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Measuring Financial Health

Remarks by

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Thank you for the opportunity to speak to you today.¹ In preparing for this event, I found myself reflecting on the evolution of the concept of financial health. What began as a push for expanding financial access has evolved over the decades—thanks to advances in research, technology, and the efforts of many of you here at today’s conference—to a focus on delivering better financial health outcomes for American families.

Financial health begins with access, but it does not end there. Products and services that are geared to meet the needs of consumers lead to tangible positive financial outcomes for them. The continued evolution of financial health measures can help to meet that objective. Technological advances in artificial intelligence (AI) have made it easier and cheaper to gather, analyze, and deploy financial data at scale. If properly used, financial health metrics can help people better manage their finances, and in doing so better achieve their financial goals, such as saving for an emergency, buying a home, paying for their children’s education, and investing for retirement. Ultimately, financial health measures hold the promise of increasing the resilience of individuals and families, leading to stronger communities and a stronger and more vibrant economy.

Financial Health Measurement

Today, approximately 96 percent of American adults have a bank account, up from 92 percent 15 years ago.² This progress is the result of sustained, coordinated efforts from the private and public sectors. The Bank On initiative, which promotes

¹ The views expressed here are my own and are not necessarily those of my colleagues on the Federal Reserve Board or the Federal Open Market Committee.

² See Federal Deposit Insurance Corporation, *2023 FDIC National Survey of Unbanked and Underbanked Households* (Federal Deposit Insurance Corporation, October 2024), <https://www.fdic.gov/household-survey/2023-fdic-national-survey-unbanked-and-underbanked-households-report>.

access to basic banking services for unbanked and underbanked families and small businesses, is a great example of how public-private partnerships can make a measurable difference.³

While access is necessary, we have learned that it is not sufficient. Indeed, we need only look at the difference between the approximately 96 percent of American adults who own a bank account and the roughly 31 percent of Americans who report feeling “financially healthy” according to the Financial Health Network’s annual pulse survey.⁴

Why this gap? Well, we should acknowledge there are many critical factors outside of financial services that affect financial health, such as income and wealth, job security, and the like, and we can also recognize that financial access alone does not guarantee outcomes. Some accounts come with costs and risks that outweigh their benefits for lower-income customers. In some cases, alternative financial services may be less expensive than what banks offer for certain transactions or meet a need unserved by banks’ core offerings. In other cases, behavioral biases and market dynamics may lead customers astray. Simply having a bank account does not mean a consumer’s financial needs are being served effectively. This is why measurement of financial health

³ Bank On is a national program promoting standardized low-cost transaction accounts that—approved and developed in concert with the FDIC’s template for low-cost accounts—provides an affordable banking product option at scale. The program’s signature accomplishment is the launch of the Bank On National Accounts Standards (NAS), designed to ensure a Bank On account offers basic banking features and is both low cost and low risk for customers. Financial institutions apply for certification at no cost for verification of their selected product. To present metrics from financial institutions related to account openings, usage, and consistency, the St. Louis Fed and Cities for Financial Empowerment (CFE) Fund established the [Bank On National Data \(BOND\)](#).

⁴ See Financial Health Network, *Financial Health Pulse: 2025 U.S. Trends Report* (Financial Health Network, September 2025), <https://finhealthnetwork.org/wp-content/uploads/2025/09/Financial-Health-Pulse-2025-U.S.-Trends-Report.pdf>.

outcomes matters; it helps us understand not just whether people have access, but whether that access is delivering real value.

A focus on impact and outcomes represents, I believe, a step forward for financial inclusion. Financial institutions are increasingly measuring customer financial health using new data sources, such as transaction account data, which allows them to look past simply providing access toward developing products and services that focus on the outcome of measurable improvement in financial health. Several innovations seem to be driving this: better use of customer data such as cash flow, analysis aided by AI, and insights provided by behavioral science.

