

Prudential's 2018

# Financial Wellness Census™

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Bring Your Challenges®

## Foreword

When it comes to the financial health of Americans, averages are of limited value. Given the range of incomes and employment opportunities in our nation's incredibly diverse economy, it is difficult to generalize about how well people are able to manage their day-to-day finances, save for long-term goals like retirement, or protect themselves against common financial risks.

To see beyond stereotypes and generalities, Prudential Financial recently surveyed more than 3,000 U.S. adults between the ages of 25 and 70 about their financial experience. We sought to gauge not only the objective financial health of each respondent—what they own, what they owe, how much they are earning—but also their subjective financial health—how well they see themselves managing their finances, and how optimistic or pessimistic they are about achieving the financial goals most important to them.

While our Financial Wellness Census™ reveals many commonalities—most respondents cite saving for retirement as their top financial priority, for example—it also finds sharp divisions. The country is almost equally split between those who are financially healthy and those who are struggling to meet current living expenses and save for long-term goals. But even within those broad categories there are striking differences in how Americans perceive their financial health. Among those who are financially healthy by objective measures, for example, more than a quarter are nonetheless pessimistic about their financial situation. They have low confidence that they're on track to meet their financial goals, and they are highly worried about their financial future.

Conversely, among the respondents who are in poor financial health objectively, nearly a third are nonetheless optimistic about their financial situation. They have a high degree of confidence that they're on track to meet their financial goals, and few worry much about their financial future.

This apparent misalignment between objective and perceived financial health may have important and in some cases troubling implications. Americans in poor financial health who are nonetheless hopeful about the future may have good reason for their optimism—perhaps they are completing schooling or training that will soon boost their income. But it also could blind them to the need to revamp how they're spending and saving their money. Individuals in good financial health, but pessimistic about their financial situation, may benefit from an excess of caution—they may be less likely to spend money frivolously today and miss it tomorrow. But they also could be subjecting themselves to unwarranted stress, and depriving themselves and their families of rewarding comforts and life experiences.

At Prudential, we are committed to helping Americans improve their financial health through robust and innovative product and service offerings tailored to their individual needs. Doing this requires a deep understanding not only of their current financial health, but also their own perceptions of how they're doing and where they want to go. Through studies like this one, we seek to inform and advance the work we do every day on our clients' behalf.



**Stephen Pelletier**  
Executive Vice President  
and Chief Operating Officer,  
U.S. Businesses

*“At Prudential, we are committed to helping Americans improve their financial health through robust and innovative product and service offerings tailored to their individual needs. Doing this requires a deep understanding not only of their current financial health, but also their own perceptions of how they’re doing and where they want to go.”*

## Summary

### **Most Americans see saving for retirement as a top priority.**

Americans have absorbed the message that their financial security in retirement depends to a large degree on how diligently they save and invest before they get there. Seventy-five percent of Census respondents say having enough savings to last through their retirement years is an important goal. Indeed, it is the most commonly cited goal among all respondents—including younger generations, for whom retirement is often thought to be a distant and unconsidered goal. The second and third most common are ensuring the ability to pay for their future health care needs (cited by 73%), and keeping up with current expenses (72%).

### **In general, the financial goals people value most are those that give them a choice in how they are able to live.**

These include how they spend their retirement, and when and where they retire.

### **More than a quarter of Americans have skewed perceptions of their financial health.**

Seventeen percent of Americans perceive themselves to be in good financial shape despite having a low level of objective financial health. Another 12% fall on the other side of the spectrum; they are pessimistic about their finances even though they have high levels of financial health objectively.

### **The most common cause of worry about the financial future for most Americans is the idea they will never be able to retire, and will have to work as long as they are able.**

The top behavioral driver of this worry is not having saved enough money. Another—and the biggest perceived barrier to financial security—is not making enough money.

### **American optimism is not dead.**

A majority of Census respondents are confident they'll reach their financial goals, even when they are not on track to do so. Out of a list of 22 financial goals, results indicate that a majority of Americans believe they are on track to meet only two of them: being able to stay in their home when they retire, and keeping up with current expenses. Fewer than 50% of respondents consider themselves on track to meet their other goals, although more than 50% believe they will achieve them.

