



Insights into the Financial Experiences of Older Adults: A Forum Briefing Paper

July 2013

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM



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Preface

This survey and report were prepared by the Federal Reserve Board's Division of Consumer and Community Affairs (DCCA).

DCCA strives to ensure that the voices and concerns of consumers and communities are represented at the Federal Reserve. This includes conducting research on financial services policies and practices and their implications for consumer financial stability, community development, and neighborhood stabilization. For more information about DCCA, visit the Federal Reserve Board's website at www.federalreserve.gov.

The survey and report were prepared by staff of the Policy Analysis Section of DCCA: Angelyque Campbell, Alejandra Lopez-Fernandini, Daniel Gorin, Barbara Lipman, and Brian Tabit. Extensive comments, feedback and technical assistance were provided by the following staff from the Consumer Research Section of DCCA: David Buchholz, Allen Fishbein, Matthew Gross, Ellen Merry, Alexandra Rock, and Maximilian Schmeiser. Support and guid-

ance from Federal Reserve Board staff members Anna Alvarez Boyd, Carly Brewster, John Driscoll, Joseph Firschein, Joanne Hsu, Nancy Riley, and Susan Stawick are gratefully acknowledged. DCCA also would like to extend sincere appreciation to the organizations that provided insights on financial issues affecting older adults: Administration on Aging, Alliance for Aging Research, American Association of Retired Persons, Consumer Financial Protection Bureau, Financial Industry Regulatory Authority, Leading Age, MetLife Mature Market Institute, National Association of Home Builders, National Community Reinvestment Coalition, National Council on Aging, National Reverse Mortgage Lenders Association, Social Security Administration, and Urban Institute.

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Executive Summary

The U.S. population is aging rapidly. By 2060, more than one in five individuals in the United States will be over the age of 65, up from one in seven today. The older adult population, here, defined as those 40 and older, represents multiple generations of individuals with varying financial circumstances and needs. Data show older adults as a group hold a greater share of household net worth than younger cohorts. However, substantial—and, for some, potentially irrecoverable—wealth losses resulting from the financial crisis are particularly acute for households without the capacity to work or without the time to recoup losses. Meanwhile, the financial marketplace has become increasingly complex due to the diversity of products and services, new payment methods, and emerging technologies. As older adults represent a growing share of the overall population, the convergence of these demographic, economic, and technological trends raises questions about the financial experiences of older adults in the years ahead.

Noting these trends, in 2012, the Federal Reserve Board's Division of Consumer and Community Affairs began exploring these issues to better understand the financial experiences of older adults. Staff reviewed existing data and research and engaged with a number of external research and policy experts for perspectives on the economic implications of the demographic trends and changing financial landscape for older populations.

This initial exploration identified a number of questions related to older adults' financial lives that were not fully answered from existing data. In response, the Board conducted an online survey (the "Older Adult Survey") in December 2012 to add to the collective base of knowledge and to better understand aspects of the financial lives of adults as they age. The survey was intended to be exploratory—ultimately confirming some insights and raising questions about other areas worthy of additional study. A particular aim was to help identify important issues for further research and analysis about the financial preparedness and stability of older adults to be

explored by the field at large. The Older Adult Survey was fielded online using the RAND American Life Panel.¹ The 1,821 survey participants ranged in age from 40 to 94 and were grouped into age cohorts.² Details about the survey, its methodology, and limitations can be found in the body of the report and in a methodological appendix.

The Older Adult Survey set out to answer three main questions:

- How do older adults use financial products as they age?
- How do older adults make their financial decisions and where do they turn for advice?
- What are older adults' main sources of financial stress?

Survey questions cover various types of financial choices—from the routine to major lifecycle decisions to handling financial matters in times of stress or emergencies. The survey also explores where people turn for help with these financial decisions.

Based on the survey responses, the following key findings emerged:

Use of Financial Products and Services by Older Adults

- Many homeowner respondents have mortgage debt, including six in 10 of those in their 60s and nearly four in 10 of those 70 and older.
- About one-third of respondents with mortgage debt refinanced their mortgages in the last three

¹ The American Life Panel is maintained by the RAND Corporation and consists of a group of more than 5,000 individuals ages 18 and older who have agreed to participate in occasional online surveys. For more information, go to <https://mmicdata.rand.org/alp>.

² In this report, the term "older adults" is used to refer to the full sample of respondents ages 40 and above; older adults in their 40s and 50s also are referred to as "middle-aged"; 60- to 69-year-olds are referred to as "those in their 60s"; and those 70 years old and above are referred to as "oldest adults."

years. However, very few older adult respondents use or have considered using a reverse mortgage.

- The vast majority of older adults are “banked,” that is, they have a checking or savings account. Rates of being “unbanked” decline with age.
- Older adults in all age groups report using a variety of methods—both with and without technology—to conduct their banking transactions.
- Middle-aged adult respondents are more likely than the oldest adults to carry credit card balances.
- Use of alternative financial services such as payday loans, deposit advances, or cash advances on credit cards appears to be modest, but more prevalent among lower-income and minority individuals.
- For one in seven (14 percent) older adults, student loan debt for themselves or their children may persist well into middle age.

Financial Decisionmaking of Older Adults

- Middle-aged respondents are more likely than the oldest adults to report needing help covering bills and expenses.
- Many respondents make decisions about refinancing, investments, and retirement without seeking assistance from a financial professional; those who do seek assistance rely on friends or family as the primary source of help.
- One-third of older adults in their 40s and one-fifth of those in their 50s expect “never” to retire.
- The majority of the survey respondents, including many of the oldest, do not have plans in place in the event they are unable to make financial decisions.
- Overall, most of the older adults in the survey are confident in their decisionmaking.

Financial Stress and Well-Being of Older Adults

- More than one-third of respondents reported experiencing major financial stress in the preceding three years, with higher rates among the middle-aged.
- Leading causes of financial stress were job loss or reduced hours and income and health-related issues.
- One-half of respondents who are credit card users carry monthly balances.

- One in eight (12 percent) respondents said they have had to carry a balance on their credit card in the prior three years because of a medical expense.
- Less than one-half of respondents with financial stress sought advice in dealing with it.
- Finally, respondents who reported lower levels of life satisfaction were more likely to report they had experienced recent major financial stress.

Some findings in the Older Adult Survey raise concerns about the ability of some older adults to maintain their financial footing, meet unanticipated expenses, and save for the future. Middle-aged adults are particularly susceptible to financial stress. They are also most likely to report experiencing a recent major financial stress and needing help covering the costs of bills and expenses in the past year. It also is notable that many older adults carry debt late in life—credit card, student loan, or mortgages—potentially undermining their financial security. Mortgage debt is of particular significance because homes comprise the largest component of net worth of many older adult households, and often are a major source of funds for retirement. Some financial decisions—such as refinancing a mortgage, managing investments, or retiring—are complex and have long-term consequences. Yet, barely half of older adults who refinance or have investments seek advice when making these decisions. The majority of older adults are confident in their decisionmaking abilities. This sentiment may be appropriate for some, but misplaced for others, particularly among those unaware they are beginning to experience cognitive decline.

These implications point to a need for a broad set of responses to help ensure the financial well-being of older adults. Many actors have a potential role to play in developing or implementing these responses. Financial institutions, for example, may recognize opportunities to offer new products or adapt existing ones tailored to a growing older adult population with varied cognitive abilities. For-profit and non-profit advisors may explore new methods and delivery channels for providing sound advice about financial risks and rewards. Policymakers, for their part, may encourage various stakeholders to work together to address current and future financial needs of an aging population.

This report serves two principal purposes. First, it summarizes insights from the Older Adult Survey and related research in the field. In addition to

describing key findings from the survey data, it also draws on existing data for certain issues—such as cognitive issues and retirement savings—that are important for these age groups and have been well documented through preexisting research. Second, it frames certain research and policy considerations for

a forum of experts in July 2013 to be hosted by the Federal Reserve Board. Questions for discussion, some of which are noted in this report, will aim at a variety of financial issues that are potentially promising areas for the field for additional study about the broader aging population.

Introduction

The U.S. population is growing in terms of both size and age. By 2060, Census data projections indicate the population of individuals age 65 and older will increase from 47 million to more than 92 million. Put another way, more than one in every five individuals in the U.S. will be over the age of 65 by 2060, up from one in seven (15 percent) in 2015. Moreover, the number of people age 85 and older is expected nearly to triple to 18 million over the same period.³

In this report, the term “older adults” broadly references those age 40 and older, but this captures a wide range of ages and represents multiple generations of individuals with considerable variation in financial circumstances. While the Federal Reserve Board’s Survey of Consumer Finances (SCF) data show that older adults, as a group, hold a greater share of household net worth than younger cohorts, many suffered substantial or potentially irrecoverable financial losses as a result of falling stock and house prices during the financial crisis.⁴ Significant loss of income or wealth can be destabilizing for any household, but the consequences are particularly acute for a household without the capacity to work or without the time to recoup losses. These factors may pose unique financial challenges for older adults seeking to rebuild lost wealth in times of economic uncertainty.

In addition to coping with the stresses of a more uncertain economic environment, all consumers have to navigate an increasingly complex financial marketplace. Some financial products have become more complicated, methods of purchasing and paying more varied, and the impact of technology more evident. This, together with converging demographic trends and the recent financial crisis, raises questions about the financial stability of older adults in the years ahead. To explore these issues further, the Federal Reserve Board held a series of meetings in 2012

and early 2013 with experts on aging issues to gain insight into matters affecting the financial well-being of older adults. These discussions helped identify gaps in knowledge about the financial choices older adults make, and informed the decision to conduct the Older Adult Survey, as well as to place the survey results in context.

The Older Adult Survey is an initial inquiry into the financial lives of older adults. The Federal Reserve Board conducted the survey in December 2012 using an Internet panel of respondents age 40 and above. The survey focuses on, among other things, methods of banking and bill paying, credit card use and payment, and management of debt for mortgages and student loans. The survey also explores where people turn for help or advice when making these financial decisions.

This report summarizes results from the Older Adult Survey regarding respondents’ use of financial products and services, financial decisionmaking, and financial stress and well-being. Some findings are confirmatory, others provide insights, and still others raise questions that suggest areas for further investigation. Where appropriate, survey results are compared to those found in the SCF or other data sets. Other literature and research also are used to supplement the findings from the survey.

In this report, the term “older adults” is used to refer to the full sample of respondents age 40 and above; adults in their 40s and 50s also are referred to as “middle-aged”; 60- to 69-year-olds are referred to as “those in their 60s”; and those 70-years-old and above are referred to as “oldest adults.” All older adults are sometimes referred to by their specific decade (e.g., “those in their 50s”).

About the Older Adult Survey

The Older Adult Survey was conducted using the RAND American Life Panel (ALP). The ALP is an

³ U.S. Census Bureau (2012).

⁴ Boshara and Emmons (2013), pp. 6–7. Younger households hold a greater share of their wealth in housing and suffered greater losses in net worth, in percentage terms, than older adults.

Internet panel that includes more than 5,000 people age 18 and older who have agreed to participate in periodic online surveys. At the time the survey was conducted, more than 300 surveys covering a range of topics had been fielded on the ALP since January 2006. ALP respondents also have answered a core set of demographic questions, as well as a battery of questions from the University of Michigan's longitudinal Health and Retirement Study (HRS), a widely used data source on the well-being of older adults. Prior to being recruited for the ALP, most panelists already had access to the Internet. However, for those who did not, RAND provided Internet access, and a computer if needed, that can be used for responding to surveys as well as for personal use. That said, none of the respondents to the Older Adult Survey required RAND to provide them with Internet access or a computer.

As with any survey method, there are limitations to the use of an online survey that may affect the degree to which the survey results may be interpreted as truly representative of the national population of older adults. Internet panels may not accurately represent the general population and can be subject to biases resulting from undercoverage or nonresponse and, in this case, underrepresentation of older adults who are the financially most vulnerable or those that are physically or cognitively impaired. Not everyone in the United States has access to the Internet and there are significant demographic (income, education, age) and geographic (suburban and rural) differences between those who do have access and those who do not, in addition to variation in skill levels needed to complete an Internet survey.^{5,6}

While still a concern, some of these differences in Internet use have been diminishing. Internet use among older adults has increased rapidly in recent years. A survey of Internet use by the Pew Research Center found that, as of April 2012, more than one-

⁵ See Pew Research Center for the People & the Press, Internet Surveys. Available online at www.people-press.org/methodology/collecting-survey-data/internet-surveys.

⁶ See Pew Internet & American Life Project, Trend Data (Adults), Demographics of internet users. Available online at www.pewinternet.org/Trend-Data-%28Adults%29/Whos-Online.aspx.

half (53 percent) of American adults age 65 and older use the Internet or e-mail.⁷ This usage rate is up from 38 percent in 2008, with most growth occurring since 2011. In the next oldest age group, age 50 to 64, more than three-quarters (77 percent) use the Internet.⁸ Usage rates for age groups younger than 50 remain higher at 90 percent and above. Furthermore, while some groups may be underrepresented in the survey sample relative to their share of the general population, this can be mitigated with sample weighting, as RAND does. See Appendix A for more information about the representativeness of surveys conducted with an Internet panel and the sample and weighting scheme for this survey.

For an exploratory effort, such as the Older Adult Survey, an online panel provides several advantages, provided the limitations discussed earlier are taken into account. This method may allow for the collection of more detailed information than a telephone survey, while also being faster and lower cost. Another advantage of using the RAND ALP, specifically, is that the data collected in previous surveys from the same respondents can be merged with the data collected from this survey. These supplemental data cover issues such as: confidence in decisionmaking ability, life satisfaction, cognition, work status of retirees, retirement expectations of workers, and data on major life events such as death of a spouse or partner, divorce, and illness.

The Older Adult Survey utilized a subset of the ALP drawn from panelists age 40 and above. The survey was fielded online over a three-week period in December 2012. An e-mail was sent to a sample of 2,328 panelists age 40 to 94; a total of 1,821 individuals completed the survey, for a completion rate of 78 percent. The final survey consisted of 62 questions, but individual respondents may have received fewer questions, answering only those that were applicable to their financial situation. Median response time for those who completed the survey was 10 minutes. See Appendix B for details on survey questions and responses.

⁷ Zickuhr and Madden (2012), p. 4.

⁸ Zickuhr and Madden (2012), p. 5.

Use of Financial Products and Services by Older Adults

This section reviews key findings from the Older Adult Survey regarding a wide range of financial products and services utilized by older adults, including mortgages, routine banking and bill payment practices, credit cards and other debt products, and student loans. Where possible, findings from the survey are compared with other recent surveys and research.

Mortgages

Respondents in the survey are predominantly homeowners (71 percent), consistent with Census findings for the population age 40 and above.⁹ One in four respondents indicate that they are renters (25 percent) and a smaller share report that they have some other type of living arrangement (4 percent). About one-third (35 percent) of homeowners in the survey report they have no mortgages or loans on their homes. Six in 10 (59 percent) report they “have a mortgage and/or home equity loan” and 13 percent have a home equity line of credit.

The share of older adult households with mortgages or home loans decreases by age: 85 percent of homeowners in their 40s have mortgages or loans outstanding, declining to three-quarters (76 percent) of those in their 50s, to six in 10 (59 percent) of those in their 60s, and 38 percent of those age 70 and older. Even among those respondents who describe their work status as primarily “retired,” nearly one-half (47 percent) also say they have mortgage debt or other home loans outstanding.

⁹ Staff tabulations from 2012 U.S. Census Bureau data. Homeownership rates in the sample are somewhat lower than the 2012 Census Bureau’s Current Population Survey (CPS) for those under the age of 70. Reported homeownership rates for the sample were 60 percent for those in their 40s, 71 percent for those in their 50s, 77 percent for those in their 60s, and 84 percent for those 70 and older. This compares to 2012 CPS figures of 68 percent for those in their 40s, 75 percent for those in their 50s, 80 percent for those in their 60s, and 81 percent for those age 70 and older. Low-income, disabled, unemployed, and minority households have consistently lower homeownership rates in both the survey sample and Census.

Consistent with these results are other data suggesting prolonged mortgage indebtedness is part of a larger trend. The 2010 SCF data show that almost two-thirds (65 percent) of families age 40 and older had debt secured by their primary residence, up from 59 percent in 2001. Among families in their 60s, the share with mortgage indebtedness rose from about one-half (49 percent) in 2001 to six in 10 (60 percent) in 2010. For those age 70 and older, the share rose from one in five (20 percent) in 2001 to one-third (34 percent) over the same period.¹⁰

Home values fell and unemployment rates rose in many markets across the country during the housing crisis. Some homeowners (about 30 percent) sought to refinance their mortgages during the recent period of low interest rates. The Home Mortgage Disclosure Act (HMDA) data for 2010 and 2011 report more than 9 million refinancings during those years.¹¹ The Mortgage Bankers Association (MBA) estimates the value of refinancings in the first three quarters of 2012 rose by 48 percent, suggesting that more than 6 million refinancings occurred in 2012.¹² These approximately 15 million refinancings that took place over the three-year period from 2010 to 2012 occurred at a time when there were about 50 million owner-occupied homes with mortgages.¹³ The survey similarly found that about one-third (32 percent) of respondents with mortgage debt reported they had refinanced in the preceding three years. Among those who did not, some did not believe refinancing would be beneficial. One in five said they believed they would not save enough money by doing so (20 percent) and 12 percent said they are close to paying off their mortgage. Other reasons cited for not refinancing included being underwater on a mortgage (i.e., owing more on their mortgage than their home is worth) (13 percent). About one in five reported that

¹⁰ Staff tabulations from 2001 SCF and 2010 SCF data.

