

Financial Anxiety and Stress Among U.S. Adults: New Evidence From a National Survey and Focus Groups

September 2021

Authors

Andrea Hasler

Global Financial Literacy Excellence Center
The George Washington University School of Business

Annamaria Lusardi

Global Financial Literacy Excellence Center
The George Washington University School of Business

Olivia Valdes

FINRA Investor Education Foundation

This work was conducted with financial support from the FINRA Investor Education Foundation (FINRA Foundation) and is based on data from the National Financial Capability Study (NFCs). The NFCs is a project of the FINRA Foundation.

Financial Anxiety and Stress Among U.S. Adults: New Evidence From a National Survey and Focus Groups

Andrea Hasler, Annamaria Lusardi and Olivia Valdes

September 15, 2021¹

Summary

The economic impact of the COVID-19 pandemic has shed light on the deeply rooted financial insecurity that many Americans face. Our research shows that even before the pandemic hit, and at a time of economic expansion, a large share of Americans was already stressed about their personal finances and could not face a mid-sized shock, let alone the loss of income and unexpected expenses that many have faced during this crisis.

In this brief, we examine the state of financial anxiety and stress among U.S. adults, and the factors that likely contribute to high levels of financial anxiety and stress. The empirical analysis is based on the FINRA Investor Education Foundation's 2018 National Financial Capability Study (NFCS) and complemented by focus group findings from December 2020.

Our analysis showed that the greatest levels of financial anxiety and stress were expressed by women, young adults, those with lower income, parents with a higher number of financially dependent children,

the unmarried and the unemployed. As these demographic groups have been hit particularly hard by the pandemic and its economic consequences, it is likely that their financial struggles have been further exacerbated, and their anxiety and stress levels worsened since March 2020. We also found that lack of assets, high debt and money management challenges were major contributing factors to high levels of financial anxiety and stress.

The data also showed that financial anxiety and stress may have long-term effects. Financially anxious and stressed respondents were much less likely to plan for retirement. Financial literacy seems to matter. Even when controlling for other demographic factors, those who correctly answered three questions designed to measure basic financial literacy were less likely to feel financially anxious or stressed. Finally, focus group findings revealed that those who experienced financial anxiety and stress engaged in daily monitoring of their finances and made decisions informed by their financial worries.

¹ This work was conducted with financial support from the FINRA Investor Education Foundation (FINRA Foundation) and is based on data from the 2018 [National Financial Capability Study \(NFCS\)](#). The NFCS is a project of the FINRA Foundation.

Financial Anxiety and Stress Among U.S. Adults

When surveyed, a surprising number of respondents between the ages of 21 and 62 reported feeling stressed and anxious about their personal finances.

Specifically, in 2018, **60 percent** of U.S. adults were classified as financially anxious and **50 percent** as financially stressed. Additionally, 18 percent neither agreed nor disagreed that they felt anxious when

thinking about their personal finances, and only 23 percent did not feel anxious. We obtained similar findings for the stress question: 20 percent neither agreed nor disagreed that they felt stressed and only 30 percent reported not feeling stressed when discussing their finances.

It is noteworthy that such high levels of financial anxiety and stress were observed during a time of economic expansion and record-low unemployment rates.



"We don't have any savings. Our car just broke down, so I'm walking everywhere I'm going. We're taking the bus. Me and her both started donating plasma this week so we can get some extra cash coming. We're just making it. I do have two teenagers at the house, too. A 15- and a 16-year-old. Beans and rice, a lot, are what we eat, stuff like that."

— Male, aged 50–62

Large Variation Across Subpopulations

These averages, however, hide large differences in the population. The highest levels of financial anxiety and stress were

expressed by women (Figure 1), young adults (Figure 2), the unmarried (Figure 3), those with a higher number of financially dependent children (Figure 4), those with

Figure 1: Gender

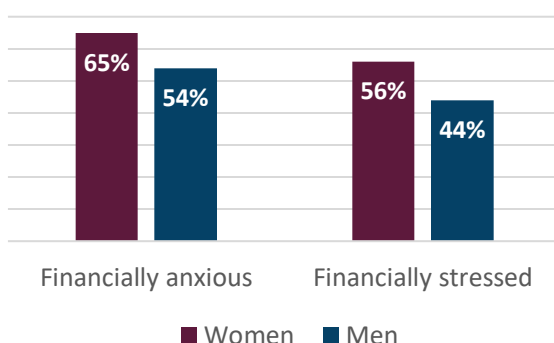
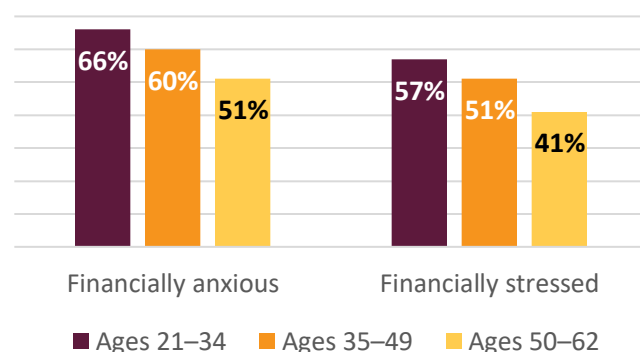