Let me take a step back for a moment and say more about how measuring financial health has evolved and where it stands today. The Federal Reserve made an early contribution to measuring financial health when it revived early household surveys from the 1960s and began sponsoring the triennial Survey of Consumer Finances (SCF) in 1983. The SCF remains the most comprehensive picture of how families earn, spend, save, and manage their personal finances. As such, the main objective is collecting detailed balance sheet information across many asset and debt categories to create a complete picture of the wealth distribution across all types of American families. While the SCF includes attitudinal questions about the economy and each family's economic situation, the primary focus is on quantitative measures of economic well-being.

In an effort to collect more qualitative measures of economic well-being, the Fed launched the Survey of Household Economics and Decisionmaking (SHED) in 2013. The SHED collects annual metrics that are released shortly after data collection period

and aims to qualitatively evaluate the financial wellbeing of households, with particular attention to the risks they face. In other words, the principle of financial health was fundamental. The survey is modified each year to take on changes in the economy and evolving challenges. SHED was particularly valuable during and after the COVID-19 pandemic, when the challenges to household finances were dramatic. Among other contributions to the public discussion of financial health metrics is the SHED's popularization of the "\$400 test," in which we ask households how they would handle an unexpected \$400 expense. Many people, I believe, were surprised to learn that nearly 40 percent of households did not have the cash to comfortably pay off this expense in full, and that's still true today, at 37 percent. I believe that metric, which we continue to track each year, has helped the public and government leaders to better understand how many households are vulnerable to adverse economic developments.

The other banking agencies have contributed to our understanding of financial health as well.⁵ Beyond government, nonprofits and academic researchers have developed financial health surveys, including some that are now bolstered by linking responses to individual administrative data.⁶ They are using the data to help businesses,

⁵ See, for example, Federal Deposit Insurance Corporation, *2023 FDIC National Survey* and other biennial surveys going back to 2009, such as "Household Survey Archives," Federal Deposit Insurance Corporation, last modified March 2, 2026, <https://www.fdic.gov/household-survey/household-survey-archives> and Consumer Financial Protection Bureau, "Financial well-being in America," (Consumer Financial Protection Bureau, September 2017), https://files.consumerfinance.gov/f/documents/201709_cfpb_financial-well-being-in-America.pdf.

⁶ See Michael S. Barr, *No Slack: The Financial Lives of Low-Income Americans* (Brookings Institution Press, 2012).

including depository institutions, evaluate the financial health of their customers. The Financial Health Network has done a great deal in this area.

The convergence of several forces has created new opportunities. Better access to data has opened new horizons for research; behavioral science is helping better explain consumer decisionmaking; and analytical tools, some using AI, are helping researchers to generate deeper insights. Together, these innovations are moving the study of financial health beyond self-reported perceptions to more granular, quantifiable, and actionable metrics that can provide insight in near real time. For many businesses, this is the kind of rigorous assessment that is needed to design products and marketing outreach to better suit the needs of consumers.

There is more work to do in realizing the potential of these new tools and practices. Banks are making use of these metrics to differing degrees. Practices range from senior executives learning about and getting comfortable with the data and the idea of altering business plans based on the data; to some banks beginning to offer customer-facing tools; all the way to some institutions that are already integrating the lessons from this data in product design, portfolio monitoring, and proactive interventions to help customers facing challenges.

These tools require careful design using behavioral science. We have heard about firms studying how different customer segments interact with new product features that prompt customers to transfer small amounts into savings. Firms typically find these interventions work as intended, increasing savings for customers with lower starting balances. However, there have been instances where measurement identified an unintended consequence of reducing savings for customers with larger balances. This

kind of insight, possible only through rigorous measurement, can help institutions refine products to better serve their customers.

While firms are using new tools to measure financial health, they must continue to ensure that financial products do not pose a risk to consumers. Consumer protection plays a vital role in promoting financial health by ensuring that individuals are treated fairly, transparently, and ethically in the marketplace. Strong protections help prevent deceptive practices, hidden fees, and predatory lending, all of which can undermine personal financial stability. When consumers have access to clear information and effective recourse mechanisms, they are better equipped to make informed decisions, manage risks, and build long-term financial security. Consumer protection is part of the Fed's mission. Ultimately, a robust consumer protection framework fosters trust in the financial system, which is essential for both individual well-being and broader economic stability.