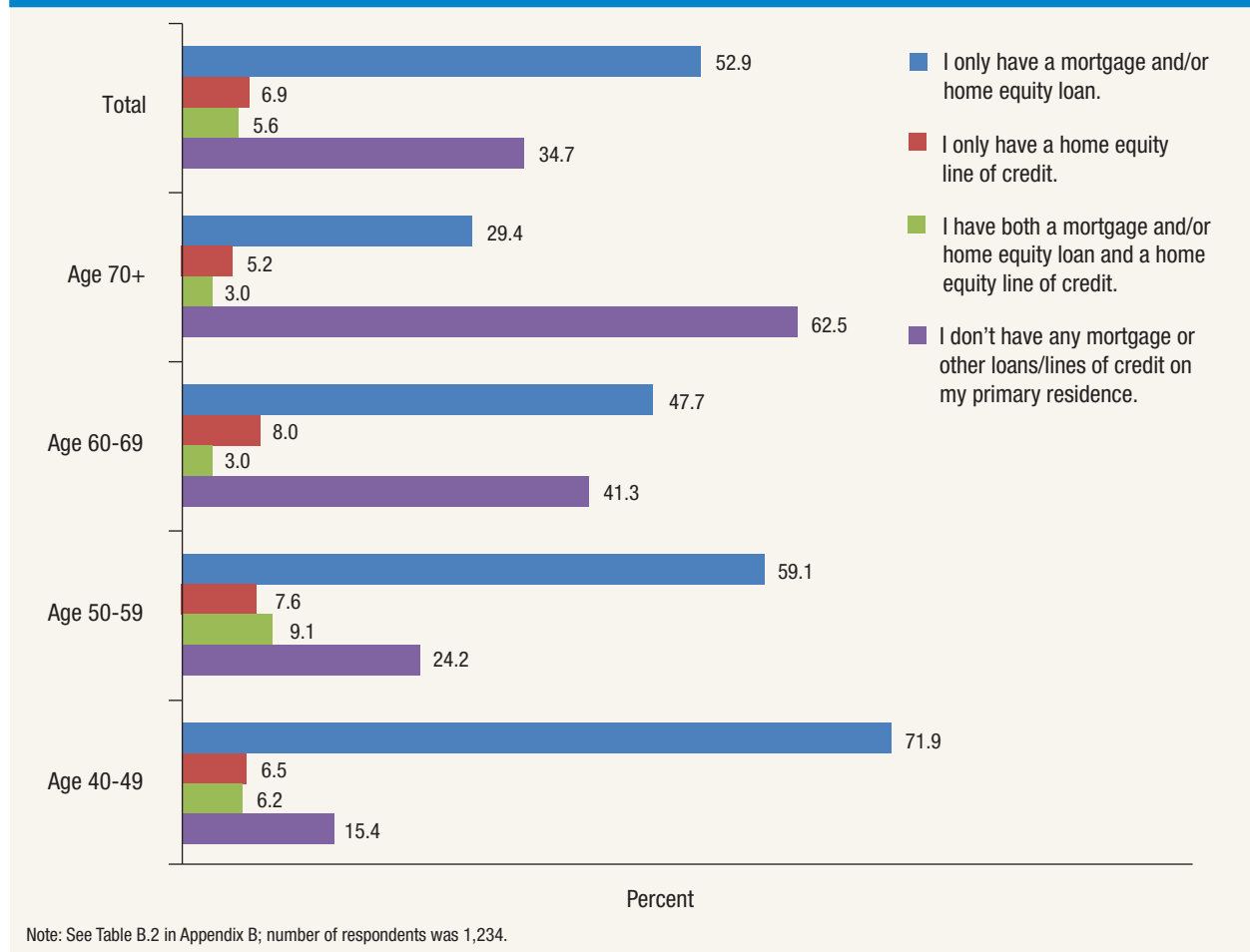
¹¹ Avery, Bhutta, Brevoort, and Canner (2012), p. 6.

¹² Staff tabulations of 2010, 2011, and 2012 HMDA data and MBA Quarterly Origination Estimates.

¹³ Staff tabulations of 2010, 2011, and 2012 HMDA data.

Figure 1. Many respondents carry home-secured debt late in life

Percent of survey respondents reporting ownership of a mortgage, home equity loan, or home equity line of credit, by age



they “never thought about [refinancing their mortgage]” (19 percent).

Respondents also reported low use of reverse mortgages, products designed explicitly for older adults to convert home equity to income flows. Reverse mortgage borrowers must be 62 years of age or older, have substantial equity in their home or own their property outright, and participate in mandatory counseling. Among homeowners in the survey age 62 and older, just 2 percent report they have a reverse mortgage, a figure that mirrors the take-up rate inferred from other data sources.¹⁴ More than nine in 10 respondents who were homeowners age 62 and older indicated that they “did not consider” obtaining a reverse mortgage. Similarly, a MetLife survey of the

¹⁴ See, for example, data from the 2011 American Housing Survey, Table C-14A-00 which show 417,000 reverse mortgages from a potential pool of 20.3 million homeowners age 65 and older, or about 2 percent.

oldest baby boomers on the cusp of retirement—those who turned age 65 in 2011—found that only about 2 percent say they either have used or plan to use a reverse mortgage in the future.¹⁵

The financial circumstances of renters in the survey, who comprise about one-quarter of the respondents, may differ from those of homeowners. Fifty percent of lower-income households in the survey—those with less than \$30,000 in income—are renters.

Among both homeowners and renters, housing costs tend to consume an increasing share of their income as they age. In addition to mortgage debt, homeowners also must pay utilities, property taxes, insurance, maintenance, and other costs. Renters also, directly or indirectly, bear these costs. According to the U.S. Department of Housing and Urban Development,

¹⁵ MetLife Mature Market Institute (April 2012), p. 19.

households that spend more than 30 percent of their income on housing are considered “cost burdened” while those spending more than one-half of their income on housing are considered “severely cost burdened.”¹⁶ The Center for Housing Policy estimates that 36 percent of households younger than age 65 fall into one of these cost burden categories. The share rises to 39 percent of those age 65 to 74, 41 percent of those age 75 to 84, and 46 percent of those age 85 and older.¹⁷

Bank Accounts

The vast majority of respondents (94 percent) report at the time of participating in the Older Adult Survey that they are “banked,” that is, they have at least one checking or savings account, while 6 percent are “unbanked.” This survey’s unbanked rate is consistent with data from the Federal Deposit Insurance Corporation’s (FDIC’s) 2011 National Survey of Unbanked and Underbanked Households, which found that 6.2 percent of households age 40 and above are unbanked.¹⁸ As a number of studies have documented, unbanked households are not a static group but, rather, flow in and out of the formal banking system as their needs or circumstances change.¹⁹

The share of respondents in the Older Adult Survey who are unbanked declines with age: from 10 percent of those in their 40s and 9 percent of those in their 50s to 3 percent of those in their 60s and less than 1 percent of those age 70 and above. Data from the FDIC survey also show the share of unbanked is highest for those in their 40s (9 percent) and declines with age: 7 percent of those in their 50s are unbanked, 5 percent of those in their 60s, and 4 percent of those age 70 and older.²⁰ The shares of unbanked respondents in the FDIC survey are lower than in the Older Adult Survey for the middle-aged group and higher for the oldest age groups.

Banking Methods

Older adults across all age cohorts employ a variety of methods to conduct everyday financial transactions such as checking their account balances and making deposits or withdrawals. About half (51 percent) carry out transactions in person at a bank, 40 percent use an automated teller machine (ATM), 67 percent use online banking, 21 percent use the telephone, and 10 percent use a bank application on a mobile phone.

However, different banking methods are favored by different age cohorts. For example, while less than one-half (47 percent) of respondents in their 40s bank in person, nearly six in 10 (59 percent) of those age 70 and older do. In contrast, nearly one-half (48 percent) of those in their 40s use an ATM, but only about one-third (30 percent) of those age 70 and older do. Nearly three-quarters (74 percent) of respondents in their 40s go online to do their banking, and this diminishes only somewhat by age; the survey found that more than one-half (54 percent) of respondents age 70 and older also bank online. However, the high usage of online banking reported among the older respondents may be partly attributable to the type of individuals age 70 and older who participated in this online panel. For comparison, the 2010 SCF, which is conducted primarily in person, found that only around one-quarter of respondents age 70 and above said they used a computer or e-mail to interact with a financial institution, though this figure has been rising, as reflected in recent waves of the SCF.²¹

A Pew study on Internet use among adults indicates that younger adults are early adopters of technologies that eventually are used by older groups.²² This trend appears to be borne out in usage of the newest banking technology, mobile apps. In the Older Adult Survey, 18 percent of those in their 40s use their banks’ mobile apps, while only 2 percent of those age 70 and older do so, in part due to younger adults’ higher levels of adoption of smartphones.

Several reasons were cited by respondents for why they do not use online banking, including: they prefer banking in person (52 percent), their needs are being met without online banking (50 percent), they have security concerns (42 percent), and they have general concerns about the technology (22 percent).

¹⁶ U.S. Department of Housing and Urban Development, “CHAS” data (Comprehensive Housing Affordability Strategy), are used by localities to identify housing problems and housing needs, particularly for low-income households. For more information, go to www.huduser.org/portal/datasets/cp/CHAS/bg_chas.html.

¹⁷ Lipman, Lubell, and Salomon (2012), p. 8.

¹⁸ Staff tabulations from 2011 FDIC Survey.

¹⁹ Rhine and Greene (2013).

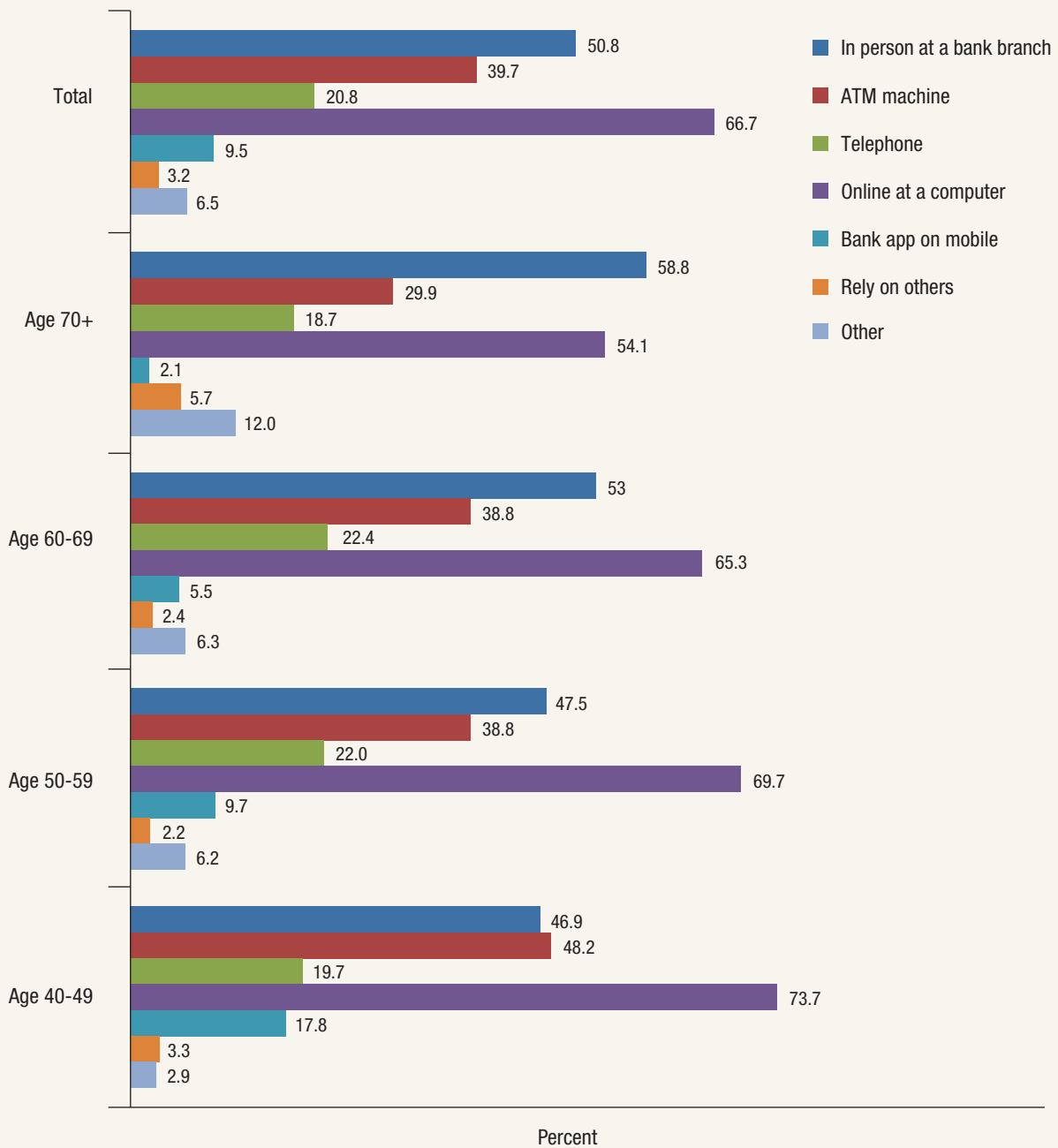
²⁰ Staff tabulations from 2011 FDIC Survey.

²¹ Staff tabulations from 2004, 2007, and 2010 SCF data.

²² Zickuhr and Madden (2012).

Figure 2. Banking in person is common across all age groups; ATMs and online banking also are widely used, but favored by those in their 40s

Percent of survey respondents using each method to check account balances and make deposits/withdrawals, by age



Note: See Table B.12 in Appendix B; number of respondents was 1,735.

One-half (51 percent) of those who do not bank online selected multiple reasons. About four in 10 (38 percent) of respondents in their 40s say their needs are being met without online banking as compared to more than six in 10 (62 percent) of respondents age 70 and older.

The survey found that older adults of all ages pay their bills in a variety of ways, both with and without technology. Overall, some 62 percent of respondents pay at least some bills using their computer, including nearly one-half (49 percent) of adults age 70 and older. Middle-aged households are more likely than

older adults in their 60s and 70s to use the phone to pay bills. It also is the case that in-person payment is more common among those in their 40s and 50s (29 percent each) than among older respondents (25 percent of those in their 60s and 21 percent of those age 70 and older). Nearly one in 10 (9 percent) of all respondents pay at stores that accept bill payments for other companies.

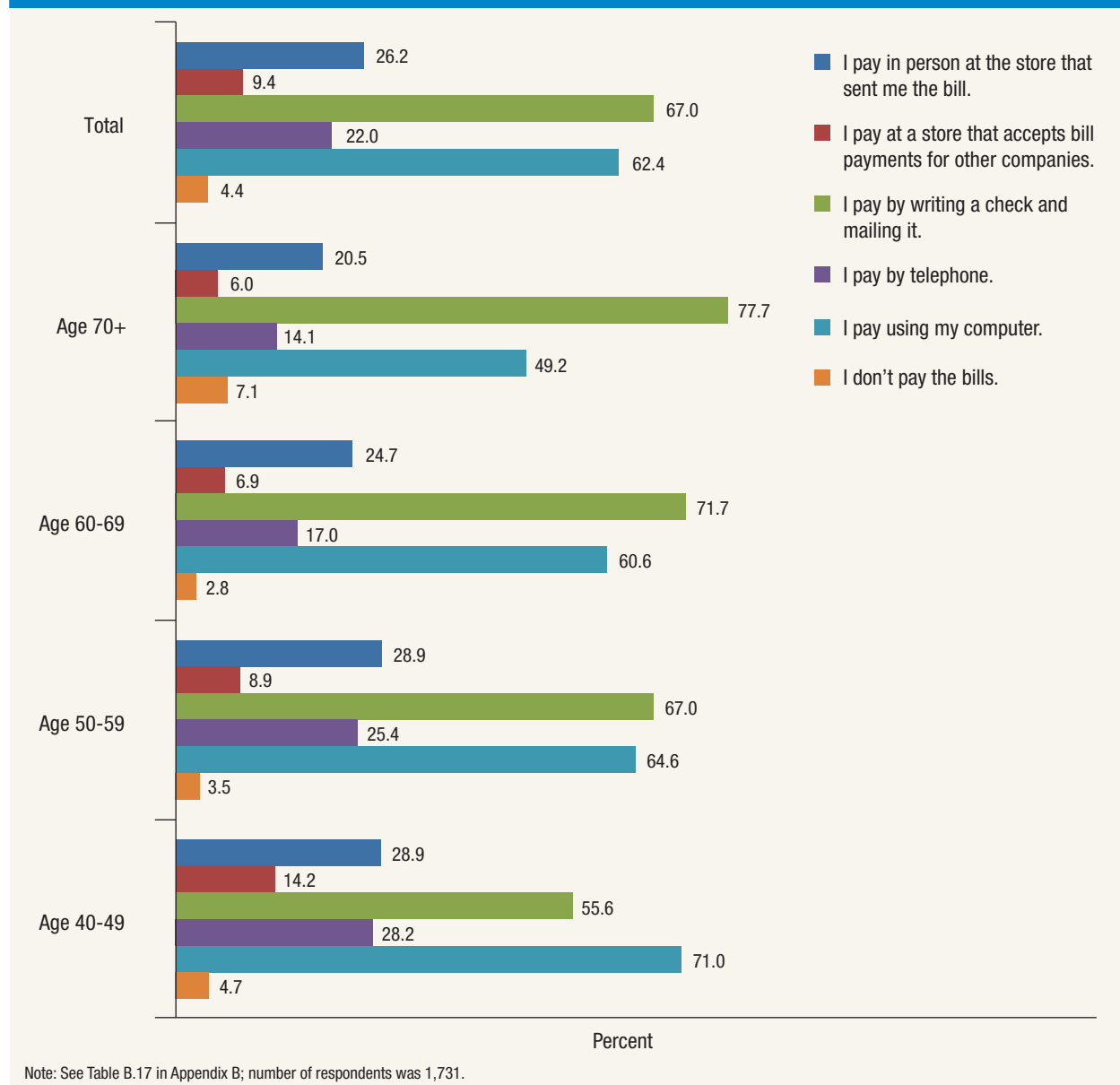
Writing and mailing paper checks is still a widely used method of bill-paying across all age groups, although it is more prevalent among the oldest

groups. More than three-quarters (78 percent) of those age 70 and above, seven in 10 (72 percent) of those in their 60s, and two-thirds (67 percent) of those in their 50s use paper checks. Just over one-half of those in their 40s (56 percent) pay bills in this manner.

The Federal Reserve Bank of Boston’s 2010 Survey of Consumer Payment Choice (SCPC) similarly found that using checks to pay bills is a method most common among the oldest respondents (92 percent of those age 70 and older), but also highly used by

Figure 3. Respondents in all age groups pay bills using a variety of methods and technologies

Percent of survey respondents using each method to pay bills, by age



the middle-aged (nearly 80 percent of those in their 40s and 50s).²³ The SCPC also found that middle-aged respondents are more likely to use payment cards and electronic methods to make online bill payments (about three-quarters do); 57 percent of respondents age 70 and older reported using these payment methods.²⁴

Use of automatic payments also is common among older adults. Among Older Adult Survey respondents who indicated they use the phone or computer to pay bills, almost three-quarters of respondents (73 percent) use automatic payment to pay at least a few of their bills. This includes one in five (21 percent) who say that they use automatic payment for most of their bills and 6 percent who use it for all of their bills. Those who use automatic bill payment rarely or not at all indicated that their reasons for not doing so included: the varying amounts of monthly bills (39 percent), prefer to pay the bills by check (36 percent) or in person (14 percent), concerns about security (23 percent), and lack of trust in technology (15 percent).

Credit Card Balances

In the Older Adult Survey, almost one in four respondents (24 percent) say they have not used a credit card in the last three years. This is generally consistent with data from the 2010 SCF, which indicate that 28 percent of households headed by someone age 40 or older reported that they do not have a credit or charge card. Among respondents in the survey who use credit cards, 48 percent carry balances: 36 percent pay more than the minimum monthly payment, but less than the full amount; 9 percent pay the minimum each month; and 1 percent describes themselves as “typically behind.” Only about one-half (52 percent) report they pay their balance in full every month. Overall figures generally are consistent with data in the 2010 SCF showing that 41 percent of families age 40 and older “hardly ever” (23 percent) or just “sometimes” (17 percent) pay off their credit card balance each month, while nearly six in 10 (59 percent) report they “always or almost always” pay off their monthly balances.²⁵

²³ Staff tabulations from 2010 SCPC data.

