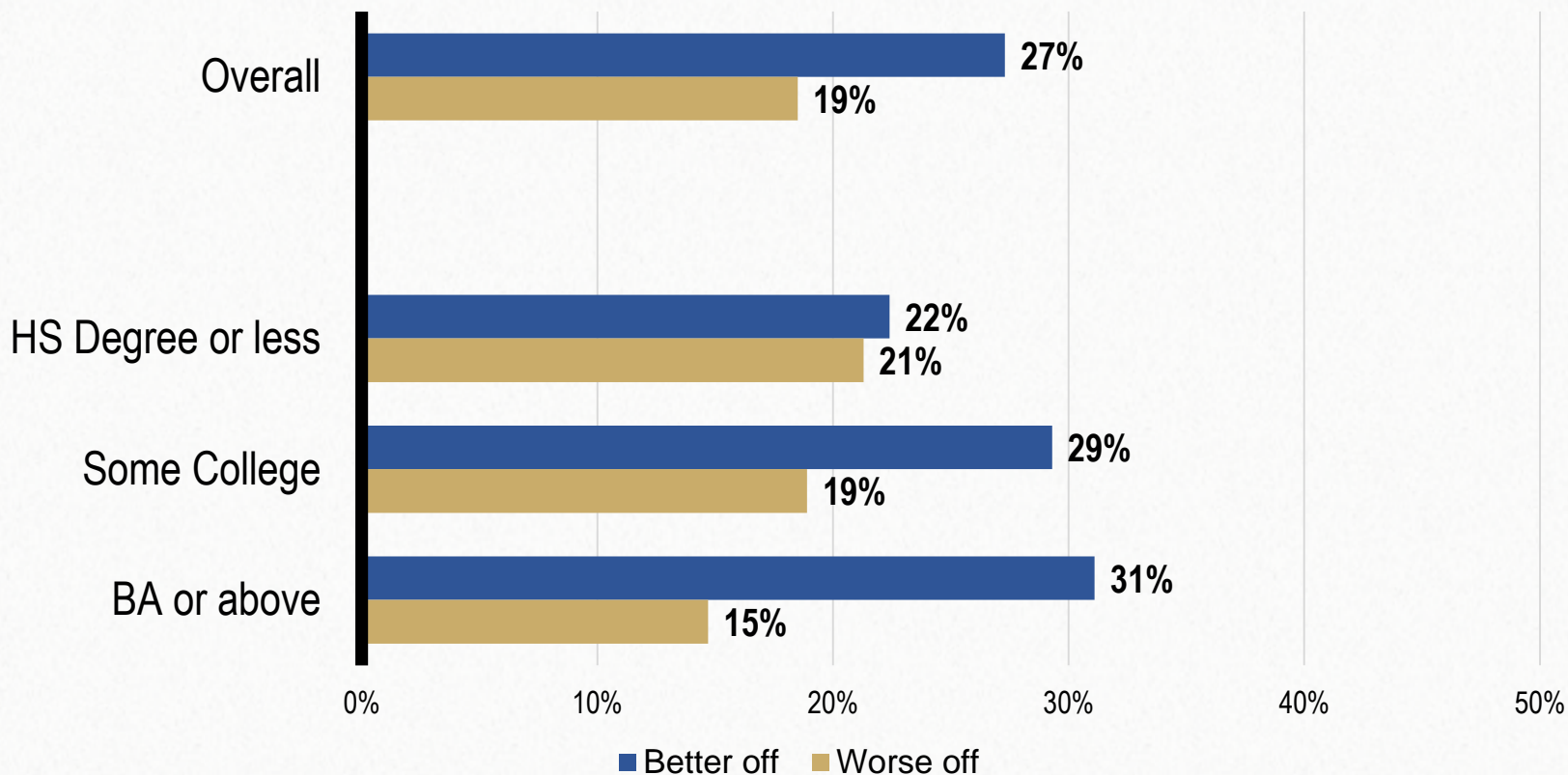
Thinking about your current education and work experience, how confident are you that you have the skills necessary to get the kind of job you want now?



Among non-retired, non-disabled respondents. n = 4,126 in 2015

Better off than one-year prior

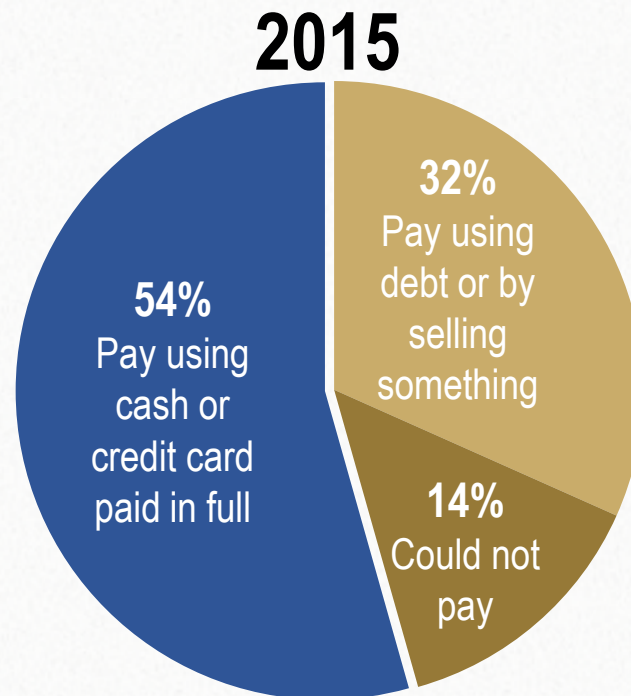
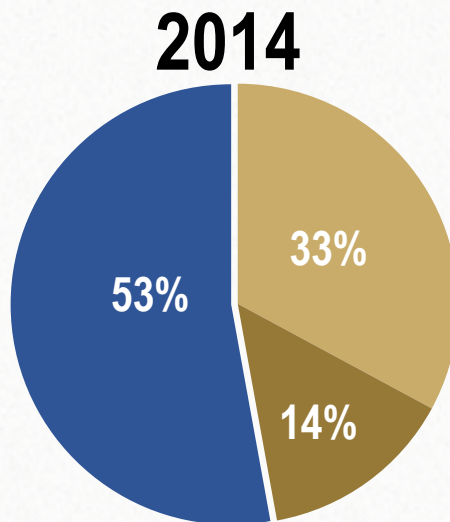
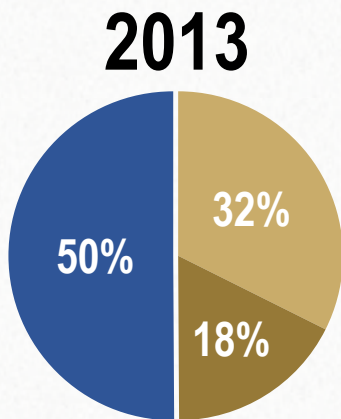
Compared to 12 months ago, would you say that you are better off, the same, or worse off financially?



Asked of all respondents. n = 5,642 in 2015

Covering modest emergency expense

Suppose that you have an emergency expense that costs \$400. Based on your current financial situation how would you pay for this expense?