### **Even among those who are struggling financially, many dream of having a financially secure retirement.**

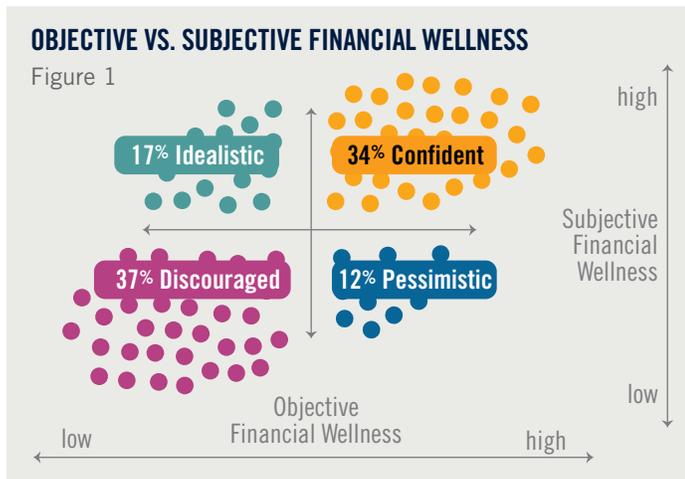
Approximately two-thirds of those who are struggling financially, by objective measures, rank “having enough savings to last through my retirement years” as an important financial goal. And a like number include it among their top three goals, suggesting they have not given up on the idea.

## America is split almost equally between the financially healthy and the financially struggling

By objective measures, the financially healthy and the financially struggling are nearly equal in number. Forty-six percent of Census respondents are doing better than average based on their levels of income, savings and other assets, and debts, while 54% are doing worse than average.

More than a quarter of Americans have perceptions of their financial health that are at odds with reality. Twelve percent have a high level of financial health by objective measures, but are nonetheless pessimistic about their finances (a group we identify here as Pessimists). Another 17% fall on the other side of the spectrum: their objective financial health is low, but they perceive themselves to be in good financial shape (Idealists). Between those two ranges are 34% who are doing well and believe it (Confidants), and 37% who are not doing well financially and recognize it (Discouraged). Poor perceptions of financial health could have many adverse consequences. Idealists may fail to save and invest adequately for future needs, while pessimists could subject themselves to unnecessary and unhealthy stress—and rob themselves of experiences and comforts that could improve their quality of life.

## Objective and subjective financial health can vary dramatically



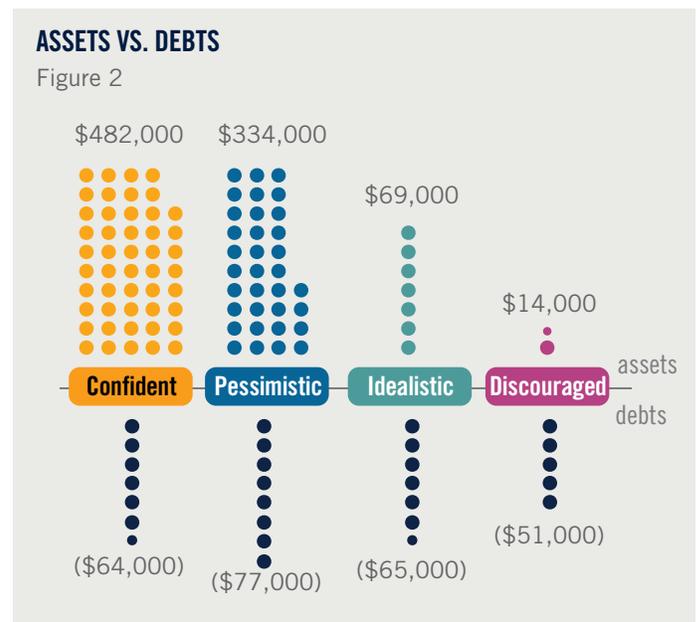
Despite having high objective levels of financial health, Pessimists worry just as much about their financial future as do the Discouraged. Seventy-three percent of the Pessimists, who are financially healthy, say they are worried about their financial future. That's equal to the 71% of the Discouraged, who have low objective levels of financial health.

Women tend to be more negative about their financial outlook than men. In fact, 10.1% of financially well women have a negative view of their financial health, versus only 6.3% of financially well men. Among those who are not financially healthy by objective measures, women again are more likely to have a more gloomy outlook, although the disparity is not statistically significant.

