



Balancing Today, Building Tomorrow

How Financially Coping Americans Plan, Save, and Invest

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Contents

Executive Summary	2
Introduction	5
Section 1 Understanding the Financially Coping Tier	9
Section 2 Key Behaviors and Barriers to Planning, Saving, and Investing	12
Section 3 The Coping Segments	24
Section 4 Opportunities	31
Appendix	33



Executive Summary

It is a common stereotype that investing is for the wealthy, requiring both high incomes and financial savvy. And it can be easy to assume that long-term saving and planning is simply out of reach for the many households who struggle financially. Yet preparing for one's long-term financial future is top of mind for everyone and an important step toward financial health, particularly for those who are less financially secure.

This report provides an unprecedented look into the planning, saving, and investing behaviors and obstacles faced by more than half of the U.S. population who we classify as Financially Coping. These consumers are struggling with some aspects of their financial lives.

Using original quantitative and qualitative research, we analyze how the Financially Coping plan, save,

and invest to achieve their long-term goals — and the key barriers they encounter — comparing the Financially Coping with the Financially Healthy to uncover overarching opportunities to improve financial health.

We also look *within* the Financially Coping tier itself to identify distinct segments with varying challenges and needs, requiring tailored solutions.

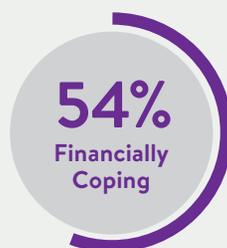
Financial Health Tiers



More than two-thirds of Americans are Financially Coping or Vulnerable.



43 million people



135 million people



73 million people

Key Findings

▲ Stretched budgets present challenges to healthy planning, saving, and investing for the Financially Coping.

- One-third (34%) of Financially Coping respondents indicate that there is no point to planning ahead financially since they struggle with their day-to-day finances, compared with just 2% of Financially Healthy respondents.
- Unpredictable incomes add to these challenges, with just 44% of Financially Coping respondents saying their income is easily predictable every month, compared with 75% of Financially Healthy respondents.

▲ Yet income doesn't tell the whole story. Two near-term challenges that complicate saving toward longer-term goals are debt and insufficient emergency funds.

- Nationally, about a quarter of the Financially Coping indicate that their debt has delayed or prevented them from saving for retirement.
- When the Financially Coping manage to save, it often seems more prudent to put money away for emergencies instead of tying it up in long-term investments.

▲ Planning ahead is a key behavior that supports improved financial health.

- Among the Financially Coping, identifying specific financial goals is associated with improved financial health, regardless of income.

▲ While planning and saving are basic financial responsibilities that most people strive for, investing is perceived as requiring another level of financial sophistication.

- Financially Coping respondents are far less likely to invest than the Healthy, and they rate their investing ability far lower. On a scale of 1 to 10, Financially Coping respondents rated their mean investing knowledge as 4.18, compared to 5.96 among the Financially Healthy.
- Despite their low confidence, Coping investors are more likely to make investment decisions without consulting resources. More than a third (37%) of Coping respondents with investments report making all investment decisions on their own, compared with 25% of the Healthy.

▲ Many Financially Coping respondents rely on employer-provided retirement accounts as their main investment vehicles.

- One-third (33%) of Coping respondents with an investment account report only having an employer-provided retirement account such as a 401(k), compared with just 11% of Financially Healthy respondents with investments.

While some Financially Coping individuals lack the funds to invest, others *perceive* that they lack the funds.

- Among Coping respondents without investments who said they do not have enough money to invest, only 20% knew that an investment account could be opened for less than \$100.

There is significant diversity within the Financially Coping tier, with widely diverging circumstances.

- We performed a segmentation analysis that identified six distinct segments within the Coping tier, revealing meaningful differentiators that can point the way toward more customized solutions to support long-term financial health.

Segment	Who They Are	What They Need	
Segments with Investments	 <p>Up-and-Coming Investors</p>	Few reported challenges; generally satisfied with their approach	Help outlining financial goals
	 <p>Intimidated Investors</p>	Higher-income cohort, held back by a sense of being overwhelmed	Step-by-step support for financial planning
	 <p>Struggling Investors</p>	Face challenges managing everyday finances	Support to stabilize their finances in the short-term
Segments without Investments	 <p>Skilled but Disinterested</p>	Confident in their abilities and comfortable not investing	Greater understanding of how investing could fit into their lives
	 <p>Seeking Support</p>	Overwhelmed by financial management issues	Guidance to build good habits and better navigate options
	 <p>Facing Day-to-Day Challenges</p>	Older respondents, focused on short-term needs	Foundational support to meet expenses

Introduction

The ability to save and invest in a way that builds long-term security is critical to financial health. Yet for many Americans, long-term saving and investing feels out of reach. This report aims to shed light on the barriers to saving and investing that many Americans face and offer insights into ways that stakeholders across society can support them.

The Financial Health Network defines financial health as coming about when your daily financial systems allow you to be resilient and pursue opportunities over time. We use a holistic measurement framework that considers the totality of an individual's financial life, which we can use to calculate their FinHealth Score.[®] We then categorize respondents as belonging to one of three tiers: Healthy, Coping, and Vulnerable. For more information on the FinHealth Score and financial health measurement, see the Methodology section.

This report focuses specifically on the Financially Coping – the “middle” tier of financial health between the Financially Healthy and the Financially Vulnerable. According to our financial health measurement framework, the Coping are those individuals who struggle with some, but not necessarily all, of the key indicators of financial health. Specifically, this report focuses on the behaviors and barriers the Financially Coping experience in planning, saving, and investing.



Financial Health: A Holistic, Composite Framework

The analysis presented in this report leverages the FinHealth Score® framework, which is based on eight survey questions that align with the eight indicators of financial health. Based on an individual's answers to these eight questions, an aggregate FinHealth Score is calculated. The chart below shows how to interpret financial health scores across the spectrum of 0 to 100.

Eight Indicators of Financial Health

Financial health comes about when your daily financial systems allow you to be resilient and pursue opportunities over time. **Individuals are Financially Healthy if they...**



1. Spend less than income
2. Pay bills on time



3. Have sufficient liquid savings
4. Have sufficient long-term savings



5. Have manageable debt
6. Have a prime credit score



7. Have appropriate insurance
8. Plan ahead financially

Interpreting FinHealth Scores®

Financially Vulnerable

0 10 20 30

Financial health scores between 0 - 39 are considered Financially Vulnerable. Individuals with scores in this range report healthy outcomes across few, or none, of the eight financial health indicators.

Financially Coping

40 50 60

Financial health scores between 40 - 79 are considered Financially Coping. Individuals with scores in this range report healthy outcomes across some, but not all, of the eight financial health indicators.

Financially Healthy

70 80 90 100

Financial health scores between 80 - 100 are considered Financially Healthy. Individuals with scores in this range report healthy outcomes across all eight financial health indicators.

To view the full scoring instrument and learn more about how the framework was developed, please visit finhealthnetwork.org/score.

We have chosen to focus on this particular tier of individuals for several reasons.

1 **The Financially Coping comprise 54% of the U.S. population, according to 2019 data from the U.S. Financial Health Pulse.**

Understanding this consumer tier gives us a glimpse into the financial lives of the majority of Americans.

2 **By comparing the Coping tier with the Healthy, we can identify specific behaviors and characteristics that can help move Coping individuals toward improved financial health.**

By better understanding the Coping tier's core attitudes, interests, and needs related to planning, saving, and investing — as well as the key differences from the Financially Healthy — we can better tackle the individual, institutional, and systemic barriers that may be holding them back.

3 **There is significant variability in the circumstances and challenges that the Coping tier faces.** Identifying meaningful differentiators among the Financially Coping will help relevant stakeholder groups design more customized solutions to help them build assets and ensure their financial future is on track.



This report offers insight into this large and disparate group of the U.S. population, serving as a resource for financial services providers, social service organizations, nonprofits, researchers, governments, and others looking to better understand and serve struggling Americans. We hope this report helps elucidate some of the challenges the Financially Coping face, as well as seed solutions that contribute to their long-term financial health.