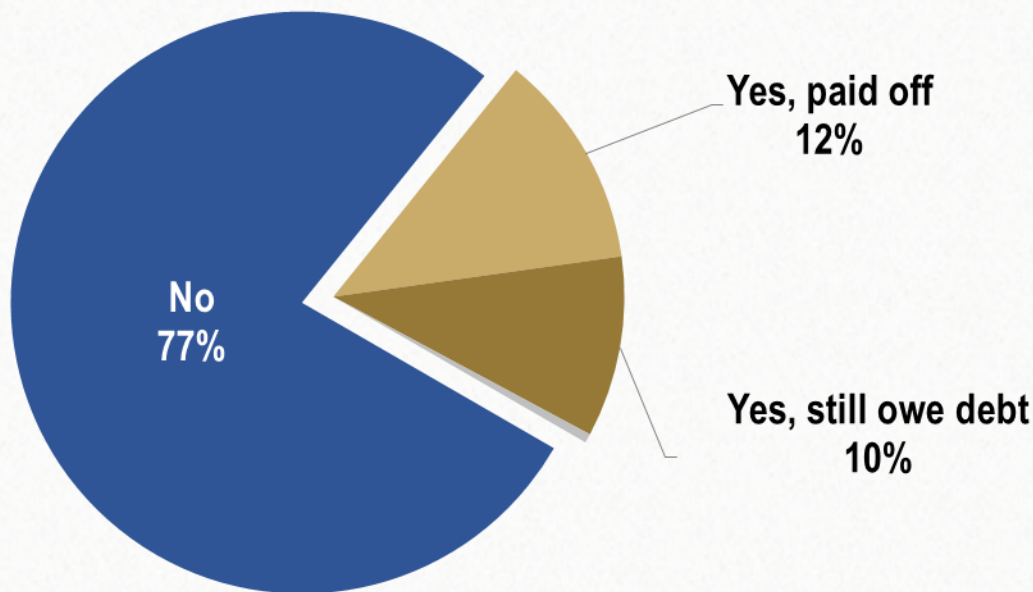


Asked of all respondents. n = 5,642 in 2015

Medical Expense Debt

During the past 12 months, have you had any unexpected major medical expenses that you had to **pay out of pocket**?

Do you currently have an unpaid balance or owe any debt related to that expense?



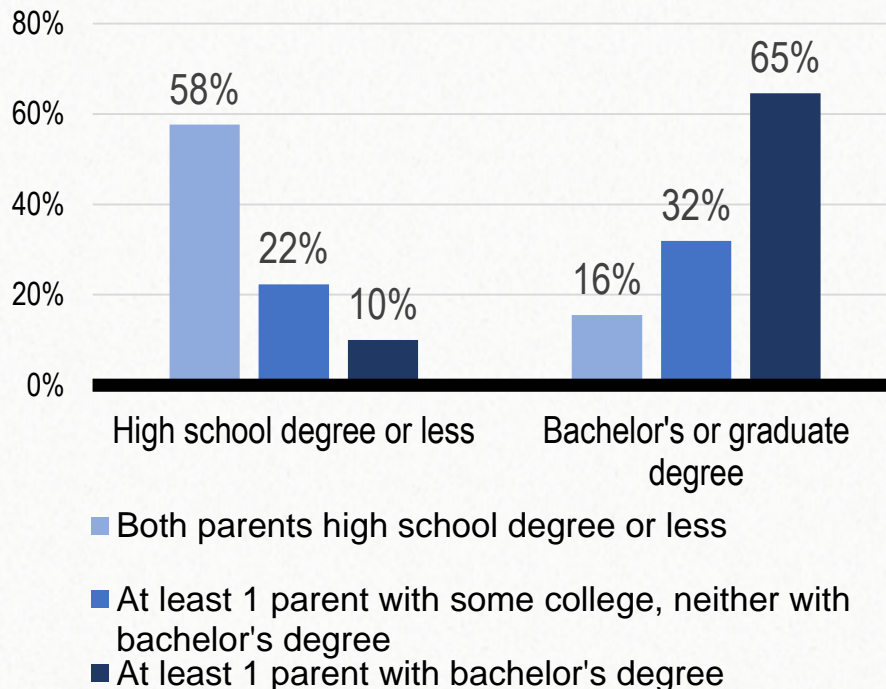
Asked of all respondents. n = 5,642



College financing and enrollment decisions

College attendance and type of institution attended

Highest degree completed among young adults (ages 25-34)



22%

of young adults who went to college, but whose parents did not, went to a for-profit school

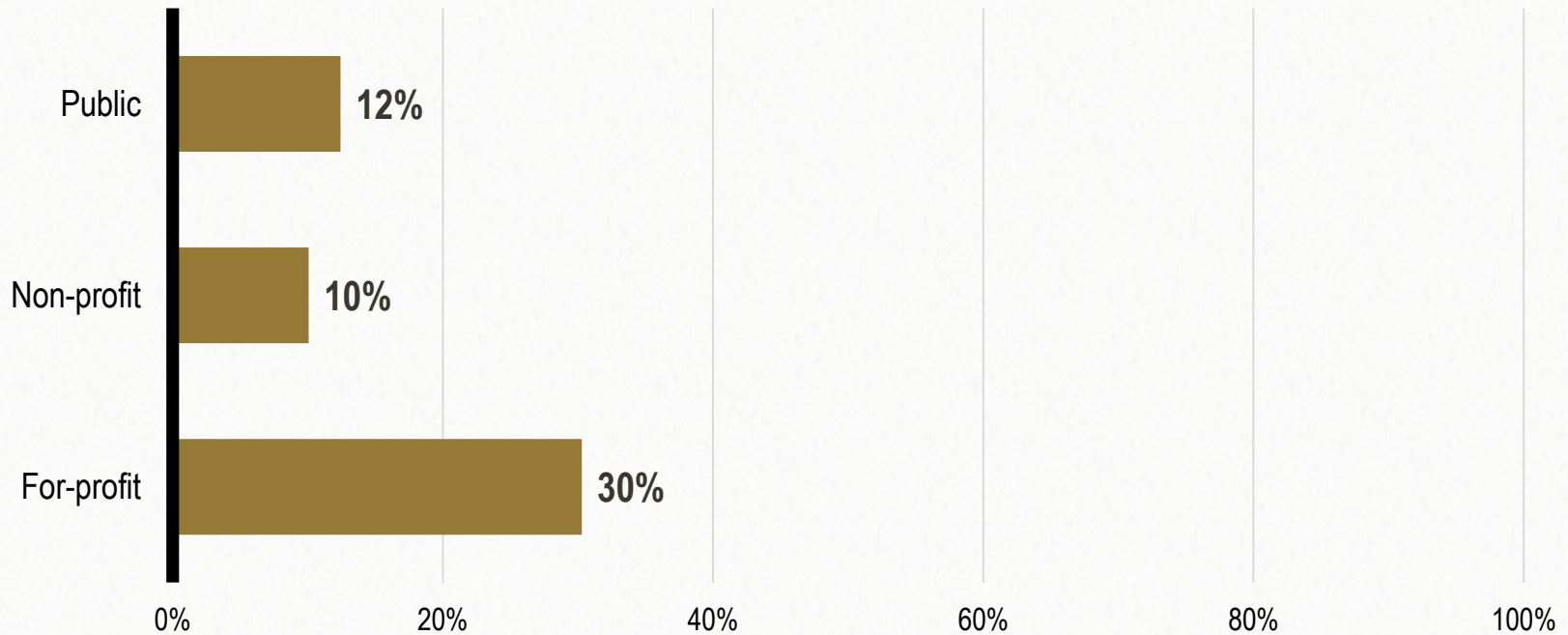
3%

of young adults who went to college, and who have one parent with a bachelor's degree, went to a for-profit school

Among young adults ages 25 to 34. n = 790

Behind on student loan payments

Are you behind or in collections on one or more of the student loans that you currently owe for your own education?