²⁴ In the SCPC, checks include both those mailed and those for in-person bill payment. Payment cards include credit, debit, and stored-value/prepaid cards. Electronic methods include bank account number payments and online banking bill payments. The SCPC also uses the RAND ALP.

²⁵ Staff tabulations from 2010 SCF data.

Middle-aged adults in the survey are more likely than older respondents to carry credit card balances each month. Six in 10 of those in their 60s (60 percent) and two-thirds of those age 70 and older (68 percent) pay their balances in full each month, compared to four in 10 of those in their 40s and 50s (41 percent and 42 percent, respectively). These middle-aged respondents also are about twice as likely to pay only the minimum. Again, these findings are consistent with SCF data showing that the older they are, the more likely adults are to “always or almost always” pay off their monthly balances.²⁶ While 44 percent of adults in their 40s say they do so, this rises to more than one-half (55 percent) of those in their 50s, almost two-thirds (66 percent) of those in their 60s, and three-quarters (77 percent) of those age 70 and older.

Among those with credit cards, almost one in five (17 percent) report having more credit card debt now than they did three years ago, while about one-quarter (26 percent) say they are carrying about the same level of debt, and one-third (31 percent) report less credit card debt. Middle-aged respondents were more likely than the oldest adults to say they had incurred more debt. The 2010 SCF data show that median credit card balances for families age 35 to 44 and 45 to 54 is \$3,500 for both age groups, while the median balance for those age 55 to 64 was \$2,800; \$2,200 for those age 65 to 74; and \$1,800 for those age 75 and older.²⁷

Use of Alternative Financial Services

Use of cash advances on credit cards by older adults is relatively limited. Cash advances are loans made against an open line of credit on a credit card and often have interest rates that are significantly higher than on card purchases or balance transfers. About one in 10 (11 percent) respondents indicated they have taken a cash advance on one of their credit cards in the last three years, a rate that does not vary appreciably by age group. Similarly, in a study of financial capability in the United States conducted by the Financial Industry Regulatory Authority (FINRA) Investor Education Foundation, 11 percent of survey respondents noted that in some months they use their cards for a cash advance.²⁸

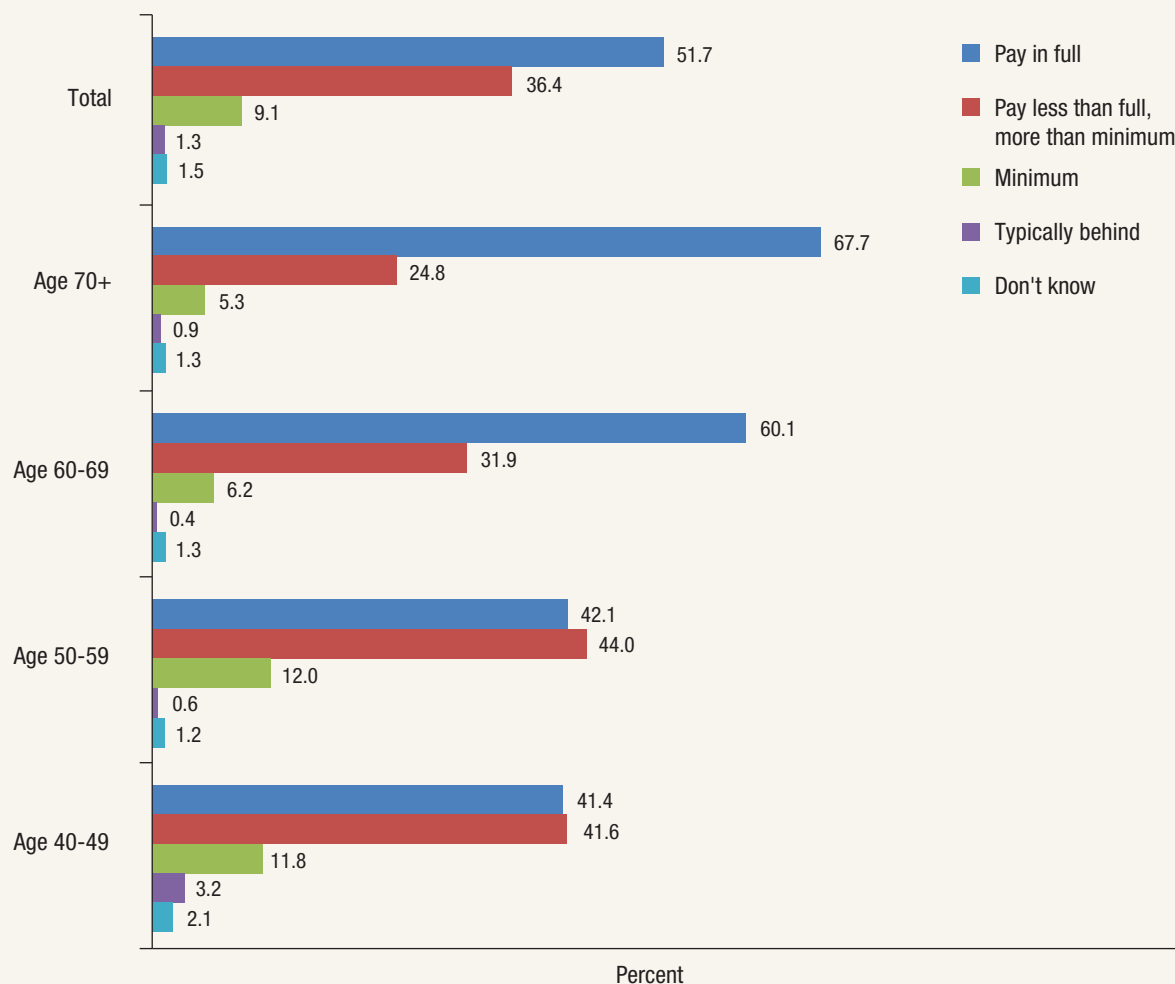
²⁶ Staff tabulations from 2010 SCF data.

²⁷ Bricker, Kennickell, Moore, and Sabelhaus (2012), p. 63.

²⁸ FINRA Investor Education Foundation (2013), p. 21.

Figure 4. Middle-aged respondents are more likely than older groups to carry credit card balances

Percent of survey respondents reporting typical credit card payment activity, by age



Note: See Table B.22 in Appendix B; number of respondents was 1,456.

Use of payday and deposit advance products among older adults appears to be modest. Although not strictly the same, payday loans and bank deposit advances are potentially high-cost methods of borrowing that share similar characteristics. Both generally are used to borrow amounts up to \$500 and both typically are secured by an anticipated deposit in a borrower's checking account. Some 4 percent of respondents in the Older Adult Survey say they currently have a payday loan or deposit advance and an additional 5 percent say they have used these products in the past. The survey also finds that middle-aged respondents use these products at higher rates than older respondents—those in their 40s are twice as likely to use these products as those in their 60s. Usage also is higher among those with incomes below \$60,000 as compared to higher-income house-

holds, and among minority respondents as compared to white respondents (6 percent as compared to 3 percent).

In comparison, use of payday loans by respondents age 40 and older is lower in the 2010 SCF and 2011 FDIC survey of the banked and unbanked. Just 3 percent of families age 40 and older in the SCF say they have used a payday loan in the past year, while 4 percent of respondents age 40 and older in the FDIC survey say they have "ever" used a payday loan. However, these comparison figures do not include deposit advance products.²⁹

²⁹ Staff tabulations from the 2010 SCF and 2011 National Survey of Unbanked and Underbanked Households.

Student Loan Debt

According to a recent analysis of the Federal Reserve Bank of New York's Consumer Credit Panel, student debt is the only class of household debt whose aggregate amount continued to rise through the financial crisis.³⁰ Education debt now represents the second largest household debt class, more than credit card and auto loan debt combined. The Consumer Credit Panel data also indicate this type of debt is increasing across all age groups. Younger households carry the largest debt burdens from student loans, but the share of student loan debt owed by households 40 and older is about one-third of the nearly \$1 trillion total student loan debt outstanding in 2012, a substantial increase from about one-fifth of the total \$330 billion in 2004. The share of borrowers 90-days delinquent has also been growing across all age groups since 2004, with delinquencies among borrowers age 50 and older doubling from about 7 percent to 14 percent in 2012.

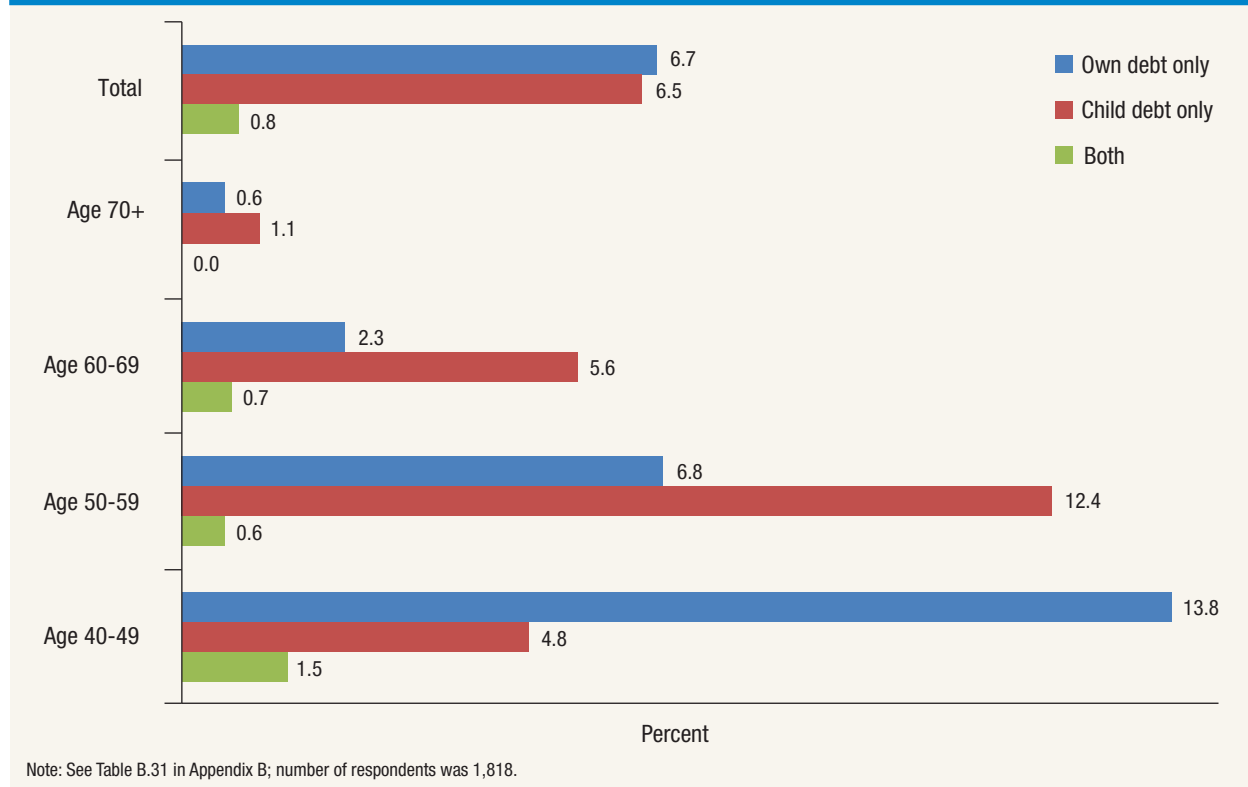
³⁰ Lee (2013).

The Older Adult Survey also found that, for some older adults, payment on student loan debt persists well into middle age. The survey asked for whom the education debt was acquired. Overall, 14 percent of respondents report carrying student loan debt for themselves or their children. Of respondents in their 40s with education debt, most are paying off loans for themselves. Of respondents in their 50s and 60s with education debt, most are paying off loans for their children. Specifically, 14 percent of respondents in their 40s reported having an outstanding student loan for themselves, while just 5 percent had loans outstanding for children. Conversely, while just 7 percent of respondents in their 50s reported having an outstanding student loan for themselves, 12 percent had loans outstanding for children. Further, just 2 percent of those in their 60s had student loans for their own education, but 6 percent had student loans for the education of their children.

In comparison, the 2010 SCF data show that 12 percent of families over age 40 carried student loan debt. One in five (20 percent) families in their 40s had edu-

Figure 5. One in five middle-aged respondents carries student loan debt for themselves or their children

Percent of survey respondents reporting student loan debt for themselves, their child, or both, by age



cation debt, as did 15 percent of those in their 50s. These figures were up substantially from 2004 when, the SCF shows, 8 percent of those age 40 and above had education debt, including 13 percent of those in their 40s and 12 percent of those in their 50s. The share of those in their 60s with student loan debt also grew considerably over the same period, from approximately 2 percent in 2004 to slightly more than 5 percent in 2010.³¹

The Older Adult Survey also indicates that, for those with student loan debt for their own education only,

³¹ Staff tabulations from 2010 SCF data.

the average size of this debt is approximately \$24,000. For those with student loan debt only for their children, the average debt burden is approximately \$20,000.³² In comparison, the SCF data show that total average education debt for families age 40 and older was \$25,191, and also indicate a notable increase in education debt among older adults over the period 2004 to 2010. In 2004, average student loan balances were \$17,153 (in 2010 dollars), rising to \$20,101 in 2007.³³

³² These figures are estimated by averaging the midpoint of each debt range (assuming an amount of \$75,000 in the open-ended maximum category).

³³ Staff tabulations from 2004, 2007, and 2010 SCF data.

Financial Decisionmaking of Older Adults

This section of the report discusses financial decisionmaking by older adults. It begins with a general overview of cognition and financial decisionmaking before reviewing findings from the Older Adult Survey on routine financial matters, such as money management and help with expenses. Next, it turns to major financial decisions concerning refinancing, investments, retirement, and planning for incapacity. The section concludes with a discussion of older adults' overall confidence in their own decisionmaking.

Aging, Cognition, and Decisionmaking

Poor decisionmaking can have real financial consequences. A notable study of financial decisionmaking by adults of all ages points out that many consumers make poor financial choices, but older adults are susceptible to such errors, often making mistakes because of declining cognitive ability.³⁴ Younger consumers are vulnerable as well; however, their mistakes are more likely to be due to inexperience. The decline of many aspects of cognition, including the ability to quickly process information, recall information from long-term memory, and reason (also called “fluid intelligence”) may begin as early as age 20 and, for some people, this decline can quickly accelerate after age 60. For older adults, however, accumulated knowledge and experience (“crystallized intelligence”) may help compensate for some degree of cognitive decline. The study's authors describe financial decisionmaking as a U-shaped curve at the bottom of which the best financial decisions (least costly mistakes) are made at or about age 53.

While cognitive abilities vary by individual, several recent reports have cited declining cognition as a serious financial risk for older adults.^{35,36} The American

Psychological Association defines the core cognitive skills for managing finances by such indicators as the ability to identify coins, count money, conduct cash transactions, pay bills, and detect risk of fraudulent phone or mail solicitations for money.³⁷ As an AARP study notes, the decline in financial capacity tends to occur early in the process of cognitive impairment. Impairment can appear subtle—older adults themselves and their families often are unaware of it—but once it starts it can progress quickly.³⁸ One study has found that older couples often delay switching the member of the couple responsible for financial decisionmaking until that person reports his or her own difficulties managing money, which tends to occur well after cognition has declined.³⁹ As noted in the introduction to this report, older adults participating in an online survey are likely to have higher levels of cognition than the older adult population at large.

Help with Everyday Financial Matters

Almost one in five (18 percent) survey respondents say they needed help with everyday money management in the past year. For this survey, money management is defined as making deposits and transferring money, sending payments, writing checks, and balancing accounts. One-quarter (24 percent) of respondents in their 40s say they require assistance, compared to 12 percent of those age 70 and older. The finding that many older adults handle their own daily finances is generally consistent with other surveys. The Investor Protection Trust survey, for example, found that the majority (71 percent) of adult children with a parent age 65 or older say their parent handles their personal finances themselves; one-fourth reported that their parent relies on a family member to handle their finances, and only 3 per-

³⁴ Agarwal, Driscoll, Gabaix, and Laibson (2009).

³⁵ MetLife Mature Market Institute (June 2011).

³⁶ Investor Protection Trust (2012).

³⁷ American Bar Association (2008), p. 74.

³⁸ Karp and Wilson (2011), p. 1.

³⁹ Hsu and Willis (2011), p. 71.

cent reported their parent relies on a non-family member.⁴⁰

Of those who say they received help with everyday money management, almost two-thirds (63 percent) relied on friends or family, only 7 percent used professionals, and one in 10 (11 percent) got help from other sources, such as government programs and nonprofit organizations. One in five (21 percent) of those respondents who reported needing help with everyday money management “couldn’t find” such assistance.

When asked to compare the help with money management they receive today with the help they received three years prior, most respondents (85 percent) say that they did not receive help with money management then and do not receive help now. Overall, only 2 to 3 percent of respondents in any age cohort say they receive more help today than they did three years prior.

More than one-fifth (23 percent) of respondents say their household needed help covering the costs of bills and expenses in the past year. However, households in their 40s (32 percent) and 50s (28 percent) report needing help to a greater extent than those in their 60s (14 percent). Only about one in 10 (11 per-

cent) of those age 70 and older said they needed such assistance.

More than two-thirds of those who needed monetary help (68 percent) say they relied on friends or family to give or loan their household money. Friends or family are the primary source of monetary assistance across all age groups. Of the one in 10 (10 percent) who said they received help from other sources, government and community programs were the most frequent write-in responses. One-fifth (23 percent) of respondents indicate that they do need help covering bills and expenses but “couldn’t find it.” A similar share of respondents reported needing help with money management and not finding it. Most respondents (82 percent) say, compared to three years ago, they did not need help meeting expenses then and do not need help now. This was indicated by an even higher proportion (92 percent) of those age 70 and older.

