

Financial Fragility in America

With medical resources under stress; many schools, restaurants and stores closed; a majority of employees asked to work from home; unemployment claims at record high; and the stock market on a spiral, we are up against an unprecedented challenge. The major economic impact of this pandemic lays bare the deeply-rooted financial insecurity that many Americans face on a daily basis.

OUR MEASURE OF FINANCIAL FRAGILITY

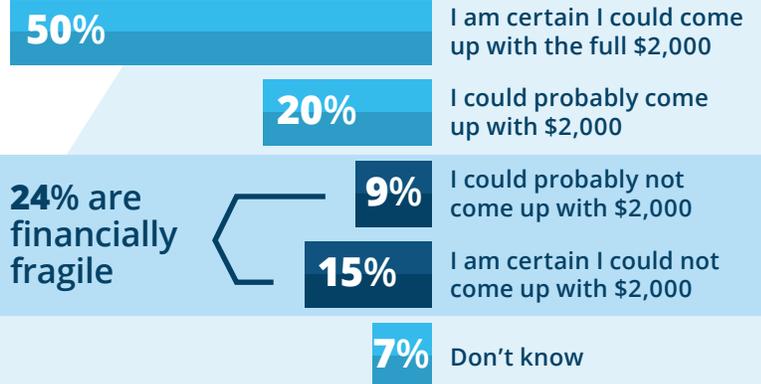
Financial fragility is the inability to cope with a mid-size shock in a short period of time. It is a self-assessed measure of capacity to deal with financial shocks, regardless of whether the source of funds is the respondent's own assets, capacity to borrow, a network of family and friends, or something else. In 2019, about one-in-four Americans were financially fragile.

Question

How confident are you that you could come up with \$2,000 if an unexpected need arose within the next month?

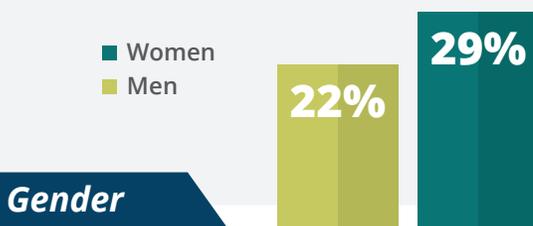
Source: 2019 TIAA Institute-GFLEC Personal Finance Index (P-Fin Index). The survey is a joint project of the TIAA Institute and GFLEC.

Percentage of Americans



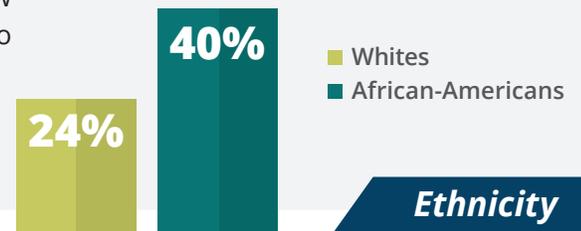
THE MOST FINANCIALLY FRAGILE PEOPLE

The most vulnerable groups are women, minorities, those with low education or those with low income. However, financial fragility is also prevalent among a broad cross-section of the American population.



Gender

29% of women are financially fragile, compared to **22%** of men.

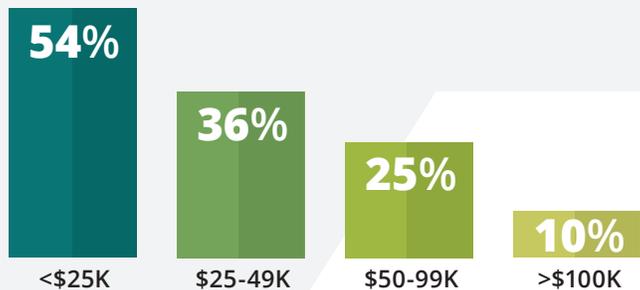
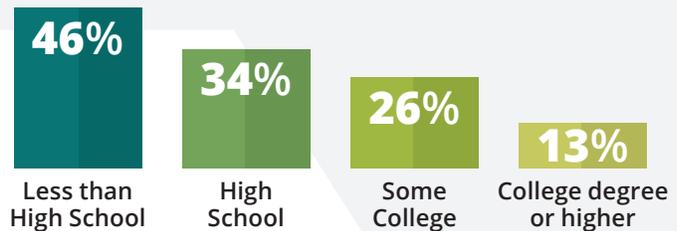


Ethnicity

African-Americans are more likely to be financially fragile than are whites.

Education

On average, **46%** of those without a high school degree are financially fragile, compared to only **13%** of those who have at least a bachelor's degree.

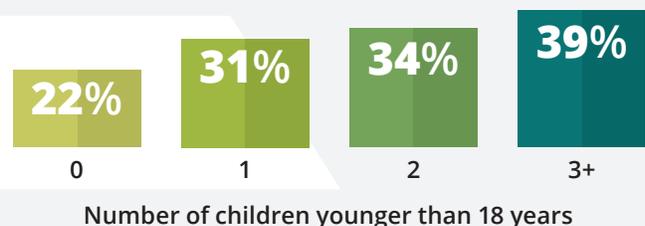


Income

While financial fragility is highest among those with low income, around **30%** of middle-income households are financially fragile.

Family Size

The percentage of financially fragile households increases with the number of children younger than 18.



Source: 2019 P-Fin Index.

THE PERSISTENCE OF FINANCIAL FRAGILITY OVER TIME

The percentage of financially fragile households in America has not changed much over the past three years, hinting that this issue is deeply rooted. Financial fragility remains high even when the economy is doing well.



Source: 2017, 2018 and 2019 P-Fin Index.

LONG-TERM CONSEQUENCES

Not only are many Americans unable to face a shock, but our research finds that individuals who are financially fragile are likely to be financially vulnerable in the long term. Among financially fragile individuals who are not retired, only 21% have tried to determine how much they need to save for retirement. In contrast, 44% of non-retirees who are not financially fragile have planned for retirement. This suggests financial fragility can have severe short- and long-term implications for households' financial security.

More than ever before, it is important to step up the effort to improve financial resilience among Americans.



Source: 2019 P-Fin Index, non-retirees only.