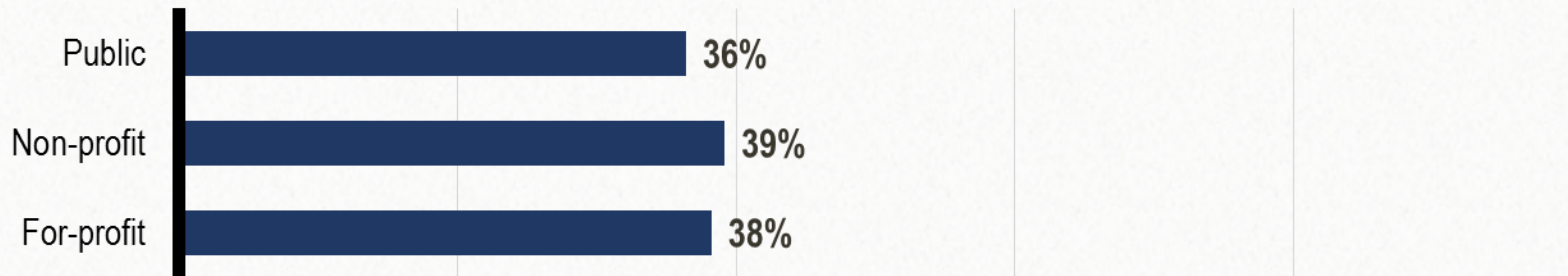


Among respondents who currently owe student loan debt for their own education and report the institution attended. n = 624

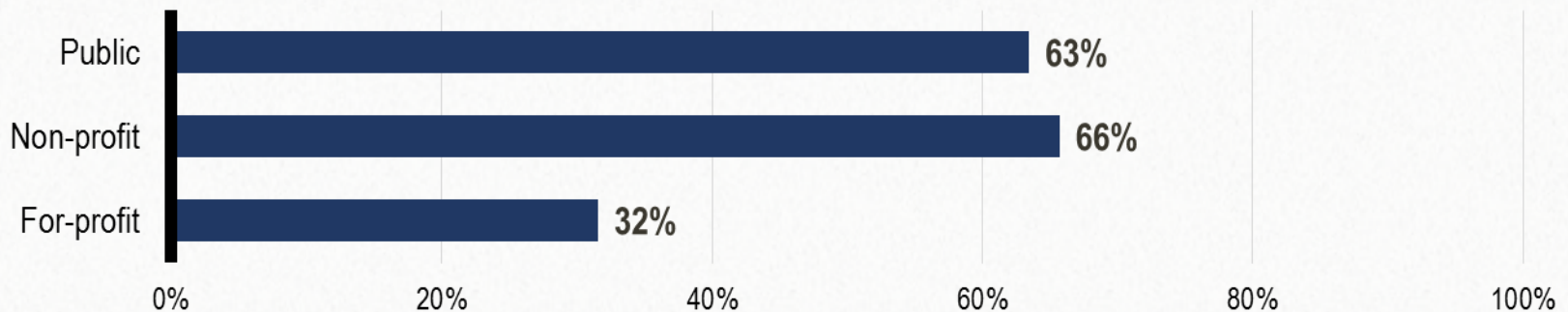
Value of degree

Percent of respondents who feel that the financial benefits of their higher education exceeded the financial costs

Among non-completers (asked about most recent education)



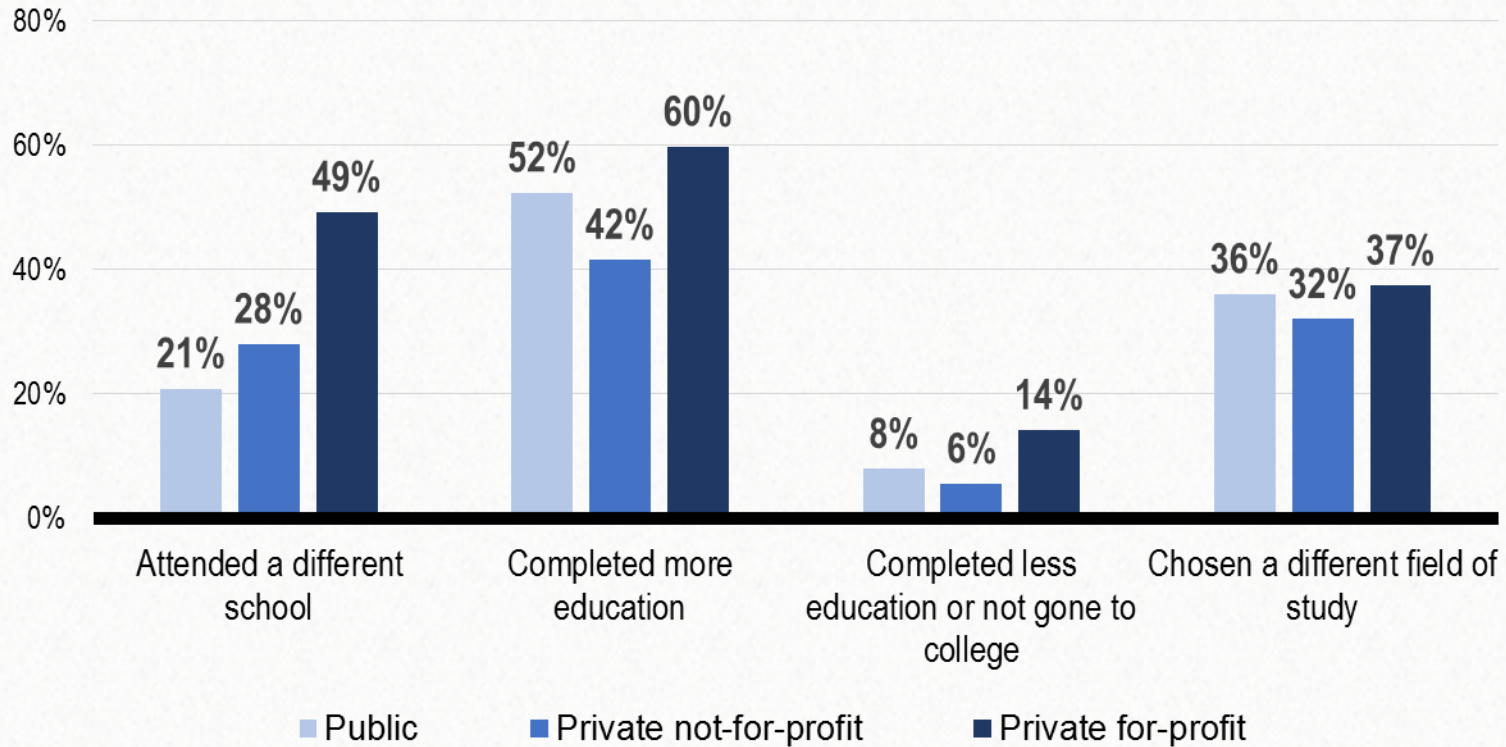
Among degree completers (asked about Bachelor's/Associate degree program)