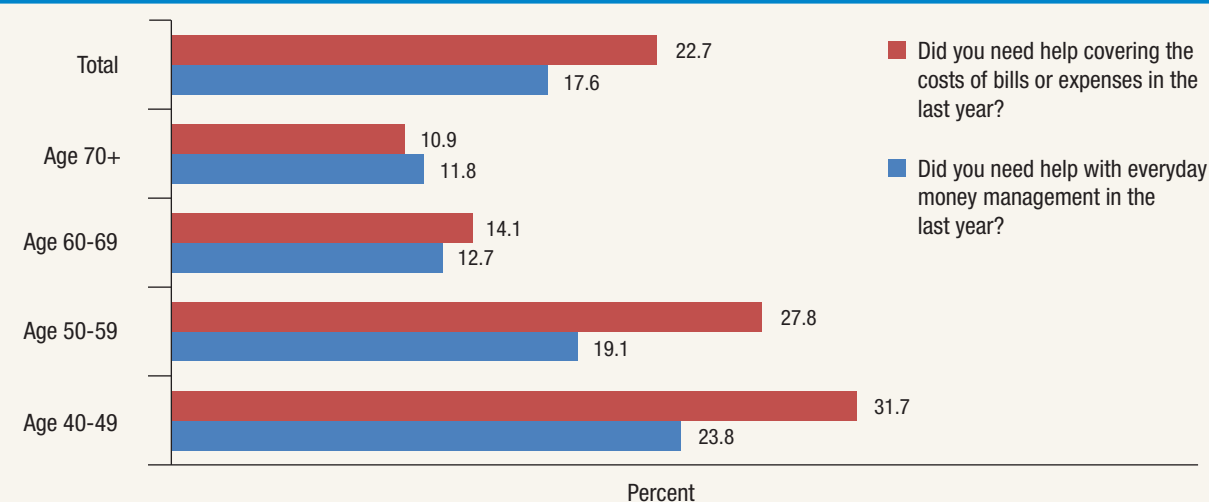
Decisionmaking about Refinancing and Investments

Refinancing a mortgage can have long-term financial implications for homeowners. As noted earlier, one-third (32 percent) of respondents with mortgages say they had refinanced in the last three years. Almost one-half (47 percent) say they did not seek advice in deciding to refinance, but one in four (25 percent)

⁴⁰ Investor Protection Trust (2010), pp. 17–18.

Figure 6. Middle-aged respondents are more likely than older groups to need help with money management and paying bills and expenses

Percent of survey respondents reporting that they needed help with money management and bills or expenses, by age



Note: See Tables B.35 and B.39 in Appendix B; number of respondents was 1,818 and 1,819, respectively.

asked friends or family members about the decision, while one-third (36 percent) consulted a professional such as a financial advisor, banker, or attorney.

Managing investments is another area where substantial numbers of respondents choose not to seek advice. Just over one-half (52 percent) of respondents reported they have investments.⁴¹ Of those that do, more than one-half (55 percent) say they manage their investments themselves, and 47 percent report using a professional. Only 6 percent rely on friends or family, while 4 percent seek advice from other sources. This is consistent with research from the Stanford Center on Longevity, which shows that more than one-half of pre-retirees never consult a financial professional for advice or guidance with financial planning.⁴²

Fraudulent Activity

In the investment arena, the perpetration of fraud against older adults has been the subject of a number of recent studies by U.S. Government Accountability Office (GAO), Federal Trade Commission, and Federal Bureau of Investigation, among others.⁴³ About 7 percent of respondents in the Older Adult Survey said they believed that, in the last three years, they were asked to invest in a fraudulent activity; however, this figure may exclude those who may not be aware or willing to report that they were a victim and may include those who believed they were asked but actually were not. While perpetrators are typically friends or family members, a recent GAO report found a growing number of cases involving interstate and international marketing fraud against older adults.⁴⁴ Researchers also estimated that the annual dollar amount loss by victims of elder financial abuse in 2010 was \$2.9 billion, a 12 percent increase from 2008, and likely an underestimate due to the reluctance of victims to report fraud.⁴⁵

⁴¹ Respondents were not provided with a definition of investments as part of the survey. However, investments are commonly understood to include stocks, bonds, certificates of deposit, mutual funds, and similar financial products.

⁴² Stanford Center on Longevity (2012), p. 27.

⁴³ Various testimonies (2013), *Fraud on the Elderly: A Growing Concern for a Growing Population*, hearing before the Subcommittee on Commerce, Manufacturing, and Trade of the House Committee on Energy and Commerce, U.S. House of Representatives, May 16, 2013. Available online at <http://energycommerce.house.gov/hearing/fraud-elderly-growing-concern-growing-population>.

⁴⁴ Brown (2013).

⁴⁵ MetLife Mature Market Institute (June 2011), p. 7.

Expectations about Retirement

Planning for retirement is one of the more complex and consequential financial decisions for many people. Traditional defined benefit pension plans are no longer commonplace. Today, most workers and retirees are responsible for ensuring that their 401(k) balance and other savings are sufficient to fund their lifestyle in retirement, and for managing the drawdown of these funds carefully so as to minimize the risk of outliving their resources. Numerous studies have documented that many older adults still in their working years do not know how much they need to save, misjudge if and when they will retire or continue to work, and fail to seek or follow advice about preparing for retirement. The Older Adult Survey did not include questions on the details of retirement planning; rather, key findings from other research are summarized here and supplemented by some additional insights about the survey respondents from their participation in other RAND surveys.

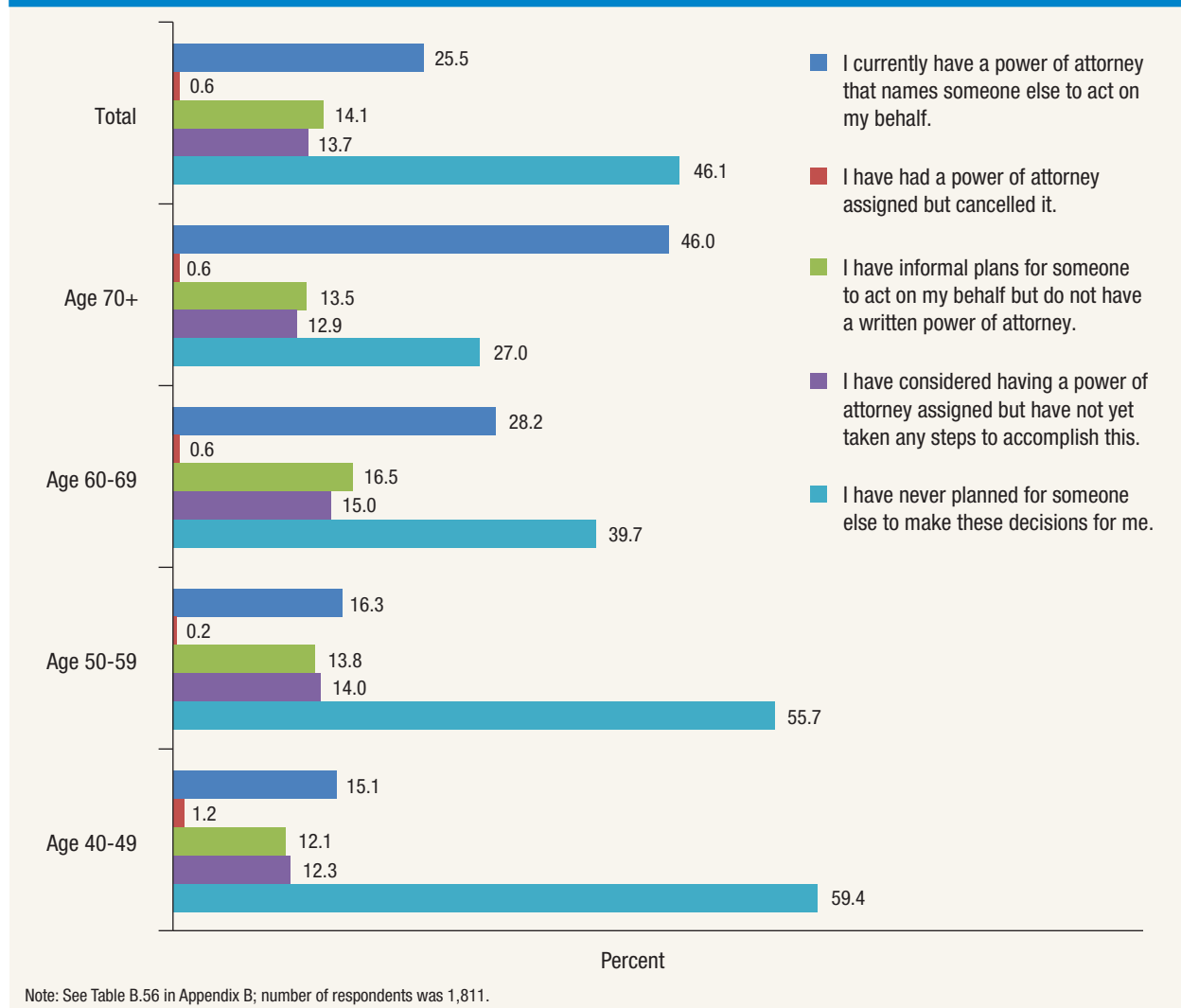
Data from previous surveys in the RAND ALP for respondents in the Older Adult Survey indicate that one-third (34 percent) of working respondents in their 40s, one-fifth (20 percent) of those in their 50s, and 28 percent of those in their 60s think they “never” will stop working. Lower income respondents are more likely to say they will never retire. The average expected age of retirement among those who do expect to stop working is 68. Eight in ten (83 percent) respondents who strongly disagree or disagree with the statement “I really enjoy going to work” say they expect to retire. This dips to two-thirds (68 percent) of those who strongly agree or agree with the statement.

The RAND supplemental data in the survey further show that about one in five (21 percent) respondents who reported being retired also said that they presently are working for pay. This number includes about 41 percent of retired people under the age of 65 as well as 15 percent of retirees age 65 and older. The survey also indicated that about one in five (20 percent) retirees who do report working are self-employed. This compares to 13 percent of non-retirees who are self-employed.

Several studies have noted that workers who retired earlier than expected cite health issues and layoffs as typical reasons. Those who retired later than expected frequently cite needing a salary to pay for day-to-day expenses, making up for a shortfall in investments,

Figure 7. The vast majority of respondents lack a written power of attorney, including many in the oldest age group

Percent of survey respondents reporting their plans for financial decisionmaking in the future, by age



retaining health insurance, and a desire to stay active as reasons they continue to work.⁴⁶ The Employee Benefit Research Institute (EBRI) survey found that more than seven in 10 American workers think they will continue to work part- or full-time in retirement. In fact, only one in four retirees actually does continue to work in retirement.⁴⁷ Research also shows there is considerable movement from part-time back to full-time, stopping entirely, and then returning to work for an employer or becoming self-employed.⁴⁸

⁴⁶ MetLife Mature Market Institute (April 2012), p. 8.

⁴⁷ Helman, Adams, Copeland, and VanDerhei (2013), p. 30.

⁴⁸ Maestas and Zissimopoulos (2009), pp. 20–22.

Planning for Incapacity

As noted earlier, a person's ability to make appropriate financial decisions can rapidly decline after middle age. This suggests some urgency for making plans for possible incapacity, such as setting up powers of attorney, joint accounts, and trusts to handle critical financial decisions.

In the survey, 23 percent of respondents say they have a written power of attorney in place if they become unable to make financial decisions.⁴⁹ One-

⁴⁹ Respondents were provided with a definition of power of attorney as a legal document that names someone who will make [financial] decisions for them now or at some time in the future.

half (50 percent) say “I have never planned” for someone else to make decisions for them, and another 12 percent say they have considered having a power of attorney assigned but “have not taken any steps to accomplish this.” Another 14 percent say they have “informal plans,” but no written power of attorney; less than 1 percent had a power of attorney but cancelled it.

The likelihood of having a power of attorney increases with age. About one in seven of those in their 40s and 50s (15 percent and 16 percent, respectively) have a power of attorney, increasing to more than one-quarter (28 percent) of those in their 60s and more than four in 10 (46 percent) of those age 70 and older. Of those with a power of attorney, the vast majority name a spouse (58 percent) or “another family member or friend” (37 percent).

Even older adults with a sense of their own mortality lack a power of attorney. Using supplemental RAND ALP data, it was possible to identify respondents who indicate they strongly agree with the statement “I have a sense that time is running out.” Respondents in the survey who strongly agreed with this statement were no more likely than those who did not to have a power of attorney in place.

Older respondents are more likely than middle-aged respondents to have a will, but a substantial share across all the age groups do not. More than two-thirds (68 percent) of survey respondents in their 60s and three-quarters (78 percent) of those age 70 and older have a will, compared to less than one-half of those in their 40s (43 percent) and 50s (49 percent). Those who are single (divorced, separated, or never married) are much less likely (39 percent) to have a will than those who currently are widowed, married, or living with a partner (63 percent). Even among those who are widowed, married, or living with a partner, age differences persist. Only about one-half of such respondents in their 40s (45 percent) and 50s (53 percent) have a will, as compared to 73 percent of those in their 60s and 84 percent of those age 70 or older.

Confidence in Decisionmaking Ability

According to previous studies, older adults generally are confident about their own decisionmaking. The 2012 FINRA financial capability study found, for example, that approximately three-quarters of con-

sumers of all ages rated themselves highly on their own financial knowledge (73 percent) and on their ability to make good day-to-day financial decisions (76 percent). Yet, when taking a financial literacy quiz consisting of five questions testing knowledge of financial concepts, the average score was 2.9 correct out of 5. Adults age 55 and older scored only slightly better, with an average score of 3.3 correct.⁵⁰

In the Older Adult Survey, respondents are asked to compare their confidence in making financial decisions today to five years ago. One-third (34 percent) are more confident compared to five years ago; about six in 10 (61 percent) have the same level of confidence; and relatively few (5 percent) are less confident. Middle-aged respondents were more likely to say they are “more confident” in their decisionmaking, while the oldest respondents were more likely to say their confidence level is “the same.”

As mentioned in the introduction to this section of the report, individuals’ financial decisionmaking abilities and perceptions of those abilities may not correspond. Cognition scores were obtained for 1,690 of the 1,821 Older Adult Survey respondents from previous surveys using the RAND ALP.⁵¹ As just noted, very few respondents of all ages said they are “less confident” in making financial decisions compared to five years ago, although those who did generally had statistically significant lower cognition scores than other respondents. Interestingly, the cognition scores of respondents who said they were “more confident” than five years ago were slightly, but statistically significantly, lower than the scores of those who now have “the same” level of confidence.

Likewise, the Investor Protection Trust survey found high levels of confidence among adult children and their parents. Nine in 10 (89 percent) adult children are “very confident” or “somewhat confident” in their over 65-year-old parent’s ability to handle personal finances. The parents themselves were even more confident: 97 percent say they are “very” or “somewhat” confident of their own abilities.⁵²

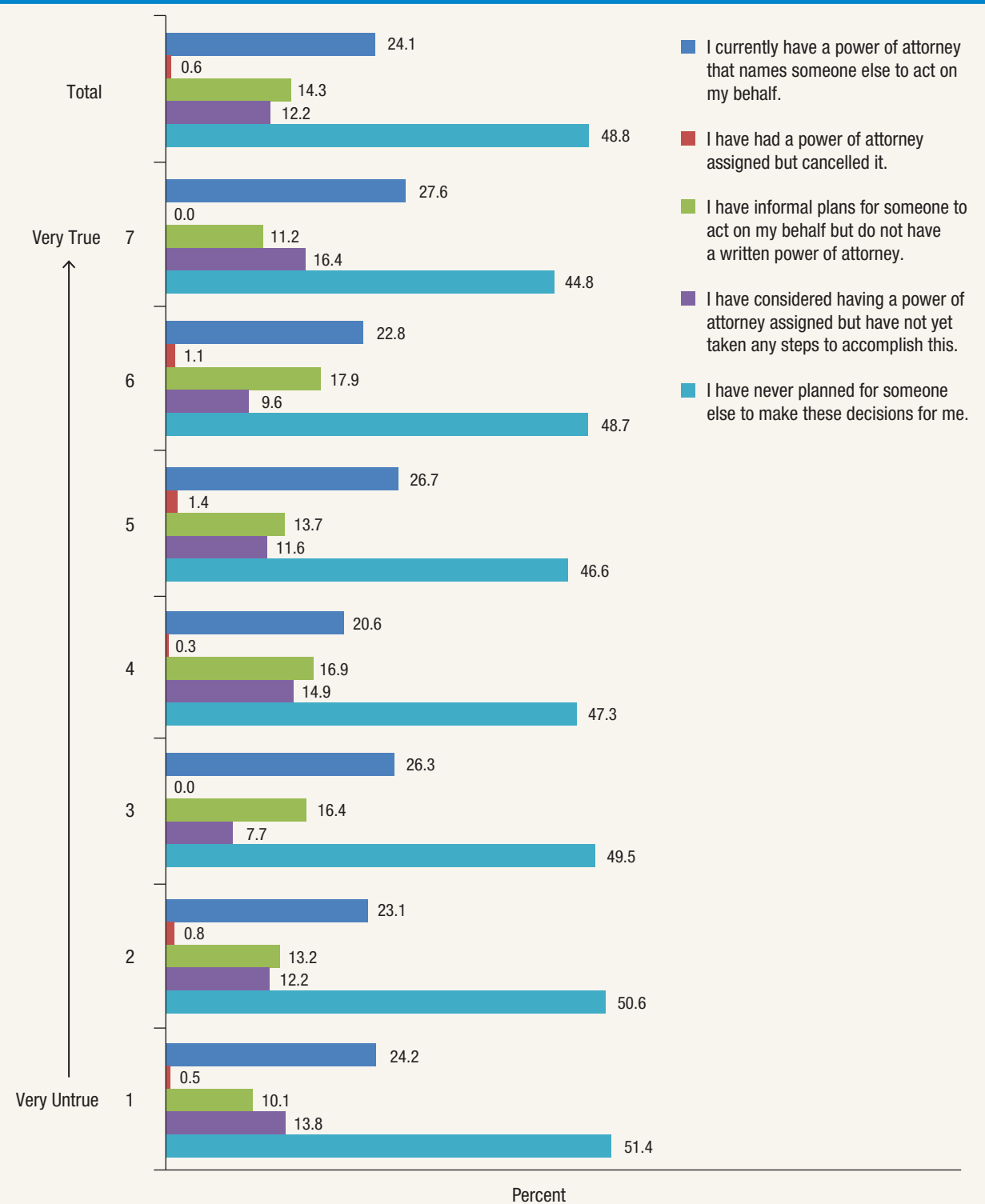
⁵⁰ FINRA Investor Education Foundation (2013), pp. 27–30. Respondents rated themselves 5 to 7 on a 7-point scale. The five questions covered interest rates, inflation, bond prices, mortgages, and risk.

⁵¹ This report uses fluid and crystallized cognitive ability measures from the RAND ALP based on the Woodcock-Johnson III (WJ-III) test, which is part of a cognitive battery to attain person ability compared to a nationally normed sample. For more on the W Score and references, see Appendix A: Older Adult Survey Methodology.

⁵² Investor Protection Trust (2010), p. 6.

