Many Americans unable to pay bills or cover unexpected expenses and lack critical financial knowledge, survey shows

The Annual P-Fin Index survey underscores financial hardships brought by COVID-19 pandemic, especially among minorities who have been disproportionately impacted

NEW YORK (April 5, 2021) – Twenty-two percent of U.S. adults report they are unable to pay their bills in full and on time in a typical month, and 30 percent would not be able to cover an unexpected $2,000 expense, according to new data from the fifth annual Personal Finance Index (P-Fin Index) released by the TIAA Institute and the Global Financial Literacy Excellence Center (GFLEC) at the George Washington University School of Business.

Results from the P-Fin Index indicate that a significant portion of American adults still struggle with financial literacy. After four years of incremental growth in financial literacy, the percentage of P-Fin Index questions respondents answered correctly decreased by 2 percentage points in 2021, with respondents correctly answering only 50 percent of the questions. Comprehending risk continues to be the area in which financial literacy is lowest, with U.S. adults on average correctly answering only 37 percent of questions on this topic.

“This year’s Personal Finance Index reveals the precarious financial situations of many Americans, which have been exacerbated by the COVID-19 pandemic,” said TIAA Institute Senior Economist Paul Yakoboski. “But we have also seen Americans become increasingly motivated since the onset of COVID to improve their personal finances. Now is the time to focus on enhancing financial literacy as we look forward to life post-COVID.”
Financial challenges and lower levels of financial literacy are significantly more prevalent among the Black and Hispanic communities who face structural inequities and longstanding institutional biases:

- Thirty-two percent of individuals in these U.S. demographic groups find it difficult to make ends meet in a typical month, compared to 18 percent of white Americans.
- Fifty-six percent of Black Americans and 53 percent of Hispanics do not have non-retirement savings sufficient to cover one month of living expenses, compared to 35 percent of white Americans.
- Blacks and Hispanics correctly answered 37 percent and 41 percent, respectively, of the P-Fin Index questions, compared to white Americans, who correctly answered 55 percent.

“Our data shows a direct link between financial literacy and financial well-being, and demonstrates how knowledge can help better position Americans against adverse economic conditions,” said Annamaria Lusardi, University Professor and Academic Director of GFLEC. “Just as we need to address institutional barriers, we must also break down barriers to financial well-being as part of the recovery path from COVID-19, and that includes greater access to financial literacy.”

The P-Fin Index is unique in its capacity to produce a robust measure of overall personal finance knowledge as well as an analysis of knowledge across multiple areas of personal finance. It also identifies how financial literacy contributes to financial wellness. The index consists of 28 questions spanning eight functional areas:

- Earning: determinants of wages and take-home pay.
- Consuming: budgets and managing spending.
- Saving: factors that maximize accumulations.
- Investing: investment types, risk and return.
- Borrowing/managing debt: relationship between loan features and repayments.
- Insuring: types of coverage and how insurance works.
- Comprehending risk: understanding uncertain financial outcomes.
- Go-to information sources: recognizing appropriate sources and advice.

The full report can be found [here](#).

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About GFLEC
The Global Financial Literacy Excellence Center (GFLEC) is dedicated to advancing research and solutions that open the door to universal financial literacy. In working toward that mission, GFLEC has positioned itself as the world’s leading incubator for financial literacy research, policy, and solutions. GFLEC launched in 2011 at the George Washington University School of Business in Washington, D.C. Since then, it has pioneered breakthrough tools to measure financial literacy, developed and advised on educational programs, and crafted policy guidelines aimed at advancing financial knowledge in the United States and around the world. For more information on GFLEC, visit www.gflec.org.

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\(^2\) Based on approximately $1.3 trillion of assets under management across Nuveen affiliates and TIAA investment management teams as of 12/31/2020.