

## Summary Report and Topline

# 2008 Financial Literacy Survey

Prepared by Princeton Survey Research Associates International for  
the National Foundation for Credit Counseling and MSN Money

04.29.08

Many economists suggest that America is either in a recession or facing one. Consumers struggling today may find themselves in deep financial trouble tomorrow as the economy weakens. Jobs are in jeopardy; prices for food and fuel are on the rise, all while wages are stagnant. It will take a steady rudder to ride out this financial storm, a storm for which many consumers are ill-prepared due to their lack of understanding of the basic tenets of sound financial health and responsibility—their financial literacy. Consumer financial literacy is more important now than ever, and identifying what Americans know about their finances and the decisions they make surrounding them, is a critical first step.

This report summarizes the main findings of a recently completed survey of 1,001 Americans conducted by Princeton Survey Research Associates International (PSRAI) on behalf of the National Foundation for Credit Counseling, Inc. (NFCC) and MSN Money. The purpose of the survey was to identify what Americans know about their finances and to assess their overall financial health. PSRAI conducted telephone interviews in English and Spanish with 1,001 members of the general public, between March 5<sup>th</sup> and March 15<sup>th</sup>, 2008. When appropriate, this report compares current attitudes with results of the 2007 Financial Literacy Survey.

For results based on the total sample, one can say with 95 percent confidence that the error attributable to sampling is plus or minus 3 percentage points. In addition to sampling error, readers should bear in mind that question wording and practical difficulties in conducting surveys can introduce error or bias into the findings of opinion polls. Below are key findings followed by a detailed analysis of the survey results.

### Key Findings

#### **Significant number struggle with mortgage payments and complexity of buying a home**

- One in every 10 Americans with a mortgage or roughly 10 million adults report being late or missing a mortgage payment in the last year. Adding more stress to the current housing market, almost one-quarter of Americans say they do not know enough about owning a home to consider buying one.

#### **Millions have serious difficulties paying bills each month, most notably Generation Y**

- While a majority of the public report that they pay their bills on time and do not have any debts in collections, a notable minority has fallen behind and is struggling with seven percent or roughly 15 million adults either getting calls from collectors or seriously considering filing for bankruptcy. Higher income households and older Americans are more likely to stay on top of their bills. And whites and Latinos are more likely to pay their bills on time and stay clear of collections than blacks. Alarming, only 59 percent or roughly 23 million of the young adults in Generation Y, those ages 18-29, pay their bills on time every month. That translates into millions of tomorrow's leaders, those who will drive the engine of our economy for years to come, who are not practicing a most basic financial principle. And the previous generation of consumers, those ages 30-49, also do not appear to be modeling good financial behavior.

### **Only a minority keep close track of expenses/spending**

- Financial experts generally agree that having a household budget is sound financial management. However, similar to the findings from 2007, only a minority of Americans say they keep close track of what their typical monthly expenses are. And although a majority of the public has at least a somewhat good idea of where their money goes each month, nearly two in 10 or roughly 40 million adults keep little or no track at all. Contrary to some stereotypes, how closely Americans manage their money does *not* vary by gender, age, or income. Women continue to be as likely as men, younger people as likely as older people, and lower income households as likely as higher income ones to keep close track of what they spend.

### **Savings and emergency funds lacking**

- A majority of the public does not have a sufficient emergency fund, defined as three to six months income saved. More than one-third or roughly 76 million adults say they do not have any non-retirement savings. And though a majority is currently saving for their retirement, more than one-quarter are not.

### **Many Americans are under-insured, Latinos at higher risk**

- Even though the baby boomer generation has come of age, only a little more than one-quarter say they have long-term care insurance. Another at-risk group is renters, with only one in 10 saying they have renters insurance. Latinos are also less likely to have medical and life insurance than whites or blacks.

### **Minority has ordered credit report**

- Financial experts recommend that consumers check their credit history at least once a year. Yet, only a minority of Americans has ordered their credit report in the past year, in spite of the fact that it can be acquired for free. And one-third or roughly 72 million adults readily admit that they do not know their credit score.