## Financially well or not, having more money generally equates to more optimism

Not surprisingly, the more money a person has, the more likely they are to be optimistic about their finances. Among those who are financially healthy, Confidants have more assets (\$482,000, on average) than pessimists (\$334,000). They also have less debt (\$64,000 versus \$77,000). Meanwhile, among those who are not financially healthy, Idealists have \$69,000 in assets, on average, and \$65,000 in debt, while the Discouraged have only about \$14,000 in assets and \$51,000 in debt.

## Money tends to correlate with optimism about finances



Working with a financial adviser also correlates with a more positive outlook on financial health. Among those with high levels of objective health, 53% of the Confidants are working with a financial professional, versus only 40% of the Pessimists. Similarly, 31% of Idealists work with a financial professional, versus only 23% of the Discouraged.

These two findings may contribute to Confidants and Idealists being more likely to believe they could maintain their lifestyle for more than a year without income. Forty-eight percent of Confidants and 23% of Idealists believe they could continue on for more than a year without income, versus 24% of Pessimists and 6% of the Discouraged.

## Many Americans have not given up on having a financially secure retirement

**Even among those who are struggling, many still hold out hope they will be able to enjoy a financially secure retirement.** Approximately two-thirds of this group (68% of the Discouraged, and 69% of Idealists) say that having enough savings to last through their retirement years is an important financial goal. Importantly, they also include it in their top three goals, suggesting they haven't given up on the idea of making it happen. By contrast, Confidents and Pessimists—the two groups doing best objectively—both rank a financially secure retirement as their top goal; it's cited by 81% of Confidents and 84% of Pessimists.

**This sense of hope may tie to the fact that many Americans seem to think they'll do a better job of working toward their financial goals tomorrow.** For almost every financial goal they identify as highly important, the percentage of Americans who are confident they'll be able to achieve them exceeds the percentage that considers themselves

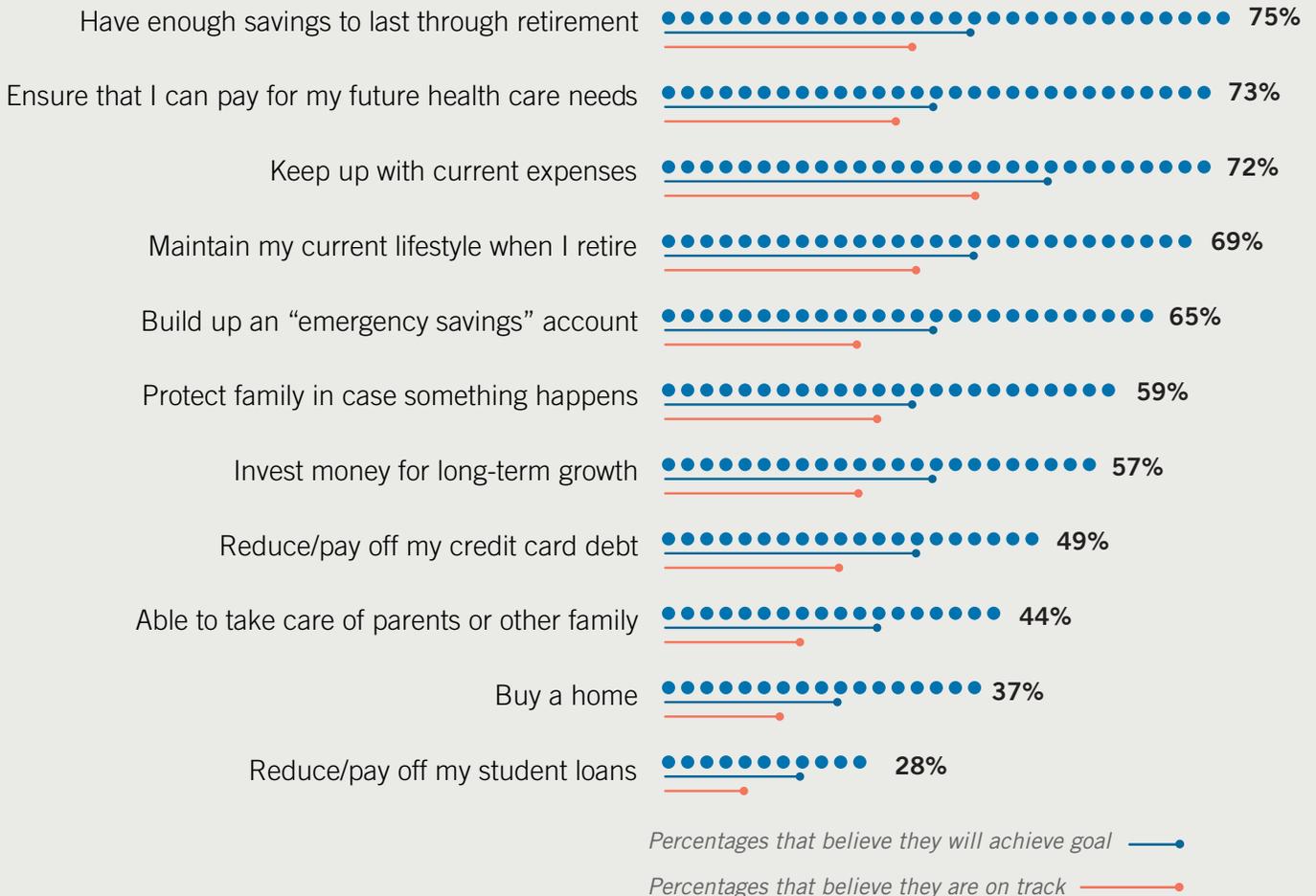
on track to do so. This suggests they expect to do a better job of working toward their goals in the future. In fact, about 20% believe that even if they wait another year or two to start saving, they'll still be able to save enough for retirement. It also jibes with the finding that those who prioritize a financial goal often don't feel they're saving enough right now to achieve it.

