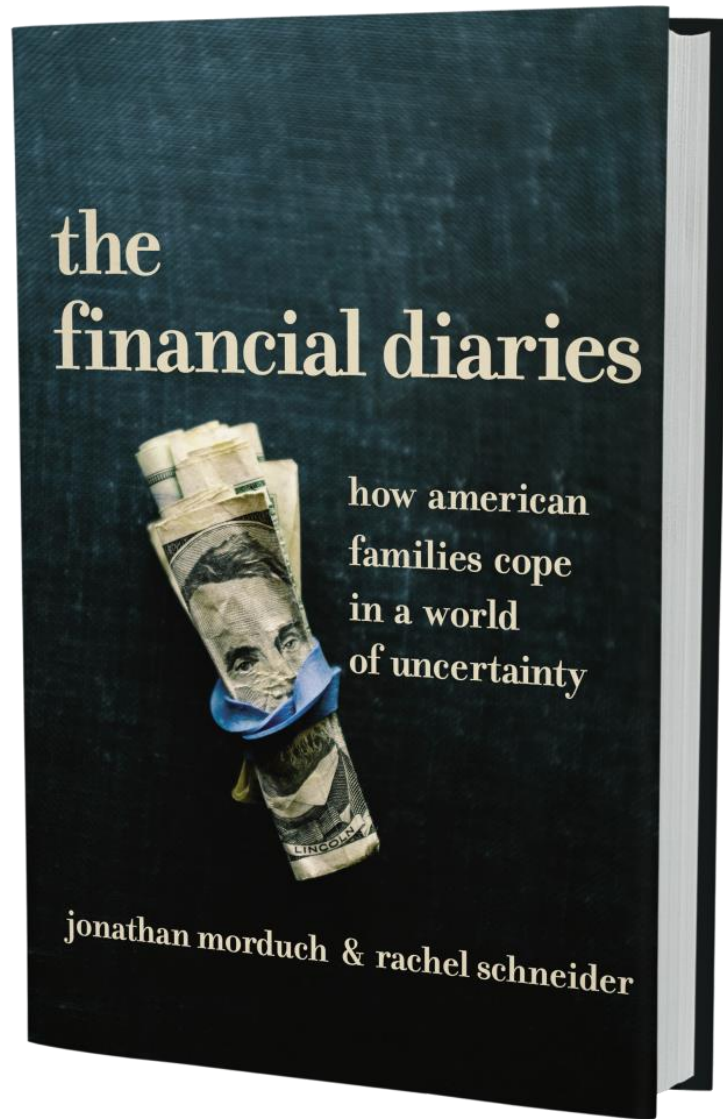


# America's Economic Anxiety

The financial lives of low- and moderate-income households

Jonathan Morduch  
NYU



Jonathan Morduch, NYU

Rachel Schneider, CFSI

**U.S.**  
Financial  
Diaries

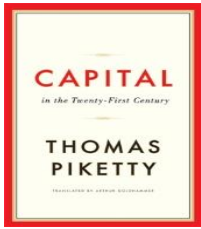
## Principal Investigators

- **Jonathan Morduch**, Professor of Public Policy and Economics, New York University
- **Rachel Schneider**, Senior Vice President, Insights and Analytics, Center for Financial Services innovation

