

States Ranked Most and Least Likely to Engage in Key Measures of Financial Capability

Making Ends Meet

Individuals who report spending more than their household income (not including the purchase of a new home, car or other big investment) are not saving. In addition, individuals who spend about the same as their income are breaking even. Only those who spend less than their household income are able to save. Individuals who are not balancing monthly income and expenses may find themselves struggling to make ends meet.

Spending vs. Saving

Spend less than income	
1	District of Columbia 47.8%
2	Iowa 45.9%
3	Massachusetts 44.9%
4	North Dakota 44.6%
5	Maryland 44.5%
US Average 40.5%	

Spend less than income	
1	Oklahoma 35.2%
2	Kentucky 35.8%
3	Colorado 35.9%
4	Arizona 36.5%
4	Vermont 36.5%
US Average 40.5%	

With the high costs of medical care many Americans face significant medical bills in addition to their typical monthly expenses, even for some of those with health insurance. Medical bills that become past due can also hurt one's credit score. The piling up of medical debt can make it even harder for Americans to make ends meet today and to plan their financial future.

Medical Debt

Have overdue medical bills	
1	Hawaii 5.2%
2	Minnesota 11.1%
3	Massachusetts 13.2%
4	California 13.6%
5	Connecticut 15.3%
US Average 20.8%	

Have overdue medical bills	
1	Mississippi 32.6%
2	Arkansas 29.5%
3	West Virginia 27.5%
4	Indiana 27.2%
4	Kentucky 27.2%
US Average 20.8%	

Planning Ahead

Individuals who have a “rainy day” fund demonstrate that they are planning ahead for their financial future. Those who lack a “rainy day” fund, however, do not have money set aside to cover expenses for three months, in case of emergencies such as sickness, job loss or economic downturn. Individuals without this emergency savings lack a buffer against unexpected financial shocks, threatening their personal financial stability, as well as decreasing the stability of the economy as a whole.

Rainy Day Funds

Have emergency funds		
1	North Dakota	55.5%
2	New Hampshire	53.6%
3	Minnesota	52.7%
4	Hawaii	52.4%
5	California	51.6%
US Average		46.0%

Do not have emergency funds		
1	West Virginia	59.2%
2	Oklahoma	57.5%
3	Mississippi	56.0%
4	Tennessee	55.8%
5	Missouri	55.6%
US Average		49.6%

Managing Financial Products

Numerous Americans have engaged in non-bank borrowing within the past five years, such as taking out an auto title loan or a payday loan, or using a pawn shop or rent-to-own store. Non-bank borrowing methods are likely to come with high interest rates, and often attract individuals with poor credit histories, lack of access to more traditional sources of credit, or both. Sound borrowing practices and management of financial products are crucial to financial capability.

Non-Bank Borrowing

Have used one or more non-bank borrowing methods		
1	Vermont	15.2%
2	Wisconsin	15.6%
3	New Jersey	16.6%
4	New Hampshire	17.2%
5	Maine	17.9%
US Average		25.5%

Have used one or more non-bank borrowing methods		
1	Mississippi	34.6%
2	Alabama	33.8%
3	Texas	33.3%
4	Oklahoma	32.7%
5	Arkansas	32.2%
US Average		25.5%

By only paying the minimum amount due each month on a credit card, consumers are increasing their borrowing costs. This practice can also negatively impact one’s credit score. Consumers must understand how to manage credit and that paying only the minimum on credit cards can result in a long-term drain on their finances and borrowing ability.

Credit Card Behaviors

Paid minimum on credit cards		
1	New Hampshire	23.9%
2	Minnesota	25.1%
3	Montana	25.4%
4	South Dakota	26.4%
5	New Jersey	28.0%
5	Wyoming	28.0%
US Average		32.4%

Paid minimum on credit cards		
1	Arkansas	39.6%
1	West Virginia	39.6%
3	New Mexico	38.2%
4	Oklahoma	36.4%
5	Alaska	36.3%
5	Louisiana	36.3%
US Average		32.4%

Home & Mortgages

Having an underwater mortgage, meaning the balance on a mortgage is higher than the value of a home, can keep many Americans away from the key financial benefits of owning a home. If an individual has an underwater mortgage, they will have to pay the difference if they sell their home, and may find refinancing their mortgage difficult. When one enters into a mortgage contract, it is critical to realistically consider both mortgage payments relative to income and to understand the impact that volatility in the housing market can have on the value of one's home.

Home "underwater" (negative equity)	
1 Montana	3.7%
1 Vermont	3.7%
3 Nebraska	3.8%
4 North Dakota	4.0%
5 South Dakota	4.2%
US Average	9.3%

Home "underwater" (negative equity)	
1 Florida	15.5%
2 Colorado	15.4%
3 Oregon	14.5%
4 Arizona	13.9%
5 Connecticut	13.8%
US Average	9.3%

Financial Knowledge and Decision-Making

Financial Literacy

Study participants were asked six questions covering aspects of economics and finance encountered in everyday life, such as compound interest, inflation, principles relating to risk and diversification, the relationship between bond prices and interest rates, and the impact that a shorter term can have on total interest payments over the life of a mortgage. Individuals need at least a fundamental level of financial knowledge. This knowledge, paired with financial decision-making skills, can best ensure an individual's financial capability.

Average number of correct answers	
1 Montana	3.78
2 Vermont	3.66
3 Wyoming	3.60
4 Iowa	3.56
5 North Dakota	3.54
5 New Hampshire	3.54
US Average	3.16

Average number of correct answers	
1 Texas	2.81
2 Florida	2.89
3 New York	2.91
4 California	2.97
4 Louisiana	2.97
US Average	3.16

Comparison Shopping

Most Americans do not compare offers or collect information from more than one company when shopping for credit cards. This practice suggests a gap in applying financial decision-making skills to real life situations. Not performing basic research when shopping for credit cards can result in higher interest rates and, consequently, higher borrowing costs.

Compared credit cards	
1 District of Columbia	46.0%
2 Mississippi	42.0%
3 Arizona	40.8%
3 Arkansas	40.8%
4 Nevada	40.4%
US Average	35.0%

Did not compare credit cards	
1 Minnesota	65.2%
2 Pennsylvania	64.6%
3 Ohio	64.3%
4 Nebraska	63.0%
5 Louisiana	62.6%
US Average	57.9%