NAVIGATING THIS REPORT

Section 1 describes the Financially Coping in more detail, providing a snapshot at the national level of this wide swath of Americans.

Section 2 leverages our original qualitative and quantitative research to discuss the key behaviors and barriers to planning, saving, and investing among Financially Coping respondents, comparing them with Financially Healthy respondents. This section focuses on key issues and challenges that prevent the Financially Coping from achieving greater financial health.

Section 3 presents a segmentation analysis of Coping respondents, identifying six segments that vary by FinHealth Score, demographics, and financial barriers.

Section 4 identifies opportunities and challenges for the Coping, offering suggestions to help them plan, save, and invest in ways that bolster their financial health.

METHODOLOGY

The Financial Health Network partnered with the Center for Economic and Social Research (CESR) at the University of Southern California (USC) to conduct an online survey of Financially Coping and Financially Healthy individuals, using panel respondents from the 2019 [U.S. Financial Health Pulse](#). This information was supplemented with 2019 data from the Pulse and other relevant respondent surveys on financial behaviors and attitudes administered by USC's Understanding America Study. We also worked with CESR to design and facilitate a series of four focus groups in two cities – Los Angeles and Washington, D.C. – to more deeply understand behaviors and attitudes of the Financially Coping toward financial management, saving, and investing. For further details on the methodology, please see Appendix A.

A NOTE ON INTERPRETING DATA

While the U.S. Financial Health Pulse is weighted to be nationally representative, weighting was not conducted on the data from our survey given that the analysis focused primarily on the comparison of individuals in the Healthy and Coping tiers.

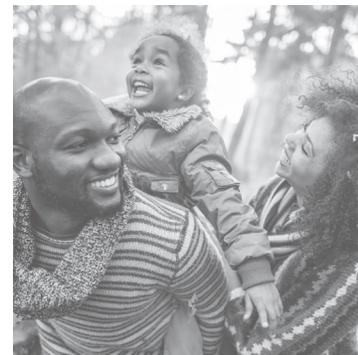
All comparisons in the text between tiers (i.e., Healthy vs. Coping) and/or segments (within Coping) are statistically significant at the 95% confidence level. All figures have been rounded to the nearest whole percent. Unless otherwise indicated, the data in this report come from the original research. Regression tables and data are available upon request.

SECTION 1

UNDERSTANDING THE FINANCIALLY COPING TIER

In 2019, the second annual U.S. Financial Health Pulse report revealed that the majority of Americans are not financially healthy.

Figure 1: More than two-thirds of Americans are Financially Coping or Vulnerable.



Source: U.S. Financial Health Pulse (2019)

The U.S. Financial Health Pulse is a research initiative from the Financial Health Network that provides an ongoing snapshot of the financial lives of people in America. Each year, the Pulse fields a longitudinal, nationally representative survey measuring the financial health of over 5,000 respondents. See more information at finhealthnetwork.org/pulse.

So Who Are the Financially Coping in America?

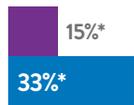
The charts in Figure 2 break down the Coping tier by age, gender, race and ethnicity, and income. Nationally, according to 2019 data from the U.S. Financial Health Pulse, Coping individuals are more likely than Healthy individuals to be young, female, Black or Hispanic, and lower-income.



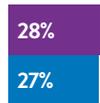
Figure 2: The Financially Coping are more likely to be young, female, Black or Hispanic, and lower-income than the Healthy.

● Coping ● Healthy

Age



65 and over



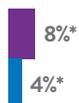
50-64



36-49



26-35

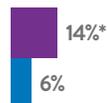


18-25

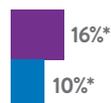
Race/Ethnicity



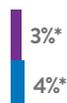
White, Non-Hispanic



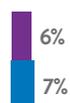
Black, Non-Hispanic



Hispanic



Mixed-Race, Non-Hispanic



Other, Non-Hispanic

Household Income



\$100,000 or more



\$60,000 - \$99,999



\$30,000 - \$59,999

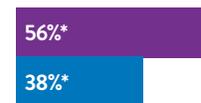


Less than \$30,000

Gender



Male

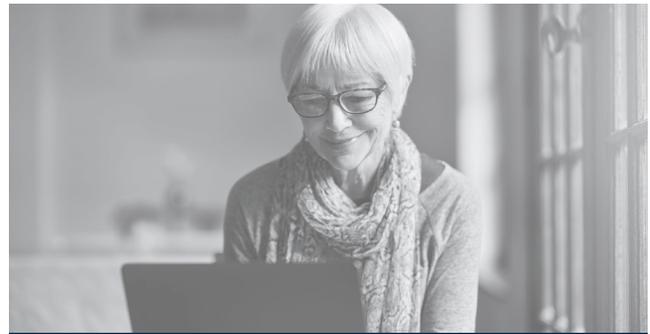


Female

Source: U.S. Financial Health Pulse (2019). Asterisks indicate statistical significance at 95% confidence level.

Financially Healthy individuals nationwide have significantly higher household incomes than the Financially Coping. Clearly, household income plays a significant role in enabling one's financial health. That said, income does not tell the whole story. Pulse data show that 15% of people with household incomes less than \$60,000 are Financially Healthy. Furthermore, only about half (52%) of those earning \$100,000 or more are Financially Healthy.

In addition, Financially Coping individuals nationally report far greater levels of stress, uncertainty, and dissatisfaction with their financial situation than those who are Financially Healthy (see Figure 3).



Greater income does not always equal greater financial health. Only half (52%) of people with household incomes of \$100,000 or more are Financially Healthy.

Figure 3: The Financially Coping have greater levels of stress, uncertainty, and dissatisfaction with their financial situation than the Healthy.



Source: U.S. Financial Health Pulse (2019). Asterisks indicate statistical significance at 95% confidence level.

SECTION 2

KEY BEHAVIORS AND BARRIERS TO PLANNING, SAVING, AND INVESTING

Financial Management and Planning

The Financially Coping keep a close watch on their finances and use more fluid methods of financial management instead of traditional written budgets.

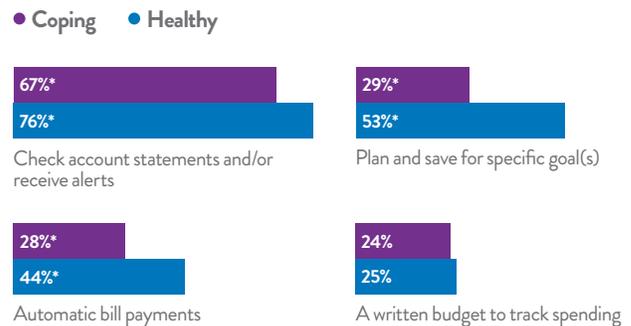
Most Financially Coping respondents (80%) say they keep a close watch on their financial affairs, and they use a variety of methods to do so (see Figure 4). The Financially Coping tend to forgo formal written budgets in favor of more responsive tactics like alerts and automation. In fact, the majority of respondents (from both the Healthy and Coping tiers) indicate that a formal, written budget is unnecessary, with 62% of Coping non-budgeters and 72% of Healthy non-budgeters indicating “I can track my expenses without a written budget.” The idea of a written budget is often seen as too time-consuming and unresponsive to the volatility of one’s daily financial life. More frequently, survey respondents

choose to review monthly bill statements or online communications from their financial institutions. Similarly, focus group participants indicate that they preferred to keep a “mental budget.”

Indeed, our research finds that written budgets may not be useful for helping the Financially Coping improve their financial health. Holding socioeconomic and demographic variables constant, there are no statistically significant differences in FinHealth Scores among those who keep a written budget and those who do not – within both the Healthy and Coping tiers. But while written budgets may not be the most effective tool to help people manage their money, overall planning behaviors are very important, as we discuss later in this report.

Figure 4: The Financially Coping forgo formal written budgets in favor of alerts and automation to manage their finances.

Survey Question: “People use a variety of methods to manage their finances. How often, if ever, do you use each of the following tools or methods?” Showing “Always” responses only.



Asterisks indicate statistical significance at 95% confidence level.