Figure 8. The likelihood of having a written power of attorney does not appear to be driven by respondents' perception that their "time is running out"

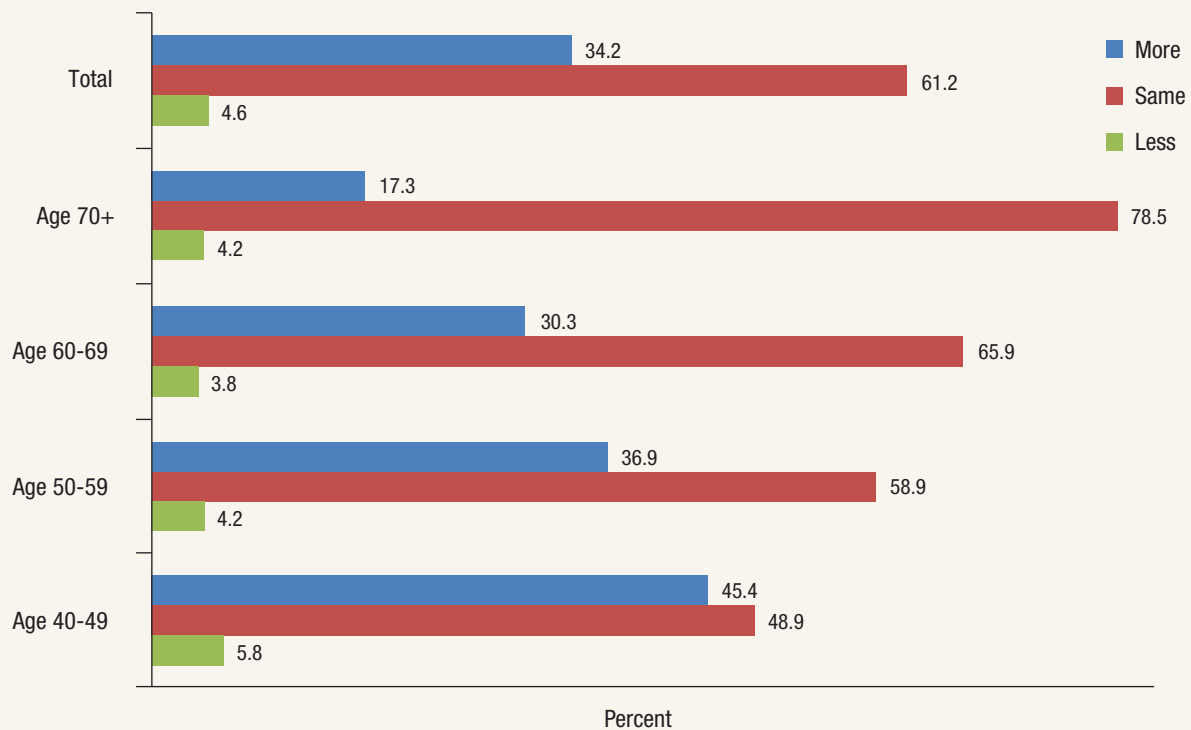
Percent of survey respondents who agree with the statement: "Time is running out" and reporting their plans for financial decisionmaking in the future



Note: Totals in Figure 8 differ slightly from totals in Figure 7 because Figure 8 is for a subset of Older Adult Survey respondents who had previously answered the perception of time question in the RAND ALP. See Table B.58 in Appendix B; number of respondents was 1,463.

Figure 9. Very few respondents say they are “less” confident making financial decisions compared to 5 years ago; respondents in their 60s and 70s and older are more likely to say their level of confidence is “the same”

Percent of survey respondents feeling more, less, or the same level of confidence making financial decisions compared to five years ago, by age



Note: See Table B.64 in Appendix B; number of respondents was 1,819.

Supplemental RAND ALP data for Older Adult Survey respondents also included information on survey respondents' perceptions of changes in their decisionmaking ability. Middle-aged adults are more likely than the oldest adults to note improvement in their decisionmaking ability. More than one-half (54 percent) of respondents believe that their ability to make decisions has “improved as they have aged.” Middle-aged adults were more likely to note improvement. More than two-thirds (69 percent) of those in their 40s say they have gotten better, compared to six in 10 (60 percent) of those in their 50s, barely one-half (51 percent) of those in their 60s, and roughly one-quarter (28 percent) of those age 70 and older.

Only a small number (4 percent) of respondents say they entered into a major (\$1,000 or greater) finan-

cial transaction in the last three years that they “did not completely understand.” Cost and fees were cited as main features of the transaction they said they did not completely understand.

Also, only 10 percent of respondents expressed regret over a major financial transaction. Most commonly cited reasons why respondents expressed regret were that they paid more than they should have (36 percent) or bought something they did not need (14 percent). In responses to an open-ended question, respondents most frequently said vehicle purchases and investment decisions generally were sources of regret.

Financial Stress and Well-Being of Older Adults

This section of the report describes the incidence and main sources of financial stress among older adults.

Major Financial Stress

More than one-third (36 percent) of respondents in the survey say they have experienced “major financial stress” within the last three years, a proportion that is even higher among middle-aged adults. Major financial stress was reported by 45 percent of respondents in their 40s, 41 percent of those in their 50s, 31 percent of those in their 60s, and one in five (19 percent) of those age 70 and above.

Several surveys have tried to gauge prevailing levels of financial stress by age. For example, research by the Personal Finance Employee Education Foundation also found that financial stress levels tend to decline with age, with “high” or “overwhelming” stress cited by roughly one-quarter of those age 30 to 44, one-fifth of 45- to 54-year-olds, and about 11 percent of people age 55 to 64.⁵³ Looking at a series of indicators of financial stress, the FINRA Financial Capability Study similarly found higher levels of stress among adults in mid-life as compared to older adults.⁵⁴ For example, adults age 35 to 54 were about twice as likely as those age 55 and older both to take a loan from a retirement account (14 percent vs. 7 percent) and to be late more than once with a mortgage payment in the last two years (15 percent vs. 8 percent). The 35-to-54 age group also was more likely to occasionally overdraw on their checking accounts (25 percent vs. 14 percent).⁵⁵

⁵³ Personal Finance Employee Education Foundation (2011), p.6.

⁵⁴ FINRA Investor Education Foundation (2013), p. 9.

⁵⁵ Comparable figures for the youngest adults, 18 to 34 years old, were even higher: 22 percent have taken a loan from their retirement account, 16 percent have been late with mortgage payments more than once, and 28 percent have overdrawn their checking accounts.

Sources of Financial Stress

Financial stress stems from a number of sources, most often cash flow-related and health-related. Respondents in the survey reporting financial stress cited cash flow issues such as: “losing a job or having work hours and/or income reduced” (51 percent), unpaid taxes (13 percent), filing for bankruptcy (7 percent), and receiving a foreclosure notice on their homes (6 percent). A considerable number identified “having a significant health issue” as a cause of their financial stress (30 percent). Some respondents indicated their financial stress is due to “getting separated or divorced or losing a spouse/partner” (8 percent). More than one in five (22 percent) also reported “other” causes of stress, many citing the general state of the economy.

Multiple sources of financial stress are common. One-quarter of respondents (25 percent) with financial stress indicated their stress arises from two or more sources, including 8 percent who cited three or more sources. For those who reported more than one source of stress, unemployment and health was the most common combination of stress factors.

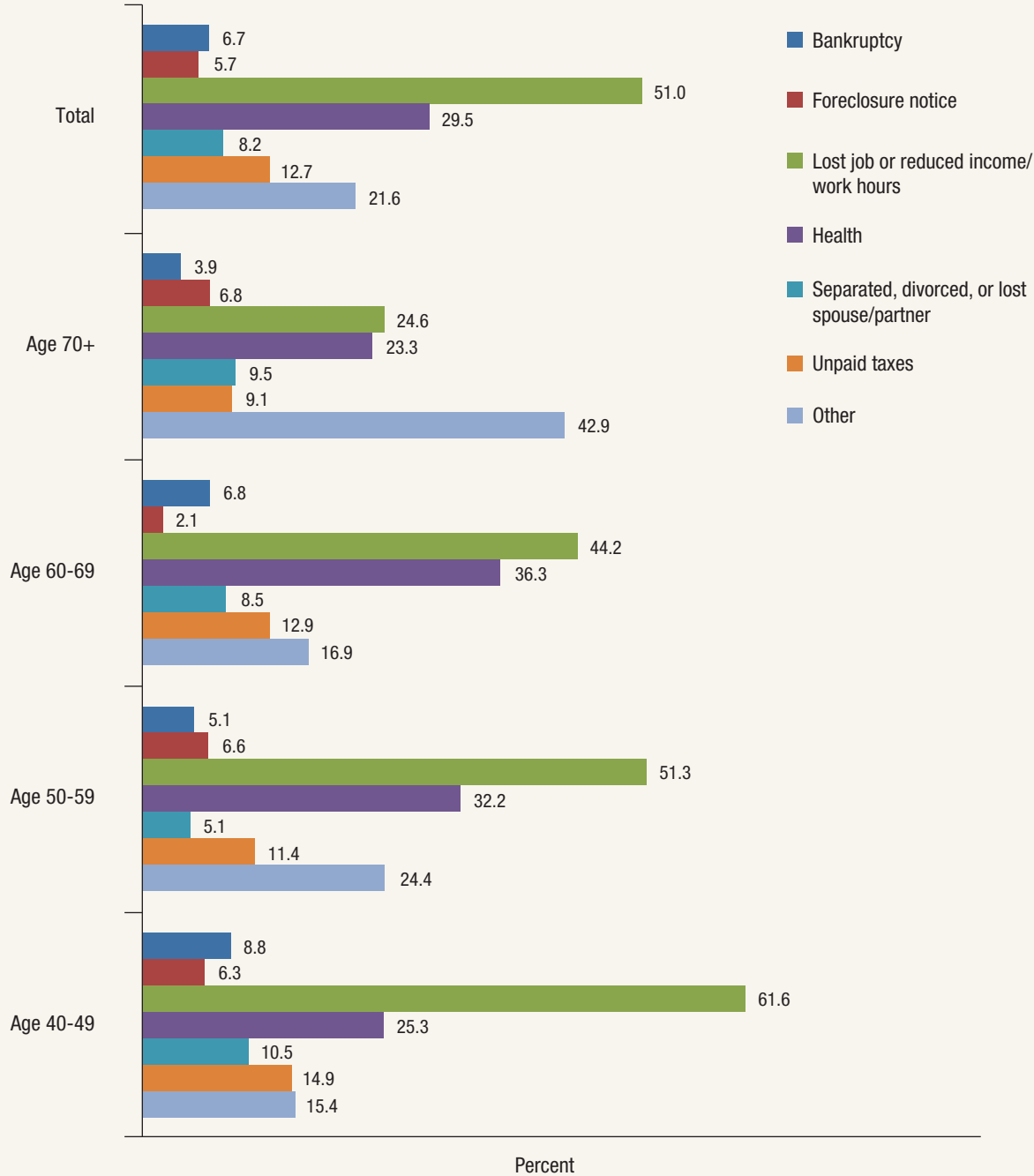
Unemployment and Financial Stress

Unemployment is more often cited by respondents in their 40s and 50s as a source of financial stress; however, this may largely be a function of the greater labor force participation in these age groups. Unemployment can be particularly stressful for those closest to retirement age who have been shown to endure long spells of employment and reduced income even if they are able to get re-hired. In June 2010, when unemployment was near its peak in the recession, the average period of unemployment for job seekers age 55 and older was 40.6 weeks, compared to 31.6 weeks for younger job seekers.⁵⁶ An Urban Institute study found that, once re-hired, men age 62 and older

⁵⁶ Heidkamp, Corre, and Van Horn (2011), p. 8.

Figure 10. More than one-third of respondents report major financial stress in the last three years, most often due to job loss or reduced income or to health-related issues

Percent of survey respondents reporting each source of major financial stress in the last three years, by age



Note: See Table B.75 in Appendix B; number of respondents was 651.

earned 36 percent less per hour in the new job than their previous job, and men age 50 to 61 earned 20 percent less than previously.⁵⁷ This compares to a 4 percent wage loss for reemployed laid-off men age 35 to 49. Older women also took longer to get re-hired and faced larger losses on their earnings than did younger women. Women age 62 and older earned 16 percent less than previously and those age 50 to 61 earned 21 percent less, compared to 10 percent less for women age 35 to 49.

The impact of long spells of unemployment and reduced wages is a strain on household resources. In focus groups of older unemployed workers conducted as part of a study by the GAO, participants reported they relied on unemployment insurance and had taken a variety of steps to meet short-term needs, such as increasing credit card debt, borrowing money from family or friends, deferring needed medical care, or selling possessions. As unemployment persisted, they drew down retirement savings or tapped into their home equity to cover living expenses.⁵⁸

In addition, as the GAO study also noted, long-term unemployment also takes a toll on an older worker's future retirement income in several ways. Workers who borrow money from retirement accounts incur taxes and withdrawal penalties. Even those eligible to withdraw run the risk of being unable to rebuild their savings when they take their money out unexpectedly early. Meanwhile, they have stopped saving and making contributions for their retirement just at the time they need to most. Finally, long-term unemployment can motivate older workers to claim early Social Security retirement benefits, which will result in lower monthly benefits for workers and their families for the rest of their lives.

Health-Related Financial Stress

Health-related financial stress occurs broadly across age groups. While one-third of those in their 50s (32 percent) and those in their 60s (36 percent) with financial stress cited health as a reason, one-quarter (25 percent) of those in their 40s did so as well. More than one-quarter of respondents (28 percent) reported that, in the last three years, they had paid a medical expense greater than \$1,000 that was not

covered by insurance, a share consistent across all age groups.

Medical expenses also may result in indebtedness for some older adults. One in eight (12 percent) respondents said they have had to carry a balance on their credit card in the last three years because of a medical expense. This is more likely to be the case for respondents in their 40s and 50s than for older respondents and might partly be explained by the availability of Medicare support for those over the age of 65. The FINRA study similarly found that 30 percent of adults age 35 to 54 reported having unpaid medical bills, compared to 17 percent in the 55-and-older age group (some of whom are not yet eligible for Medicare).⁵⁹

Health issues may lead, not only to an inability to work and increased household expenditures but, as research suggests, to recurring financial challenges between health issues and financial circumstances.⁶⁰ Unemployment and job insecurity may result in the loss of health insurance. Unable to afford the cost of care, some people will forego medical care or prescribed medications. Physical and mental health may be further affected by lowered income and living standards.

Some evidence of this interplay between health and financial stress was evident in the survey. Self-reported information on health condition was available in the RAND ALP for 1,812 of the 1,821 survey respondents. Nearly one-half (45 percent) of respondents who said they were in "fair" or "poor" health indicated that they have experienced major financial stress recently. This is compared to about one-third (32 percent) of those who said they are in "excellent" or "very good" health.

Meeting Unexpected Expenses

The inability to meet a large unanticipated expense also may signal financial stress. When asked about meeting unexpected expenses of \$1,000, respondents in the Older Adult Survey identified a variety of sources they might use to cover the cost. About 44 percent would use only methods that suggest they have resources readily available to meet an unanticipated expense. These methods include taking money from a checking or savings account or paying in cash.

⁵⁷ Johnson and Mommaerts (2011), pp. 22–23.

⁵⁸ U.S. Government Accountability Office (2012), p. 28.

⁵⁹ FINRA Investor Education Foundation (2013), p. 10.

⁶⁰ Robert Wood Johnson Foundation (2013).

Also among these methods is putting the amount on their credit card and paying it in full at the end of the month. Another 40 percent did not select these methods among their options. Some 16 percent indicate they may use one of these options but also cited other methods they might use, including: borrowing from a friend or family member, making partial payments on their credit cards, using another type of installment debt, or spending less on other items.

In terms of age differences, the oldest adults were more likely than middle-aged adults to say they would take the \$1,000 out of a savings or checking account or put the \$1,000 on a credit card and pay in full at the end of the month. More than one-half (53 percent) of respondents in their 60s and six in 10 (60 percent) of those age 70 and older would pay upfront or in full, as compared to only about one-third of those in their 40s and 50s (36 percent, respectively). Similarly, in a question worded slightly differently, the 2012 FINRA Financial Capability Survey asked respondents if they would be able to come up with \$2,000 if an unexpected need arose in the next month. That survey found that nearly three-quarters (73 percent) of adults age 55 and older said they “probably” or “certainly could,” compared to 58 percent of 35- to 54-year-olds and only about one-half (51 percent) of 18- to 34-year-olds.⁶¹

Seeking Advice for Financial Stress

Less than one-half (48 percent) of respondents in the Older Adult Survey with financial stress have sought advice in dealing with it. Of the roughly one-third of respondents (36 percent) reporting stress, slightly less than one-half (48 percent) say they asked someone for advice on how to manage their situation. Asking for assistance does not appear to vary significantly by age.

Across all age cohorts, those who sought advice in dealing with financial stress turned to family (57 per-

⁶¹ FINRA Investor Education Foundation (2013), p. 11.

cent) and friends (34 percent). Fewer respondents sought help from professionals. About one in five consulted a financial advisor (23 percent) or attorney (19 percent) and one in 10 asked their banker (11 percent), a “community group/counseling agency” (10 percent), or sought help from an “other” source (10 percent), the most frequently cited of these being an employer or a government agency. Advice about medical expenses was treated somewhat differently. Of those who had medical expenses greater than \$1,000 not covered by insurance, some 70 percent say they sought payment advice from the medical provider directly.

Impact of Financial Stress on Life Satisfaction

Despite living in economically challenging times, a majority of respondents in the Older Adult Survey had reported in an earlier RAND survey they are “completely” or “very” satisfied with life. Generally, life satisfaction increases with age: seven in 10 (70 percent) of those age 70 and older are “completely” or “very” satisfied, but only one-half (53 percent) of both those in their 40s and 50s report this level of life satisfaction. Not surprisingly, lower levels of life satisfaction correspond to greater levels of financial stress. For example, almost six in 10 (58 percent) of those who say they are “not very” satisfied with life also report having major financial stress. Only about one-quarter (27 percent) of those who say they are “very satisfied” with life have financial stress.

In a related vein, the 2012 FINRA study found that “satisfaction with personal finances” was highest among those age 55 and older (33 percent) followed by those in the 18- to 34-year-old group (23 percent). Fewer than one in five (18 percent) 35- to 54-year-olds expressed satisfaction with their personal finances. This group, the study notes, is the one most likely to have financially dependent children.⁶²

⁶² FINRA Investor Education Foundation (2013), p. 8.

Implications from the Older Adult Survey

Some of the findings in the Older Adult Survey raise concerns about the ability of some older adults to maintain their financial footing, meet unanticipated expenses, and save for the future. Compounding these concerns are issues related to the financial decisionmaking practices of older adults and the risks they face for cognitive decline as they age.

Middle-aged adults are particularly susceptible to financial stress. Respondents in their 40s and 50s were more likely than those 60 and older to report experiencing recent major financial stress such as “losing a job or having work hours and/or income reduced,” unpaid taxes, filing for bankruptcy, and receiving a foreclosure notice on their homes. They also were more likely to report needing help covering the costs of bills and expenses in the past year. Other research is consistent with these findings. For example, a recent Pew study examined the financial burdens of the “sandwich generation,” defined as adults with a living parent age 65 or older and either raising a child under age 18 or supporting a grown child. About 70 percent of members in the sandwich generation are in their 40s and 50s. Among those who are providing financial support both to an aging parent and a child, almost one-third (30 percent) reported that they are “just able to meet their basic expenses” and 11 percent say they “don’t have enough to meet basic expenses.”⁶³

It is notable that many older adults carry debt late in life, potentially undermining their financial security. One-half of credit card users carry balances. Also, one in eight carry student loan debt for themselves or their children—a trend other research suggests is increasing. Furthermore, owning a home outright by late middle-age is no longer the norm. Though not necessarily a sign of financial stress, substantial numbers of older adults carry debt secured by their homes, including six in 10 of those in their 60s and nearly four in 10 of those age 70 and older. Data from the SCF also indicate that the share of older

adults with mortgage debt is growing and extending beyond late middle-age.