Among respondents who attended college and report the institution attended. n = 3,144

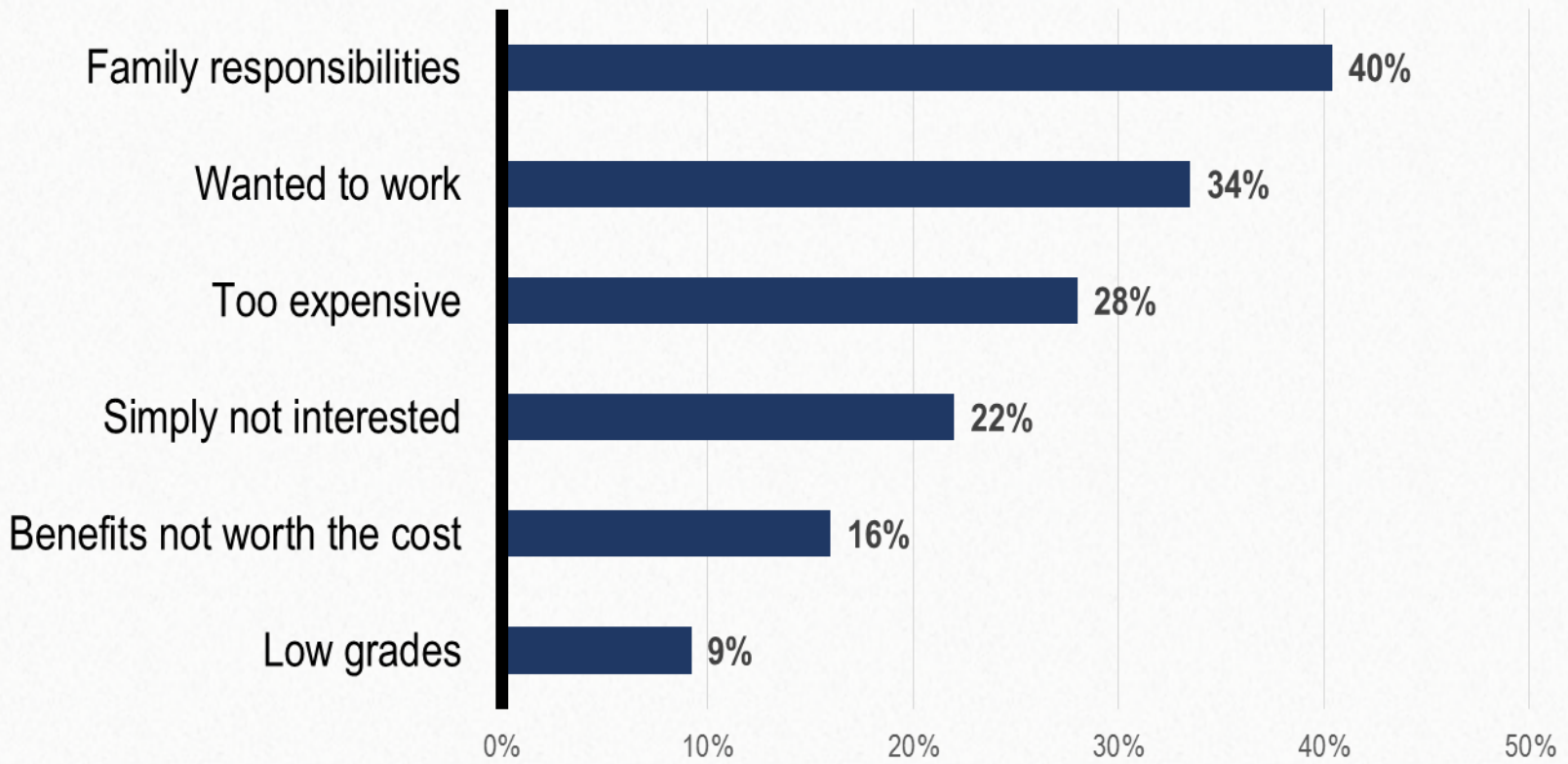
What would you do differently?

If you could go back and make your education decisions again, would you have done each of these things:



Among respondents who attended college and report the institution attended. n = 3,144

Why don't people complete degree after starting college?



Asked of those not currently enrolled who started college but did not complete degree. n=866

Probing Family Responsibilities

“I have a **2 year old son** and my **grandfather has had Parkinson's** for 24 years. I try to help my grandma as much as I can with him.”

- Female, last attended age 19 (current age 21)

“I was **divorced and had two kids** to raise”

- Male, last attended age 38 (current age 47)

“My **parents went bankrupt** and I needed to work to support them.”

- Male, last attended age 20 (current age 21)

“Had a newborn and was a **young single mother** and didn't know how to get help or how to manage everything at once.”

- Female, last attended age 20 (current age 25)





Vehicle purchasing and borrowing decisions

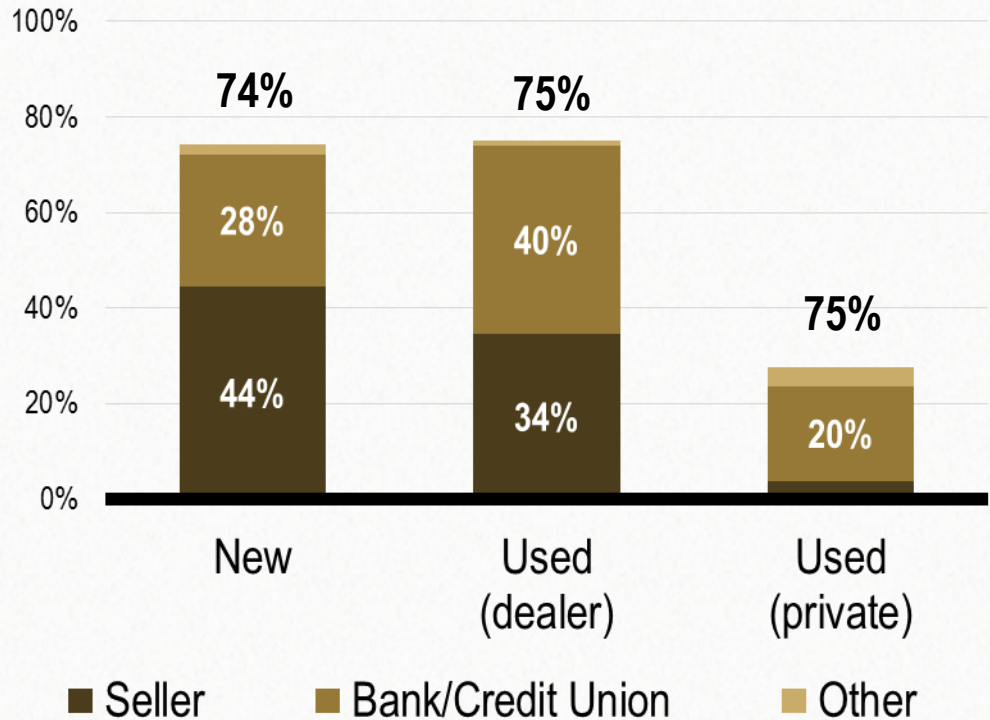


Vehicle Purchase Overview

24%

Of adults report that they (or their family) purchased or leased a new or used vehicle in the past 12 months