“While I don’t have a written budget, I go through my credit card statement each month, save all my receipts, go through my statements...it helps me sort of [realize what] I need to pull back on.”

The Financially Coping struggle to find a balance between addressing daily needs and saving for the future, citing financial management challenges like unexpected expenses, irregular incomes, and lack of clarity on disposable income.

Our focus group conversations revealed several common challenges to successful ongoing financial management:

1

Unexpected Expenses

Several focus group participants said that while they adequately accounted for regular expenses, they could be caught off guard by unexpected expenses like car repairs, healthcare expenses, and other emergencies. Without sufficient funds set aside to meet these costs, such irregular expenses could eat into savings and take respondents months or even years to recover.

2

Unpredictable Incomes

Other focus group respondents noted the irregularity or “lumpy” nature of their incomes, leading them to struggle with ensuring sufficient monthly income to cover all costs. Only 44% of Coping respondents say their income is easily predictable every month (compared with 75% of Healthy).¹ This variability in monthly income adds an additional layer of complexity to ongoing financial management.

3

Lack of Clarity on How Much is “Safe to Spend”

While only 5% of Coping survey respondents say they are “very likely” to make impulse purchases, focus group conversations demonstrated that many feel guilty about overspending on anything from coffee to clothing. It’s unclear from our research whether this overspending is truly negatively impacting the Coping’s financial health; what is clear is that respondents carry a lot of guilt because of it. Without an idea of how much is safe to spend, the Financially Coping find themselves stressing over dollars and cents.

“I don’t have a budget because I have a lot of unexpected emergencies. And I don’t have steady pay because of the industry that I’m in. So sometimes you have to wait for payments and you think they’re coming at a certain time and they don’t. And then you end up falling behind.”

¹ Data is from sample population using responses to the U.S. Financial Health Pulse (2019).

A key behavior that distinguishes the Financially Healthy from the Financially Coping is regular, rigorous planning.

Financial Health Network research has consistently shown that planning behavior is highly correlated with improved financial health, and this research also reinforces that finding.² We found that the Financially Healthy were more likely to rigorously and regularly plan ahead financially than the Financially Coping: 67% of Financially Healthy respondents strongly agree that their household plans ahead financially, compared with just 8% of Financially Coping respondents (see Figure 5).³

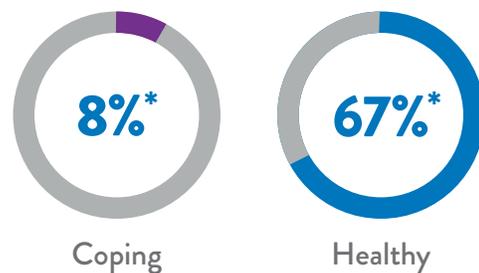


Figure 5: The Financially Healthy are more likely to plan ahead financially than the Coping.

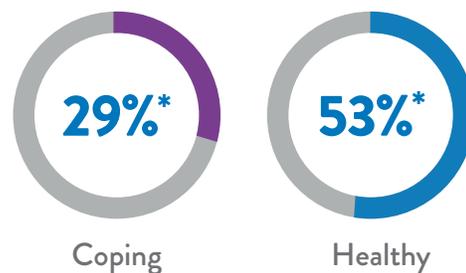
Survey Question at top: “To what extent do you agree or disagree with the following statement: ‘My household plans ahead financially.’” Showing “Strongly Agree” responses only.

Survey Question at bottom: “How often, if ever, do you use each of the following tools or methods?: Plan and save for specific goal(s).” Showing “Always” responses only.

“Strongly Agree:” Plans ahead financially



“Always:” Plans and saves for specific goals



Asterisks indicate statistical significance at 95% confidence level.

Source: Data is from sample population using responses to the U.S. Financial Health Pulse (2019).

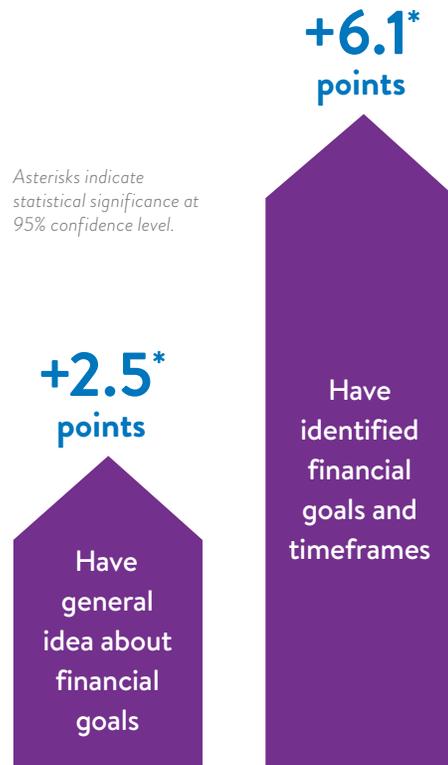
² Relevant research includes “[Understanding and Improving Consumer Financial Health in America](#)” (2015) and the “[U.S. Financial Health Pulse: 2018 Baseline Survey Results](#)” (2018), both by the Financial Health Network.

³ Data is from sample population using responses to the U.S. Financial Health Pulse (2019). Planning behavior is one of the indicators utilized to calculate an individual’s FinHealth Score.

Among the Financially Coping, identifying specific financial goals is associated with higher FinHealth Scores.

Not only is planning behavior important, but planning for specific goals is also critical. When we asked “How often do you plan and save for specific goal(s)?”, 53% of Healthy respondents said “always” compared with 29% of Coping respondents. Among the Coping, holding socioeconomic and demographic variables constant, identifying specific financial goals is associated with FinHealth Scores that are 6 points greater than those who have not identified goals. Yet only 22% of Coping respondents have clearly defined their priority financial goals. Just having a general idea about one’s goals is associated with FinHealth Scores that are 2.5 points higher (see Figure 6).

Figure 6: Among the Financially Coping, specificity about one’s goals is associated with higher FinHealth Scores.



“While I never overspend more than I make, I could be more strategic about my expenses. I find that I tend to eat my paycheck, for lack of a better word. And that bothers me because that money could be going to something else.”



“I don’t have a financial plan. I would like to, and it’s a goal of mine to have more of a formal plan for my finances. I feel a little more stuck in the present in terms of dealing with my finances. But I would like to get to a point where I’m saving for a home or some bigger purchases and substantially putting money away.”

The main challenges to effective planning that the Financially Coping face stem from lack of funds and feeling overwhelmed.

When asked about barriers to planning, Coping respondents state that challenges tend to fall into two main camps (see Figure 7):

Lack of Funds

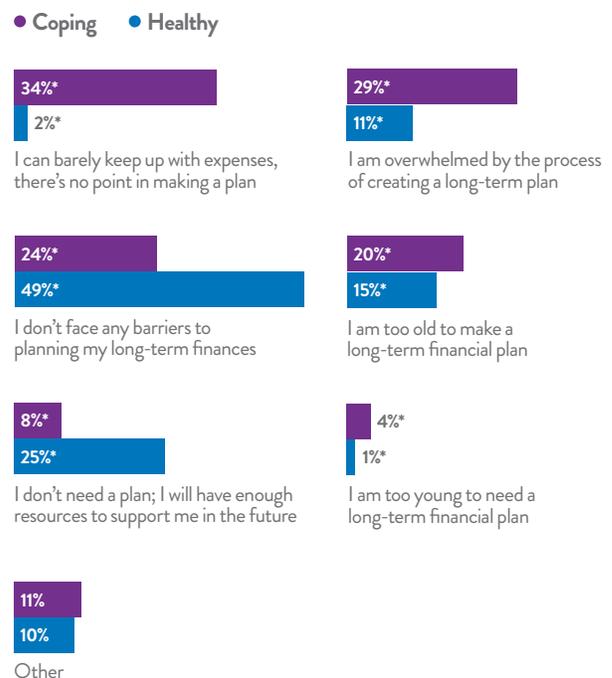
For approximately one-third of Coping respondents, long-term planning is out of reach simply because keeping up with daily expenses is a constant challenge. In total, 34% of Coping respondents indicate that there is no point in planning since they struggle with their day-to-day finances, compared with just 2% of Healthy respondents.

