

# 2020 Survey of Household Economics and Decisionmaking (SHED)

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*December 9, 2021*



The analysis and conclusions in this presentation are those of the staff presenting and do not indicate concurrence by other members of the staff or the Board of Governors.

## Overview

### **1. 2020 SHED Results**

- **Overall Economic Well-being**
- **Employment**
- **Education and Childcare**
- **Family Finances**

### **2. Financial Literacy “Don’t Know” Experiment**

### **3. New Questions for 2021**

# SHED Approach

1. **Use subjective self-assessments along with objective outcomes**
2. **Ask individuals directly how they make financial decisions**
3. **Flexibility to cover new and emerging issues**

**Main survey:** Over 11,000 respondents in November 2020 survey. Responses are weighted to be nationally representative of U.S. adults. (Surveys in April and July supplemented the main survey, to monitor effects of the pandemic.)

**Panel:** Nearly 4,000 respondents also took the 2019 survey, allowing us to track some of the same people over time.

**Findings:** Select findings were published in the report *Economic Well-Being of U.S. Households in 2020* along with the underlying dataset. The report and data are at:

<https://www.federalreserve.gov/consumerscommunities/shed.htm>

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# Overall Economic Well-Being



Photo by CDC on Unsplash

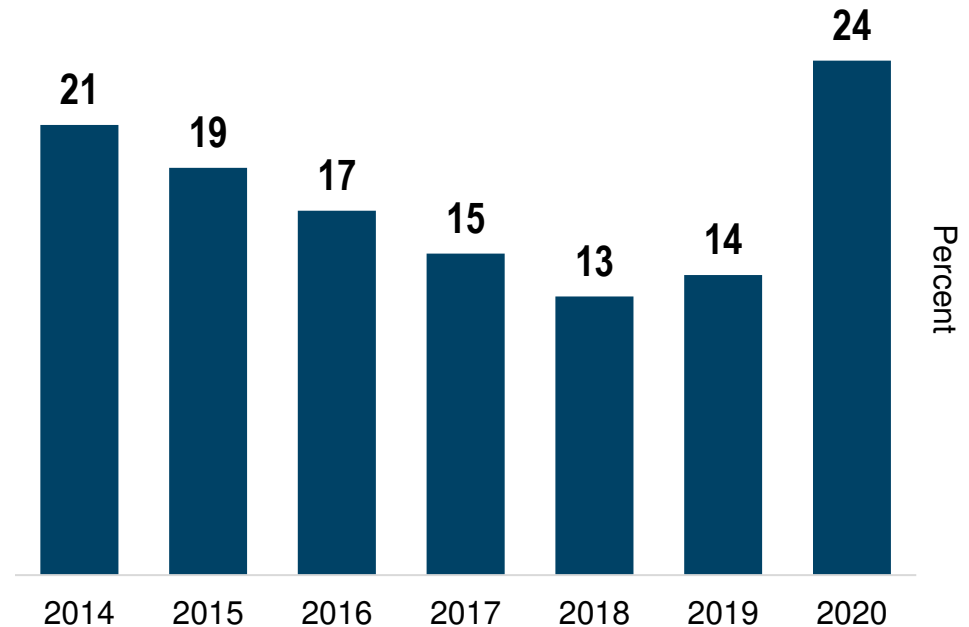
## TOP TAKEAWAYS

- **Sharp increase in the share of people who are worse off financially**
- **Despite setbacks, most still doing okay financially**
- **Growing disparities by education and race/ethnicity**

## Worse Off Financially Than a Year Ago

- Nearly 1/4 of adults were worse off financially than a year ago
- Up from 14 percent in 2019
- Those with less than a high school degree particularly likely to be worse off than a year ago (36 percent)

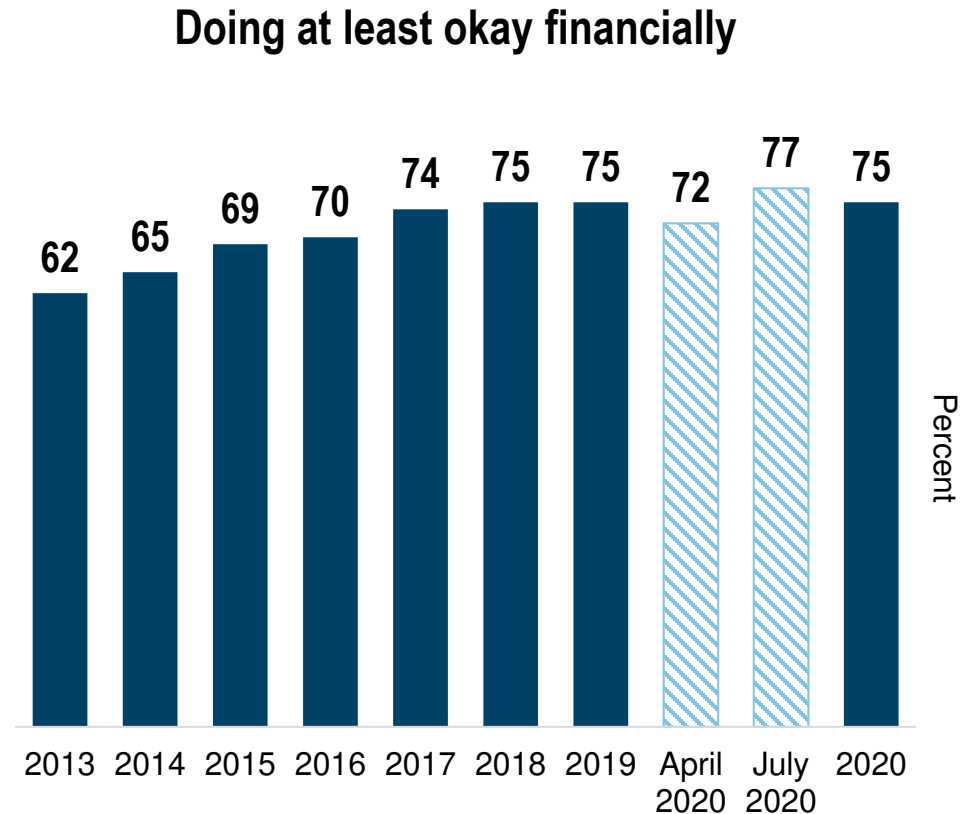
Worse off financially than 12 months earlier



Note: Among all adults.

## Overall Self-Reported Financial Well-Being

- Despite increase in setbacks, most people still managing financially
- 3/4 of adults “doing okay” financially or “living comfortably” at end of 2020
- Share doing at least okay fluctuated with economic conditions through the year
- November’s result down from peak in July, but above April and unchanged from 2019