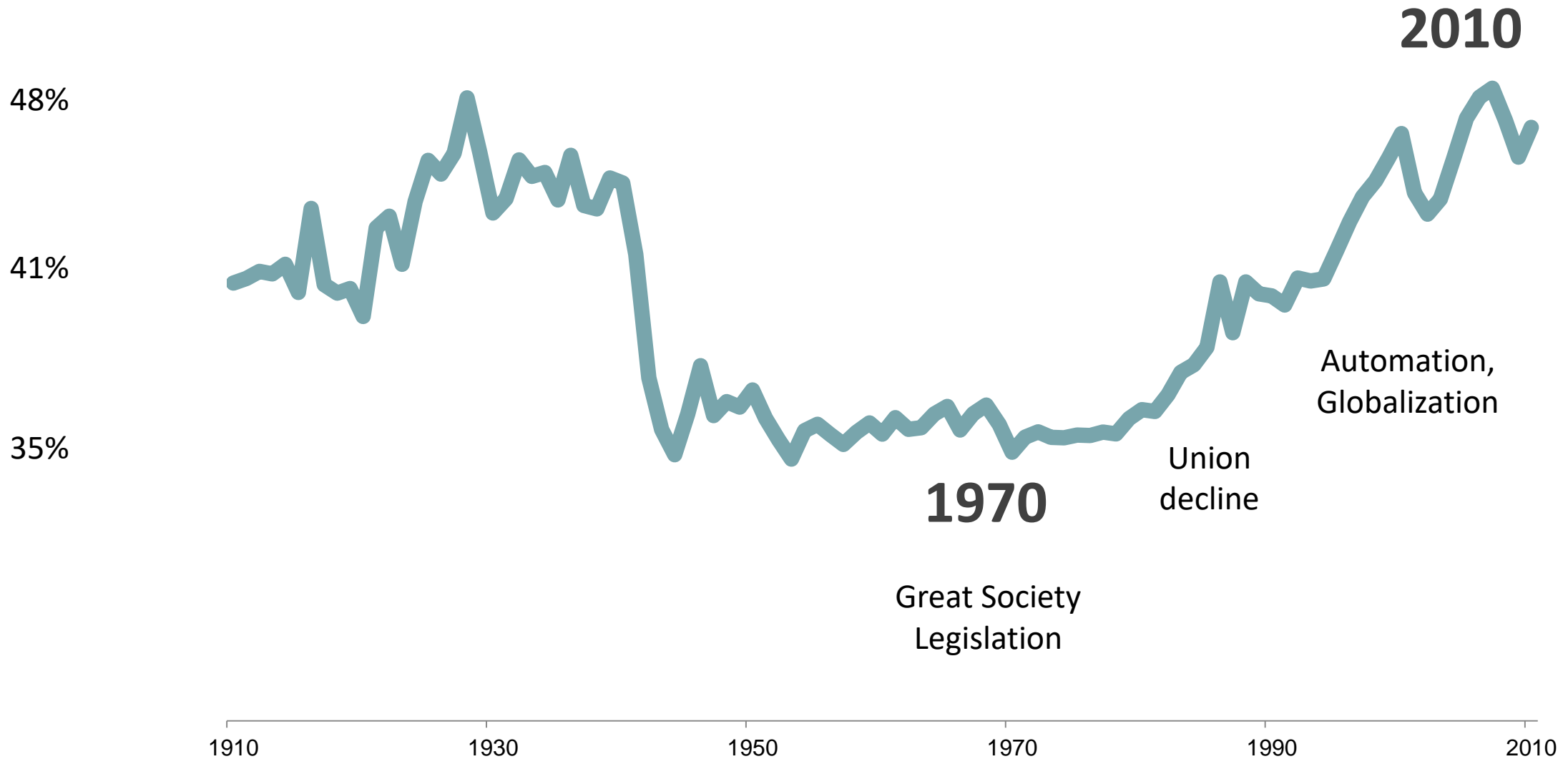


Citi Foundation



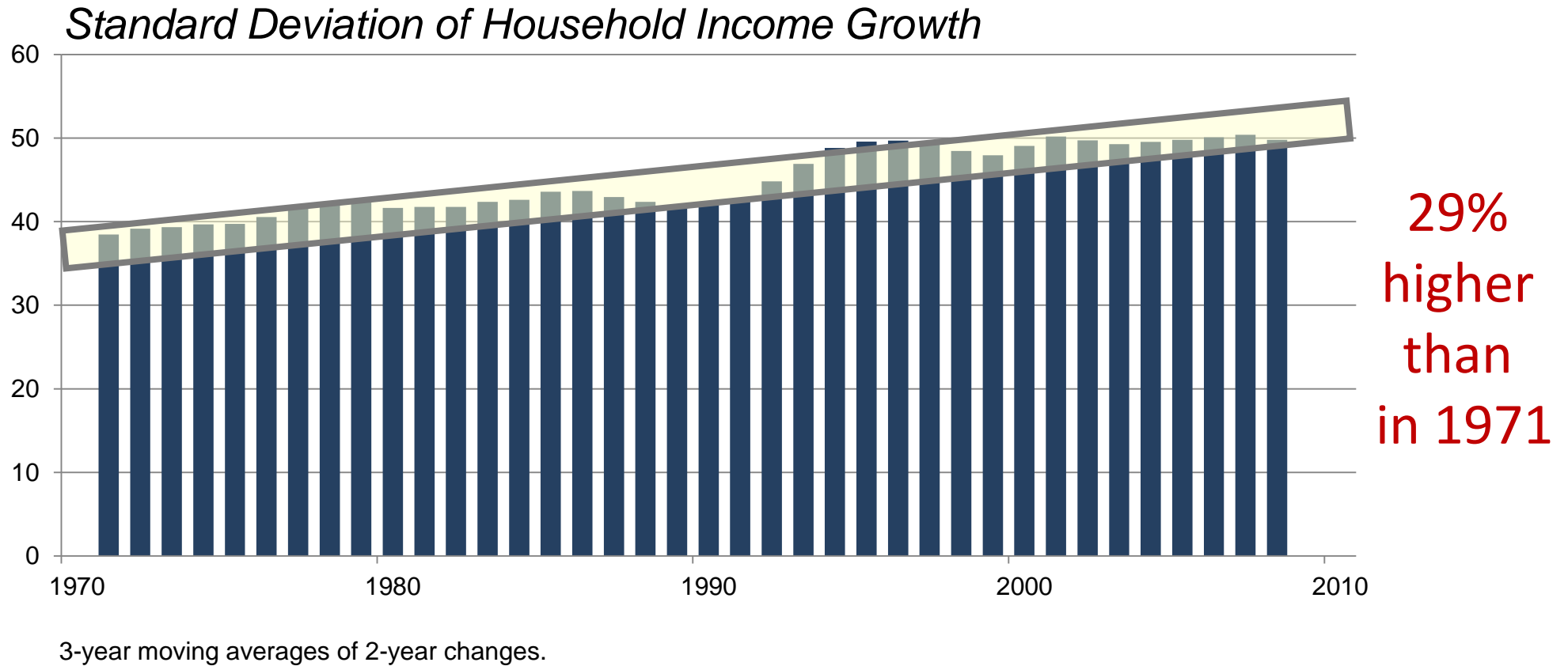


# Income share of the top 10%, U.S.