### **Parents and home the biggest influence on financial education**

- A plurality of the public says they have learned the most about personal finance from their parents or at home. Almost half of those who closely monitor their finances are more likely to say that they learned about personal finance from their parents or at home, underscoring the potential positive influence parents can have on their children financially. To a lesser extent, some say they learned the most about personal finance on their own, followed by a financial professional, self-help sources, school, work, friends, and their spouse or partner.

### **Americans worry about future income growth, Midwest has greatest concerns**

- And matters are not likely to improve, according to some Americans. Only one-quarter expect their income to outpace inflation. And more than half of all Americans believe their income will shrink, not keep pace with inflation, or stay even. This worry is greatest among Americans in the Midwest at nearly 70 percent.

# Topline Report

## 2008 Financial Literacy Survey

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### 2008

n = 1001 adults 18 and older  
Field Dates: 3.05.2008 – 3.15.2008

### 2007

n = 1003 adults 18 and older  
Field Dates: 3.20.2007 – 3.28.2007

Margin of Error = ±3% for results based on full sample

4.29.2008

Q1. Which of the following best describes how you manage your money?

	2008	2007
UNWEIGHTED BASE	1001	1003
WEIGHTED BASE	1001	1003
I have a budget and keep close track of how much I spend on such things as food, housing and entertainment	42%	39%
I have a somewhat good idea about how much I spend on such things as food, housing and entertainment, but I don't keep strict track of my spending on these things	35%	36%
I don't have a good idea how much I spend on such things as food, housing and entertainment, but I keep track of my overall spending and try to stay within certain limits that I've set for myself OR	12%	15%
I don't have a good idea how much I spend on such things as food, housing and entertainment, and I often don't keep track of my overall spending	7%	7%
Don't know	2%	2%
Refused	2%	1%

Q2. What is the reason you do not have a budget? Is it because you don't want to be restricted in what you spend, you don't think a budget is useful, you don't know what limits to set for things in a budget, you don't know how to make a budget, or some other reason?

*Based on those who do not have a budget*

UNWEIGHTED BASE	577
WEIGHTED BASE	581
Don't want to be restricted	18%
Don't think a budget is useful	9%
Don't know what limits to set for things in a budget	6%
Don't know how to make a budget	9%
Don't make financial decisions for the household (VOLUNTEERED)	3%
Other	48%
Don't know	5%
Refused	2%

Q3. Just so we know which questions to ask, can you tell me how many people, including yourself, live in your household?

	2008	2007
UNWEIGHTED BASE	1001	1003
WEIGHTED BASE	1001	1003
1	16%	18%
2	32%	33%
3	20%	18%
4	19%	17%
5	7%	10%
6	4%	3%
7	1%	1%
8	*	*
9	*	*
10	*	-
11	*	-
12	-	*
15	-	*
Don't know	-	-
Refused	*	*

Q4. Which of the following best describes your financial situation?

UNWEIGHTED BASE	1001
WEIGHTED BASE	1001
I pay all of my bills on time and have no debts in collection	69%
I sometimes miss a payment but have no debts in collection	11%
I struggle to pay my bills every month but have no debts in collection	9%
I am getting calls from collectors and struggle to pay my bills every month OR	5%
I am seriously considering filing for bankruptcy or have filed for bankruptcy in the past three years	2%
I am not involved at all in any financial decisions including how money is spent in my household (VOLUNTEERED)	2%
Don't know	2%
Refused	1%

Q5. Do you have any savings, excluding retirement savings?

UNWEIGHTED BASE	1001
WEIGHTED BASE	1001
Yes	63%
No	36%
Don't know	*
Refused	1%

Q6. Do you have at least one month's worth of income saved for each wage earner in the household, two to three month's worth of income saved for each wagger earner in the household, or more than three month's worth of income saved for each wagger earner in the household?

*Based on those who have savings*

UNWEIGHTED BASE	691
WEIGHTED BASE	626
1 month's income of savings	34%
2 to 3 month's income of savings	17%
More than 3 month's income of savings	39%
Don't know	7%
Refused	4%

Q7. What is the main reason you currently do not have any savings? Is it because you have a limited income, you find it difficult to manage your money, you don't think savings are necessary, or because you spent your savings on an emergency, or some other reason?