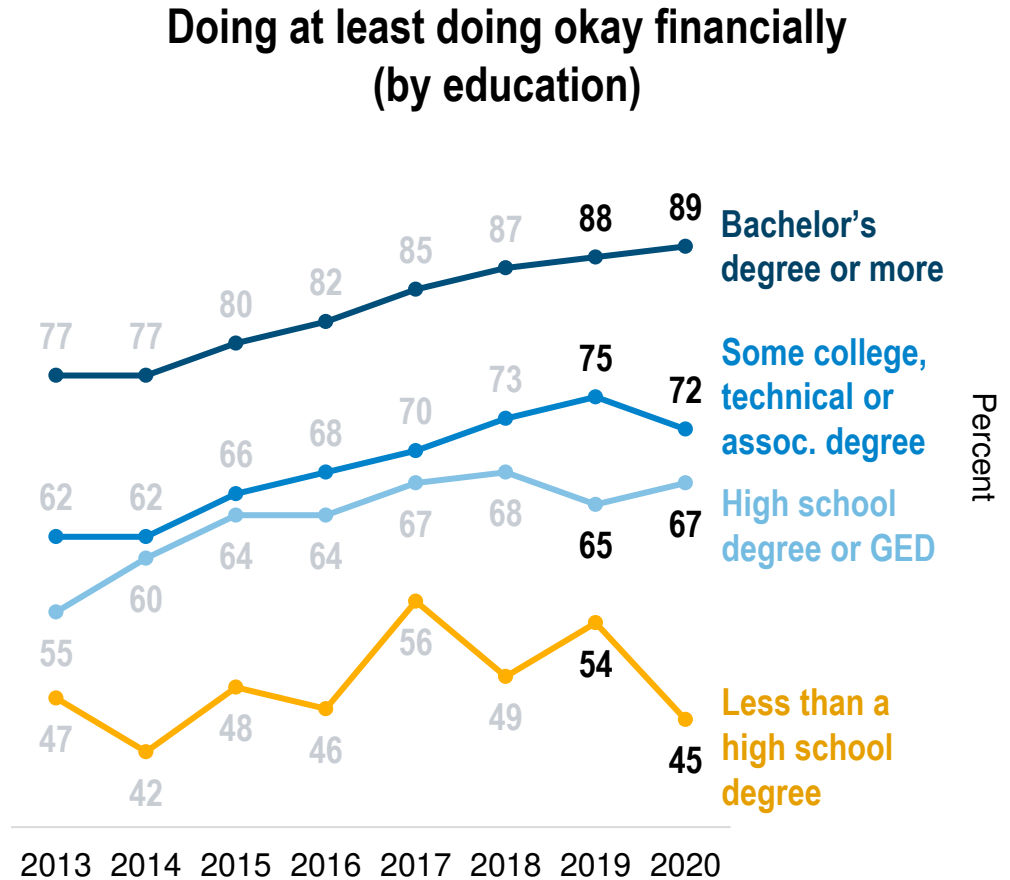


Note: Among all adults.

## OVERALL WELL-BEING

### Financial Well-Being by Education

- Persistent gaps by education
- Overall stability in well-being masks decline for those with less education
- 89 percent with at least a bachelor's degree were doing at least okay financially vs. 45 percent of adults with less than a high school degree
- Gap increased 10 percentage points since 2019

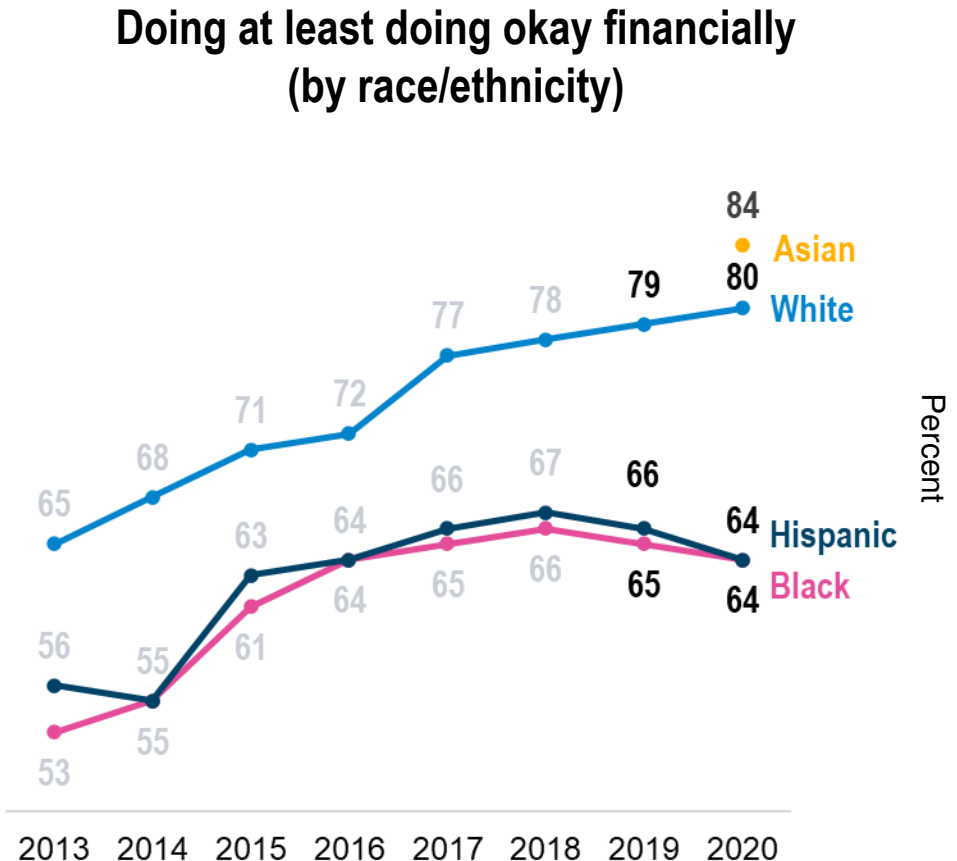


Note: Among all adults.

## OVERALL WELL-BEING

### Financial Well-Being by Race/Ethnicity

- Fewer than 2/3 of Black and Hispanic adults doing at least okay financially, compared with 80 percent of White adults
- Gap has grown in recent years
- Steady uptick in well-being for White adults and recent downtick for Black and Hispanic adults
- Able to separately identify Asian respondents for the first time in 2020



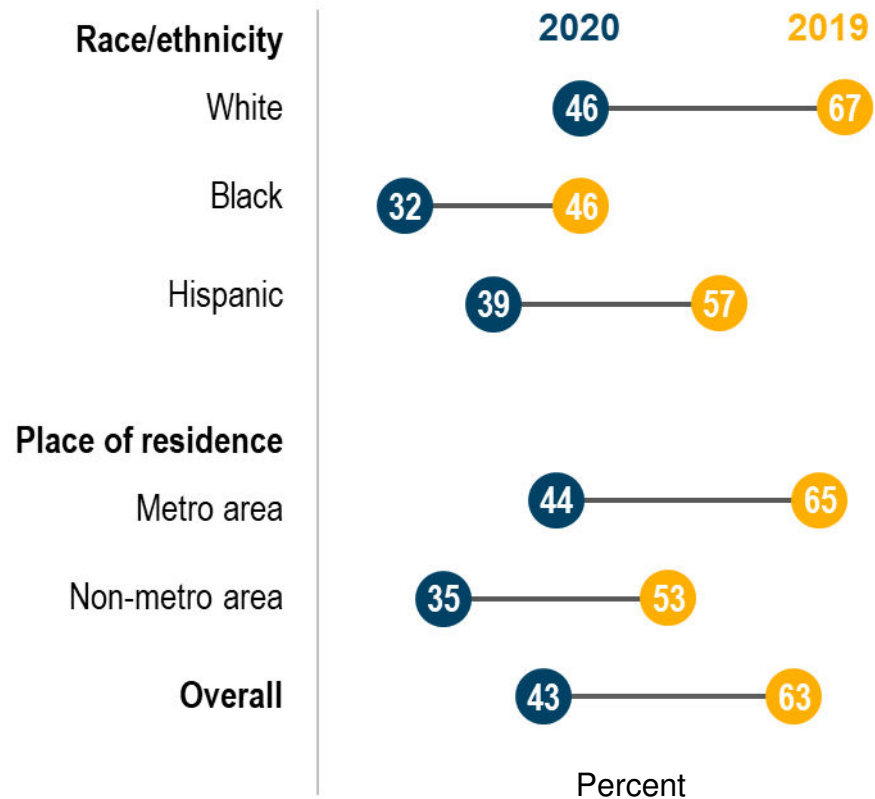
Note: Among all adults.