Mortgage debt is of particular significance because homes comprise the largest component of net worth of many older adult households. During the recession, the sharp drop in home values was estimated to have erased an estimated \$7 trillion in home equity among homeowners of all ages.⁶⁴ Recently, home values have started to rebound.⁶⁵ However, more than one in five residential properties with mortgages were still “underwater” at the end of 2012, meaning that more is owed on the mortgage than the home is worth.⁶⁶ Overall, this has resulted in a significant reduction in, or even elimination of, some adults’ housing wealth that was previously available to help fund retirement or other expenses. As this debt cannot currently be fully paid off by selling the home, it further reduces the funds available for retirement.

Retirement savings may be at risk in other ways. The survey finding that some older adults may not be able to, or may not choose to, meet an unexpected \$1,000 expense by drawing on available savings raises the question of whether retirement accounts are viewed as a source of emergency funds. While not addressed explicitly in the survey, other research suggests this may be the case. Using the SCF and Internal Revenue Service (IRS) tax data, a study by Federal Reserve Board and IRS economists found that, even prior to the recent recession, there were significant withdrawals from retirement accounts among families headed by someone age 55 or younger. Families that experienced an income shock, particularly lower-income families, were found to be more likely to take withdrawals.⁶⁷ A study by Fellowes and Willemin, which used the Federal Reserve’s SCF and other government data, found that one-quarter of households

⁶⁴ Board of Governors of the Federal Reserve System (2012), p. 3.

⁶⁵ For example, the S&P/Case-Shiller Home Price Index notes that home prices are up 8 percent in a 20 city composite index since January 2012.

⁶⁶ CoreLogic (2013).

⁶⁷ Argento, Bryant, and Sabelhaus (2013).

⁶³ Taylor, Parker, Patten, and Motel (2013), pp. 4.

with a 401(k) or similar plan have used their retirement savings for non-retirement needs, and that workers ages 40 to 49 were the most likely to tap their accounts.⁶⁸ A Demos study of households with credit card debt found that 18 percent of those ages 50 to 64 drew upon their retirement funds to pay their credit cards.⁶⁹ What is not clear from these studies is whether older adults who tap retirement funds early are aware of the full costs of their decision.

Some financial decisions—such as refinancing a mortgage, managing investments, or retiring—are complex and have long-term consequences. Yet, barely one-half of older adults who refinance or who have investments seek advice when making these decisions. Other studies have shown that many older adults do not seek advice in preparing for retirement.⁷⁰ The Older Adult Survey further found that many older adults appear to avoid preparing for end of life. The oldest respondents are more likely than middle-aged respondents to have a will, but a substantial share across all the age groups do not. And, eight in 10 respondents, including many of the oldest,

⁶⁸ Fellowes and Willemin (2013), pp. 5, 13.

⁶⁹ Traub and Demos (2013), p. 9.

⁷⁰ Helman, Adams, Copeland, and VanDerhei (2013), p. 5. The EBRI study found, for example, that just 23 percent of workers report they have obtained investment advice from a professional financial advisor. Of these, 27 percent followed all of the advice, but most disregarded some or all of it.

do not have plans in place in the event they are unable to make financial decisions.

Many older adults are confident in their decision-making abilities—a sentiment that may be appropriate for some, but misplaced for others. The survey indicates that the majority of older adults, including those in the oldest age groups, handle their own both routine and major financial matters. This occurs even as research suggests that financial decisionmaking ability for an individual may decline before he or she is aware of it. Confidence in decisionmaking may, in fact, belie vulnerabilities on the part of some older adults who lack the ability, knowledge, or preparation to make sound financial decisions.

In summary, these implications point to a need for a broad set of responses to help ensure the financial well-being of older adults. Many actors have a potential role to play in developing or implementing these responses. Financial institutions, for example, may recognize opportunities to offer new products or adapt existing ones tailored to a growing older adult population with varied cognitive abilities. For-profit and non-profit advisors may explore new methods and delivery channels for providing sound advice about financial risks and rewards. Policymakers, for their part, may encourage various stakeholders to work together to address current and future financial needs of an aging population.

Considerations for a Forum and for Further Research

The Older Adult Survey confirms some insights into the financial lives of older adults, while raising questions about others. The findings described in this report will help frame discussions among experts on aging at a forum in July 2013 to be hosted by the Federal Reserve Board.

A particular aim of the forum is to help identify the next set of questions about financial preparedness and stability of older adults to be explored by the field at large. Discussions will be organized around specific issues, including: the financial circumstances of different subgroups of older adults, current and future housing needs and affordability, employment and retirement transitions, and the role of cognition in financial decisionmaking. Practitioners will share examples of policies, products, or services that hold promise as ways to meet the financial needs and choices of older adults as they age. Policy issues that affect the financial stress, stability, and security of older adults also will be discussed. The gaps in knowledge identified, hopefully, will prompt further research to increase understanding of these issues.

Topics for discussion at the forum and for future research may include:

Economic Conditions, Aging, and Financial Stress

- How are financial circumstances different among different groups of older adults? What are their financial vulnerabilities? What are some alternative ways to measure “financial stress” and how do these measures relate to perceived levels of stress on the part of older adults?
- How can older adults best prepare for and cope with financial shocks and economic downturns in their later working years? Are new concepts of working and retirement needed to ensure financial security and mitigate financial stress? What can be done to incentivize workers and retirees to work longer? How do attitudes and policies need to change among employers?
- How do employment and housing needs change as people age? How prepared are individuals, communities, and employers to cope with changing demands for different types of housing and transportation options, employment arrangements, and other services?

The Financial Marketplace for Aging Consumers

- What are the main drivers of older adults having mortgages, credit card balances, student loans, or other debt late in life? How much of household debt burdens are due to financial responsibilities for other members of their families or delayed life choices such as later marriage or childbearing? Are households leveraging home equity to age in place or to pay off other debts or for other purposes?
- What more might be learned about the use of financial products and services by older adults from a geographic or demographic analysis by race, income, or gender? Would the implications of the financial issues highlighted in the survey be different for these groups of older adults?
- What kind of adaptations for existing financial products and services and what type of new financial products and services are likely to be developed by private industry to meet the needs of an aging population? Does social media create new delivery channels of financial products and services for older adults? What safeguards can be put in place for older consumers with diminished capacity?

Financial Decisionmaking, Advice, and Cognition

- What factors broadly influence how older adults make major financial decisions? What additional assistance might older adults need when considering the use of certain financial products (e.g., mortgage refinancing, reverse mortgages, credit card advances, alternative financial services, etc.)? What guidance can be put in place to help working adults of all ages understand the long-term consequences

of major financial decisions, such as the full costs of withdrawing retirement savings early?

- How does current technology (e.g., mobile devices, mobile applications, Internet) usage and social networking (e.g., Facebook, Twitter, etc.) among older adults inform their consumer financial behavior and decisionmaking? Can social media provide a conduit into better understanding of financial decisionmaking among older adults?
- Research suggests that older adults tend to be overconfident in their abilities to make financial decisions. What are the obstacles to adults seeking professional advice: availability, cost, or other factors? What are the most effective ways to deliver financial assistance in various life stages? How well are older adults able to educate themselves—including using online research—when making major financial decisions? How can older adults best cope with making major financial decisions as they experience cognitive decline?

The Older Adult Survey was intended to provide a general overview of older adults' use of financial

products and services, their financial decisionmaking, and sources of stress as they age. While the survey adds to the body of knowledge provided by previous surveys and research on this topic, much remains to be explored. The Federal Reserve Board intends for this survey report, the forum, and the resulting discussions to help shape future inquiry in these areas among researchers and policymakers. The goal, too, is to encourage practices in the field that enable older adults to better navigate the financial marketplace as they age. Insights from this work not only will help meet today's challenge of 76 million aging Baby Boomers, but also begin to prepare the way for future generations of aging Americans—including the equally large wave of 77 million Millennials just now reaching their early 30s.⁷¹

⁷¹ Pew Research Center (2010). "Millennial" refers the generation born after 1980—the first generation to come of age in the new millennium.

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Appendix A: Older Adult Survey Methodology

The Older Adult Survey was administered online to a sample of respondents from RAND's American Life Panel (ALP). The ALP is an Internet panel that includes more than 5,000 people age 18 and older who have agreed to participate in periodic online surveys. RAND has used several different methods to recruit panelists. These include inviting respondents to other surveys (e.g. University of Michigan Surveys of Consumers and the Stanford/Abt SSRI National Survey Project) to join the panel; snowball sampling and respondent-driven sampling to recruit contacts of existing members of the panel; and recruiting from other sources drawn from nationally representative samples. While some additional members of respondent households have been recruited to join the panel, the ALP is intended to be a survey of individuals, not households.⁷²

Respondents are paid an incentive for their participation and, when necessary, are provided with Internet access that can be used for responding to surveys, as well as for general access to e-mail and the Internet.⁷³ At the time that the Older Adult Survey was collected, over 300 surveys had been fielded on the ALP since January 2006. Topics covered on prior surveys include financial decision making, the effect of political events on self-reported well-being, inflation expectations, joint retirement decisions, retirement preferences, health decision making, Social Security knowledge and expectations, measurement of health utility, and numeracy.⁷⁴ Panelists generally receive about two invitations a month to respond to surveys. In recent years, the majority of the core instruments of the Health and Retirement Survey (HRS) have been fielded on the panel, providing a rich set of variables on health, disability, retirement, pensions and other topics that can be matched by respondent identifier

for analysis in connection with other survey data collected on the ALP.⁷⁵

The Older Adults Survey was developed by staff from the Division of Consumer and Community Affairs (DCCA) at the Federal Reserve Board. RAND was consulted at various stages in order to maximize the response rate. In November 2012, a draft survey was pre-tested with 150 panelists. The resulting data were reviewed for completion time, response incidence, completion rates, and other response issues. Based on this review, the survey instrument was revised. The final survey consisted of 62 questions, but individual respondents may have received fewer questions based on skip patterns.

E-mail invitations to participate in the Older Adult Survey were sent to 2,328 ALP panelists. The sample was constructed to be representative of adults age 40 and above, while also collecting a sufficient number of responses within each of four age ranges to allow for statistical comparisons. The number of panelists sampled within each of the four age groups was as follows: 617 panelists age 40-49, 627 panelists age 50-59, 633 panelists age 60-69, and 451 panelists age 70 and above. Given the relatively small number of panelists age 70 or older, the survey invitation was sent to all of the ALP panelists in this age group. Invitations were sent to only a subset of ALP panelists in the younger age groups. The sample was drawn so that each age group matched the U.S. population distribution on gender and income, and that all the age groups when aggregated matched the U.S. population distribution on race and ethnicity.⁷⁶

Invitations to respond to the final survey were e-mailed to panelists on December 3. Generic e-mail reminders for ALP panelists to respond to all of their open surveys were sent on December 10 and 17; spe-

⁷² More information on recruiting for the ALP is available at <https://mmicdata.rand.org/alp/index.php?page=panelcomposition>.

⁷³ For an overview of how surveys are conducted on the ALP see <https://mmicdata.rand.org/alp/index.php?page=main>.

⁷⁴ More information on the development of the ALP is available at <https://mmicdata.rand.org/alp/index.php?page=panel>.

⁷⁵ More information on the HRS questions on the ALP is available at <https://mmicdata.rand.org/alp/index.php?page=hrs>.

⁷⁶ The distribution of race in the general U.S. population is 67 percent non-Hispanic white and 33 percent other based on the 2012 Current Population Survey (CPS).

Table A.1. Completion rates for the Older Adult Survey

Age	Selected for panel	Surveys complete	Percent panelists completing
40s	617	432	70%
50s	627	486	78%
60s	633	536	85%
70s+	451	367	81%
Total	2,328	1,821	78%

cific e-mail reminders for the Older Adult Survey were sent on December 10, 18, and 21. The survey was closed to additional responses on December 23. Respondents were paid an incentive of \$20 per one-half hour, which is pro-rated to the estimated length of the survey. Median response time for respondents who completed the survey was 10 minutes, and the middle 50 percent response range was 7 to 15 minutes.

A total of 1,821 respondents responded to the e-mail invitation and finished the survey for a completion rate of 78 percent. Respondent ages ranged from 40 to 94, with a mean age of 59 and a median age of 59; respondents over the age of 70 made up 17 percent of the sample. With respect to gender and race, 52 percent of the respondents were female, and 16 percent were non-white. The median family had an income in the \$50,000 to \$59,999 range. None of the panelists responding to the Older Adult Survey were provided with Internet access or computer hardware by RAND in order to participate in the ALP.

Table A.1 includes information on the number of invitations sent out by age group along with the number of panelists who completed this survey. Callegaro and Disorga (2008) note that Internet panels like the ALP involve several stages of response, including the response to the initial invitation to join the panel, completion of an initial profile, and response to a particular survey invitation. The completion rates in Table A.1 reflect only the share of panelists contacted to participate in this particular survey who completed the survey. These are not cumulative response rates, as they do not factor in the response rates to earlier stages of panelist recruitment to join the ALP or the precursor surveys (e.g. the University of Michigan Survey of Consumers).⁷⁷ Therefore, the

completion rates listed below are not directly comparable to response rates from other surveys that do not involve multiple stages of recruiting.

The sampling strategy described above was designed to make the sample representative of the U.S. population age 40 and older along a few dimensions such as gender and household income. However, the final sample of respondents may not mirror the selected sample of individuals invited to take the survey, because response rates may differ across groups with different characteristics (e.g. females may be more willing to respond than males). Furthermore, in order to infer population-level statistics from the sample data, it is appropriate to consider how the sample distributions of other key demographics besides those used in the selection scheme compare to their population counterparts and to adjust for any observed discrepancy. For this purpose, RAND provided sampling weights to be used to make sample statistics representative of the population.

Sampling weights were generated using an iterative raking algorithm. That is, a survey respondent was assigned a weight such that the weighted distributions of specific socio-demographic variables in the sample matched their population counterparts (benchmark or target distributions). The benchmark distributions were derived from the Current Population Survey (CPS) Annual Social and Economic Supplement administered in March 2012. The socio-demographic variables whose distributions were matched include four two-way marginals (interaction variables), namely gender (male, female) by age (40-49, 50-59, 60-69, 70+); gender by race (non-Hispanic white, other); gender by education (high school or less, some college, bachelor's degree or more); household income (< \$30,000, \$30,000 - \$59,000, ≥

⁷⁷ Response rates at the first stage of recruitment to join the ALP vary across the different recruitment methods. For example, through August 2008 when RAND discontinued recruiting from University of Michigan Monthly Survey respondents, about 30 percent of the Michigan Survey respondents who were invited to join the ALP became ALP panelists. In comparison, about 46 percent of the Stanford panel participants chose to

become ALP panelists. In addition to the inclusion of new panelists from recruiting efforts, the panel composition also changes with panel attrition as inactive panelists are removed from the panel after a year. More information on panel recruitment and attrition can be found at <https://mmicdata.rand.org/alp/index.php?page=panelcomposition> and <https://mmicdata.rand.org/alp/index.php?page=panelattrition>.

\$60,000) by number of household members (single, couple, 3 or more members).⁷⁸

While weighting is designed to make the sample representative of the population with respect to particular socio-demographic characteristics, the sample still may differ from the general population in other respects. For example, Internet use has increased rapidly across all age groups in recent years; however, older age groups are still less likely to be online than younger cohorts.⁷⁹ Specifically, more than one-half (53 percent) of American adults age 65 and older now use the Internet or e-mail, up from 38 percent in 2008, with most growth occurring since 2011. In the next oldest age group, ages 50 to 64, more than three quarters (77 percent) use the Internet. This compares to rates 90 percent or higher for age groups younger than 50.

In a recent study of Internet access and cognitive ability, researchers find that cognitive ability has a significant and positive relationship with Internet access, after controlling for differences in demographic characteristics and economic factors.⁸⁰ Furthermore, they find that this effect increases with age. Because cognitive abilities are important for financial decisionmaking, these findings imply that using an Internet-only sample to look at financial decisions among an older population is likely to generate measures of both the decisions of older adults and the differences across age groups that differ from those that would be found in the general population even with the use of population weights.

The RAND ALP supplemental data provide cognition scores for 1,690 of the 1,821 Older Adult Survey respondents. This report looks at fluid and crystallized cognitive ability measures from the ALP based on the Woodcock-Johnson III (WJ-III) test, which is part of a cognitive battery to attain person ability compared to a nationally normed sample. Fluid cognitive abilities are assessed by giving participants a sequence of numbers with a blank somewhere in the sequence. Crystallized cognitive abilities are assessed

by way of a Picture Vocabulary test. Also, a Verbal Analogies test that assesses both fluid and crystallized cognitive abilities also was given to participants. Each test uses a Block Adaptive Testing (BAT) format where respondents first receive three items of varying difficulty and are then routed to one of four other three-item sets, of increasing difficulty, based on the number they got correct in the first set. Performance is summarized in a W score, which represents a national norm, where higher W scores indicate greater cognitive ability.

Concerning the representativeness of Internet panels in general, questions have been raised about whether repeated response to surveys can result in panelists becoming less representative of the general population over time.⁸¹ Such “panel conditioning” could result in seasoned respondents approaching the task of completing the survey differently than new respondents. Learning about the general process of responding to survey questions could, in principle, result in either higher or lower quality survey responses. Furthermore, prior exposure to a topic covered in earlier surveys could result in respondents being more knowledgeable about that topic and could alter behavior as well. Thus, while earlier surveys of ALP respondents provide a rich source of additional measures that can be used to augment the data collected from this survey, it is possible that prior surveys about financial topics may have altered respondent knowledge and behaviors that this survey sought to measure.

Results from the respondents to the Older Adult Survey should be considered with these caveats about representativeness in mind. The use of an Internet panel provides a relatively quick and cost-effective way to investigate a broad set of issues concerning older adults. It also helps identify areas for further research and can inform the design of follow-up surveys using other quantitative or qualitative methods. When possible, survey results presented in this report are discussed along with related measures from other sources to provide context or some basis of comparison for the estimates.

⁷⁸ More information about weighting for the ALP is available at <https://mmicdata.rand.org/alp/index.php?page=weights>

⁷⁹ Zickuhr and Madden (2012).

⁸⁰ Hsu, Willis, and Fisher (2011).

⁸¹ Dennis (2001); Toepoel, Das, and van Soest (2008); Baker, et al. (2010).