Feeling Overwhelmed

For nearly another third of Coping respondents, the process of planning ahead financially is overwhelming: 29% of Coping respondents indicate they feel overwhelmed by the process of creating a long-term plan, a sentiment shared by only 11% of Healthy respondents.

Figure 7: Lack of funds and feeling overwhelmed are the main barriers to long-term planning among the Financially Coping.

Survey Question: “What barriers, if any, do you face when planning your long-term finances? Select up to three.”



Asterisks indicate statistical significance at 95% confidence level.

Saving

One of the main reasons that the Financially Coping struggle to save consistently is simply the lack of disposable income to put away.

Unlike the Financially Healthy, the Coping cannot rely on regularly being able to put money away toward savings goals. Only 29% of Coping respondents say they “often” or “always” have money left over at the end of the month, versus 82% of Healthy.⁴ And only 39% of Coping respondents report being satisfied with their current savings behavior and levels, compared with 89% of Healthy respondents. The challenge to saving most often cited is, by far, insufficient funds because of high cost-of-living expenses, a barrier cited by 36% of all Coping respondents (and just 2% of Healthy). Certainly, for many, low incomes preclude steady savings habits.

Yet despite scarce funds, many people still envision a number of goals for their future — everything from furthering their education to buying a home to ensuring a secure retirement (See Figure 8).

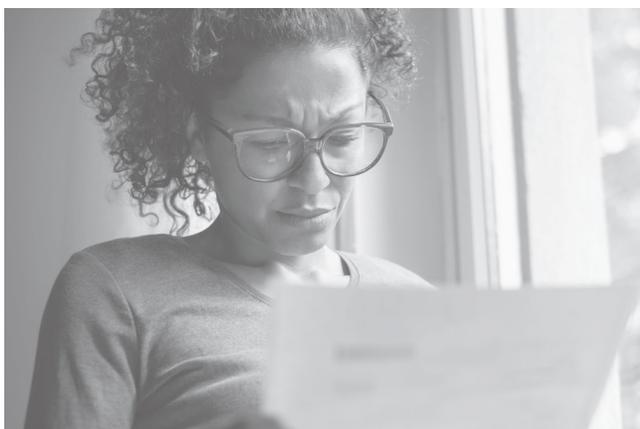
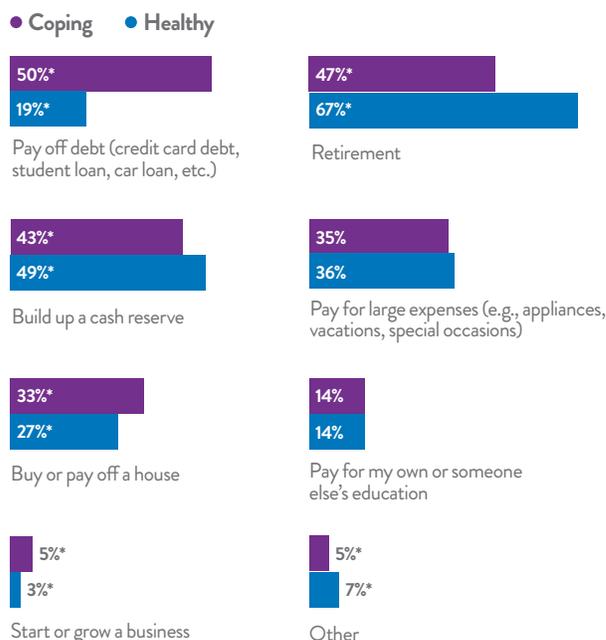


Figure 8: The Financially Coping’s biggest savings goals are focused on debt repayment, retirement, and building a financial cushion.

Survey Question: “People have different reasons for saving, even though they may not be saving all the time. What are your most important savings goals? Select up to three.”



Asterisks indicate statistical significance at 95% confidence level.

“My goal is to get out of debt, and that’s a long-term goal.”

⁴ Data is from sample population using responses to the U.S. Financial Health Pulse (2019).

Two near-term challenges for the Financially Coping that complicate saving toward longer-term goals are debt and insufficient emergency funds.

There is a key differentiator between the savings goals of the Financially Healthy and the Financially Coping. Retirement is clearly the No. 1 goal for the Financially Healthy, but the Coping are torn between saving for retirement and shorter-term goals, like paying off debt and building a cash reserve. Our research found that the Financially Coping are fundamentally struggling to balance these competing demands.

1

The Financially Coping struggle to know how and when to save for the future in light of current debt obligations.

According to 2019 data from the U.S. Financial Health Pulse, 29% of Coping individuals nationwide have more debt than is manageable, compared with 1% of the Financially Healthy. (The Pulse found that 85% of the Financially Coping nationwide have at least some debt, as do 70% of Healthy individuals.)

In that study, Financially Coping individuals report that their household's debt is leading them to delay or forgo a variety of purchases or investments. Most critically, 26% of Coping individuals with debt say that their debt has delayed or prevented them from saving for retirement. Indeed, many focus group respondents indicate that they expected to be paying

off debt for many years, a burden that crowded out other future-oriented savings goals. Credit card debt and student loan debt were particular concerns. A common refrain was confusion about how to balance paying off debt while also saving for the future.



“Something that I’m trying to strike a balance with is I have all this student debt, so that’s actively hurting me right now. But also I don’t want to have no emergency fund or no savings. So that’s something that I’m trying to figure out, how much should I have in an emergency fund and what good is it to have money just sitting here when I’m actively in debt?”

2

When the Financially Coping manage to save, it often seems more prudent to put money away for emergencies instead of tying it up in long-term investments.

A related barrier to saving for the future is the Coping’s limited ability to deal with short-term financial shocks and demands. Our focus group respondents were acutely aware of the need to have healthy emergency savings balances, and many found themselves dipping into these savings for pressing needs. But sometimes these reserves are not enough, with the majority of Coping respondents reporting less than three months in emergency savings (see Figure 9).

Without sufficient emergency funds, the Coping risk experiencing financial shocks that could have serious implications for their long-term financial health. And until nearer-term goals like emergency cushions and debt challenges are resolved, few have the ability to focus on long-term goals, creating a cycle where the Coping are perennially stuck in the present.

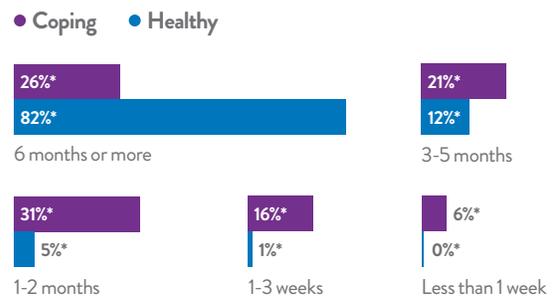
“My mom always said if you have \$25, something is gonna come along that costs you \$50.”



“What we do right now is we just have an emergency fund, and we always keep that filled up, so, if we need to use it, we’ll use our emergency fund. Then we’ll stop paying off debt for a little while and just fill up our emergency fund.”

Figure 9: The majority of the Financially Coping have less than three months of emergency savings.

Survey Question: “At your current level of spending, how long could you and your household afford to cover expenses, if you had to live only off the money you have readily available, without withdrawing money from retirement accounts or borrowing?”



Source: Data is from sample population using responses to the U.S. Financial Health Pulse (2019).

Asterisks indicate statistical significance at 95% confidence level.

Investing

The Financially Coping are less likely than the Healthy to invest, and are more likely to rely on employer-provided retirement accounts as their sole investment vehicles.

The Financially Healthy are far more likely than the Coping to invest: 91% of Financially Healthy respondents have at least one investment account, compared with only 64% of Financially Coping respondents (see Figure 10).

When the Financially Coping do have an investment account, it is more likely to be a 401(k). One-third (33%) of Coping respondents with an investment

account report only having an employer-provided retirement account such as a 401(k), compared with just 11% of Financially Healthy investors. (“Investors” includes respondents with one or more investment accounts, including joint or shared accounts with others in their household.) Comparatively, Financially Healthy investors are much more likely to take the steps to open an individual retirement account not provided by an employer (such as an IRA, Keogh, or SEP) or hold other investments. This suggests that some Financially Coping might not invest at all were it not for their employers.