# Insecurity (version 1)

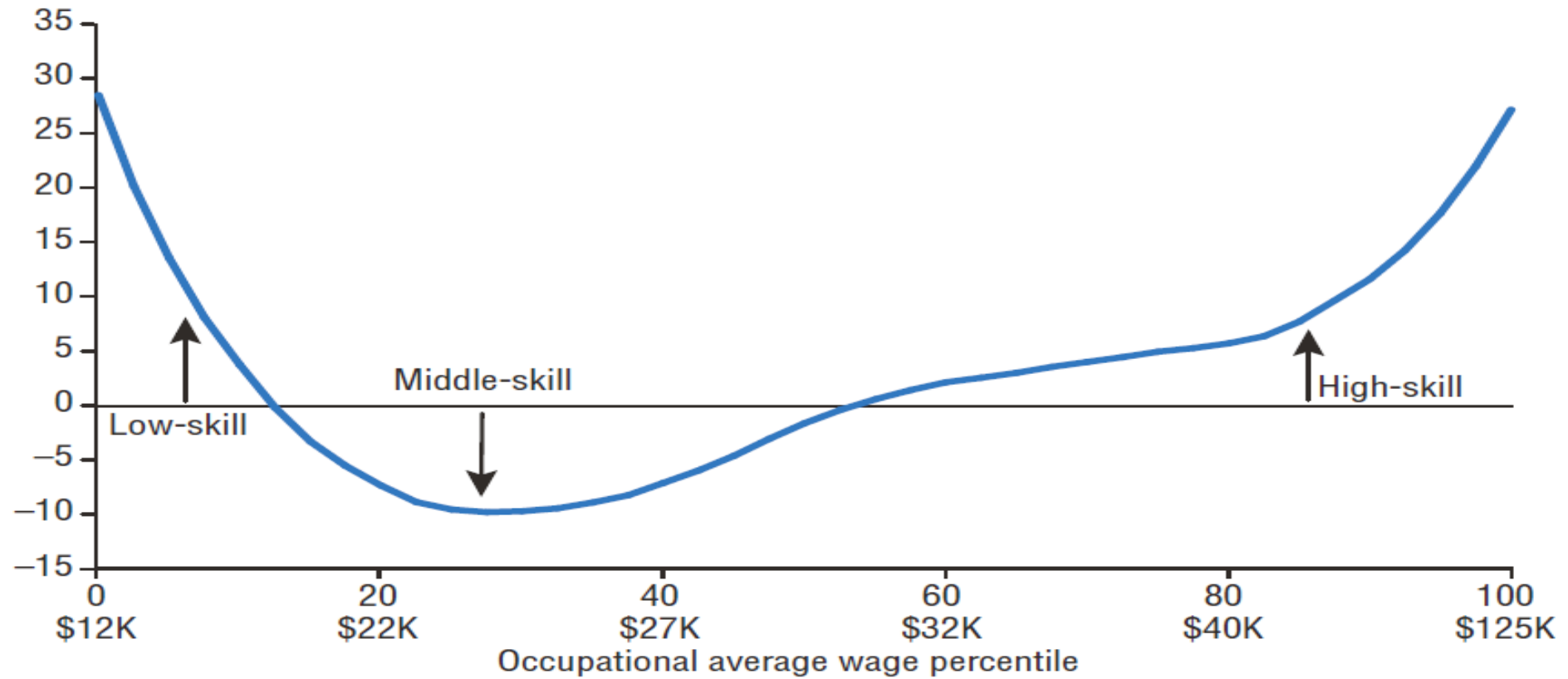
Economically significant increase in household income volatility