### Local Economic Conditions

- Assessment of local economic conditions plummeted across the board
- 43 percent of adults rated their local economic conditions as “good” or “excellent” in 2020, down 20 percentage points
- Substantial declines in economic assessments within each racial and ethnic groups and within each geography

#### Assess local economy as good or excellent (by race/ethnicity and place of residence)



Note: Among all adults.

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# Employment



Photo by Lukas Souza on Unsplash

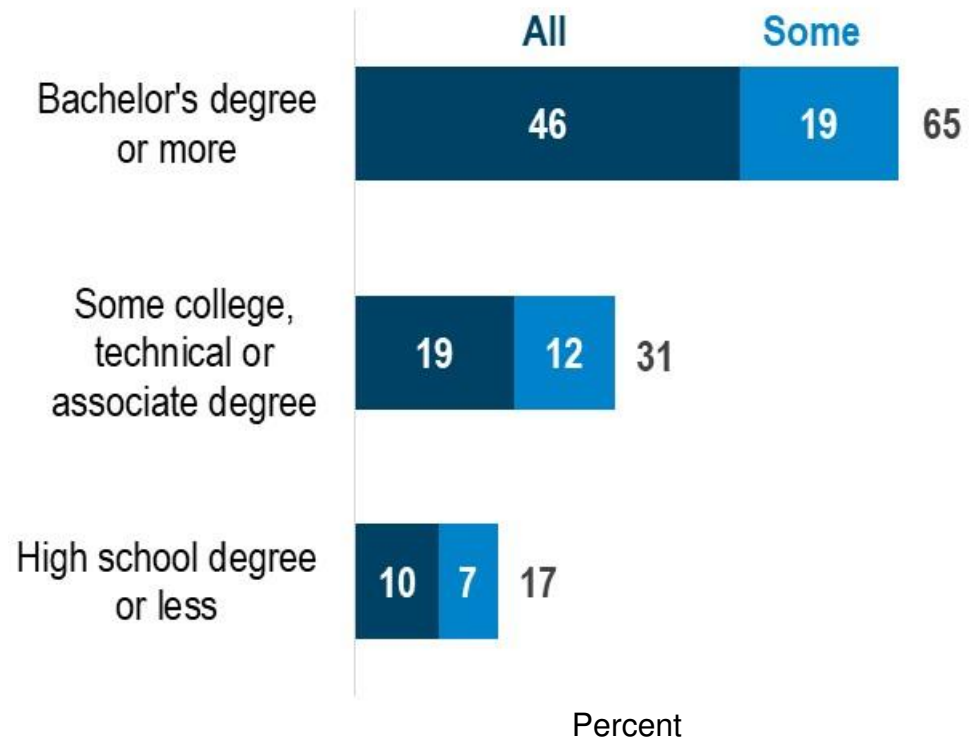
## TOP TAKEAWAYS

- **Many workers with college degrees worked from home**
- **Stark differences in layoffs by education and race/ethnicity**
- **Layoffs concentrated among those least prepared for setback**

## Working from Home by Education

- 29 percent of workers worked entirely from home in November – similar to July (31 percent) but down from April (41 percent)
- Those with more education more likely to work from home
- 46 percent of workers with at least a bachelor’s degree worked entirely from home

Amount of work done from home  
(by education)

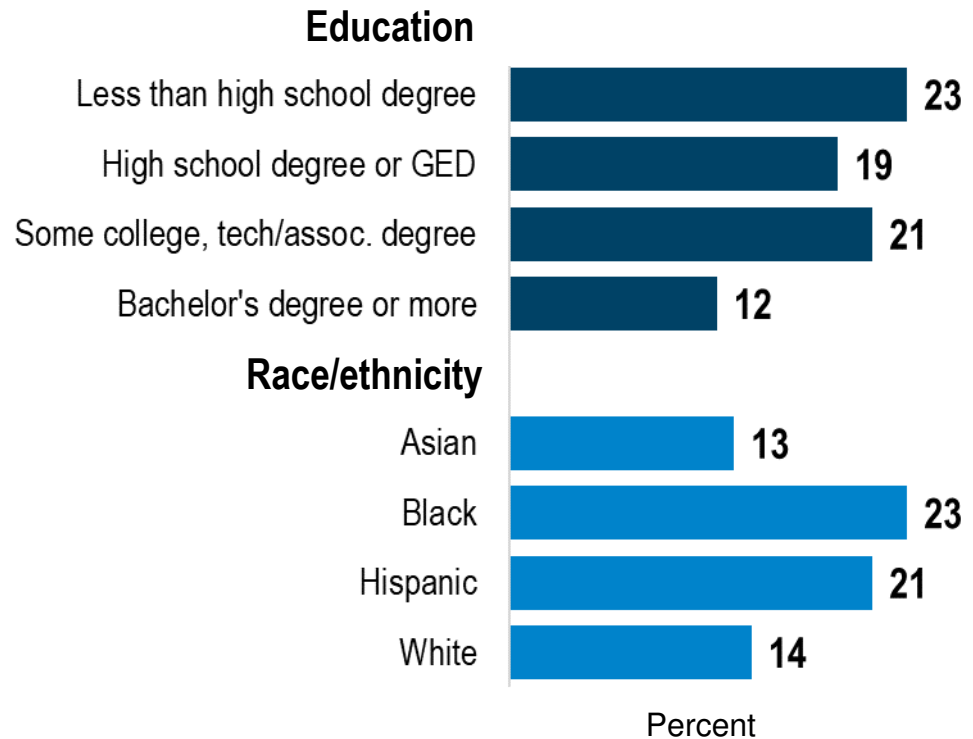


Note: Among adults who worked for someone else.

## Layoffs by Education and Race/Ethnicity

- 14 percent of all adults had been laid off at some point over the prior 12 months
- Adults with less education more likely to have been laid off
- Hispanic and Black adults particularly likely to have been laid off

Layoffs in the prior 12 months among prime age adults (ages 25-54)