Figure 10: When the Financially Coping have an investment account, it is more likely to be an employer-provided retirement account.

Survey Question: “Do you have any of the following financial assets or accounts (Please consider joint or shared accounts with other members of your household)?”
Responses condensed and aggregated.

● Coping ● Healthy

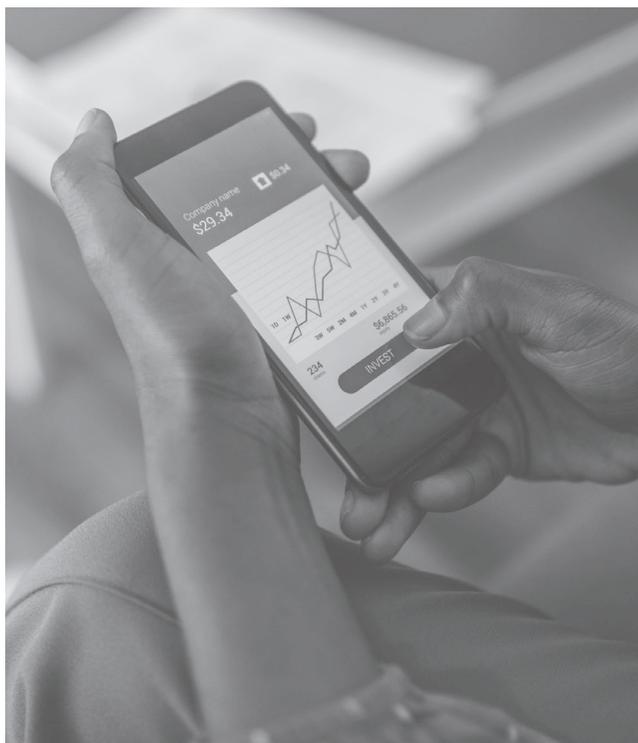
Ownership of any investment account



Investment ownership by account type (among investors)



Asterisks indicate statistical significance at 95% confidence level.



While planning and saving are basic financial responsibilities that most people strive for, investing is often perceived as requiring another level of financial sophistication.

What’s holding back the Financially Coping from investing? Our survey revealed a variety of self-reported barriers (see Figure 11). Despite these hurdles, however, our focus group conversations found that many Coping non-investors are interested – and even intrigued – by the promise of investing. Yet investing as it currently stands doesn’t always fit into their lives, as the following four challenges explain.

“I’ve been thinking a lot about the amount of time that I put into work and all those hours you give up, and what do I really have to show for it? It would be nice to get that money working for me and not just going down the tubes every month.”



Figure 11: Lack of funds and risk aversion are some of the barriers to investing among Coping non-investors.

Survey Question: “Which of the following apply to you when it comes to investing? Select up to three.”



Chart shows responses of Coping non-investors only, given the small sample size of Healthy non-investors. Thus, statistical significance is not noted.

1

Many Financially Coping individuals lack the funds to invest, while others *perceive* that they lack the funds.

By far, the top reason Coping non-investor respondents cite for not investing is a lack of funds. This is a theme that arose time and again in our survey — a significant percentage of the Coping are struggling to meet day-to-day expenses and simply don't have funds to build for the long term.

“I have thought about (investing)... I haven't because I wanted to at least save up enough [for] my emergency fund and then have extra money to begin investing. But first get enough to where I have my emergency fund.”

But our research indicates that some may simply *perceive* that they lack the necessary funds. For example, some Coping non-investors are confused about the level of funds required to open an investment account. Among Coping non-investor respondents who selected “I don't have enough money to invest” as a barrier to investing, only 20% knew that an investment account could be opened for less than \$100. The vast majority (80%) thought larger sums were needed (though most thought an account could be opened for less than \$5,000) or did not know. Misperceptions about account opening could be holding back some potential investors from taking the first step.

Another factor is a desire to start investing with a larger sum of money. Despite knowing that low-dollar accounts are available, several focus group

“I would wanna be able to say, here's \$5,000 or \$10,000 that I saved up. Invest this for me and make a significant investment.”

participants indicated that it “wasn't worth it” to start investing with low-dollar amounts, and were interested in building up a more substantial sum before initiating investing. There could be a variety of reasons why individuals feel it is not “worth it,” such as reluctance to go through the process of selecting or opening an account for a small dollar amount, unwillingness to “lock in” funds that might be needed in the short term, or low expectations or understanding of growth potential. Lack of action, though, could have implications for long-term wealth accumulation.

2 The Financially Coping struggle with the fear of investment losses.

More than a third (36%) of Coping non-investor respondents say they are concerned about their money losing value. In our focus groups, multiple participants cited jarring experiences in the 2008 financial crisis that led them to turn away from investing altogether, preferring the predictability of cash or purchases of tangible items like collectibles or real estate.

Concerns about financial losses don't dissipate once one starts investing — in fact, they appear to be heightened. More than half (51%) of Coping investor respondents reported that they were concerned about their funds losing value.

“I’m interested [in investing]...but the reason I don’t is because I know how much I work, I know how much my check is, I know how much I spend on everything, and I feel like I have control over those things. It’s unappealing to me, or scary to me, to start dealing in stuff that I don’t have direct control over.”

There’s also an inherent lack of control when it comes to putting funds in the stock market, a fact that concerns nearly a quarter (24%) of Coping non-investor respondents. For a cohort that so tightly monitors its day-to-day spending and is focused on gaining financial security, trusting a third party to manage and grow their funds – whether it’s a bank, brokerage, fintech, or other – can be a difficult hurdle to overcome.

3 Many Financially Coping investors and non-investors alike are overwhelmed by the number of investment options.

Feeling overwhelmed by investment options interestingly does not disappear once one begins investing – in fact, it might only heighten the sensation. Among Coping non-investor respondents, 19% state they are overwhelmed by the investment options, compared with 34% of Coping investors. So while being overwhelmed does keep people from investing in the first place, it appears to be an especially significant factor in keeping people from investing more confidently once they get started. People therefore need support and guidance to more confidently navigate their investment options.

4

The Financially Coping rate their knowledge of investing lower than that of the Financially Healthy – yet are more likely to make investment decisions on their own.

The Financially Coping also report lower confidence in their knowledge about investments. On a scale of 1 to 10, Financially Coping respondents rate their mean investing knowledge as 4.18, compared to 5.96 among the Financially Healthy – nearly a 50% difference.

More than half (58%) of all Coping respondents say they are “not too knowledgeable” or “not at all knowledgeable” about how to invest their retirement funds, compared with 20% of Financially Healthy respondents.⁵ This despite retirement being the No. 1 investment goal for both groups, a priority for over three-quarters of the Coping and the Healthy.

Despite their low confidence in their investing acumen, Coping investors are more likely to report making investment decisions on their own, without support from a professional adviser or the use of online tools or resources. More than a third (37%) of Coping investor respondents report making all investment decisions on their own, compared with 25% of the Healthy. This may be due to the cost of getting tailored investment advice from an adviser. Yet while many free, reliable resources are available to guide investment choices, Coping investors need to understand how to access and leverage these tools.

⁵ Data is from sample population using responses to Understanding America Study Survey 94, July 2017.

SECTION 3

THE COPING SEGMENTS

In the previous section, we analyzed planning, saving, and investing behaviors and challenges for Financially Coping survey respondents overall and compared them with Financially Healthy respondents. In this section, we take a more detailed look at variations within the Financially Coping tier itself.