Source: Dynan, Elmendorf, and Sichel



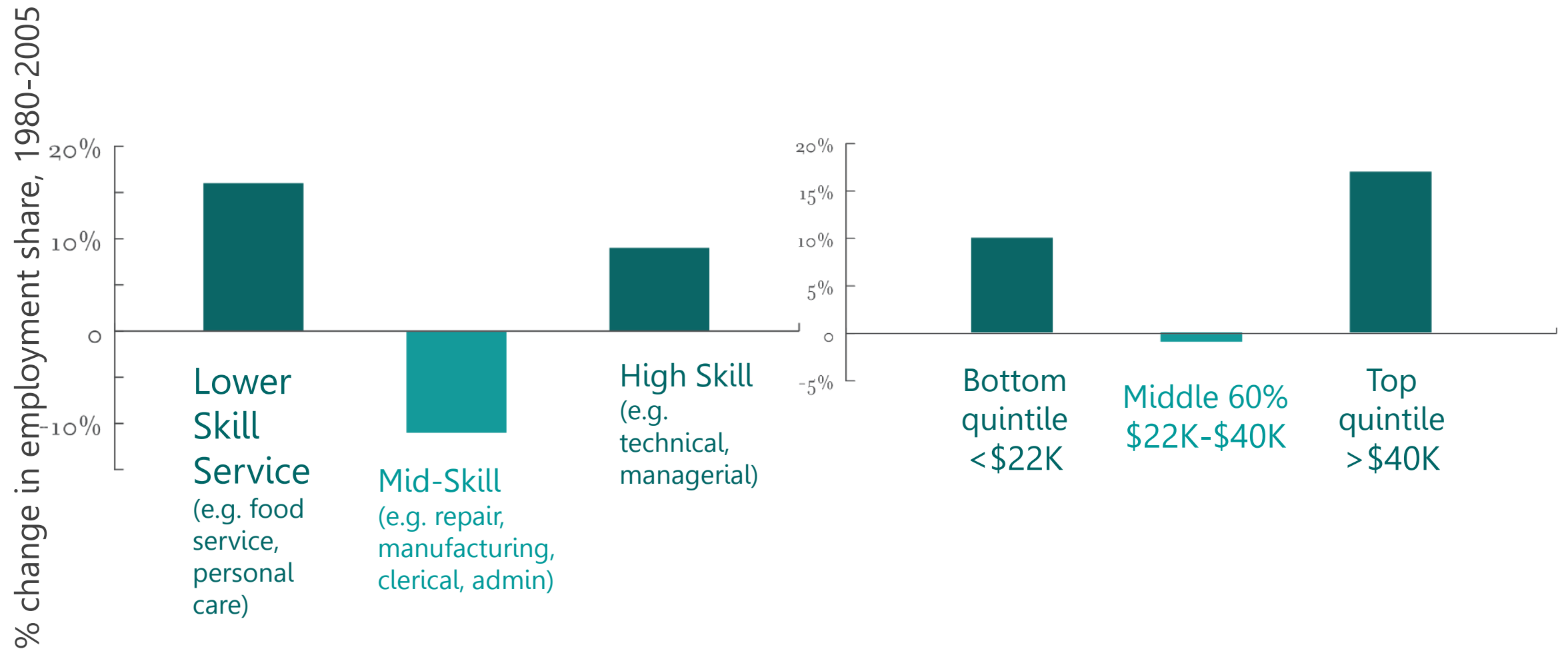
Percentage change in employment share, 1980–2005