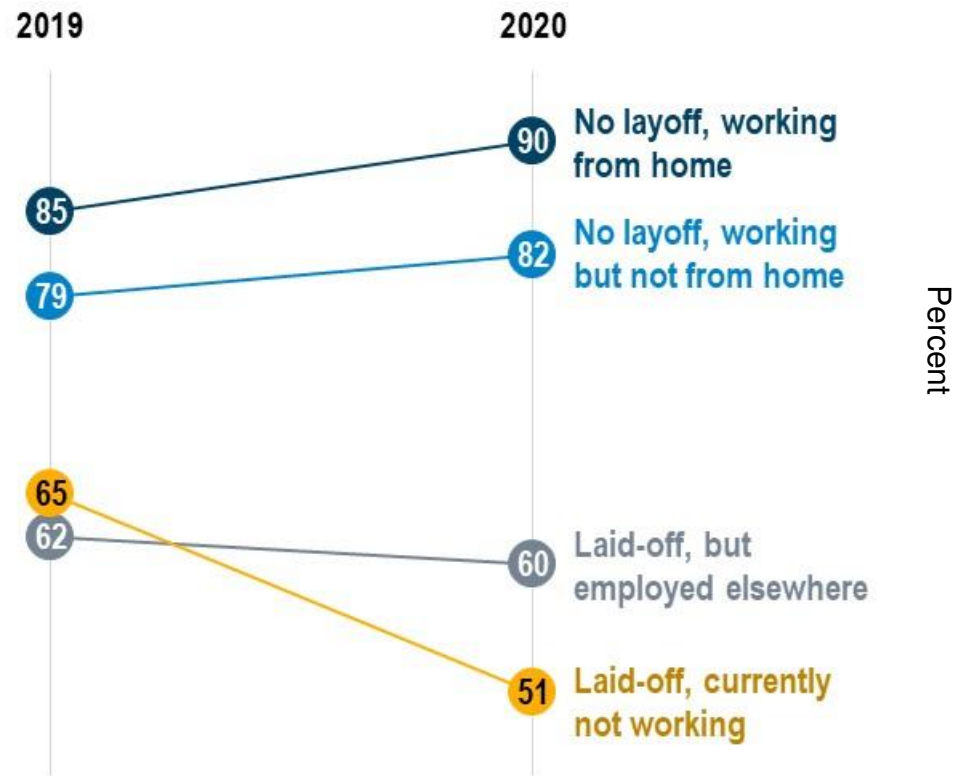
Note: Among prime-age adults ages 25-54.

## EMPLOYMENT

### Well-being by Employment Situation

- Laid-off workers typically had smaller financial cushions to begin with
- Those who had not returned to work saw deteriorating financial circumstances
- Workers who kept their jobs generally had stable or improving finances

#### Doing at least okay financially (by layoff and employment status)



Note: Among respondents who completed both the 2019 and 2020 survey.

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# Education and Childcare



## TOP TAKEAWAYS

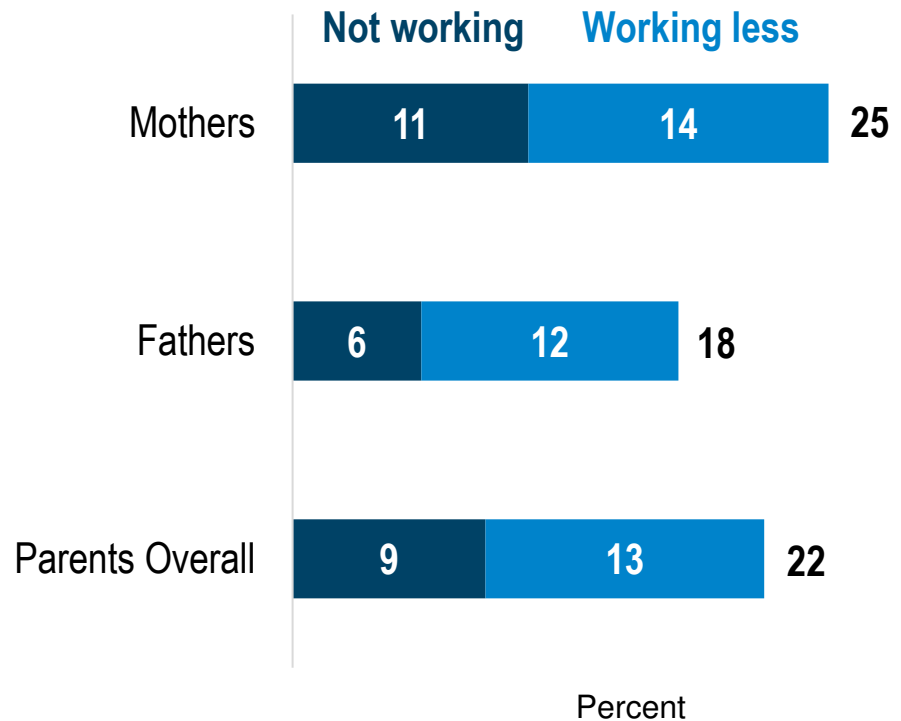
Photo by Charles Deluvio on Unsplash

- **Most parents had disruptions to their child's education or childcare**
- **Large effects from disruptions on Hispanic, Black, and low-income mothers' ability to work**
- **K-12 parents and college students concerned about quality of online education**

# Childcare/Schooling Disruptions and Employment

- 68 percent of parents reported disruptions in childcare or in person K-12 schooling (not shown)
- 9 percent of parents (nearly 2 percent of adults) not working because of childcare or schooling disruptions
- Childcare and K-12 schooling disruptions disproportionately affected women

Not working or working less because of disruptions to childcare or in-person K-12 schooling

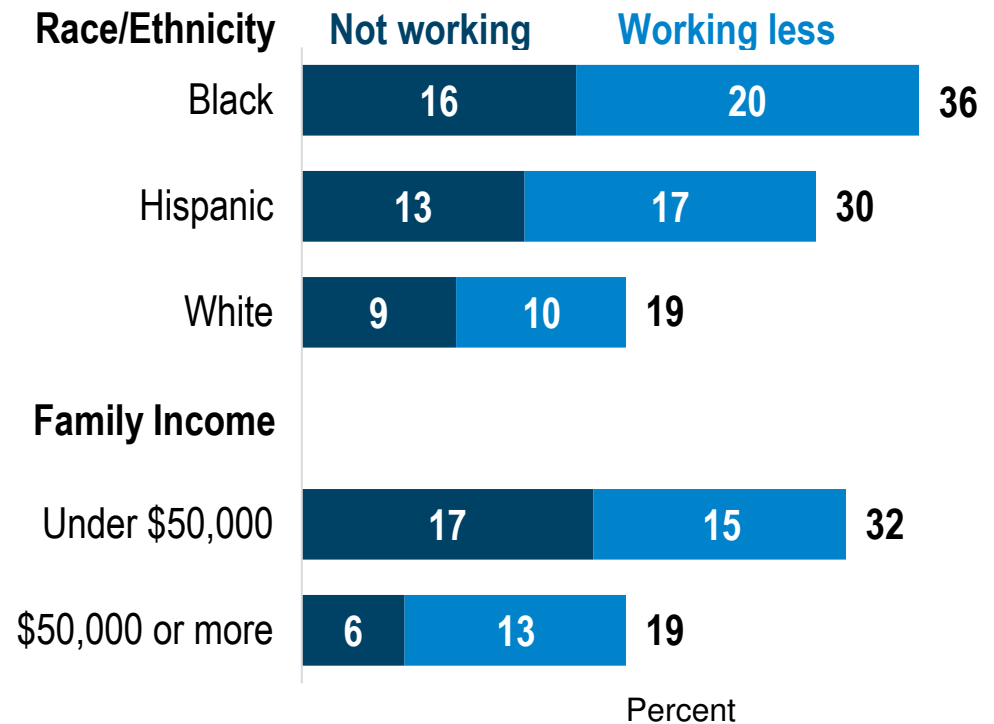


Note: Among parents. Parental status based on whether the respondent lived with their own children under age 18.

