Financial Anxiety and Stress among U.S. Households Paper: Highlights
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The Financial Anxiety and Stress among U.S. Households: New Evidence from the National Financial Capability Study and Focus Groups paper reveals that lower levels of financial literacy are tied to higher levels of financial stress and anxiety. Financial stress and anxiety are also linked to problematic financial behaviors and diminished financial security. The paper is based on nationally representative survey data from the FINRA Foundation’s National Financial Capability Study, and survey findings are complemented by focus group discussions with financially stressed and anxious respondents conducted mid-pandemic in late 2020.

Key findings in the paper:

- Even before the onset of the pandemic, a large share of Americans felt anxious and stressed about their personal finances.
  - In 2018, 60% of U.S. adults (between the ages of 21 and 62) indicated feeling anxious when thinking about their personal finances.
  - Women, young adults, low-income, unmarried, and unemployed people; and people with financially dependent children are most financially anxious.
  - Still, financial anxiety is widespread in the population. Even among respondents with higher than median income ($50K–99K), close to 60% report financial anxiety.

- Major factors contributing to high levels of financial anxiety and stress include a lack of assets and insufficient income, high debt, and money management challenges.
  - Focus group respondents mentioned in December 2020 that having too many expenses and monthly bills, especially medical expenses, were major drivers of financial anxiety and stress.
  - Financially anxious and stressed adults are more likely to engage in costly financial behaviors, such as high-cost borrowing and withdrawing from their retirement account.

- Those with higher levels of financial literacy, as measured by “the Big Three,” a widely-used financial literacy assessment, are much less likely to feel financially anxious or stressed.

- Beyond possible health consequences, financial anxiety and stress can have long-term financial consequences. For example, even after controlling for many demographic characteristics, financially anxious households are less likely to plan for retirement.

Suggestions:

- Personal finance experts should take heed of the deleterious effects of financial anxiety and stress on their clients.
- Increased efforts to improve financial literacy, particularly among those at high risk for financial stress and anxiety (e.g., women, the young, low-income, etc.) may lessen financial stress or anxiety.
- Employers can help by providing workplace financial wellness programs, tools, small dollar loans that may address major contributors of financial stress and anxiety as well as mental health support targeting financial stress and anxiety.
- People, particularly those at risk of experiencing financial anxiety or stress, should be encouraged to set aside money for emergency savings. Even a small amount may help, given major contributors of financial stress and anxiety involve a lack of assets or poor financial management.