Appendix B: Older Adult Survey Data Tables

This appendix presents data tables summarizing questions and responses in the Older Adult Survey. Reported totals exclude respondents who chose not to answer a question. This may result in slight differences in total responses reported for questions asked of the full sample or across questions asked of sub-groups of the sample. In some cases, the wording for questions has been condensed or multiple questions have been combined for brevity. For full wording of questions and definitions provided to respondents, see the Supplemental Appendix to this report at www.federalreserve.gov/newsevents/conferences/financial-experiences-of-older-adults.htm.

Table B.1. Please tell us whether you own or rent your home (primary residence).

Percent, except as noted

I own.	71.2
I rent.	24.9
I live rent-free.	3.9
Number of respondents	1,821

Note: Asked of all respondents.

Table B.2. Choose all answers that apply to where you live now.

Percent, except as noted

Age categories	I only have a mortgage and/or home equity loan.	I only have a home equity line of credit.	I have both a mortgage and/or home equity loan and a home equity line of credit.	I don't have any mortgage or other loans/lines of credit on my primary residence.	Number of respondents
Age 40–49	71.9	6.5	6.2	15.4	297
Age 50–59	59.1	7.6	9.1	24.2	369
Age 60–69	47.7	8.0	3.0	41.3	297
Age 70+	29.4	5.2	3.0	62.5	272
Total	52.9	6.9	5.6	34.7	1,234

Note: Asked of all homeowners who are financial decisionmakers. This survey defines "financial decisionmakers" as individuals who self-identify as being primary or joint financial decisionmakers in their households.

Table B.3. Choose all answers that apply to where you live now.

Percent, except as noted

Work status categories	I only have a mortgage and/or home equity loan.	I only have a home equity line of credit.	I have both a mortgage and/or home equity loan and a home equity line of credit.	I don't have any mortgage or other loans/lines of credit on my primary residence.	Number of respondents
Employed	64.5	7.0	7.7	20.7	614
Unemployed/Laid off	75.8	1.2	2.5	20.4	45
Disabled	62.3	1.1	0.0	36.6	51
Retired	34.9	7.9	3.7	53.5	383
Homemaker	39.6	7.8	4.1	48.5	111
Other	47.8	7.4	6.5	38.3	29
Total	53.0	6.9	5.6	34.5	1,233

Note: Asked of all homeowners who are financial decisionmakers. Figures reported are for those respondents whose work status was available in the RAND ALP.

Table B.4. Have you refinanced your mortgage in the last 3 years?

Percent, except as noted

Yes	32.3
No	67.3
I don't know.	0.5
Number of respondents	702

Note: Asked of all homeowners who are financial decisionmakers.

Table B.5. Why have you not refinanced in last 3 years?

Percent, except as noted

I never thought about refinancing.	19.3
I applied but was rejected.	6.6
My home is worth less than my mortgage balance.	12.8
I would not save enough money.	20.2
I can't get a lower interest rate than I already have.	15.0
I'm close to paying off my mortgage.	12.2
I don't think I'd qualify.	10.7
I find the process too complicated.	5.6
Other	18.8
Number of respondents	463

Note: Asked of all homeowners who are financial decisionmakers, have a mortgage, and have not refinanced in the last 3 years.

Table B.6. Do you have a reverse mortgage?

Percent, except as noted

Age categories	Yes	No	Number of respondents
Age 62–94	1.8	98.2	499
Total	1.8	98.2	499

Note: Asked of all homeowners who are financial decisionmakers. Reverse mortgages are only available to households with at least one member aged 62 or older.

Table B.7. Please select the following statement that best describes your situation with reverse mortgages.

Percent, except as noted

Age categories	I have or considered getting a reverse mortgage.	I have never considered getting a reverse mortgage.	Number of respondents
Age 60–61	4.4	95.6	50
Age 62–94	8.6	91.4	573
Total	8.3	91.7	623

Note: Asked of all financial decisionmakers who are homeowners, are older than 60 and did not previously report having a reverse mortgage. Reverse mortgages are only available to households with at least one member aged 62 or older.

Table B.8. Please tell us whether you own or rent your home (primary residence).

Percent, except as noted

Income categories	I own.	I rent.	I live rent-free.	Number of respondents
<\$30,000	43.5	50.1	6.4	514
\$30,000–\$59,999	72.7	23.3	4.0	510
\$60,000–\$99,999	84.9	12.5	2.5	416
\$100,000–\$124,999	94.1	5.9	0.0	171
\$125,000<	89.6	6.8	3.6	204
Total	71.2	24.9	3.9	1816

Note: Asked of all respondents.

Table B.9. Do you currently have a checking or savings account?

Percent, except as noted

Yes	93.7
No	6.3
Number of respondents	1,821

Note: Asked of all respondents.

Table B.10. Do you currently have a checking or savings account?

Percent, except as noted

Age Categories	Yes	No	Number of respondents
Age 40–49	90.0	10.0	532
Age 50–59	91.0	9.0	543
Age 60–69	97.5	2.5	397
Age 70+	99.1	0.9	350
Total	93.7	6.3	1,821

Note: Asked of all respondents.

Table B.11. How do you check account balances and make deposits/withdrawals?

Percent, except as noted

In person at a bank branch	50.8
At an ATM machine	39.7
With a telephone	20.8
Online (at a computer)	66.7
Using a bank "app" on a mobile phone	9.5
I rely on others to do my banking for me.	3.2
Other	6.5
Number of respondents	1,735

Note: Asked of all respondents with a checking or savings account.

Table B.12. How do you check account balances and make deposits/withdrawals?

Percent, except as noted

Age categories	In person at a bank branch	At an ATM machine	With a telephone	Online (at a computer)	Using a bank "app" on a mobile phone	I rely on others to do my banking for me.	Other	Number of respondents
Age 40–49	46.9	48.2	19.7	73.7	17.8	3.3	2.9	486
Age 50–59	47.5	38.8	22.0	69.7	9.7	2.2	6.2	504
Age 60–69	53.0	38.8	22.4	65.3	5.5	2.4	6.3	394
Age 70+	58.8	29.9	18.7	54.1	2.1	5.7	12.0	351
Total	50.8	39.7	20.8	66.7	9.5	3.2	6.5	1,735

Note: Asked of all respondents with a checking or savings account.

Table B.13. Why not bank online?

Percent, except as noted

My banking needs are being met without online (computer) banking.	50.1
I'm concerned about the security.	42.0
I don't trust the technology to properly process my banking transactions.	21.5
I prefer to bank in person.	51.8
It's difficult or time consuming to set up online (computer) banking.	8.6
I don't know how.	20.2
My internet access is not reliable.	5.6
Other	9.3
Number of respondents	526

Note: Asked of all respondents with a checking or savings account who do not bank online.

Table B.14. Why not bank online?

Percent, except as noted

Age categories	My banking needs are being met without online (computer) banking.	I'm concerned about the security.	I don't trust the technology to properly process my banking transactions.	I prefer to bank in person.	It's difficult or time-consuming to set up online (computer) banking.	I don't know how.	My internet access is not reliable.	Other	Number of respondents
Age 40–49	38.3	35.5	16.5	36.5	8.5	9.4	8.8	9.2	117
Age 50–59	43.6	39.2	26.8	54.2	2.0	21.2	4.0	12.9	138
Age 60–69	54.4	50.5	25.4	56.8	11.6	22.4	7.6	4.0	125
Age 70+	61.8	42.6	17.2	57.4	12.4	26.0	2.9	10.3	146
Total	50.1	42.0	21.5	51.8	8.6	20.2	5.6	9.3	526

Note: Asked of all respondents with a checking or savings account who do not bank online.

Table B.15. Among respondents who do not use online banking, how many reasons did each select for not doing so?

Percent, except as noted

Number of reasons	
1	48.7
2	17.8
3	16.2
4	12.1
5	3.6
6	1.3
7	0.2
Number of respondents	526

Note: Asked of all respondents with a checking or savings account who do not bank online.

Table B.16. Which methods do you use to pay your bills?

Percent, except as noted

I pay in person at the store that sent me the bill.	26.2
I pay at a store that accepts bill payments for other companies.	9.4
I pay by writing a check and mailing it.	67.0
I pay by telephone.	22.0
I pay using my computer.	62.4
I don't pay the bills.	4.4
Number of respondents	1,731

Note: Asked of all respondents with a checking or savings account.

Table B.17. Which methods do you use to pay your bills?

Percent, except as noted

Age categories	I pay in person at the store that sent me the bill.	I pay at a store that accepts bill payments for other companies.	I pay by writing a check and mailing it.	I pay by telephone.	I pay using my computer.	I don't pay the bills.	Number of respondents
Age 40–49	28.9	14.2	55.6	28.2	71.0	4.7	488
Age 50–59	28.9	8.9	67.0	25.4	64.6	3.5	500
Age 60–69	24.7	6.9	71.7	17.0	60.6	2.8	392
Age 70+	20.5	6.0	77.7	14.1	49.2	7.1	352
Total	26.2	9.4	67.0	22.0	62.4	4.4	1,731

Note: Asked of all respondents with a checking or savings account.

Table B.18. How many of your regular bills do you pay with automatic bill payment?

Percent, except as noted

All	6.2
Most	21.4
Some	16.0
Few	29.6
None	26.4
I don't know.	0.4
Number of respondents	1,257

Note: Asked of all respondents with a checking or savings account who pay bills using a telephone or a computer.

Table B.19. Why not use automatic bill payment?

Percent, except as noted

I have very few bills to pay.	19.5
I like to pay bills in person.	14.0
I'm content paying by check.	36.2
Because my bill amounts vary each month.	38.7
I'm worried about not having enough money in my account.	29.6
I'm concerned about the security of automatic bill payment.	22.5
I don't trust the technology to properly process my bill payments.	14.5
It's difficult or time consuming to set up automatic bill paying.	5.2
I don't know how to use automatic bill payment.	6.9
Number of respondents	1,361

Note: Asked of all respondents with a checking or savings account who pay bills using a telephone or a computer and use only auto bill pay for some, few, or none of their bills.

Table B.20. In the last 3 years did you use any credit cards?

Percent, except as noted

Yes	76.2
No	23.8
Number of respondents	1,820

Note: Asked of all respondents.

Table B.21. How do you typically pay on your credit card bills?

Percent, except as noted

I pay off my balance in full each month.	51.7
I pay less than the full balance, but more than the minimum payment.	36.4
I make the minimum monthly payment.	9.1
I'm typically behind on my payments.	1.3
I don't know.	1.5
Number of respondents	1,456

Note: Asked of all respondents who reported using a credit card in the last 3 years.

Table B.22. How do you typically pay on your credit card bills?

Percent, except as noted

Age categories	I pay off my balance in full each month.	I pay less than the full balance, but more than the minimum payment.	I make the minimum monthly payment.	I'm typically behind on my payments.	I don't know.	Number of respondents
Age 40–49	41.4	41.6	11.8	3.2	2.1	370
Age 50–59	42.1	44.0	12.0	0.6	1.2	432
Age 60–69	60.1	31.9	6.2	0.4	1.3	330
Age 70+	67.7	24.8	5.3	0.9	1.3	324
Total	51.7	36.4	9.1	1.3	1.5	1,456

Note: Asked of all respondents who reported using a credit card in the last 3 years.

Table B.23. Is your total credit card debt today more or less than credit card debt 3 years ago?

Percent, except as noted

Less	30.9
About the same	25.8
More	17.4
I don't have credit card debt now and I didn't 3 years ago.	24.6
I don't know.	1.4
Number of respondents	1,454

Note: Asked of all respondents who reported using a credit card in the last 3 years.

Table B.24. Is your total credit card debt today more or less than credit card debt 3 years ago?

Percent, except as noted

Age categories	Less	About the same	More	I don't have credit card debt now and I didn't 3 years ago.	I don't know.	Number of respondents
Age 40–49	32.9	21.0	22.9	22.1	1.1	368
Age 50–59	34.1	27.9	20.0	17.2	0.7	431
Age 60–69	31.1	26.8	14.1	25.8	2.2	331
Age 70+	24.0	27.6	10.9	35.8	1.7	325
Total	30.9	25.8	17.4	24.6	1.4	1454

Note: Asked of all respondents who reported using a credit card in the last 3 years.

Table B.25. In the last 3 years have you taken a cash advance on your credit card(s)?

Percent, except as noted

No	88.7
Yes, 1 time	5.1
Yes, 2 or 3 times	5.0
Yes, 4 or more times	1.1
Number of respondents	1,454

Note: Asked of all respondents who reported using a credit card in the last 3 years.

Table B.26. Please select the statement which best describes your situation regarding payday loans and deposit advance products.

Percent, except as noted

I never considered getting a payday loan or deposit advance product.	87.7
I currently have a payday loan or deposit advance product.	3.5
I have had a payday loan or deposit advance product in the past.	5.4
I considered, but did not get a payday loan or deposit advance product.	3.4
Number of respondents	1,817

Note: Asked of all respondents.

Table B.27. Please select the statement which best describes your situation regarding payday loans and deposit advance products.

Percent, except as noted

Age categories	I never considered getting a payday loan or deposit advance product.	I currently have a payday loan or deposit advance product.	I have had a payday loan or deposit advance product in the past.	I considered, but did not get a payday loan or deposit advance product.	Number of respondents
Age 40–49	80.1	5.0	9.1	5.8	532
Age 50–59	86.3	4.0	6.1	3.7	539
Age 60–69	93.9	2.6	1.6	1.9	398
Age 70+	94.6	1.4	3.2	0.8	348
Total	87.7	3.5	5.4	3.4	1,817

Note: Asked of all respondents.

Table B.28. Please select the statement which best describes your situation regarding payday loans and deposit advance products.

Percent, except as noted

Income categories	I never considered getting a payday loan or deposit advance product.	I currently have a payday loan or deposit advance product.	I have had a payday loan or deposit advance product in the past.	I considered, but did not get a payday loan or deposit advance product.	Number of respondents
<\$30,000	81.6	5.4	7.0	6.0	509
\$30,000–\$59,999	85.6	4.8	6.1	3.5	510
\$60,000–\$99,999	91.3	2.4	4.5	1.9	417
\$100,000–\$124,999	94.3	0.3	3.8	1.6	172
\$125,000<	95.0	0.5	3.5	1.0	204
Total	87.7	3.5	5.5	3.4	1,812

Note: Asked of all respondents.

Table B.29. Please select the statement which best describes your situation regarding payday loans and deposit advance products.

Percent, except as noted

Race/Ethnicity categories	I never considered getting a payday loan or deposit advance product.	I currently have a payday loan or deposit advance product.	I have had a payday loan or deposit advance product in the past.	I considered, but did not get a payday loan or deposit advance product.	Number of respondents
White (non-Hispanic)	91.4	2.5	3.6	2.4	1,313
Black (non-Hispanic)	75.7	6.3	12.3	5.6	182
American Indian (non-Hispanic)	51.8	18.2	3.1	26.8	14
Asian Pacific (non-Hispanic)	95.4	0.0	4.6	0.0	30
Other (non-Hispanic)	94.4	0.0	2.8	2.8	20
Hispanic/Latino	77.9	6.2	10.2	5.8	258
Total	87.7	3.5	5.4	3.4	1,817

Note: Asked of all respondents.

Table B.30. Do you currently owe money or have education loans for...?

Percent, except as noted

Self only	6.7
Child only	6.5
Both	0.8
None	84.2
Number of respondents	1,818

Note: Asked of all respondents.

Table B.31. Do you currently owe money or have education loans for?

Percent, except as noted

Age categories	Self only	Child only	Both self/child	None	Number of respondents
Age 40–49	13.8	4.8	1.5	76.4	532
Age 50–59	6.8	12.4	0.6	79.0	541
Age 60–69	2.3	5.6	0.7	90.5	398
Age 70+	0.6	1.1	0.0	97.0	348
Total	6.7	6.5	0.8	84.2	1,818

Note: Asked of all respondents.

Table B.32. How much money do you currently owe on the loan(s) for own education?

Percent, except as noted

\$0–9,000	33.5
\$10,000–19,000	16.3
\$20,000–29,000	20.8
\$30,000–39,000	10.5
\$40,000–49,000	6.4
\$50,000–more	11.8
I don't know.	0.8
Number of respondents	162

Note: Asked of all respondents who reported having debt for their own education.

Table B.33. How much money do you currently owe on the loan(s) for your child's education?

Percent, except as noted

\$0–9,000	40.9
\$10,000–19,000	29.1
\$20,000–29,000	9.9
\$30,000–39,000	4.5
\$40,000–49,000	4.8
\$50,000–more	8.5
I don't know.	2.3
Number of respondents	138

Note: Asked of all respondents who reported having debt for their child's education.

Table B.34. Did you need help with everyday money management in the last year?

Percent, except as noted

Yes	17.6
No	82.4
Number of respondents	1,818

Note: Asked of all respondents.

Table B.35. Did you need help with everyday money management in the last year?

Percent, except as noted

Age categories	Yes	No	Number of respondents
Age 40–49	23.8	76.4	530
Age 50–59	19.1	80.9	541
Age 60–69	12.7	87.3	398
Age 70+	11.8	88.2	349
Total	17.6	82.4	1,818

Note: Asked of all respondents.

Table B.36. Who if anyone helped with everyday money management in the last year?

Percent, except as noted

No one, I couldn't find help.	20.9
Friends/family	63.4
Professional	6.8
Other	10.5
Number of respondents	287

Note: Asked of all respondents who reported needing help with everyday money management in the last year.

Table B.37. Do you receive more or less help with every day money management than 3 years ago?

Percent, except as noted

I received none then and receive none now.	85.0
I receive more help.	2.6
I receive the same amount of help.	8.1
I receive less help.	4.3
Number of respondents	1,819

Note: Asked of all respondents.

Table B.38. Do you receive more or less help with every day money management than 3 years ago?

Percent, except as noted

Age categories	I received none then and receive none now.	I receive more help.	I receive the same amount of help.	I receive less help.	Number of respondents
Age 40–49	80.8	2.9	8.5	7.8	532
Age 50–59	85.5	2.8	6.9	4.8	541
Age 60–69	86.9	2.4	8.6	2.0	398
Age 70+	88.4	2.3	8.6	0.6	348
Total	85.0	2.6	8.1	4.3	1,819

Note: Asked of all respondents.

Table B.39. Did you need help covering the costs of bills or expenses in the last year?

Percent, except as noted

Age categories	Yes	No	Number of respondents
Age 40–49	31.7	68.3	532
Age 50–59	27.8	72.2	541
Age 60–69	14.1	85.9	398
Age 70+	10.9	89.1	348
Total	22.7	77.3	1,819

Note: Asked of all respondents.

Table B.41. Who gave or loaned your household money in last year?

Percent, except as noted

Age categories	No one, I couldn't find help.	Friends/family	Other	Number of respondents
Age 40–49	17.5	74.3	8.5	157
Age 50–59	25.1	63.9	12.3	138
Age 60–69	28.2	63.9	8.6	53
Age 70+	32.0	61.5	6.5	36
Total	23.1	67.9	9.7	386

Note: Asked of all respondents who reported needing help covering the cost of bills and expenses in the last year.