Figure 2: Age



lower income (Figure 5) and the unemployed (Figure 6). Still, financial anxiety and stress were widespread in the population. For example, even among respondents with higher than median

income (\$50K–99K), close to 60 percent reported financial anxiety. These findings suggest that financial anxiety can occur at any income level and is not just a matter of lack of assets.

Figure 3: Marital Status

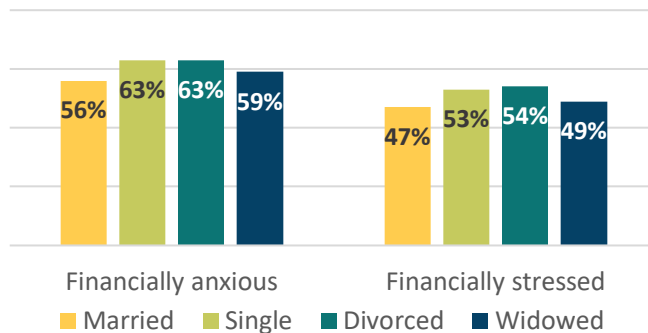
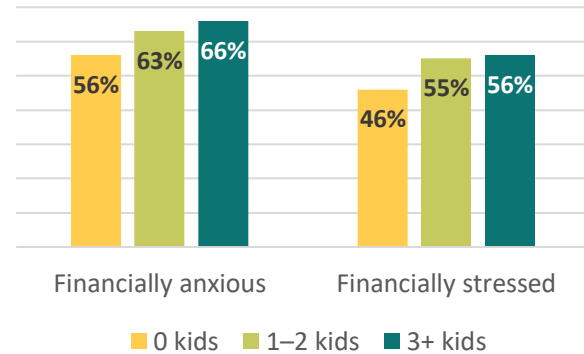


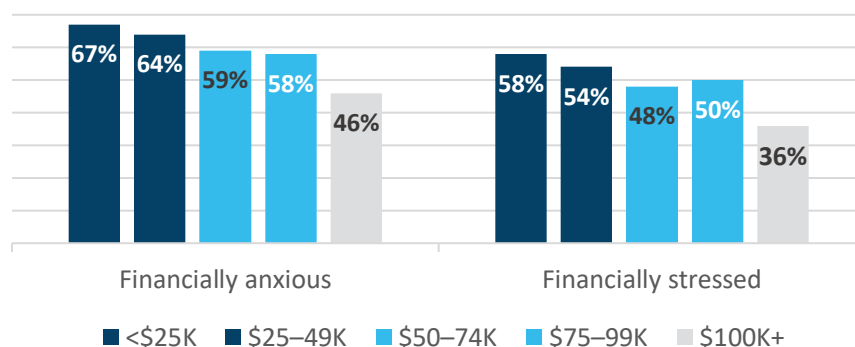
Figure 4: Number of Children



“It’s those little decisions, those constant little decisions on [expenses for my children]. That’s exhausting. I’m constantly doing that negotiation in my head. How to save, well, I could return that, but they really need it. You outgrew those shoes already? Oh, shoot. Okay. And it’s just a little hum in the back of your mind, but it’s there.”

— Female, aged 35–49

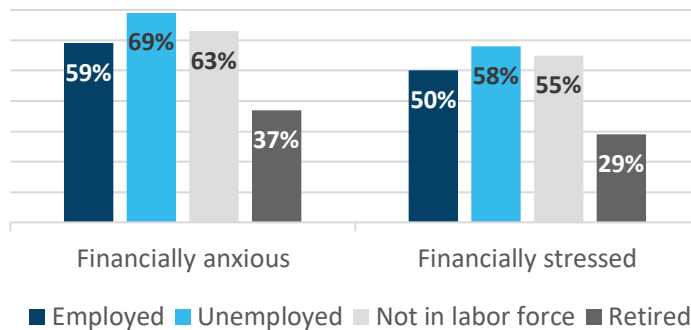
Figure 5: Income



60%

of respondents earning \$50–99K reported feeling anxious when thinking about their personal finances.

Figure 6: Employment Status



Note: Regression results confirmed univariate findings. Even after controlling for other demographic factors, variations in financial anxiety and stress were observed. More information can be found in the [full report](#).

What Contributes to Financial Anxiety and Stress?