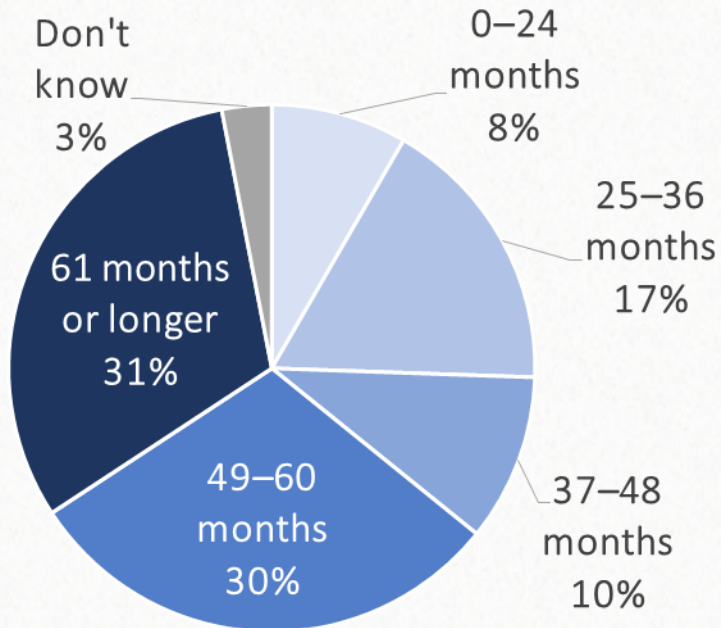
Did you take out a loan to finance the purchase of your vehicle (by purchase location)



Among respondents who purchased a vehicle in the past 12 months. n=1,100

Length of auto loans

If you do not pay off the loan early, how long will you be making payments on the auto loan?

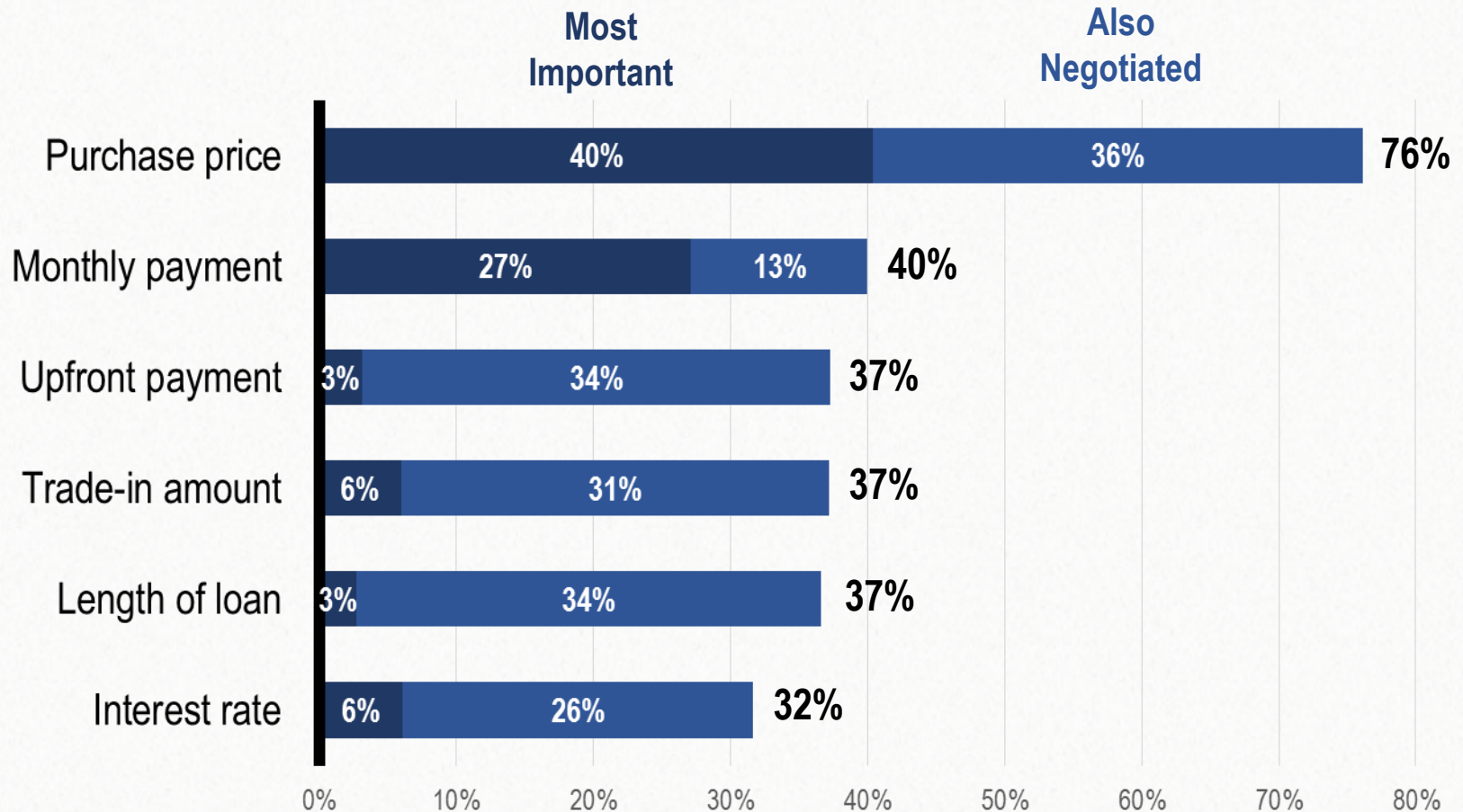


12%

of car buyers who take out a loan expect to own their car for a shorter period than their initial loan repayment horizon

Asked of respondents who took out a loan to purchase a new or used vehicle in the past year. n = 677

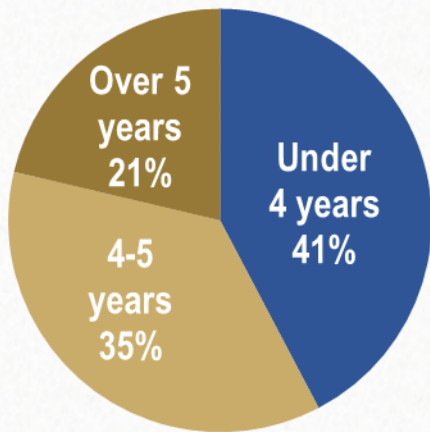
Factors negotiated during purchase



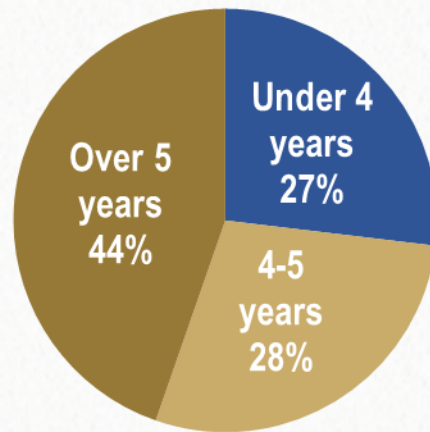
Among respondents who purchased or leased a vehicle in the past 12 months. n = 1,218