## Childcare/Schooling Disruptions Among Mothers

- Black and Hispanic mothers and mothers with low family income particularly affected
- At least 30 percent of Black, Hispanic, and low-income mothers were not working or working less due to childcare disruptions

**Mothers** not working or working less because of disruptions to childcare or in-person K-12 schooling (by race/ethnicity and income)



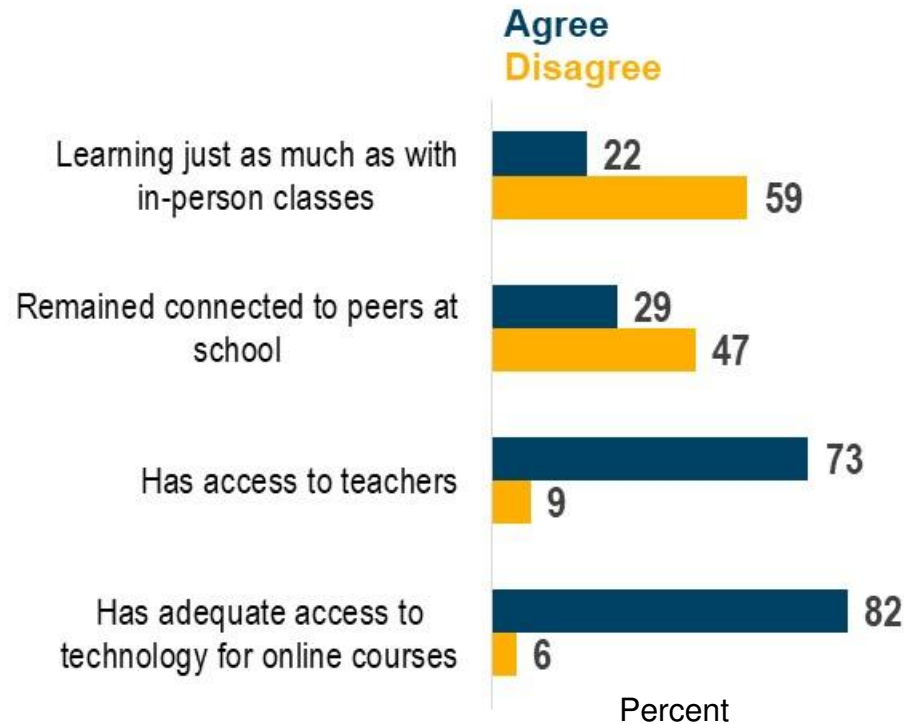
Note: Among mothers. Parental status based on whether the respondent lived with their own children under age 18.



## Perceptions of Quality of Online K-12 Education

- Parents viewed online education less favorably than in-person education
- Few said their child learning as much as if in person
- Much higher shares said their child had access to teachers and had adequate technology for online courses

Parental assessment of child's K-12 online learning

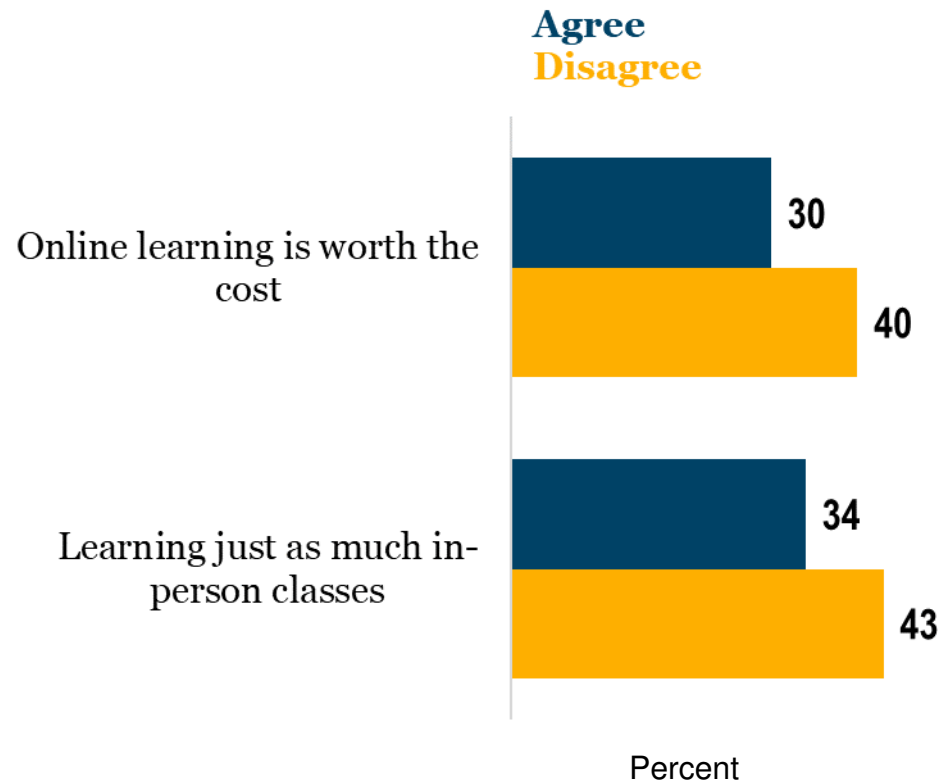


Note: Among parents whose youngest child's classes at least partially online.

# Perceptions of Quality of Online Higher Education

- Similar concerns expressed about quality of higher education
- Just 3 in 10 students taking classes online said online learning was worth the cost
- Few said they were learning much as they would have in person or that they felt connected to peers

### Self assessment of online learning



Note: Among current students who have taken a class online since March.

# Family Finances



Photo by National Cancer Institute on Unsplash

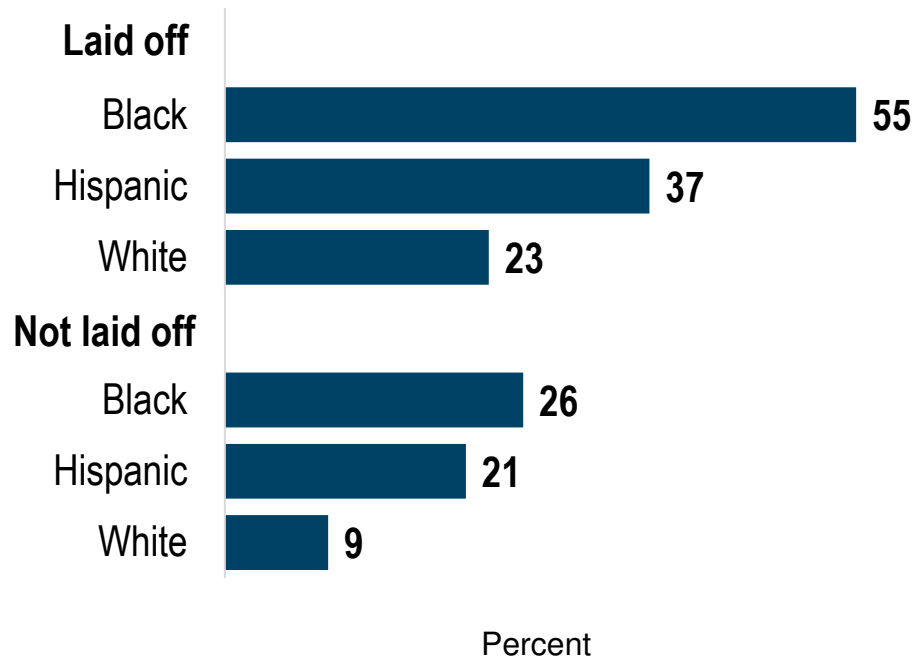
## TOP TAKEAWAYS

- **Income declines most frequent among those with less education**
- **Spending declines most frequent among those with more education**
- **Mortgage refinances more common among high income families**

## Ability to Pay Current Month's Bills

- 16 percent of adults were unable to pay their current month's bills in full (not shown)
- Laid off workers were more likely to face difficulty paying bills than those not laid off
- Among those laid off, Black and Hispanic adults particularly likely to face difficulty paying bills

Not able to fully pay current month's bills (by layoff in prior 12 months and race/ethnicity)