Major factors related to high levels of financial anxiety and stress included a lack of assets and insufficient income, high debt and money management challenges.

Financial Situation

Table 1 shows that financially anxious and stressed respondents were less likely to own a home, have a retirement plan or have other investments (aside from retirement accounts). At the same time, these individuals were highly indebted; financially anxious and stressed respondents reported carrying credit card balances and possessing auto loans, student loans, mortgages and home equity loans at higher rates than those in the general population.

Table 1	General Population	Financially Anxious	Financially Stressed
Assets			
Has a checking or saving account	91%	91%	90%
Owns a home	54%	50%	49%
Has a retirement plan	61%	57%	56%
Has other investment(s) aside from a retirement account*	31%	28%	27%
Has at least one credit card	78%	76%	75%
Liabilities			
Has carried over a credit card balance and paid interest*	52%	62%	63%
Has an auto loan	36%	39%	40%
Has a student loan	32%	38%	39%
Has a mortgage*	66%	70%	71%
Has a home equity loan*	18%	22%	24%
Number of Observations	19,108	11,506	9,643

*Indicates statistics are conditional on having the related assets or liabilities.

These survey findings were supported by the focus group discussions. Across all groups, one of the three main factors driving financial anxiety and stress was **debt**. Credit card and student loan debt were mentioned as major sources of anxiety.

“[I have] sons that I signed parent plus loans for, I have student loan debt because I’m a non-traditional student and got degrees later on in life. I am overwhelmed when I think about it, how they could come in and take my money out of the bank or they could garnish my wages. And I got over \$100,000 in student loan debt between the three of us.”

— Female, aged 50–62

Money Management

The findings in Table 2 show that the percentage of people overdrawing their checking account, demonstrating expensive credit card management behavior and using alternative financial services was much higher among financially anxious and stressed respondents than among those in the general population. Financially anxious and stressed individuals borrowed from their future selves more often than those in the general population: A higher percentage reported making some form of withdrawal from their retirement account. They also were much more likely to be late on mortgage and student loan payments.

Table 2	General Population	Financially Anxious	Financially Stressed
Occasionally overdraw checking account in the past year*	23%	30%	33%
Demonstrated at least one expensive credit card management behavior in the past year (<i>i.e.</i> , made minimum payments only, late payments, cash advances, or over-the-limit charges)*	50%	61%	65%
Use of at least one form of alternative financial services in the past 5 years (<i>i.e.</i> , auto title loan, payday loan, pawn shop, or rent-to-own store)	33%	39%	42%
Made some form of withdrawal from the retirement account in the past year (<i>i.e.</i> , loan or hardship withdrawal)*	19%	27%	30%
Late on mortgage payments	21%	31%	35%
Late on student loan payments	32%	37%	39%
Number of Observations	19,108	11,506	9,643

*Indicates statistics are conditional on having the related assets or liabilities

The focus group discussions revealed two main factors driving financial anxiety and stress, beyond debt: (1) **insufficient income** or changes to and impediments in the respondent's ability

to earn income, and (2) too many **expenses** and monthly **bills**, including medical expenses, which were mentioned, especially among parents of special needs children.

"We rely heavily on my husband's income to provide for our family. So, if something were to happen to him, I couldn't make the kind of money that he makes to provide for this family."

— Female, aged 35–49

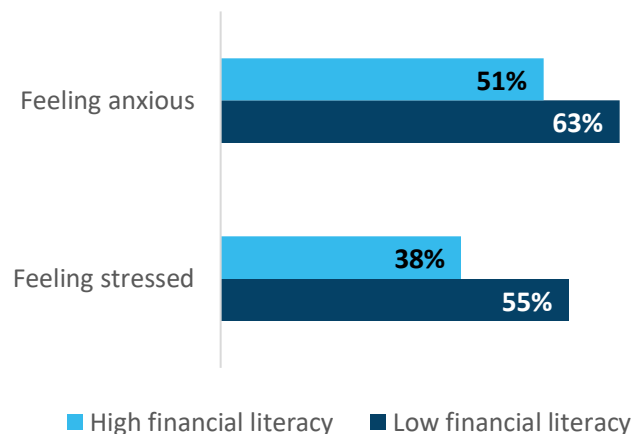
"I've got a daughter who has serious disabilities. I'm assuming I'm going to be working well into my 70s, that I won't retire until at least 75, just to make ends meet. But I'm going to have to deal with my other daughter probably for as long as I'm alive, and I don't know how to do that."

— Male, aged 50–62

The Role of Financial Literacy

Financial literacy seems to matter. Those who correctly answered all of the Big 3 financial literacy questions, reported feeling stressed when discussing their personal finances (38 percent) less often than those who did not answer all Big 3 financial literacy questions correctly (55 percent). A similarly strong relationship held for those who reported feeling anxious. The Big 3 financial literacy questions are widely used and assess respondents' basic understanding of interest rates, inflation and risk diversification.

