

Transcript of “Report on the Economic Well-Being of U.S. Households in 2014”

May 27, 2015

NARRATOR. The Federal Reserve Board conducted its second annual Survey of Household Economics and Decision-making, also called the SHED Survey, in October 2014.

ERIC BELSKY. It gives the Federal Reserve an opportunity to ask consumers questions directly and with relatively quick turnaround, so that we can make evidence of what consumers are thinking public on a wide range of activities in their financial and economic lives.

NARRATOR. Overall, the survey found that most adults are faring relatively well, although some individuals are struggling to get by. Also, there are concerns in key areas, such as the availability of work.

DAVID BUCHHOLZ. It does seem that there's still some pent up demand for additional work were it available. We asked people if they'd prefer to work about the same number of hours as they're working now, more, or fewer if that work were available at the same rate of pay. And about a third of full-time workers and half of part-time workers tell us that they'd prefer to work more hours if they could.

NARRATOR. The survey found that financial hardships are common, yet many people are not prepared for them.

JEFF LARRIMORE. When faced with a \$400 emergency expense, we find that almost half of respondents would either not be able to cover that expense or would do so by borrowing money or by selling something. So even though many respondents to the survey are doing okay

financially, we find this to be a sign that many are ill-prepared for some sort of even relatively modest disruption.

NARRATOR. The SHED survey also found that the perceived value of post-secondary education varies widely.

JEFF LARRIMORE. Most respondents in the survey who went to college say that the education was worth the cost and say that they are able to successfully be repaying their student loans. But we find that there's a number of factors that influence whether people are able to repay that debt. In particular, respondents who either went to a for-profit institution or who failed to complete a college degree are more likely to say that the education wasn't worth the cost and are more likely to have fallen behind on their student loan payments.

NARRATOR. Across a range of topics, lower-income respondents showed higher rates of financial challenges.

DAVID BUCHHOLZ. So for instance, among those earning \$40,000 or less in a year, less than half of them were able to put anything away in the previous year. We also asked people about what they're saving for and lower income folks are disproportionately likely to be saving for either emergency purposes or other short-term goals as opposed to longer term goals such as retirement.

NARRATOR. Among individuals who are able to save for retirement, many respondents feel they lack the ability to manage their savings.

DAVID BUCHHOLZ. There's been a long-term shift in terms of retirement savings increasingly being in self-directed accounts such as 401k's or IRA's. And we asked people how confident they are in being able to manage those funds. And about half of people tell us that they

feel either not confident at all or only a little bit confident in their ability to manage their funds well.

NARRATOR. As a nationally representative snapshot of economic well-being, the results of the SHED indicate a hopeful trend for U.S. households.

ANNA BOYD. One of the things that really motivates me about the survey is that we see people being optimistic about their long-term forecast. And, it says a lot about people's ability to bounce back when they feel so strongly that things will get better as we move forward.

NARRATOR. To view or download this year's full report, go to [FederalReserve.gov](https://www.federalreserve.gov) and click on Community Development.