*Based on those who do not have savings*

UNWEIGHTED BASE	310
WEIGHTED BASE	375
Have a limited income/no income	59%
Find it difficult to manage money	4%
Don't think savings are necessary	3%
Spent money on an emergency	10%
Other (SPECIFY)	16%
Don't know	4%
Refused	4%

Q8. On average, what percentage of your household's income do you save every year for retirement—0% or nothing, 1% to 10%, 11% to 20%, or more than 20%?

UNWEIGHTED BASE	1001
WEIGHTED BASE	1001
0%	28%
1% to 10%	33%
11% to 20%	16%
More than 20%	8%
Already retired (VOLUNTEERED)	8%
Don't know	6%
Refused	2%

Q9a. What types of insurance coverage do you currently have? Do you have life insurance?

UNWEIGHTED BASE	1001
WEIGHTED BASE	1001
Yes	65%
No	33%
Don't know	1%
Refused	*

Q9b. What types of insurance coverage do you currently have? Do you have disability insurance?

UNWEIGHTED BASE	1001
WEIGHTED BASE	1001
Yes	40%
No	55%
Don't know	4%
Refused	*

Q9c. What types of insurance coverage do you currently have? Do you have long-term care insurance?

UNWEIGHTED BASE	1001
WEIGHTED BASE	1001
Yes	27%
No	66%
Don't know	6%
Refused	*

Q9d. What types of insurance coverage do you currently have? Do you have homeowners insurance?

UNWEIGHTED BASE	1001
WEIGHTED BASE	1001
Yes	67%
No	31%
Don't know	1%
Refused	*

Q9e. What types of insurance coverage do you currently have? Do you have renters insurance?

UNWEIGHTED BASE	1001
WEIGHTED BASE	1001
Yes	11%
No	87%
Don't know	2%
Refused	*

Q9f. What types of insurance coverage do you currently have? Do you have disaster insurance?

UNWEIGHTED BASE	1001
WEIGHTED BASE	1001
Yes	28%
No	67%
Don't know	5%
Refused	1%

Q9g. What types of insurance coverage do you currently have? Do you have medical insurance?

UNWEIGHTED BASE	1001
WEIGHTED BASE	1001
Yes	85%
No	15%
Don't know	*
Refused	*

Q10. How many credit cards do you have—none, 1 to 3, 4 to 6, or 7 or more?

UNWEIGHTED BASE	1001
WEIGHTED BASE	1001
None	26%
1 to 3	55%
4 to 6	12%
7 or more	7%
Don't know	*
Refused	*

Q11. Roughly how much non-mortgage debt does your household carry from month to month, including education loans, car loans, credit cards, personal loans, etc?

UNWEIGHTED BASE	1001
WEIGHTED BASE	1001
\$500 or less	39%
\$500 to less than \$2,000	27%
\$2,000 to less than \$5,000	8%
\$5,000 to less than \$10,000	5%
\$10,000 to less than \$20,000 OR	4%
\$20,000 or more	6%
Don't know	8%
Refused	2%

Q12. Over the next 10 years, how quickly do you expect your household income to grow?

UNWEIGHTED BASE	1001
WEIGHTED BASE	1001
Faster than the rate of inflation, that is, more than 3% a year	26%
At about the rate of inflation	31%
At less than the rate of inflation OR	15%
Do you expect your household income to shrink	14%
Don't know	11%
Refused	2%

**CREATED VARIABLE. OWNHOME**

OWNHOME. Do you currently own your home?

*\*For 2008, variable OWNHOME was created based on those who had a mortgage or paid off a mortgage within the last 12 months (Q13=1,2) OR those who gave already owning a home as a reason why they do not have a mortgage (Q15=1)*

	<b>*2008</b>	<b>2007</b>
UNWEIGHTED BASE	1001	1003
WEIGHTED BASE	1001	1003
Yes	66%	66%
No	34%	34%
Don't know	-	*
Refused	-	*

Q13. Do you currently have a home mortgage of any type?

UNWEIGHTED BASE	1001
WEIGHTED BASE	1001
Yes	45%
No	54%
Paid off within the last 12 months (VOLUNTEERED)	1%
Don't know	*
Refused	*

Q13. Do you currently have a home mortgage of any type?

