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.
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.
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.
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.

Note: The 2015 statistic regarding non-bank borrowing is not directly comparable to data from 2012 and 2018 and was therefore excluded.
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.
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.
Financial Knowledge and Decision-Making

Study participants were asked five 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.

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.