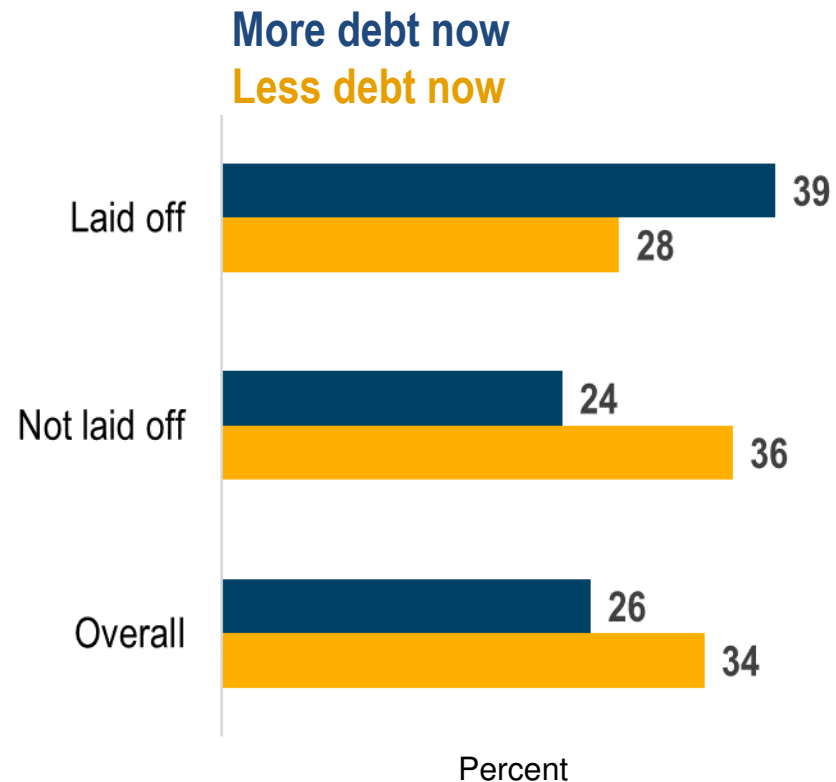


Note: Among all adults.

## Credit Card Debt Changes Since Last Year

- Credit card borrowers overall reduced outstanding balances
- Decline driven by those who kept their jobs
- Balances more frequently increased among those laid off
- Pattern among laid-off workers consistent with prior surveys, though larger share faced layoff in 2020

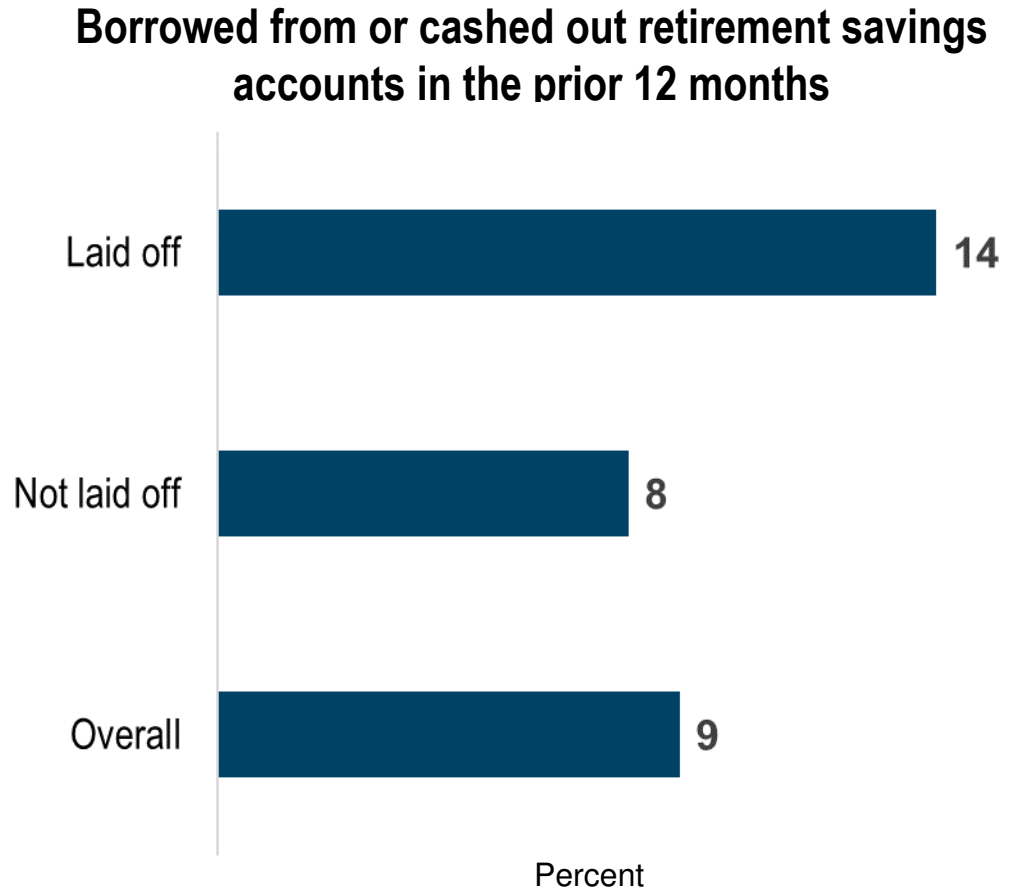
Credit card debt compared to 12 months ago  
(by whether laid off in prior 12 months)



Note: Among credit card holders with outstanding credit card debt.

## Tapping Retirement Savings

- Nine percent of non-retired adults tapped their retirement savings in the prior 12 months – only a slight uptick from 2019
- Non-retired adults who were laid off were more likely to borrow or cash out retirement savings

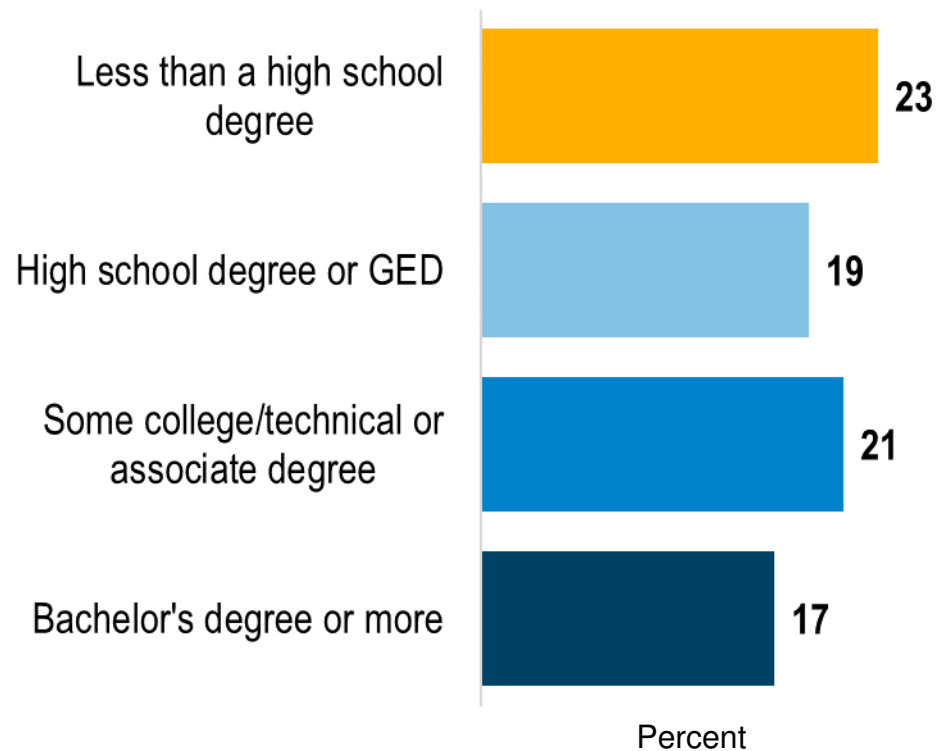


Note: Among non-retirees.