*Based on those who own a home and have a mortgage*

	<b>*2008</b>	<b>2007</b>
UNWEIGHTED BASE	752	753
WEIGHTED BASE	658	659
Yes	45%	53%
No	54%	46%
Paid off within the last 12 months (VOLUNTEERED)	1%	-
Don't know	*	*
Refused	*	1%

Q14. Thinking now about your primary or main mortgage, do you know if it is a fixed rate mortgage, an adjustable rate mortgage, an interest only mortgage, a reverse mortgage, or something else?

*Based on those who own a home and have a mortgage*

	<b>*NFCC 2008</b>	<b>NFCC 2007</b>
UNWEIGHTED BASE	466	377
WEIGHTED BASE	451	352
Fixed rate	85%	84%
Adjustable rate	8%	7%
Interest only	4%	3%
Reverse mortgage	-	*
Something else (SPECIFY)	1%	1%
Don't know	2%	4%
Refused	*	-

Q15. Here are some reasons people give for why they do not have a mortgage. Which of the following best describes your situation?

*Based on those who do not have a mortgage*

UNWEIGHTED BASE	535
WEIGHTED BASE	550
I own my home outright	38%
I don't think that I can afford a home	15%
Owning a home doesn't fit my current lifestyle	11%
I am in the process of saving for a home OR	13%
I don't know enough about owning a home to consider it at this time	13%
Other (SPECIFY)	7%
Don't know	2%
Refused	1%

Q16. To the best of your knowledge, is the interest rate on your mortgage less than 6%, 6% to less than 8%, 8% to less than 10%, 10% to less than 12%, more than 12%, or don't you know?

*Based on those who own a home and have a mortgage*

	<b>*2008</b>	<b>2007</b>
UNWEIGHTED BASE	466	377
WEIGHTED BASE	451	352
Less than 6%	47%	47%
6% to less than 8%	41%	41%
8% to less than 10%	6%	5%
10% to less than 12%	2%	*
More than 12%	*	*
Don't know	4%	5%
Refused	*	1%

Q17. Have you been late or missed a mortgage payment in the last 12 months?

*Based on those who have a mortgage or have paid off mortgage in the last 12 months*

UNWEIGHTED BASE	473
WEIGHTED BASE	456
Yes	10%
No	90%
Don't know	*
Refused	-

Q18. What is the current value of your home, approximately?

*Based on those who have a mortgage or have paid off mortgage in the last 12 months or own their home outright*

UNWEIGHTED BASE	752
WEIGHTED BASE	658
Less than \$50,000	6%
\$50,000 to less than \$100,000	12%
\$100,000 to less than \$200,000	31%
\$200,000 to less than \$300,000	19%
\$300,000 to less than \$400,000	12%
\$400,000 to less than \$500,000	7%
\$500,000 to less than \$750,000	6%
\$750,000 to less than \$1 million OR	2%
\$1 million or more	2%
Don't know	2%
Refused	1%

Q19. Approximately how much mortgage debt do you have (including first and second mortgages, home equity loans, etc.) on your primary residence?

*Based on those who have a mortgage*

UNWEIGHTED BASE	466
WEIGHTED BASE	451
Less than \$50,000	20%
\$50,000 to less than \$100,000	23%
\$100,000 to less than \$150,000	18%
\$150,000 to less than \$200,000	13%
\$200,000 to less than \$300,000	10%
\$300,000 to less than \$400,000	4%
\$400,000 to less than \$500,000	1%
\$500,000 to less than \$1 million OR	2%
\$1 million or more	*
Don't know	5%
Refused	3%

Q20. Have you ordered a copy of your credit report in the past 12 months?

UNWEIGHTED BASE	1001
WEIGHTED BASE	1001
Yes	37%
No	62%
Don't know	1%
Refused	*

Q21. What is your credit score? Is it less than 500, 500 to 599, 600 to 699, or 700 or higher?

UNWEIGHTED BASE	1001
WEIGHTED BASE	1001
Less than 500	7%
500 to 599	6%
600 to 699	13%
700 or higher	30%
I have never checked my credit score (VOLUNTEERED)	4%
I have checked my credit score but can't remember it (VOLUNTEERED)	4%
Don't know	34%
Refused	2%

Q22. Thinking now about what you have learned about personal finance, where do you think that you learned the most? Was it

...