Table B.40. Who gave or loaned your household money in last year?

Percent, except as noted

No one, I couldn't find help.	23.1
Friends/family	67.9
Other	9.7
Number of respondents	386

Note: Asked of all respondents who reported needing help covering the cost of bills and expenses in the last year.

Table B.42. Have you received more or less help paying your bills than you did 3 years ago?

Percent, except as noted

I received none then and receive none now.	82.1
I receive more help.	5.4
I receive the same amount of help.	6.1
I receive less help.	6.3
Number of respondents	1,819

Note: Asked of all respondents.

Table B.43. Have you received more or less help paying your bills than you did 3 years ago?

Percent, except as noted

Age categories	I received none then and receive none now.	I receive more help.	I receive the same amount of help.	I receive less help.	Number of respondents
Age 40–49	73.6	8.2	7.5	10.7	532
Age 50–59	78.8	6.0	8.3	6.9	541
Age 60–69	89.6	2.6	3.6	4.1	398
Age 70+	91.7	3.6	3.5	1.2	348
Total	82.1	5.4	6.1	6.3	1,819

Note: Asked of all respondents.

Table B.44. In choosing to refinance whom did you ask for advice?

Percent, except as noted

I didn't ask for advice.	46.9
Friend/family	25.0
Professional(s)	35.7
Other	4.8
Number of respondents	238

Note: Asked of all financial decisionmakers who are homeowners, have a mortgage, and have refinanced in the last 3 years.

Table B.47. In the last 3 years, have you been asked to invest in something that you believed, suspected, or later found out to be fraudulent?

Percent, except as noted

Yes	6.6
No	90.5
I don't know.	2.9
Number of respondents	1,818

Note: Asked of all respondents.

Table B.45. Do you have any investments?

Percent, except as noted

Yes	51.8
No	48.2
Number of respondents	1,817

Note: Asked of all respondents.

Table B.48. Do you plan to retire?

Percent, except as noted

Age categories	Yes	No	Total
Age 40–49	65.8	34.2	176.7
Age 50–59	79.8	20.2	132.9
Age 60–69	72.3	27.7	51.6
Age 70+	54.1	45.9	28.7
Total	70.6	29.4	390.0

Note: Asked of all respondents for whom this RAND ALP variable was available.

Table B.46. Who if anyone managed your investments in last year?

Percent, except as noted

I managed my investments myself.	55.4
Friend/family	5.7
Professional(s) (such as a financial advisor or attorney)	46.8
Other	4.4
Number of respondents	1,029

Note: Asked of respondents with investments.

Table B.49. Do you plan to retire?

Percent, except as noted

Income categories	Yes	No	Number of respondents
<\$30,000	57.0	43.0	63
\$30,000–\$59,999	66.8	33.2	116
\$60,000–\$99,999	72.0	28.0	105
\$100,000–\$124,999	86.1	13.9	50
\$125,000<	77.1	22.9	56
Total	70.6	29.4	390

Note: Asked of all respondents for whom this RAND ALP variable was available.

Table B.50. At what age do you expect to retire?

Percent, except as noted

Age categories	Average age	Number of respondents
Age 40–49	66.2	101
Age 50–59	67.6	100
Age 60–69	68.8	58
Age 70+	78.6	17
Total	68.0	276

Note: Asked of all respondents for whom this RAND ALP variable was available and who plan to retire.

Table B.51. I really enjoy going to work. Do you strongly agree, agree, disagree, or strongly disagree with that statement?

Percent, except as noted

	Do you plan to retire?		Number of respondents
	Yes	No	
Strongly agree or Agree	68.3	31.7	310
Strongly disagree or Disagree	83.0	17.0	75
Total	71.2	28.8	385

Note: Asked of all respondents for whom this RAND ALP variable was available.

Table B.52. Are you doing any work for pay at the present time?

Percent, except as noted

	Yes	No	Number of respondents
Retired and under 65	40.5	59.5	141
Retired and over 65	14.8	85.2	470
Total	20.7	79.3	611

Note: Asked of all respondents who reported being retired and for whom this RAND ALP variable was available.

Table B.53. Of respondents who are retired and working . . .

Percent, except as noted

Self-employed	20.2
Not self-employed	79.8
Number of respondents	149

Note: Asked of all respondents who reported being retired and working for pay and for whom this RAND ALP variable was available.

Table B.54. Of respondents who are not retired and are working . . .

Percent, except as noted

Self-employed	12.5
Not self-employed	87.6
Number of respondents	845

Note: Asked of all respondents who reported not being retired, reported working for pay, and for whom this RAND ALP variable was available.

Table B.55. Have you named someone who is authorized to make financial decisions for you right now?

Percent, except as noted

I currently have a power of attorney that names someone else to act on my behalf.	22.8
I have had a power of attorney assigned but cancelled it.	0.6
I have informal plans for someone to act on my behalf but do not have a written power of attorney.	14.1
I have considered having a power of attorney assigned but have not yet taken any steps to accomplish this.	12.4
I have never planned for someone else to make these decisions for me.	50.1
Number of respondents	1,811

Note: Asked of all respondents.

Table B.56. Have you named someone who is authorized to make financial decisions for you right now?

Percent, except as noted

Age categories	I currently have a power of attorney that names someone else to act on my behalf.	I have had a power of attorney assigned but cancelled it.	I have informal plans for someone to act on my behalf but do not have a written power of attorney.	I have considered having a power of attorney assigned but have not yet taken any steps to accomplish this.	I have never planned for someone else to make these decisions for me.	Number of respondents
Age 40–49	15.1	1.2	12.1	12.3	59.4	431
Age 50–59	16.3	0.2	13.8	14.0	55.7	485
Age 60–69	28.2	0.6	16.5	15.0	39.7	532
Age 70+	46.0	0.6	13.5	12.9	27.0	363
Total	25.5	0.6	14.1	13.7	46.1	1,811

Note: Asked of all respondents.

Table B.57. My power of attorney names the following as my agent.

Percent, except as noted

Spouse	57.8
Friend/family	37.3
Unrelated caregiver	0.5
Financial professional	1.3
Attorney	1.6
Other	1.6
Number of respondents	461

Note: Asked of all respondents who indicated having a power of attorney.

Table B.58. Have you named someone who is authorized to make financial decisions for you right now?

Percent, except as noted

I have a sense that time is running out.	I currently have a power of attorney that names someone else to act on my behalf.	I have had a power of attorney assigned but cancelled it.	I have informal plans for someone to act on my behalf but do not have a written power of attorney.	I have considered having a power of attorney assigned but have not yet taken any steps to accomplish this.	I have never planned for someone else to make these decisions for me.	Number of respondents
Very Untrue: 1	24.2	0.5	10.1	13.8	51.4	261
2	23.1	0.8	13.2	12.2	50.6	236
3	26.3	0.0	16.4	7.7	49.5	212
4	20.6	0.3	16.9	14.9	47.3	274
5	26.7	1.4	13.7	11.6	46.6	213
6	22.8	1.1	17.9	9.6	48.7	172
Very True: 7	27.6	0.0	11.2	16.4	44.8	95
Total	24.1	0.6	14.3	12.2	48.8	1,463

Note: Asked of all respondents for whom this RAND ALP variable was available.

Table B.59. Selected a six or seven on the question "I have a sense that time is running out" and has a power of attorney.

Percent, except as noted

Age categories	Percent	Number of respondents
Age 40–49	0.7	404
Age 50–59	2.2	441
Age 60–69	4.2	328
Age 70+	13.0	298
Total	4.4	1,471

Note: Asked of all respondents for whom this RAND ALP variable was available.

Table B.62. Do you have a written will?

Percent, except as noted

Age categories	Yes	No	Number of respondents
Age 40–49	45.3	54.7	122
Age 50–59	53.0	47	182
Age 60–69	72.6	27.4	151
Age 70+	84.1	15.9	131
Total	63.4	36.6	586

Note: Asked of all respondents for whom this RAND ALP variable was available and who are married, living with a partner, or widowed.

Table B.60. Do you have a written will?

Percent, except as noted

Age categories	Yes	No	Number of respondents
Age 40–49	43.4	56.6	154
Age 50–59	48.7	51.3	248
Age 60–69	67.6	32.4	203
Age 70+	78.0	22	177
Total	59.2	40.8	782

Note: Asked of all respondents for whom this RAND ALP variable was available.

Table B.63. Compared to five years ago, how confident do you feel in your ability to make financial decisions?

Percent, except as noted

More confident	34.2
About the same	61.2
Less confident	4.6
Number of respondents	1,819

Note: Asked of all respondents.

Table B.61. Do you have a written will?

Percent, except as noted

Current marital status	Yes	No	Number of respondents
Married, living with a partner, or widowed	63.4	36.6	644
Divorced, separated, or never married	39.4	60.6	138
Total	59.2	40.8	782

Note: Asked of all respondents for whom this RAND ALP variable was available.

Table B.64. Compared to five years ago, how confident do you feel in your ability to make financial decisions?

Percent, except as noted

Age categories	More confident	About the same	Less confident	Number of respondents
Age 40–49	45.4	48.9	5.8	532
Age 50–59	36.9	58.9	4.2	541
Age 60–69	30.3	65.9	3.8	398
Age 70+	17.3	78.5	4.2	348
Total	34.2	61.2	4.6	1,819

Note: Asked of all respondents.

Table B.65. Compared to five years ago, how confident do you feel in your ability to make financial decisions?

	Fluid cognitive ability	Crystallized cognitive ability	Number of respondents
More confident	530.1005	555.539	564
About the same	532.1387	560.5137	1,055
Less confident	526.7559	546.8235	68

Note: Asked of all respondents for whom this RAND ALP variable was available. See Methodology in Appendix A for an explanation of cognition scores.

Table B.68. In the last 3 years have you entered into a major (greater than \$1,000) financial transaction that you did not completely understand at the time?

Percent, except as noted	
Yes	3.7
No	94.2
I don't know.	2.1
Number of respondents	1,818

Note: Asked of all respondents.

Table B.66. As I have gotten older my ability to make decisions is:

Percent, except as noted

Better	53.7
The same	37.6
Not as good	8.7
Number of respondents	1,471

Note: Asked of all respondents for whom this RAND ALP variable was available.

Table B.69. In the last 3 years have you made a major (greater than \$1,000) financial transaction that you later regretted?

Percent, except as noted

Yes	9.8
No	90.2
Number of respondents	1,819

Note: Asked of all respondents.

Table B.67. As I have gotten older my ability to make decisions is . . .

Percent, except as noted

Age categories	Better	The same	Not as good	Number of respondents
Age 40–49	68.7	24.4	6.9	404
Age 50–59	59.6	37.4	3.1	441
Age 60–69	51.1	38.3	10.6	329
Age 70+	27.6	55.1	17.3	298
Total	53.7	37.6	8.7	1,471

Note: Asked of all respondents for whom this RAND ALP variable was available.

Table B.70. Why did you regret this transaction?

Percent, except as noted

I couldn't afford the product or service.	7.8
I paid more than I should have.	35.8
I didn't need the product or service.	14.2
I responded to a strong sales pitch.	10.1
I made a purchase for someone else that I now regret.	10.6
Other	21.5
Number of respondents	221

Note: Asked of all respondents who reported regretting a major financial transaction in the last 3 years.

Table B.71. Tell us a little more about a transaction in the last 3 years that you regretted.

Percent, except as noted

Vehicle purchase	20.5
Spending for others	8.1
Product not as good as first thought	5.0
Paid too much	7.6
Investment decisions	13.9
Home purchase/remodel	14.6
Fraud/theft/scam	4.2
Financial instrument	7.9
Education expense	3.9
Bought something I wish I didn't	14.2
Number of respondents	67

Note: Optional question asked of all respondents who reported regretting a major financial transaction in the last 3 years.

Table B.72. In the last 3 years did your household experience any major financial stress?

Percent, except as noted

Yes	35.8
No	64.2
Number of respondents	1,815

Note: Asked of all respondents.

Table B.73. In the last 3 years did your household experience any major financial stress?

Percent, except as noted

Age categories	Yes	No	Number of respondents
Age 40–49	45.2	54.8	528
Age 50–59	40.9	59.1	541
Age 60–69	30.6	69.4	398
Age 70+	19.3	80.7	348
Total	35.8	64.2	1,815

Note: Asked of all respondents.

Table B.74. What was the cause of any financial stress your household had in the last 3 years?

Percent, except as noted

Filing for bankruptcy	6.7
Receiving a foreclosure notice	5.7
Losing a job or having work hours and/or income reduced	51.0
Having a significant health issue	29.5
Getting separated or divorced or losing a spouse/partner	8.2
Having unpaid taxes	12.7
Other	21.6
Number of respondents	651

Note: Asked of all respondents who reported experiencing financial stress in the last 3 years.

Table B.75. What was the cause of any financial stress your household had in the last 3 years?

Percent, except as noted

Age categories	Filing for bankruptcy	Receiving a foreclosure notice	Losing a job or having work hours and/or income reduced	Having a significant health issue	Getting separated or divorced or losing a spouse/partner	Having unpaid taxes	Other	Number of respondents
Age 40–49	8.8	6.3	61.6	25.3	10.5	14.9	15.4	240
Age 50–59	5.1	6.6	51.3	32.2	5.1	11.4	24.4	222
Age 60–69	6.8	2.1	44.2	36.3	8.5	12.9	16.9	122
Age 70+	3.9	6.8	24.6	23.3	9.5	9.1	42.9	67
Total	6.7	5.7	51	29.5	8.2	12.7	21.6	651

Note: Asked of all respondents who reported experiencing financial stress in the last 3 years.

Table B.76. Among respondents who admitted experiencing financial stress, how many sources did each identify?

Percent, except as noted

Number of sources	
1	75.6
2	16.9
3	4.9
4	2.1
5	0.7
Number of respondents	651

Note: Asked of all respondents who reported experiencing financial stress in the last 3 years.

Table B.79. In the last 3 years have you had to carry a balance on your credit card(s) because of a medical expense?

Percent, except as noted

Age categories	Yes	No	Number of respondents
Age 40–49	14.2	85.8	368
Age 50–59	19.4	80.6	432
Age 60–69	9.1	90.9	331
Age 70+	4.0	96.0	323
Total	12.3	87.7	1454

Note: Asked of all respondents who reported using a credit card in the last 3 years.

Table B.77. In the last three years, did you have a medical expense that cost more than \$1,000 that insurance didn't cover that you had to pay?

Percent, except as noted

Age categories	In the last 3 years did you have a medical expense that cost more than \$1,000 that insurance didn't cover that you had to pay?			Number of respondents
	Yes	No	I don't know.	
Age 40–49	32.5	65.8	1.7	532
Age 50–59	29.5	69.4	1.0	541
Age 60–69	28.9	70.4	0.8	398
Age 70+	19.4	79.1	1.5	348
Total	28.3	70.4	1.3	1,819

Note: Asked of all respondents.

Table B.80. Please rate your health.

Percent, except as noted

	In the last 3 years did your household experience any major financial stress?		Number of respondents
	Yes	No	
Excellent or Very good	31.9	68.1	903
Good	36.2	63.8	609
Fair or Poor	45.3	54.7	294
Total	35.5	64.5	1,806

Note: Asked of all respondents for whom this RAND ALP variable was available.

Table B.78. In the last 3 years have you had to carry a balance on your credit card(s) because of a medical expense?

Percent, except as noted

Yes	12.3
No	87.7
Number of respondents	1,454

Note: Asked of all respondents who reported using a credit card in the last 3 years.

Table B.81. How would you pay for a \$1,000 unexpected expense?

Percent, except as noted

Put it on my credit card and pay full balance at end of month ¹	24.9
By taking money out of my savings or checking account or paying with cash ¹	45.0
Put it on my credit card and not pay the full balance at end of month ²	13.9
Using money from a bank loan, line of credit, or overdraft ²	5.4
By borrowing from a friend or family member ²	11.9
Pay it off over time in installments ²	25.4
By spending less on other items ²	14.0
By using a payday loan, deposit advance, or pawning something ²	2.0
Withdrawing money from my retirement account ²	3.4
By not paying the bill at all ²	3.2
Other	2.7
Number of respondents	1,819

Note: Asked of all respondents. See report text for explanation of categories.

¹ Payment category one.² Payment category two.

Table B.82. How would you pay for a \$1,000 unexpected expense?

Percent, except as noted

Age categories	Payment category one from Table 81 ¹	Both payment category one and two ¹	Payment category two from Table 81 ¹	Number of respondents
Age 40–49	36.3	15.5	48.2	532
Age 50–59	35.7	16.0	48.4	541
Age 60–69	53.1	13.0	33.8	398
Age 70+	59.9	17.7	22.4	348
Total	44.3	15.5	40.2	1,819

Note: Asked of all respondents.

¹ An explanation of these groupings can be found in the report text.

Table B.84. In dealing with financial stress whom did you ask for advice?

Percent, except as noted

Family	57.4
Banker	10.8
Financial advisor	22.6
Attorney	19.3
Friend	34.2
Community group/counseling agency	10.3
Other	9.5
Number of respondents	323

Note: Asked of all respondents who reported experiencing financial stress in the last 3 years and asked for advice.

Table B.83. Did you ask anyone for advice about your financial stress?

Percent, except as noted

Age categories	Yes	No	Number of respondents
Age 40–49	51.2	48.8	244
Age 50–59	46.8	53.2	222
Age 60–69	44.9	55.1	122
Age 70+	41.8	58.2	68
Total	47.6	52.4	655

Note: Asked of all respondents who reported experiencing financial stress in the last 3 years.

Table B.85. For your medical expense whom did you ask for financial advice?

Percent, except as noted

Friend/family	40.7
Professional	16.8
Medical provider	70.4
Number of respondents	114

Note: Asked of all respondents who reported having a medical expense greater than \$1,000 not covered by insurance and sought advice.

Table B.86. Please think about your life as a whole. How satisfied are you with it?

Percent, except as noted

Age categories	Completely satisfied	Very satisfied	Somewhat satisfied	Not very satisfied	Not at all satisfied	Number of respondents
Age 40–49	7.7	45.4	37.6	8.3	1.0	527
Age 50–59	5.6	47.5	38.9	6.8	1.1	542
Age 60–69	9.5	53.9	32.8	3.2	0.7	398
Age 70+	14.4	55.8	28.3	1.5	0.0	348
Total	8.8	49.9	35.2	5.4	0.8	1,815

Note: Asked of all respondents for whom this RAND ALP variable was available.

Table B.87. Please think about your life as a whole. How satisfied are you with it?

Percent, except as noted

	In the last 3 years did your household experience any major financial stress?		Number of respondents
	Yes	No	
Completely satisfied	25.4	74.6	159
Very satisfied	27.4	72.6	907
Somewhat satisfied	45.5	54.5	630
Not very satisfied	58.0	42.0	99
Not at all satisfied	64.4	35.6	14
Total	35.5	64.5	1,809

Note: Asked of all respondents for whom this RAND ALP variable was available.