The Promise of Financial Health Metrics

Those financial institutions most advanced in their adoption of financial health measures are sharing promising benefits both for the firms themselves and consumers. Firms say that they are more accurately measuring the impact of new products and interventions with customers and better identifying their needs. We are hearing, for example, that institutions offering short-term, small-dollar loans to customers can use financial health metrics to track increasing savings buffers, reduced overdraft, and positive trends in credit scores. This illustrates a crucial benefit: these measures allow firms to identify not only whether financially vulnerable customers are using products designed for them, but whether they are actually benefiting—enabling firms to modify

products when needed. These measures are also powering consumer-facing tools, such as alerts that give customers time to respond before they face overdrafts or other problems.

Firms indicate that financial health-oriented innovations are popular with customers and can potentially increase revenue, reduce costs, and increase profitability of these services, which is crucial, because these services will only be offered by the private sector if they can be operated profitably. Some early evidence suggests the business case may be stronger than many realize. A case study released at this conference last year included data indicating that financially healthy customers might cost less to serve: they used customer service centers less frequently and fell delinquent on loans at lower rates. This kind of operational efficiency, combined with increased deposits and usage of other services, suggests that helping customers achieve financial health need not just be good for consumers—it can also be good for the bottom line. This alignment of incentives is crucial for sustainable market adoption.

As I have said previously, technological innovations, including AI, have been central to the acceleration recently in measuring financial health. It seems to me that businesses using AI have the potential to help support financial health. Better understanding of customers' behavior can lead to offering targeted financial advice and identifying vulnerable customers before they fall into a crisis. AI can also help businesses provide services that are targeted to what consumers really need, potentially at lower costs as well.

Overcoming Challenges to Support Innovation

There are still some challenges that we need to surmount before financial health metrics can realize their full potential at scale. For example, identifying the most

promising variables and reliably measuring them in a scalable, timely, and cost-effective manner will be key to moving this work forward. Developing measurement standards will also be crucial to advancing our understanding and deepening collaboration across key stakeholders.

A second challenge is the tension between data access and privacy. Consumers need greater awareness and control of exactly what information of theirs is being shared, with whom, for how long, and for what purpose. Trust has always been essential to the financial services sector, and new technologies require even more care.

A third challenge is the need to maintain methodological rigor, which is essential if businesses are to trust this data. By this I mean using consistent, transparent, and evidence-based methods for collecting, analyzing, and interpreting financial data so the resulting assessments are reliable and comparable over time.

And finally, a fourth challenge is helping consumers use financial health data. What works best is timely, actionable guidance that connects a specific metric to a concrete goal and a behavior that makes the goal achievable: for example, soon before applying for a loan, showing how a small change in utilization affects a credit score, translating a savings balance target into understandable metrics such as months of expenses covered, or visualizing the consequences of renting versus buying a home. Simple benchmarks, personalized targets, and default settings help turn abstract numbers into manageable actions.

Focusing on metrics alone is not enough. Consumers can understand their numbers yet still struggle to improve them because of income volatility, rising living costs, behavioral biases, and the complexity of financial products. Metrics can also

oversimplify financial health, encouraging short-term optimization (e.g., boosting a score) over behaviors that create long-term stability. To be effective, financial health metrics must be paired with products that meet the needs of lower-income households.

This will mean working together. Financial institutions will need to prioritize creating products and services that help vulnerable customers and commit to measurement and sharing best practices. Vendors and technology providers will likewise need to enable measurement through data portability and standardization. Nonprofits play a key role by providing financial education and connecting people to trusted providers with products that meet their needs. And all of us would benefit from independent evaluation of emerging approaches.

We have the data infrastructure, analytical tools, and behavioral insights to measure and meaningfully improve financial health at scale. The question is not whether to embrace these tools, but how to ensure they deliver on their promise. Imagine a world in which financial institutions use financial metrics to design, with intentionality, products and services that put vulnerable people first. The Fed stands ready to help meet this opportunity.