UNWEIGHTED BASE	1001
WEIGHTED BASE	1001
From your parents or at home	40%
At work	6%
From friends	5%
From school	7%
From self-help books or media OR	9%
From a financial professional	10%
Spouse or Partner (VOLUNTEERED)	2%
Learned on own/myself (VOLUNTEERED)	15%
Don't know	4%
Refused	2%

Q23. Have you ever received professional advice about financial issues from an individual or organization? By professional I mean someone who does this for a living, rather than friends or family.<sup>1</sup>

*Based on those who have not learned about personal finance from a financial professional*

	2008	2007
UNWEIGHTED BASE	896	1003
WEIGHTED BASE	905	1003
Yes	36%	36%
No	63%	64%
Don't know	1%	1%
Refused	*	-

Q24. Do you know where to go now for professional financial advice?

*Based on those who have not learned about personal finance from a financial professional*

UNWEIGHTED BASE	896
WEIGHTED BASE	905
Yes	69%
No	30%
Don't know	1%
Refused	*

<sup>1</sup> In 2007, there was no filter on the professional advice question, hence, all respondents were asked if they received professional advice about finances.

Q25. How familiar, if at all, are you with the National Foundation for Credit Counseling, also known as NFCC—very familiar, somewhat familiar, not too familiar, or not familiar at all?

	<b>2008</b>	<b>2007</b>
UNWEIGHTED BASE	1001	1003
WEIGHTED BASE	1001	1003
Very familiar	2%	3%
Somewhat familiar	15%	12%
Not too familiar	14%	16%
Not familiar at all	65%	68%
Don't know	2%	2%
Refused	1%	*

Q26. And how familiar, if at all, are you with Consumer Credit Counseling Services, also known as CCCS—very familiar, somewhat familiar, not too familiar, or not familiar at all?

	<b>2008</b>	<b>2007</b>
UNWEIGHTED BASE	1001	1003
WEIGHTED BASE	1001	1003
Very familiar	5%	5%
Somewhat familiar	19%	20%
Not too familiar	14%	16%
Not familiar at all	59%	58%
Don't know	2%	1%
Refused	1%	*

D1. Gender

Unweighted base	1001
WEIGHTED BASE	1001
Male	49%
Female	51%

D2. How many children under age 18 currently live in your household?

UNWEIGHTED BASE	1001
WEIGHTED BASE	1001
0	58%
1	15%
2	17%
3	5%
4	3%
5	*
6	*
8	*
Don't know	-
Refused	1%

D3. Which of the following best describes your current plans for financing [the child/the children's] education needs?

*Based on those who have children living in household*

UNWEIGHTED BASE	338
WEIGHTED BASE	413
I've established a 529 Plan or other education savings account and expect to be able to finance four years of college for [the child/children].	23%
I've established an education savings account but I am doubtful I can finance four years of college without borrowing.	19%
I want to provide a college education for [the child/children] but haven't done anything about it yet.	30%
If they want to go to college, they'll have to pay for it themselves.	15%
Not the parent or guardian (VOLUNTEERED)	5%
Don't know	5%
Refused	3%

D4. How old were you on your last birthday?

Unweighted Base	1001
WEIGHTED BASE	1001
18-29	19%
30-49	38%
50-64	24%
65 or older	16%
Don't know	*
Refused	3%

D5. What is the highest level of education that you have completed?

UNWEIGHTED BASE	1001
WEIGHTED BASE	1001
None, or grade 1-8	3%
High school incomplete (Grades 9-11)	10%
High school graduate (Grade 12 or GED certificate)	31%
Technical, trade or vocational school AFTER high school	4%
Some college, no 4-year degree (including associate degree)	24%
College graduate (B.S., B.A., or other 4-year degree)	17%
Post-graduate training or professional schooling after college (e.g., toward a master's degree or Ph.D.; law or medical school)	10%
Don't know	*
Refused	1%

D6. Are you currently married, living with a partner, widowed, divorced, separated, or have you never been married?

UNWEIGHTED BASE	1001
WEIGHTED BASE	1001
Married	54%
Living with a partner	6%
Widowed	7%
Divorced	10%
Separated	4%
Never been married	18%
Don't know	-
Refused	1%

D7. Which of the following best describes your work status?