Figure 7: Financial Literacy



"I have the anxiety of just trying to get out of debt and make a path to financial freedom and make smart money choices."

— Male, aged 21–34

Discussion

This paper shows that in 2018, during a time of economic expansion and way before the COVID-19 pandemic and its economic consequences hit, 60 percent of 21- to 62-year-old respondents indicated that thinking about their finances makes them anxious and 50 percent said that discussing their finances is stressful. The greatest anxiety and stress about personal finances was expressed by women, young adults, those with lower income, those with a higher number of financially dependent children, the unmarried and the unemployed. Lack of assets, too much debt and money management challenges, such as the use of alternative financial services and expensive credit card behavior, were major factors contributing to high levels of financial anxiety and stress. However, our focus group findings indicated that there are various other drivers of stress and anxiety over personal finances as well, such as income uncertainty and unexpected expenditures of all kinds, including children's health needs. Financial anxiety and stress can affect people's lives in major ways. Most focus group participants reported monitoring and limiting their spending and expenses on a daily basis.

While research on financial stress and anxiety is relatively new, our findings suggest some possibilities for addressing the widespread issue. Given that saving for retirement was tied to lower financial stress and anxiety, as were higher levels of financial literacy and effective money management skills, it is possible workplace

initiatives that address these, and other topics could prove fruitful. However, many Americans lack access to employer-sponsored workplace programs. In these cases, more general options may help. For example, state-sponsored retirement plans like those implemented in Oregon and California offer employees without an employer-sponsored retirement plan a way to save for retirement. Similarly, state-mandated financial education programs in high school may also help, as may free financial education programs that non-profit organizations offer. And, of course, a tighter employment market and state- and federal-based assistance could alleviate some of the financial stress/anxiety and the related downstream outcomes that further afflict too many Americans.

Methodology

Measure of Financial Anxiety and Stress

Respondents were asked to indicate their agreement on a scale from 1 (*strongly disagree*) to 7 (*strongly agree*) with the statements "Thinking about my personal finances can make me feel anxious," to measure their level of anxiety, and "Discussing my finances can make my heart race or make me feel stressed," to measure their level of financial stress. Responses 1, 2, and 3 were classified as not anxious/not stressed and responses 5, 6, and 7 as anxious/stressed. We restricted our data sample to respondents between the ages of 21 and 62. Younger and older respondents

have characteristics, financial behaviors, and needs that can be very different from the rest of the population: people under 21 are likely to be students with no labor income who rely on parents' financial support, while those over 62 may be retired and receiving Social Security benefits or other income from retirement savings. The 21- to 62-year-old population can thus comprise a more homogenous sample.

The National Financial Capability Study (NFCS)

The empirical analysis is based on the 2018 National Financial Capability Study (NFCS), a project of the FINRA Investor Education Foundation. The NFCS is a triennial survey designed to monitor and better understand financial capability in America. First conducted in 2009, the survey provides insights into key indicators of Americans' financial capability, making it possible to evaluate how these indicators vary with underlying demographic, behavioral, attitudinal and financial literacy characteristics. Data from the NFCS cover a broad array of aspects of personal finance and money management practices. The 2018 wave included, for the first time, two questions about financial anxiety and stress. The NFCS is nationally representative and has a large number of observations (27,091 American adults in 2018), allowing researchers to study population subgroups. The data is publicly available at www.usfinancialcapability.org. For this project specifically, we examined the financial anxiety and stress levels of different demographic subpopulations.

Focus Groups

Focus group interviews were obtained in December 2020 to complement the empirical analyses. The focus groups were held online and represented racial/ethnic diversity and a mix of geographic locations throughout the United States. Six focus groups were conducted with six participants each. All indicated that they experience financial anxiety (answered 5, 6, or 7 to the anxiety question). We split the focus groups into three age groups: those ages 21–34, 35–49 and 50–62.

The small group setting allowed for in-depth discussions of the drivers of financial stress and anxiety and the ability to relate them to financial decision making. Financial anxiety and stress are inherently subjective measures and may be influenced by a myriad of internal and external factors, including socioeconomic status, culture, and family background, which was apparent during the focus group discussions.

GFLEC

GLOBAL FINANCIAL LITERACY
EXCELLENCE CENTER

Global Financial Literacy Excellence Center

The George Washington University School of Business
Duquès Hall, Suite 450
2201 G Street NW, Washington, DC 20052

www.gflec.org

T: (202) 994-7148 | Email: gflec@gwu.edu

FINRA[®]
Investor Education
FOUNDATION

FINRA Investor Education Foundation

1735 K Street, NW Washington, DC 20006

www.finrafoundation.org