**Hopeful or not, individuals with low financial health are saving very little for retirement—suggesting their financial struggles may last a lifetime.** While Confidents and Pessimists are saving 16% of their money for retirement—or otherwise investing it for long-term growth—the Discouraged and the Idealists are saving only 4%. Not surprisingly, the latter spend a bigger percentage of their income on necessities: 57% and 54%, respectively, versus 35% and 37% for Confidents and Pessimists. The Discouraged and Idealists also spend a bigger share of their income on paying down debt.

## Americans are hopeful they'll save more tomorrow

### KEY FINANCIAL GOALS MOST OFTEN IDENTIFIED AS IMPORTANT

Figure 3



## Key findings by generation, gender and ethnicity

**Women, minorities and younger generations are more worried about their financial future than men, whites and baby boomers.** Hispanics are the mostly likely to be worried, with 58% of that ethnic group saying they are very worried about their financial future. Other groups with high levels of worry include the disabled (53% of all disabled), millennials and caregivers (55% of each group).

**Women uniformly see themselves as being less on track to meet their financial goals than men.** The biggest gaps are found in how prepared they believe themselves to be to maintain a standard of living for their family if something happens to themselves (37% of women versus 55% of men), being able to help their children with a down payment for a home (28% versus 45%), having enough savings to last through their retirement years (36% versus 51%), and being able to choose how they spend their retirement (40% versus 54%).

**Given this finding, it's not surprising that a much higher percentage of women than men feel hopeless or trapped when it comes to their financial situation.** Among those who are not doing well objectively and feel hopeless and trapped, 57% are women. Similarly, among those who are doing well financially and feel confident, only 45% are women and 55% are men. By generation, only 25% of the trapped are baby boomers, while 36% are younger Gen Xers and 39% are even younger millennials. And among the Confidents, 50% are boomers, while just 30% are Gen Xers and 20% are millennials.