UNWEIGHTED BASE	1001
WEIGHTED BASE	1001
Working full-time	46%
Working part-time	11%
Between jobs	3%
Stay-at-home parent	5%
Retired or semi-retired	20%
On disability or other fixed income	9%
Not employed	5%
Don't know	*
Refused	*

D8. Which of the following best describes your [spouse's/partner's] work status?

*Based on those who are married or living with a partner*

UNWEIGHTED BASE	635
WEIGHTED BASE	602
Working full-time	58%
Working part-time	10%
Between jobs	2%
Stay-at-home parent	7%
Retired or semi-retired	18%
On disability or other fixed income	3%
Not employed	2%
Don't know	-
Refused	*

D9. How many more years do you expect to work full-time?

*Based on those who work full-time*

UNWEIGHTED BASE	429
WEIGHTED BASE	464
Less than 5	10%
5 to less than 10	14%
10 to less than 15	15%
15 to less than 20	13%
20 or more	43%
Don't know	4%
Refused	1%

D10. How many more years does your [spouse/partner] expect to work full-time?

*Based on those whose partner/spouse works full-time?*

UNWEIGHTED BASE	346
WEIGHTED BASE	351
Less than 5	11%
5 to less than 10	15%
10 to less than 15	17%
15 to less than 20	15%
20 or more	38%
Don't know	4%
Refused	1%

D11. At what age do you expect to retire?

*Based on those who are not retired*

UNWEIGHTED BASE	702
WEIGHTED BASE	798
Prior to age 50	6%
Age 50 to 54	8%
Age 55 to 59	14%
Age 60 to 64	24%
Age 65 to 69	20%
Age 70 to 74	5%
Age 75 or after	8%
Don't know	13%
Refused	2%

D12. Are you yourself of Latino or Hispanic origin or descent, such as Mexican, Puerto Rican, Cuban, or some other Latin American background?

UNWEIGHTED BASE	1001
WEIGHTED BASE	1001
Yes	11%
No	87%
Don't know	*
Refused	1%

D13. What is your race? Are you white, black or African American, Asian, American Indian or Alaska Native, or Native Hawaiian or other Pacific Islander? You may select more than one race.

UNWEIGHTED BASE	1001
WEIGHTED BASE	1001
White	77%
African American/Black	12%
Asian	2%
American Indian or Alaska Native	4%
Native Hawaiian or other Pacific Islander	*
Other (SPECIFY)	3%
Don't know	*
Refused	2%

D14. Last year, that is in 2007, approximately what was your total household income from all sources, before taxes? Was it under \$40,000 or \$40,000 or more?

UNWEIGHTED BASE	1001
WEIGHTED BASE	1001
Under \$40,000	36%
\$40,000 or more	53%
Don't know	5%
Refused	6%

D15. Now, just stop me when I get to the right category. Was your household income...

*Based on those whose income for 2007 was under \$40,000*

UNWEIGHTED BASE	320
WEIGHTED BASE	361
Less than \$10,000	22%
\$10,000 to under \$20,000	26%
\$20,000 to under \$30,000	26%
\$30,000 to under \$40,000	20%
Don't know	4%
Refused	2%

D16. Now, just stop me when I get to the right category. Was your household income...

*Based on those whose income for 2007 was over \$40,000*

UNWEIGHTED BASE	562
WEIGHTED BASE	531
\$40,000 to under \$60,000	28%
\$60,000 to under \$80,000	16%
\$80,000 to under \$100,000	20%
\$100,000 to under \$150,000	19%
\$150,000 or more	11%
Don't know	2%
Refused	3%

D17. What is the total value of your investments (including IRA, 401(k) or other retirement accounts, regular bank or brokerage accounts and investment property)?

UNWEIGHTED BASE	1001
WEIGHTED BASE	1001
Less than \$25,000	37%
\$25,000 to under \$50,000	9%
\$50,000 to under \$100,000	7%
\$100,000 to under \$250,000	8%
\$250,000 to under \$500,000	4%
\$500,000 to under \$1,000,000	2%
\$1 million or more	3%
Don't know	17%
Refused	12%