Loan length by most important factor negotiated during purchase

Prioritized
Purchase Price



Prioritized
Monthly Payment



8%

who prioritized purchase price and

18%

who prioritized monthly payments have a loan longer than expected ownership

Asked of respondents who took out a loan to purchase a new or used vehicle in the past year. n = 677

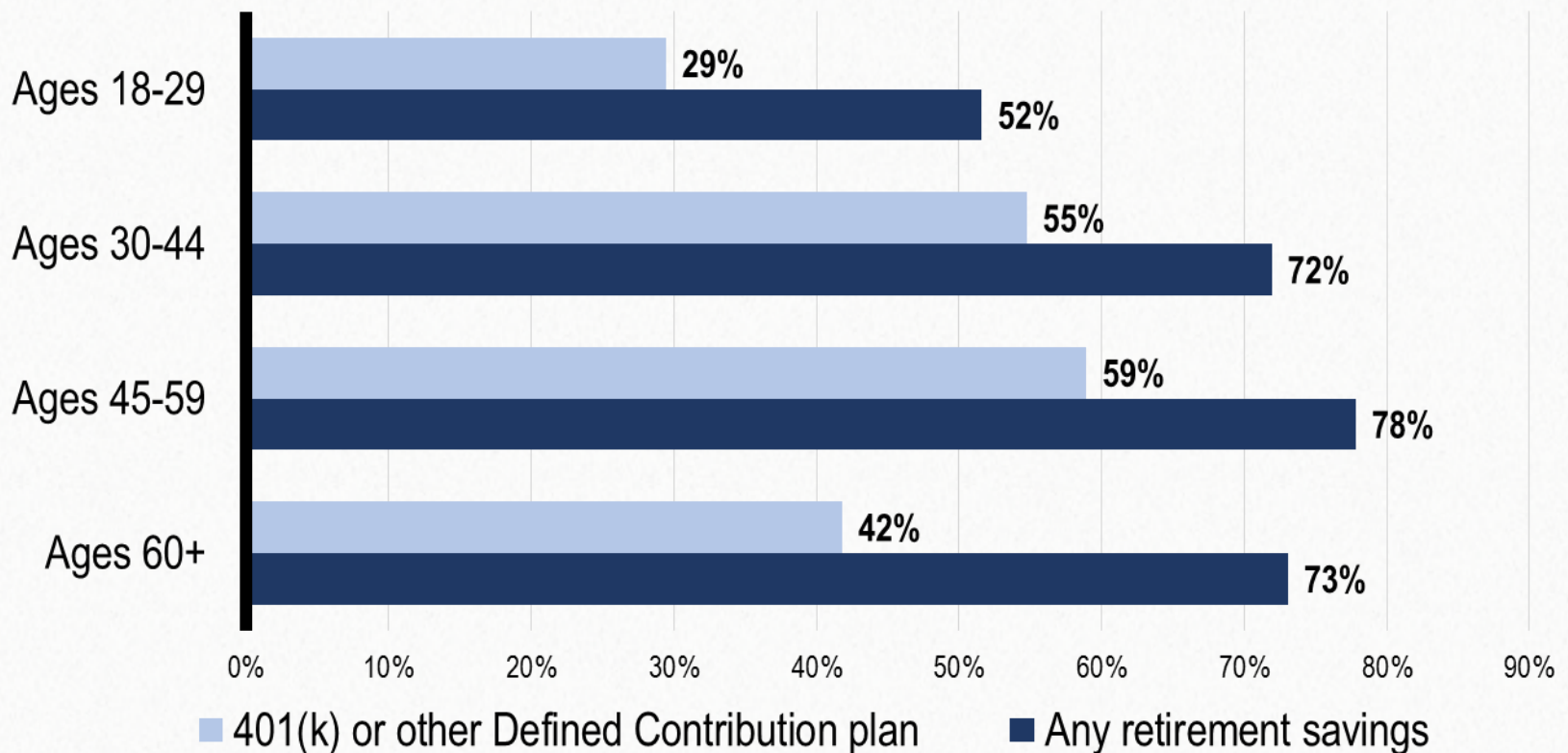


Retirement planning decisions



Retirement Savings

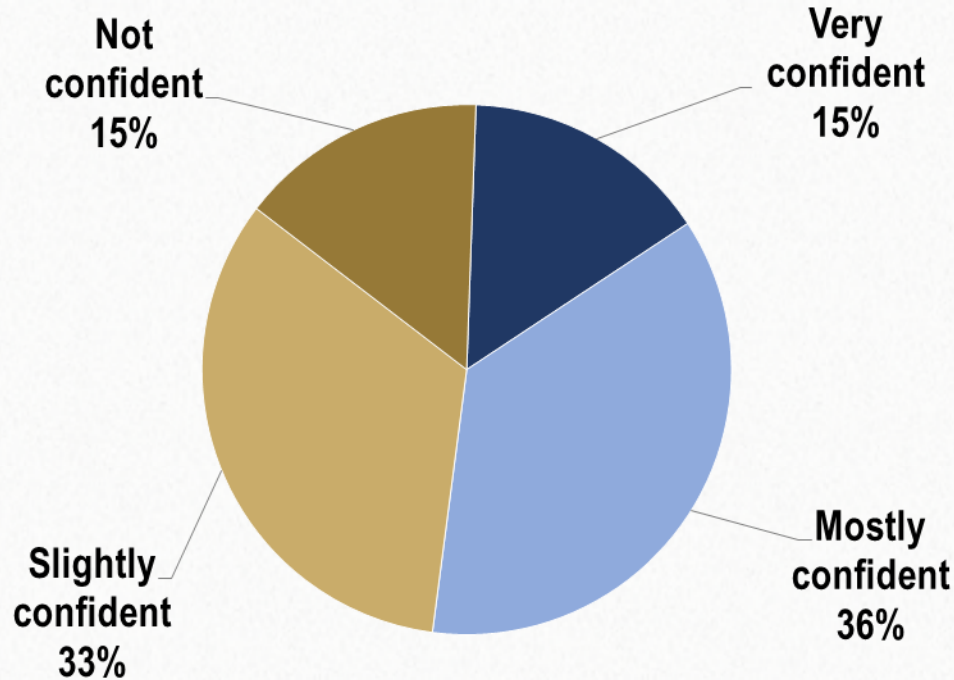
Do you currently have each of the following types of retirement savings?