The Financially Coping are a diverse group with attitudes, interests, and needs that vary dramatically. As such, the solutions to improve their financial health must be tailored. In partnership with the Center for Economic and Social Research (CESR) at the University of Southern California, we conducted a cluster analysis to identify subsets of the Coping tier. We analyzed a series of response data from our survey (including appended data from the U.S. Financial Health Pulse), covering self-reported barriers to planning, saving, and investing; investment account ownership; and saving and planning behavior. This analysis identified six segments among Coping respondents: three segments include individuals with investment accounts, and three segments do not.⁶

The divides are clear within the “investor” and “non-investor” groups: The top-performing segments in each group (as measured by FinHealth Score) consist

of planners and savers who generally are strong financial managers. The second group in each is overwhelmed by the process and the options involved in planning and investing. The third group is consumed by efforts to address day-to-day needs. Notably, all the investor segments have median household incomes of \$60,000 or more, while the non-investor segments have median incomes of \$30,000 or less, suggesting that income plays a critical role in making the act of investing attainable.

Building on our understanding of these unique segments as well as the macro-level challenges the Coping tier faces, we offer insights on services and guidance that might help each group improve their financial health.

For additional demographic data on each segment, see Appendix B.

Segments with Investments



 Up-and-Coming Investors	 Intimidated Investors	 Struggling Investors
-----------------------------------------------------------------------------------------------------------------------	---------------------------------------------------------------------------------------------------------------------	--------------------------------------------------------------------------------------------------------------------

Segments without Investments



 Skilled but Disinterested	 Seeking Support	 Facing Day-to-Day Challenges
--------------------------------------------------------------------------------------------------------------------------	-----------------------------------------------------------------------------------------------------------------	------------------------------------------------------------------------------------------------------------------------------

⁶ Investment accounts include joint or shared accounts with other members of the household.

1

UP-AND-COMING INVESTORS

Few reported challenges; generally satisfied with their approach

14%

of Coping Respondents

\$67,250

Median Household Income ⁷

70.31

Average FinHealth Score



- More frequently white and male than Coping respondents as a whole
- Active financial managers and planners, with very few reported barriers to planning or saving
- Only 39% report a barrier to investment, the most common being concern over losing money (31%)
- Still have room to grow:
 - Only 31% are very or moderately confident that they can meet their financial goals (vs. 91% of Healthy respondents) ⁸
 - Only 37% have defined financial goals (vs. 50% of Healthy respondents)

Takeaway: This group has the highest average FinHealth Score of any segment identified, and generally appears well-placed to move into the Healthy tier. But despite strong planning behavior, members of this segment still lack confidence that they can achieve their financial goals. They would benefit from support to clearly outline their financial goals and map a pathway toward achieving them.

⁷ Income and FinHealth Score data for segments use responses to the U.S. Financial Health Pulse (2019).

⁸ Data is from segment population using responses to the U.S. Financial Health Pulse (2019).

2

INTIMIDATED INVESTORS

Sense of feeling overwhelmed is holding them back

32%

of Coping Respondents

\$75,000

Median Household Income ⁹

67.13

Average FinHealth Score



- Represents the largest segment overall
- Along with the Up-and-Coming Investor segment, has the highest median income
- More frequently includes young people ages 18-35 than Coping respondents as a whole
- About 85% report barriers to planning, with a sense of feeling overwhelmed being the most common challenge by far (43% of segment)
- 55% report barriers to saving, with no one challenge dominant
- Likely to report barriers to investing, with 57% citing concern over losing money and 40% overwhelmed by investment options

Takeaway: Despite a higher median income than most other segments, Intimidated Investors are overwhelmed by the process of financial planning. Our research found that, across segments, individuals with higher household incomes more frequently report feeling overwhelmed by the process of financial planning (for example, only 23% of those with household incomes under \$30,000 report feeling overwhelmed, versus 32% of those earning \$100,000+).

This segment also reports investment concerns like fear of losing money (57%) and feeling overwhelmed by investment options (40%). They would benefit from step-by-step support for financial planning to gain confidence and clarity in long-term planning, saving, and investing.

⁹ Not a statistically significant difference from the Up-and-Coming Investor segment.

3

STRUGGLING INVESTORS

Face challenges in managing everyday finances

18%

of Coping Respondents

\$61,000

Median Household Income

56.39

Average FinHealth Score



- 87% struggle to keep up with expenses; 71% say they don't have money left to save
- May face challenges managing money: 30% report spending too much on nonessentials
- Like Intimidated Investors, report concerns about investments losing money (57%) and a sense of feeling overwhelmed (42%)
- Experience greater levels of financial stress and have less confidence they will reach their financial goals than other investor segments¹⁰
- Less likely to initiate investments: 42% are investing only via an employer retirement plan (e.g., 401(k)), vs. 24% of Up-and-Coming and 33% of Intimidated Investors

Takeaway: Many Coping individuals face the very real difficulty of meeting day-to-day expenses, underscoring that there are many in the Coping tier who teeter on the brink of vulnerability. While we classify a large swath of the population as “Coping,” it is important to recognize that many within this tier are still a long way from financial security. This is true both for those without investment accounts (see the Facing Day-to-Day Challenges segment) as well as this investor segment. This group needs support to stabilize the short-term before making material progress toward longer-term goals.

¹⁰ Data is from segment population using responses to the U.S. Financial Health Pulse (2019).

4

SKILLED BUT DISINTERESTED (NON-INVESTORS)

Confident in their abilities and comfortable not investing

8%

of Coping Respondents

\$30,000

Median Household Income

63.98

Average FinHealth Score



- Represents the smallest segment overall
- Less frequently white than Coping respondents as a whole; more frequently Black, Hispanic, or other race or ethnicity
- Strong financial managers who report few barriers to financial planning and saving
- 46% state they don't have enough money to invest. Other barriers to investing include: worried about losing money (31%), don't trust others (28%), and "investing is not for me" (22%); sense of feeling overwhelmed is only cited by 14%
- 36% say that they are moderately or very confident that they are on track to reach their long-term goals, on a par with Up-and-Coming investors ¹¹

Takeaway: This small segment of the Coping tier appears disinterested in investing, citing a range of barriers. Yet they are strong financial managers who report few challenges to planning and saving, despite a median household income of just \$30,000. Finding a way to engage this group could yield strong results.

¹¹ Data is from segment population using responses to the U.S. Financial Health Pulse (2019).

5

SEEKING SUPPORT (NON-INVESTORS)

Would benefit from guidance to build good habits and better navigate options

14%

of Coping Respondents

\$30,000

Median Household Income

58.10

Average FinHealth Score



- More frequently female and ages 18-35 than Coping respondents as a whole
- Report a range of challenges to planning, most prominently a sense of feeling overwhelmed (46%) and difficulty keeping up with expenses (42%)
- Report a range of barriers to saving, including lack of funds (45%)
- More likely than other non-investors to report challenges managing money, with 23% reporting that they spend too much on nonessentials and 21% indicating they don't know where to start
- Likely to cite multiple barriers to investing. 68% worry about losing money, 50% say they don't have enough money, 40% feel overwhelmed, and 37% don't trust others with their funds
- Experience greater levels of stress than the Skilled but Disinterested and are less confident that they will meet their long-term goals ¹²

Takeaway: Individuals in this group feel overwhelmed and intimidated by financial management issues, which may cause them to shy away from proactive planning, saving, and investing. They would benefit from simple, intuitive avenues to get started with saving, as well as personalized guidance to help them manage their funds and navigate their options.

Notably, this segment includes a greater percentage of women and individuals 18-35 than Coping respondents overall. Across segments, women and young people more frequently report feeling overwhelmed by planning and investing — for example, 31% of women report feeling overwhelmed by financial planning, compared with 24% of men, as do 41% of those 18-35, compared with 17% of those 65+. Organizations serving these groups should factor in this concern when designing services and solutions.

¹² Data is from segment population using responses to the U.S. Financial Health Pulse (2019).

6

FACING DAY-TO-DAY CHALLENGES (NON-INVESTORS)

Older respondents, focused on meeting short-term needs

14%

of Coping Respondents

\$25,000

Median Household Income

55.62

Average FinHealth Score



- More frequently 65+ than Coping respondents overall
- Primarily report that they struggle to keep up with expenses (68%), while 41% say they are too old to plan ahead financially
- Lack of funds is by far the largest savings barrier for this segment (reported by 67%), as well as the largest investment barrier (88%)

Takeaway: Nationally, individuals 65+ are over-represented in the Financially Healthy, but it's important to recognize that many seniors are seriously struggling.¹³ The Facing Day-to-Day Challenges segment has the highest percentage of seniors of any segment (38% are 65 or older) as well as the largest percentage earning less than \$30,000 (57%). This group is consumed with meeting day-to-day expenses, meaning longer-term goals linked to saving and investing are out of the picture. Low-income seniors are a segment requiring particular attention and support.