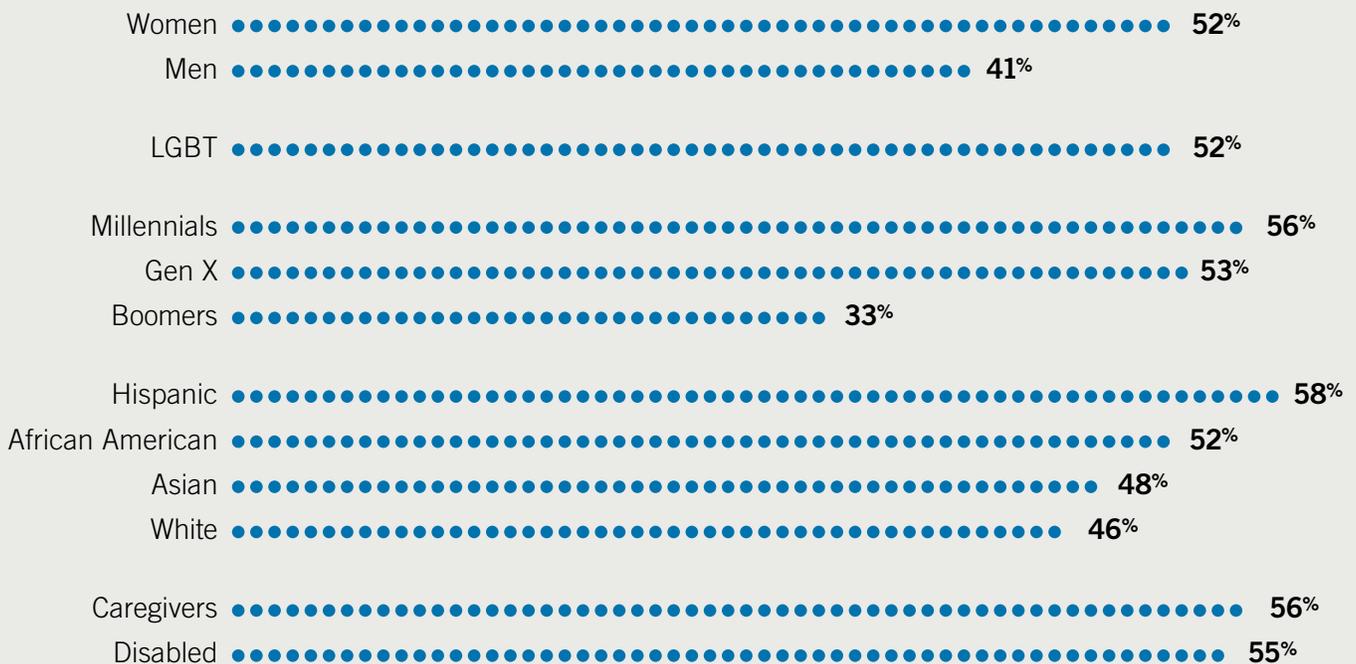
**Women generally place more importance on financial goals than men.** Women place notably more emphasis on keeping up with current expenses, having enough savings to last through their retirement years, and ensuring they can pay for their future health care costs. One notable exception: Women and men place about equal importance on being able to stay in their current home when they retire.

**African Americans and Hispanics are less likely to feel they are on track to meet their financial goals than the general population.** Only about 30% to 40% of those two groups feel they are on track, versus about 40% to 50% of the general population. Asian Americans, by contrast, feel they are about on par with the general population in progressing toward their financial goals—as do members of the LGBT community. Household income accounts for some of these disparities, but not all. While the median household for all study respondents is \$85,000, for example, the median for African Americans is \$75,000 and for Hispanics, \$60,000, suggesting those two groups may indeed face more financial challenges. However, median household income for members of the LGBT community, whose feelings about being on track are on par with the general population, is the same as it is for African American households at \$75,000. The median for Asian American households is \$85,000.

## Women, minorities and younger generations worry more about the future

### PERCENTAGES OF POPULATIONS THAT ARE VERY WORRIED ABOUT THEIR FINANCIAL FUTURE

Figure 4



## About this Study

Prudential and Chadwick Martin Bailey conducted a survey among a nationally representative sample of 3,013 U.S. adults ages 25-70. The sample includes key populations and audiences including: African Americans (290); Hispanics (321); Asian Americans (171); Women (1,538); Millennials (886); Veterans (257); LGBT individuals (297); Caregivers (710); Disabled individuals (906); and Professional Association Members (185). This study also included an oversample of native Spanish and Chinese speakers, who were given the option to take the survey in their native language: native Spanish speakers (200 including gen pop Hispanic + oversample) and native Chinese speakers (120 including gen pop Asian American + oversample). The survey was fielded between September 20 and October 9, 2017.