Note: Among non-retired respondents. n=4,126

Investment Confidence

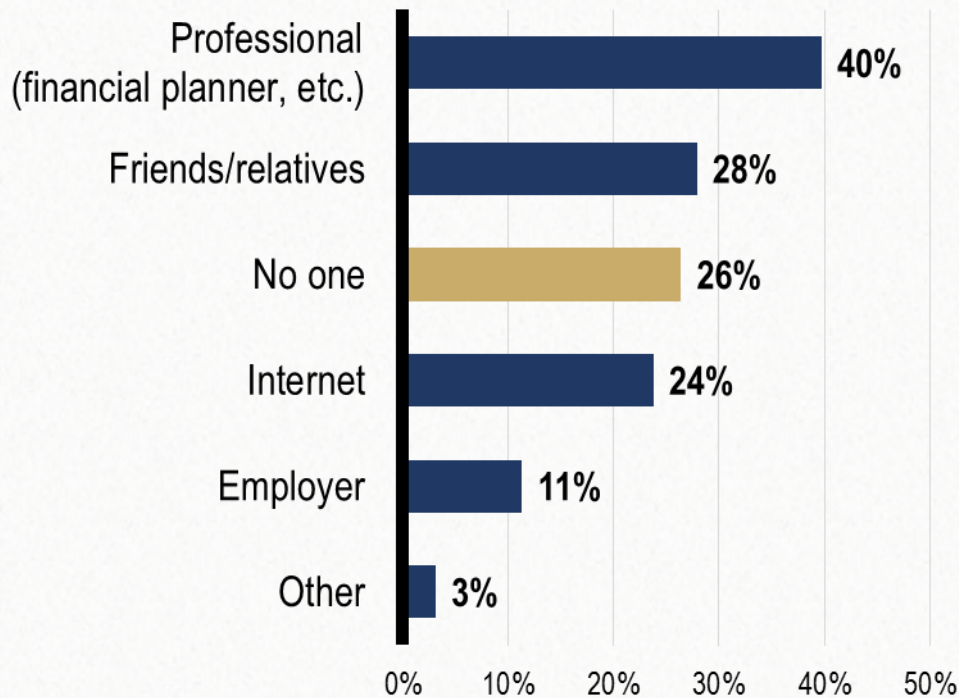
How confident are you in your ability to make the right investment decisions when managing and investing the money in your retirement accounts?



Asked of non-retired respondents with savings in a 401(k), IRA, or other self-directed retirement account. n = 2,519

Sources of advice when investing

Which of the following sources of advice do you usually use when deciding how to invest the money in your retirement accounts?



27%

Of those who use no financial advice feel they cannot afford it

25%

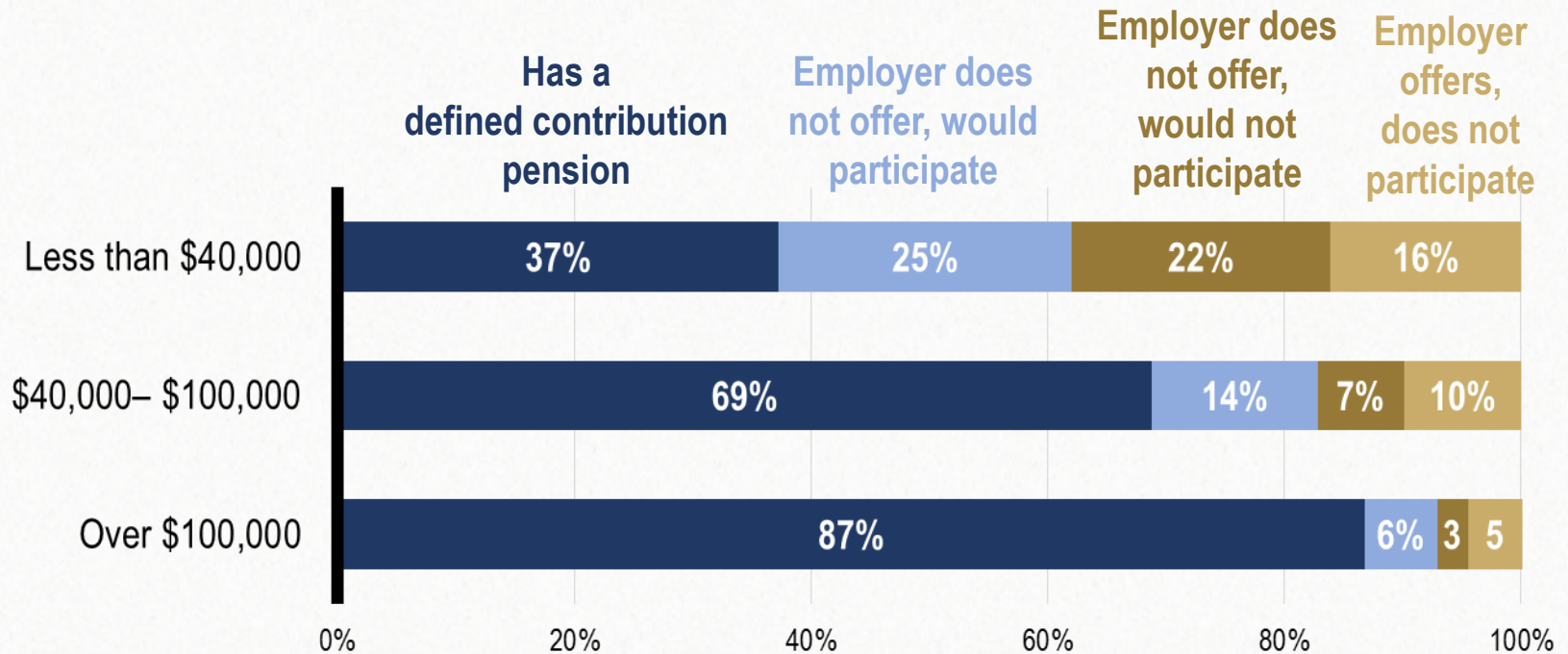
Of those who use no financial advice don't know where to get it

Asked of non-retired respondents with savings in a 401(k), IRA, or other self-directed retirement account. n = 2,519

Defined contribution pension plans

Do you currently have retirement savings in a 401(k), 403(b), or other defined contribution plan through work?