¹³ According to 2019 data from the U.S. Financial Health Pulse.

SECTION 4

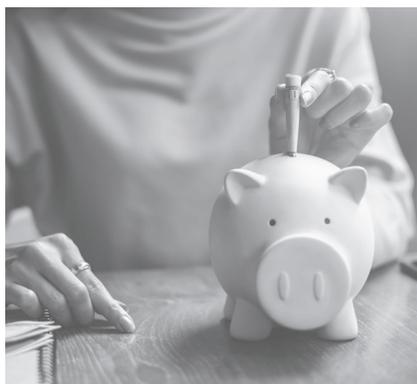
OPPORTUNITIES

This report examines some of the specific barriers that prevent the Financially Coping from becoming Financially Healthy. In studying the longer-term aspirations and behaviors of the Financially Coping, we found that short-term demands regularly crowd out longer-term intentions. Yet we also found opportunities for a wide variety of stakeholders to support Coping individuals and help them better secure their futures. Below, we offer suggestions on opportunities to help the Coping plan, save, and invest in ways that bolster their financial health.



PLANNING

- While formal written budgets are often too burdensome and don't reflect the fluid nature of life, people need tools that can effectively streamline financial management and enable both short- and long-term thinking. People need help understanding how much is safe to spend while meeting obligations and goals.
- Volatile incomes and unexpected expenses can derail the best planning efforts. Effective solutions — whether high-touch or high-tech — should take these realities into consideration.
- Identification of specific financial goals is critical, but some large-dollar goals can seem unattainable. Coping individuals need support to conceptualize goals and see incremental progress.



SAVING

- The Financially Coping are trying to balance saving for life goals and paying off debt. They need guidance on how to prioritize and juggle multiple goals simultaneously.
- Guidance on consolidating and managing debt, and growing emergency savings would be particularly relevant for this tier. Innovative employers are beginning to offer well-rounded financial wellness benefits that take these needs into consideration.



INVESTING

- 401(k)s or other employer-provided retirement plans are critical in making the act of investing achievable. In addition to offering such plans, employers should consider behaviorally informed practices to support healthy investing, like auto-enrolling employees, auto-escalating contributions, and offering strong default options targeted to one's risk tolerance.
- Some Coping individuals may feel that finding reliable financial advice is out of their financial budget. Free or low-cost financial advisory services could have a significant impact, along with the rise of user-friendly robo-advisory services.
- Some Coping are held back by their perception that investment accounts require larger sums. For these individuals, understanding the importance of starting small, even if it seems insignificant, is an initial barrier to overcome.
- Especially for groups that are overwhelmed by financial planning and investing, services that can cut through the noise and provide clarity in a personalized way are essential.

Ensuring more stable futures for the majority of Americans will require the concerted efforts of a wide variety of stakeholders, each providing an essential piece of the puzzle. We hope this research contributes to the positive evolution of these efforts, and look forward to partnership with others to help Financially Coping individuals across America to thrive.



Appendix A: Methodological Details

The insights in this report are drawn from quantitative and qualitative research conducted in mid-2019 on barriers to saving and investing for Financially Coping Americans.

The Financial Health Network partnered with the Center for Economic and Social Research (CESR) at the University of Southern California for survey design and deployment. We utilized USC's online panel, the [Understanding America Study](#), a nationally representative probability-based internet panel. All respondents to our survey thus participated in other UAS surveys, including the 2019 survey from the U.S. Financial Health Pulse, enabling us to append significant additional data to our research.

We selected a sample of Financially Coping and Financially Healthy respondents from the 2019 Pulse survey and fielded a new survey in July 2019. The survey comprised 40 questions on behaviors, attitudes, and barriers to financial management, saving, and investing, and averaged 9 minutes for completion. Data from the 2019 Pulse survey and other relevant UAS surveys were appended to provide additional context and depth to our analysis.

We again partnered with USC CESR for the qualitative research component of the project. Together, we designed a focus group guide to more deeply understand the attitudes and behaviors of the Financially Coping toward financial management, saving, and investing.

Survey Overview

Sample Selection	Financially Healthy and Coping respondents from the 2019 U.S. Financial Health Pulse sample
Language	English
Field Dates	July 8-23, 2019
Survey Length	~ 9 minutes
Invited to Complete Survey	2,666
Total Sample Size	1,547 Financially Coping individuals; 553 Financially Healthy individuals

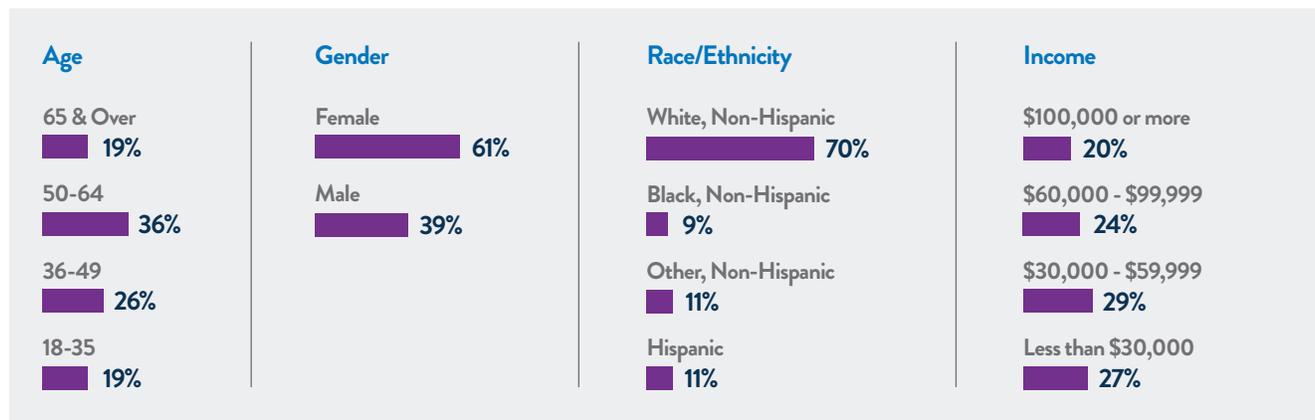
Focus Group Overview

Population	Financially Coping and Healthy adults age 18 - 70
Sample Selection	Individuals were screened in advance using the FinHealth Score. Only Financially Coping individuals participated in the D.C. focus groups. Most LA participants were Coping, with four representing the Healthy tier. Participants were also screened to ensure a gender balance and a mix of age, race, and ethnicity.
Language	English
Field Dates	Sept. 3, 2019 (Washington, DC); Sept. 5, 2019 (Los Angeles, CA)
Number & Length	4 groups, 90 minutes each
Total Participants	30

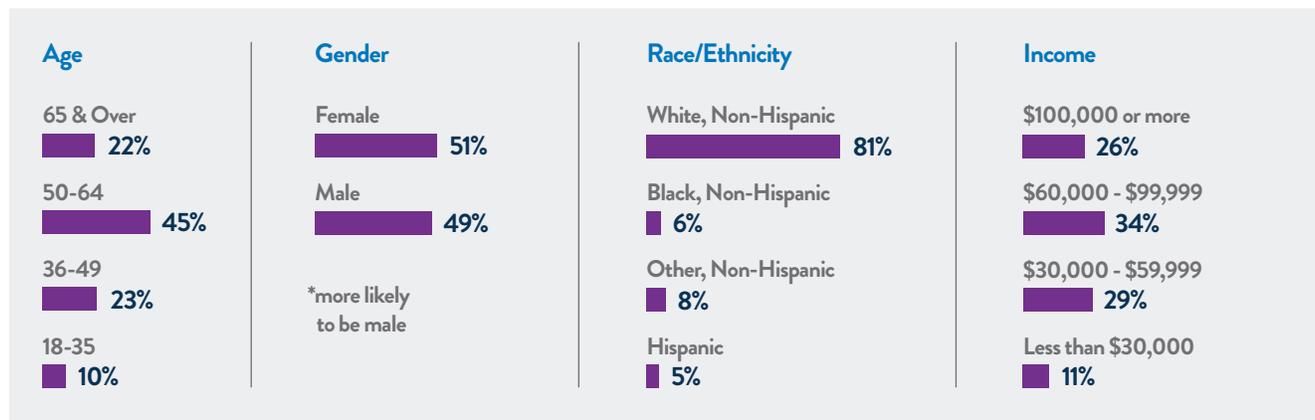
Appendix B: Segment Demographics

The tables below compare the demographics of each Coping segment to Coping survey respondents overall. (Statistical significance is not noted.)