## Income Changes Since Last Year

Share reporting a **decrease in income** relative to a year ago (by education)

- 19 percent saw their incomes decline in 2020, while 24 percent saw an increase (not shown)
- Adults with less than a high school degree were *more* likely to have a decline in income

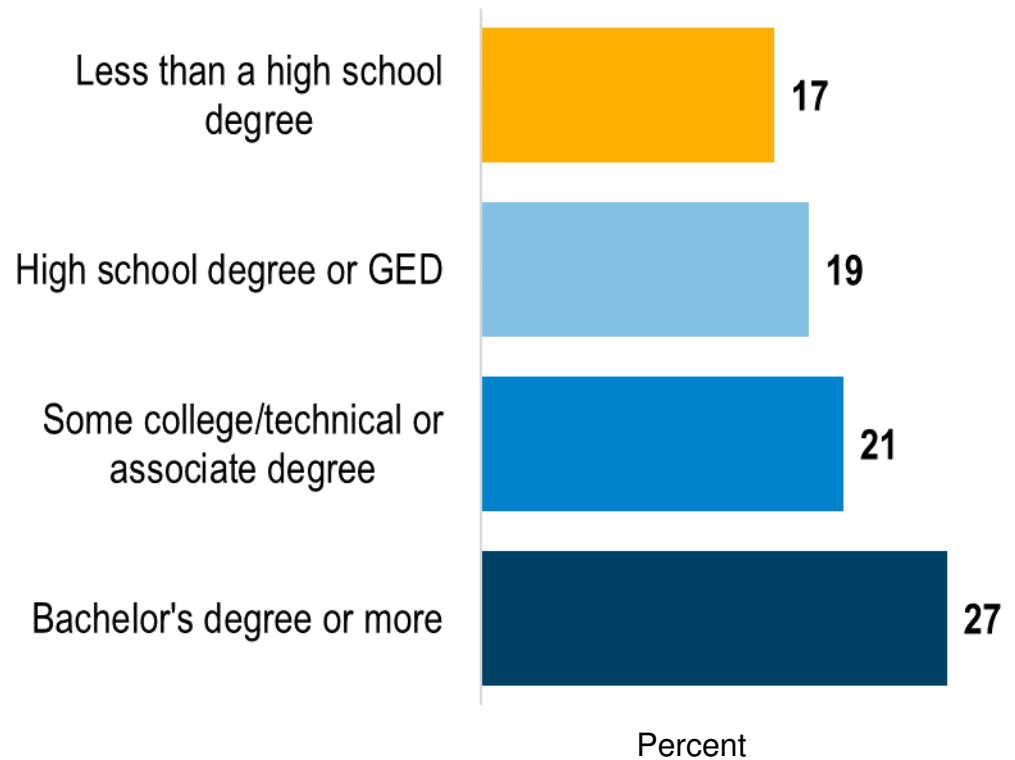


Note: Among all adults.

## Spending Changes Since Last Year

Share reporting a **decrease in spending** relative to a year ago (by education)

- In contrast to the changes in income, those with less education were *less* likely to have decreased spending
- Just over one-third of adults who were laid off spent less compared to a year earlier (not shown)



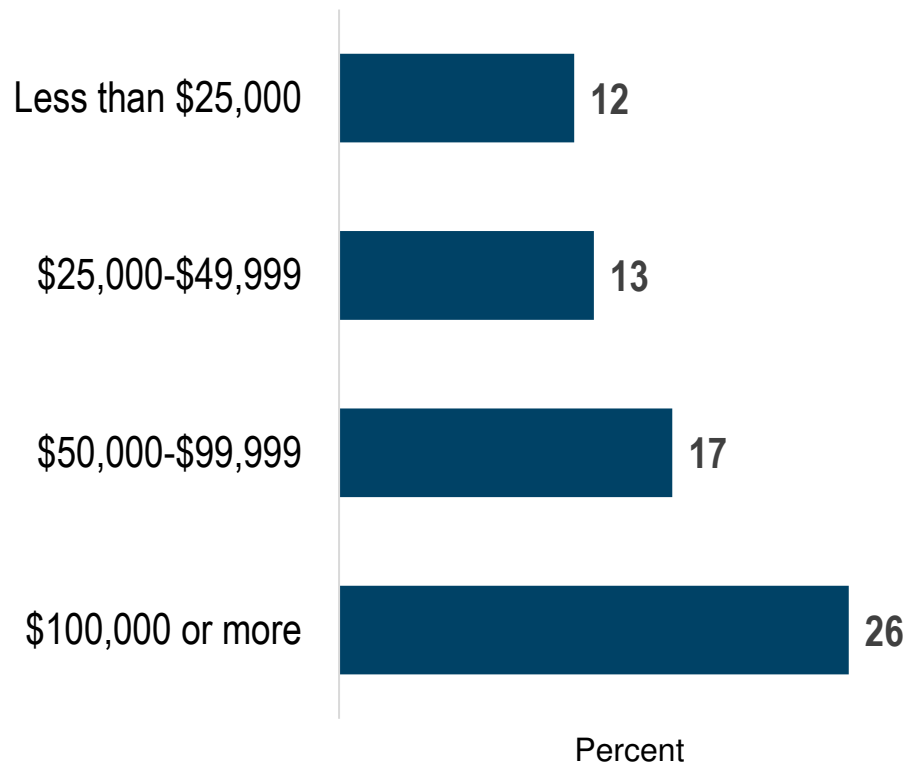
Note: Among all adults.



## Mortgage Refinancing

- 1/5 of all homeowners with a mortgage refinanced within the prior year (not shown)
- High-income borrowers were far more likely to refinance

Share of homeowners with a mortgage who refinanced in the prior year (by income)

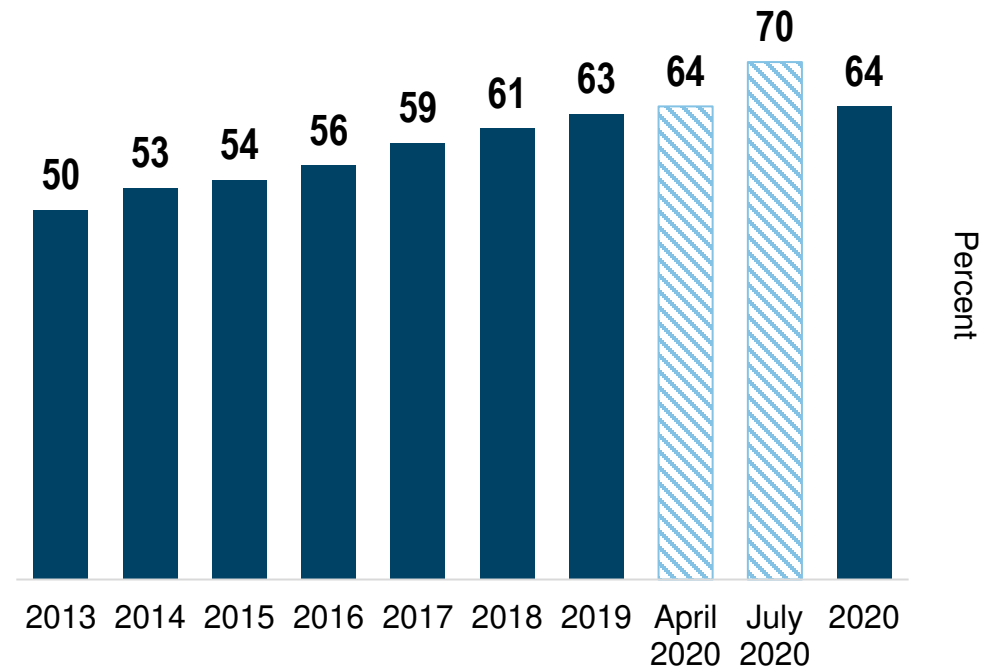


Note: Among homeowners with a mortgage.

