

THE EARN STARTER SAVINGS PROGRAM

ENCOURAGING SAVINGS AND FINANCIAL SECURITY

Savings Facts

- 6 in 10 Americans say they are unprepared for a financial emergency, and only half say their households are financially secure.¹
- More than half (56%) report worrying about their finances over the past year. Of those who worry about finances:
 - 83% worry about lack of savings.
 - 71% worry about not having enough money to cover expenses.
 - 69% worry about not having enough money to retire.²
- 9 in 10 Americans favor financial stability over upward mobility.³
- 71 percent of Americans face difficulty saving because of expenses they didn't plan for.⁴
- The typical household with less than \$25,000 in income has enough savings to replace only six days of household income.⁵
- About a third (34%) of households have no financial assets beyond their liquid savings on which to draw.⁶
- 6 in 10 households (60%) report experiencing a financial shock. Examples include a drop in income, hospital visit, loss of a spouse or partner, or major car or house repair. The typical family spent \$2,000 on its most expensive shock—half a month's income. Just 6 in 10 (59%) households had enough liquid savings to pay for an expense of this magnitude. Of those who report a financial shock, 55% say the setback made it harder for them to make ends meet.⁷
- Only 1 in 5 families said they have a lot of control over their finances.⁸
- 71% of children born to high-saving, low-income parents move up from the bottom income quartile over a generation, compared to only 50% of children of low-saving, low-income parents.⁹

¹ The Pew Charitable Trusts, *Americans Financial Security: Perception and Reality*, 2015

² [Ibid.](#)

³ [Ibid.](#)

⁴ The Pew Charitable Trusts, *The Role of Emergency Savings in Family Financial Security: What Resources Do Families Have for Financial Emergencies?*, 2015

⁵ [Ibid.](#)

⁶ [Ibid.](#)

⁷ The Pew Charitable Trusts, *The Role of Emergency Savings in Family Financial Security: How do Families Cope with Financial Shocks*, 2015

⁸ Clinton Key, *America Saves: The Importance of Building Emergency Savings*, The Pew Charitable Trusts, 2016

⁹ The Pew Charitable Trusts, *A Penny Saved is Mobility Earned: Advancing Economic Mobility Through Savings*, 2009

Common Asset-Building Terms

UNBANKED

Households without a checking or savings account.

UNDERBANKED

Households that have a mainstream account but use alternative and often costly financial services for basic transaction and credit needs. In the previous year, approximately 68% of underbanked households used non-bank money orders and 18% used check-cashing services, meaning they spent a significant amount on services for which most Americans pay little to nothing. When combined with the rate of unbanked households, this measure can paint a broad picture of which states have more households that are financially underserved.

INCOME POVERTY RATE

Percentage of households with income below the federal poverty threshold. Income poverty is a fundamental indicator of financial insecurity and instability 14.5% of United States households live in income poverty.

ASSET POVERTY RATE

Percentage of households without sufficient net worth to subsist at the poverty level for three months in the absence of income. Asset poverty expands the notion of poverty to include how much of a financial cushion a household has to weather a financial crisis. It is estimated based on a household's net worth, it includes durable assets, such as a home or business that would need to be liquidated in order to help cover day-to-day expenses. Experts have agreed that three months' of living expenses at the poverty level is a conservative cushion for a family that loses its income. Even with this conservative definition, asset poverty exceeds income poverty in all states and the District of Columbia except for South Carolina. 25.4% of United States households are asset poor.

LIQUID ASSET POVERTY

Measure of the liquid savings households have to cover basic expenses for three months if they experienced a sudden job loss, a medical emergency or another financial crisis leading to a loss of stable income. **Nearly half (43.5%) of households in the United States** do not have a basic safety net to weather emergencies or prepare for future needs, such as a child's college education or homeownership. Take a look at [CFED's website](#) to determine how your state ranks for liquid asset poverty.

EXTREME ASSET POVERTY RATE

Percentage of households that have zero or negative net worth.

FINANCIAL CAPABILITY

The combination of knowledge, skills, attitudes and ultimately behaviors that translate into sound financial decisions and appropriate use of financial services.

For additional questions, contact:

Audrey Gyr, EARN, audrey@earn.org 415-217-3666