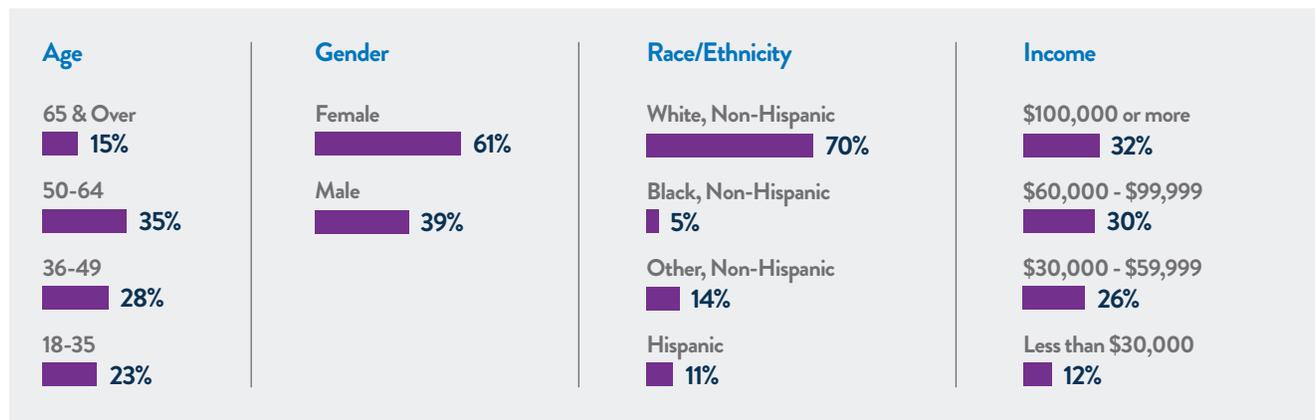
OVERALL COPING SURVEY RESPONDENTS



1 UP-AND-COMING INVESTORS



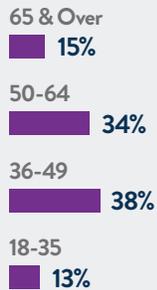
2 INTIMIDATED INVESTORS



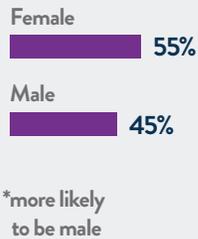
Appendix B: Segment Demographics

3 STRUGGLING INVESTORS

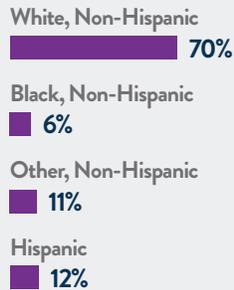
Age



Gender



Race/Ethnicity

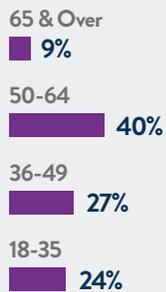


Income

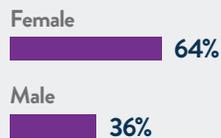


4 SKILLED BUT DISINTERESTED (NON-INVESTORS)

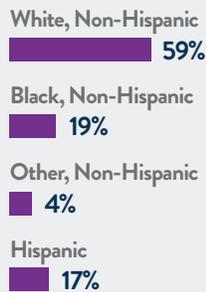
Age



Gender



Race/Ethnicity

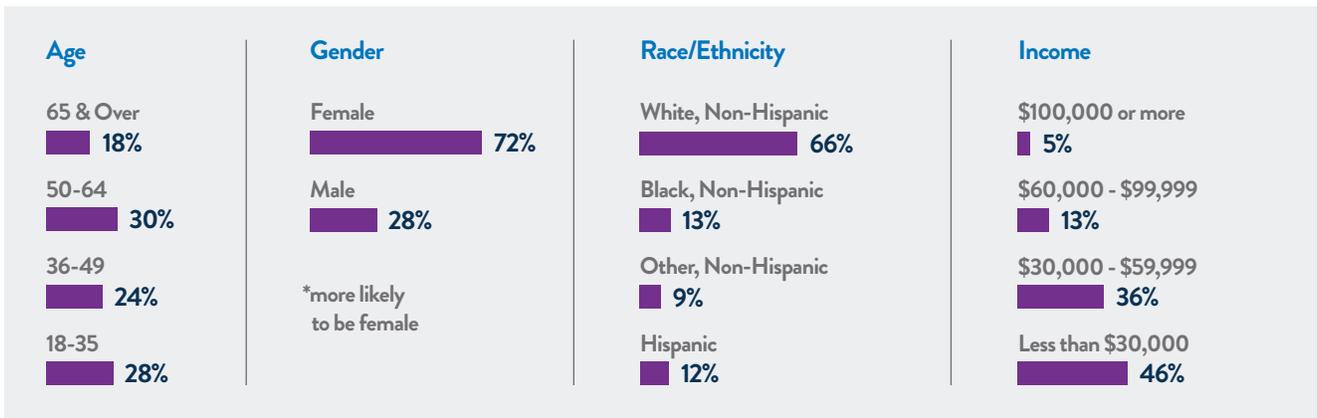


Income

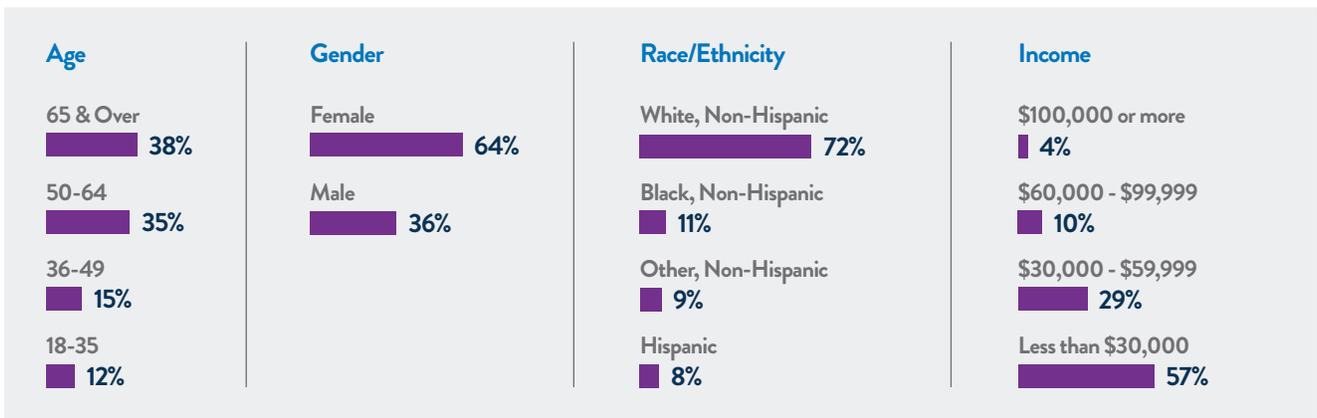


Appendix B: Segment Demographics

5 SEEKING SUPPORT (NON-INVESTORS)



6 FACING DAY-TO-DAY CHALLENGES (NON-INVESTORS)





The Financial Health Network is the leading authority on financial health. We are a trusted resource for business leaders, policymakers, and innovators united in a mission to improve the financial health of their customers, employees, and communities. Through research, advisory services, measurement tools, and opportunities for cross-sector collaboration, we advance awareness, understanding, and proven best practices in support of improved financial health for all.

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