## Handling Unexpected Expenses

- 64 percent would cover an unexpected \$400 expense exclusively using cash or its equivalent
- Down from July just after pandemic-related relief had reached many households
- This decline is consistent with some families spending down savings from these relief programs

Would cover \$400 emergency expense completely using cash or its equivalent, 2013-2020



Note: Among all adults.

### Financial Literacy Questions\*

- **(Risk Diversification)** Do you think the following statement is true or false? *“Buying a single company stock usually provides a safer return than a stock market mutual fund.”*
- **(Inflation)** *Imagine that the interest rate on your savings account was 1 percent per year and inflation was 2 percent per year. After one year, would you be able to: buy more than, exactly the same as, or less than today with the money in the account?*
- **(Interest)** *Suppose you had \$100 in a savings account and the interest rate was 2 percent per year. After five year, how much do you think you would have in the account if the left the money to grow: more than \$102, exactly \$102, or less than \$102?*

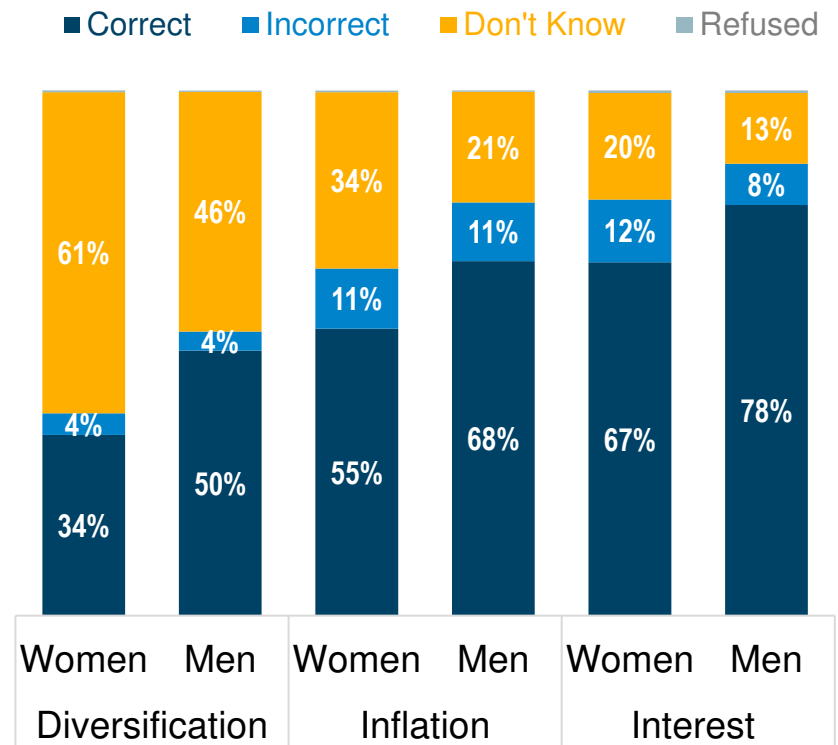
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\*These questions were developed by Annamaria Lusardi and Olivia Mitchell (see "Financial Literacy around the World: An Overview," *Journal of Pension Economics and Finance* 10, no. 4 (2011): 497–508) and have been widely used to study financial literacy.

## Gender Differences in Financial Literacy

- Previous research has shown women less likely than men to answer correctly, and
- Women also are more likely to select ‘Don’t Know’
- We see these same gender differences in SHED

Financial Literacy Questions, by Gender



Note: Authors calculations among the one-half of the 2020 SHED respondents who were asked the questions including “Don’t know” as an answer.

# Why Do Women Exhibit Lower Financial Literacy?

- Lower confidence (Bucher-Koenen, Alessie, Lusardi, and van Rooij, 2017)<sup>1</sup>
  - Take away the “do not know” option and add follow up question about confidence in answer
  - Find women very likely to give correct responses, but also less confident in their answers
  - Conclude gap driven by both lower knowledge and lack of confidence
- Women less likely to handle the household’s finances
  - Joanne Hsu finds that women's financial literacy increases after the death of a spouse<sup>2</sup>

1. “Women, confidence, and financial literacy” <https://gflec.org/wp-content/uploads/2017/04/ALESSIE-Paper-Cherry-Blossom-2017.pdf?x70028>

2. "Aging and Strategic Learning: The Impact of Spousal Incentives on Financial Literacy," *Journal of Human Resources* 51, no. 4 (Fall 2016): 1036–67).

## SHED “Don’t Know” Simple Experiment

- Much in the same vein as Anna Maria Lusardi and coauthors’ paper
  - US context
  - Cross section and panel component
- SHED 2020
  - Randomly assigned half of respondents to receive “don’t know” as an answer choice (n=5,822)
  - Other half did not receive an explicit “don’t know” option (n=5,826)

Base: All respondents

### FL2 [S]

Do you think the following statement is true or false?

“Buying a single company’s stock usually provides a safer return than a stock mutual fund.”

1. True
2. False
- 2. Don’t know [**Display if DOV\_FL=1**]

- SHED 2019 – everyone received “don’t know” option

## Ongoing Research Based on Experiment

- How much knowledge gain do we see, beyond what we would expect if people were purely guessing?
- Is this gain greater for women?
- How much of the gender gap in financial literacy seen in SHED can be explained by the difference in propensity to select “don’t know”?
- Stay tuned for results...

## New questions for 2021

- Overall Life Satisfaction
- Income and Spending
  - Receipt of monthly Child Tax Credits and how credits were used
- Employment
  - COVID concerns and loss of UI added to list of reasons for not working
  - Telework preferences
  - Perceptions of job quality improvements/declines among job changers
- Housing
  - Whether behind on rent and amount of back-rent due
  - Receipt of rental assistance
  - Reasons why didn't receive rental assistance



## New questions for 2021

- Health
  - Perceptions of employer precautions and vaccine requirements
  - Disability status (linked from background survey)
- Education
  - Perceptions of COVID-19 precautions for K-12 and higher education
  - Academic outcomes for K-12 students, including disruptions to in-person education and perceptions of academic progress

## **New questions for 2021**

- Banking and Credit
  - Buy Now Pay Later (BNPL)
  - Overdraft
- Direct Stock Investing, Crypto Currency, Gambling, Financial Risk Taking
- Climate Change
  - Financial hardships from natural disasters or extreme weather
  - Behavioral changes and expectations about future risk

# THANKS

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**Thank You!!!**

**2020 Full Report:**

**<https://www.federalreserve.gov/consumerscommunities/shed.htm>**

**Interactive Charts:**

**<https://www.federalreserve.gov/consumerscommunities/sheddataviz.htm>**

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