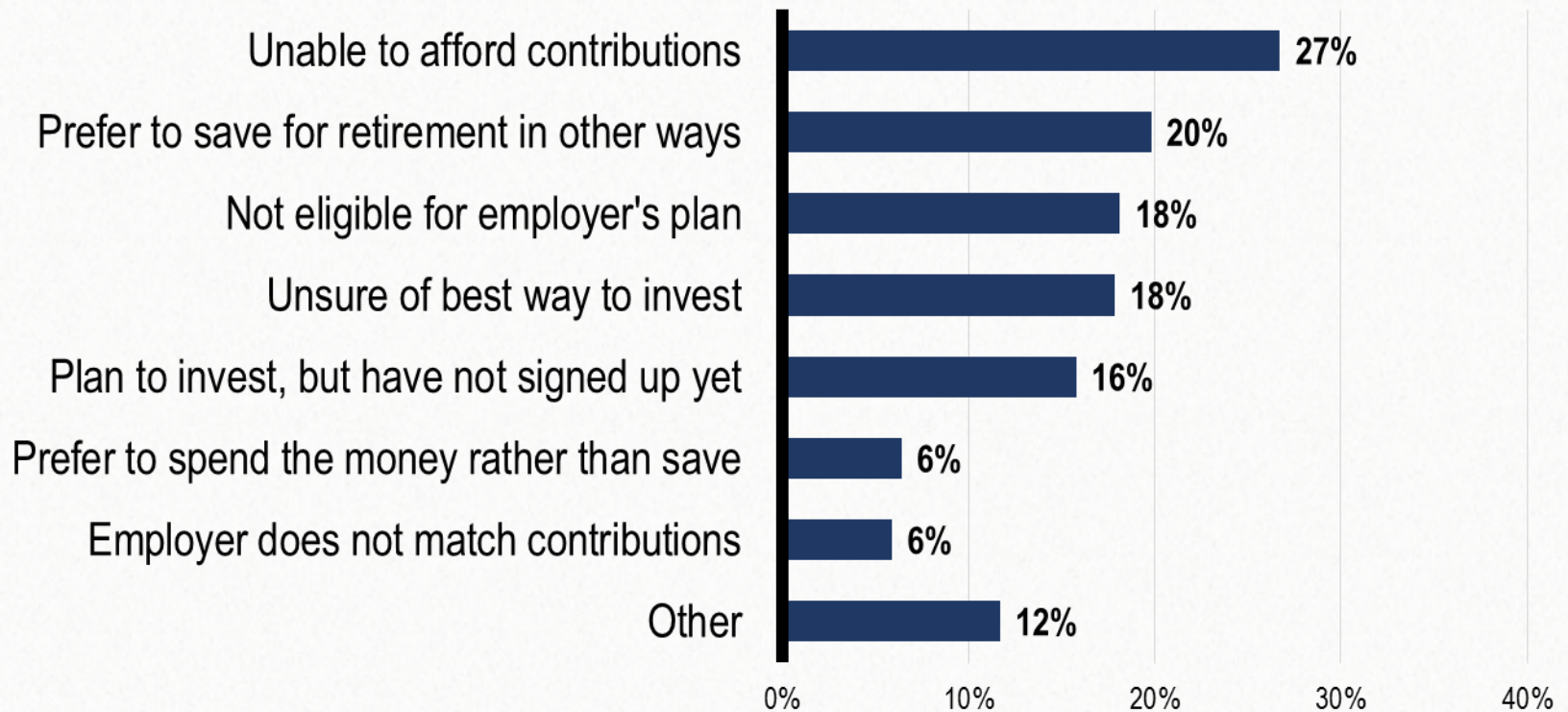
If your employer offered a defined contribution plan, would you participate?



Among respondents employed for someone else. n=2,476

Why not invest in a 401(k)?

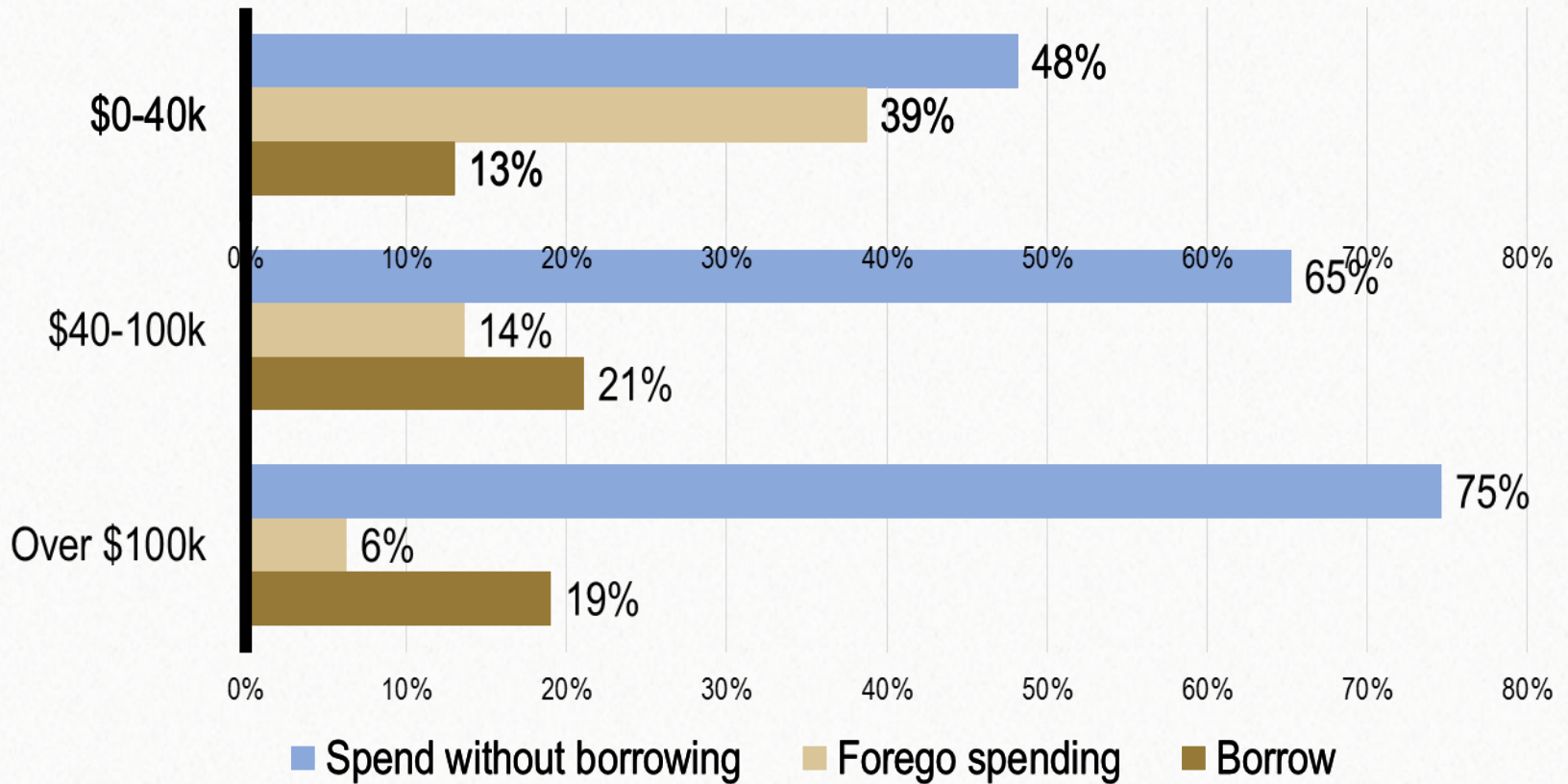
Please select all the reasons below for why you do not currently invest in this type of retirement plan.



Among non-retired respondents whose employer offers a 401(k) type plan but who do not invest in the plan. n=269



Holiday Spending and Borrowing by income



Among all respondents. n = 5,642



Future Surveys



2016 Survey: New Content

- **Employment circumstances**
includes scheduling, barriers to work, job benefits, and job confidence
- **Gig-economy and informal work activities**
both seller and buyer activities
- **Rental housing/landlord relations**
- **Childhood economic circumstances**

2017 Survey?

- Welcome content suggestions
- Areas or topics that you think are important and should be included?
- E-mail: Jeff.Larrimore@frb.gov