NOTE: Dollar amounts are annual income in 2004 dollars.

# Great Job Shift

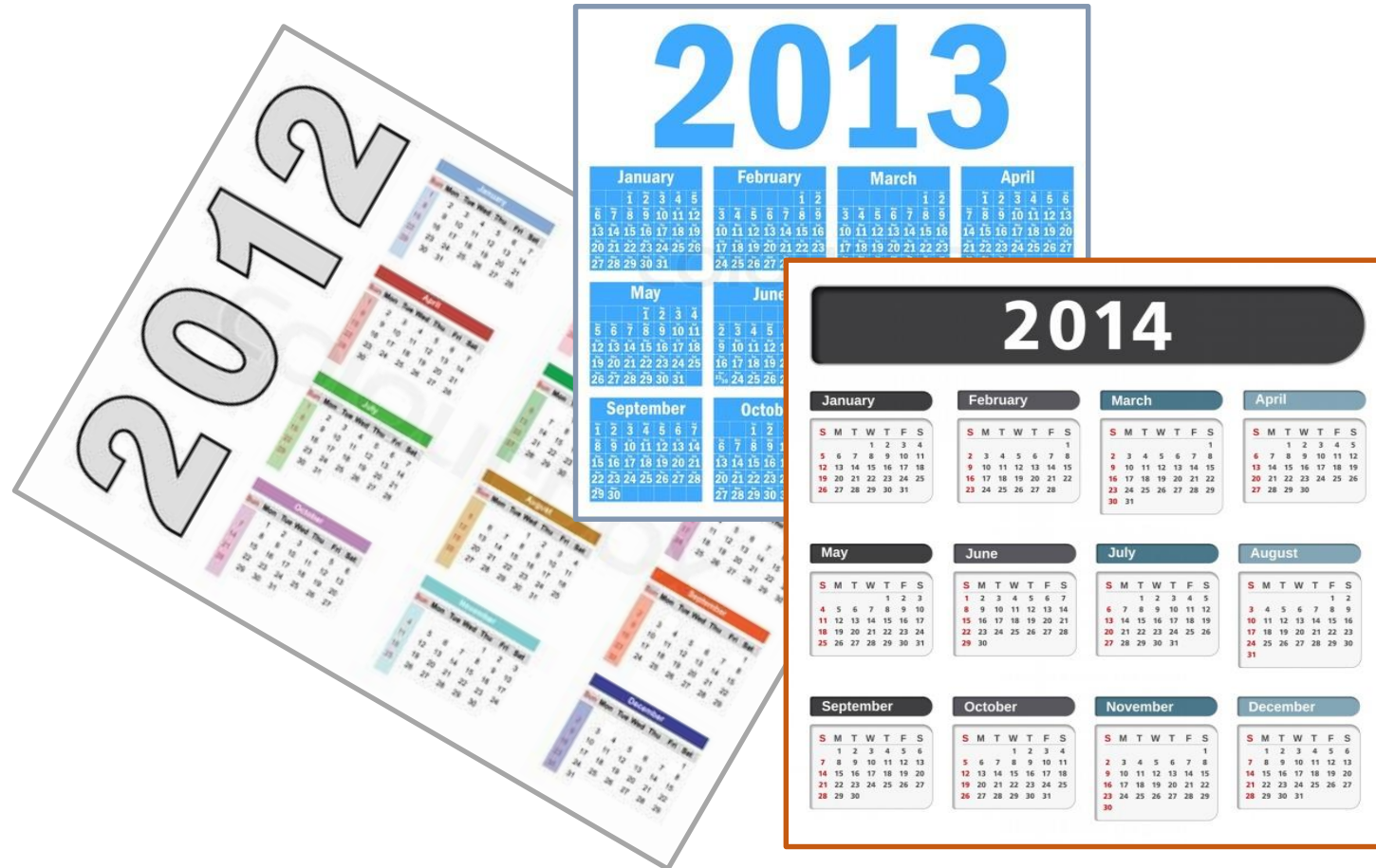
1980-2005



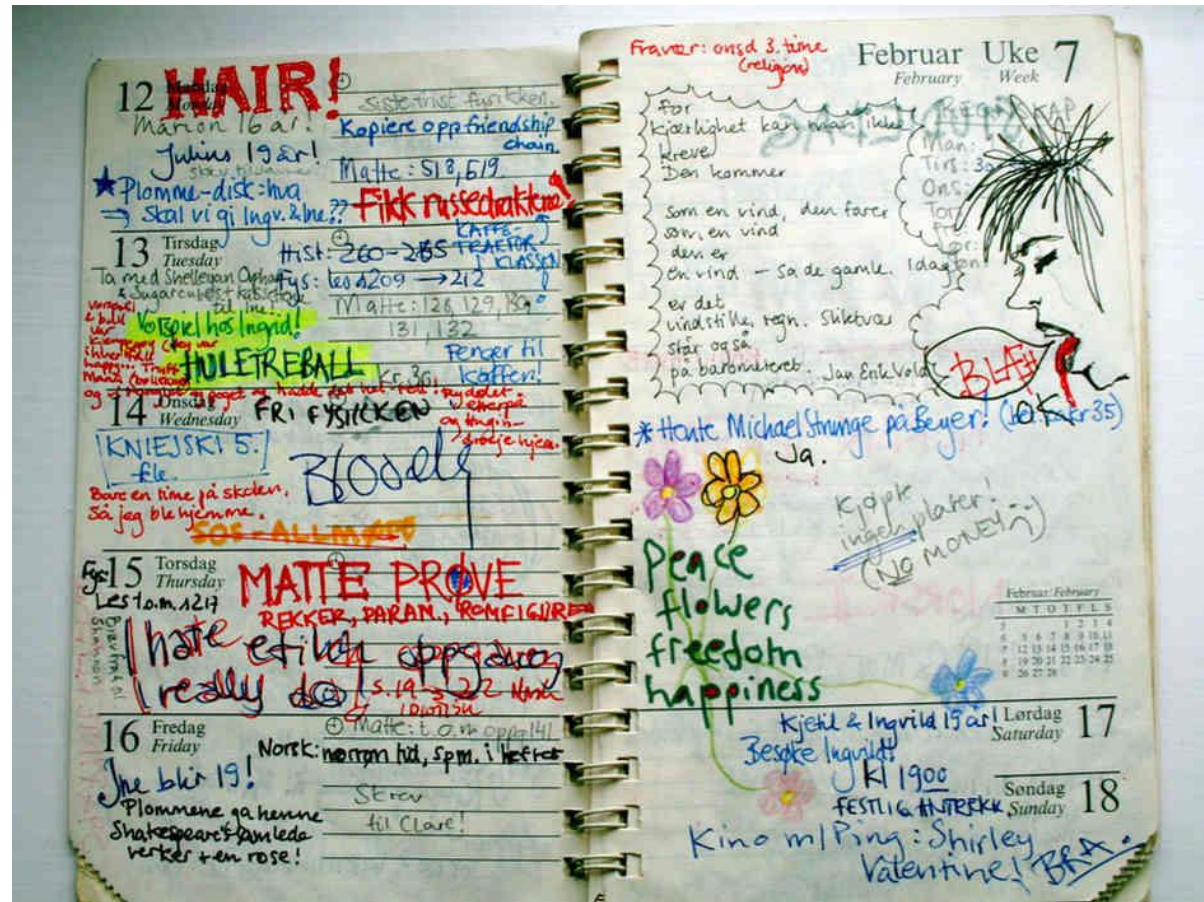
## The Great Job Shift



Problem: We have annual data mostly



Life is lived day to day,  
month to month





# US Financial Diaries

**High-frequency data**  
Households surveyed  
every 2-4 weeks



**INCOME**



**ASSETS**



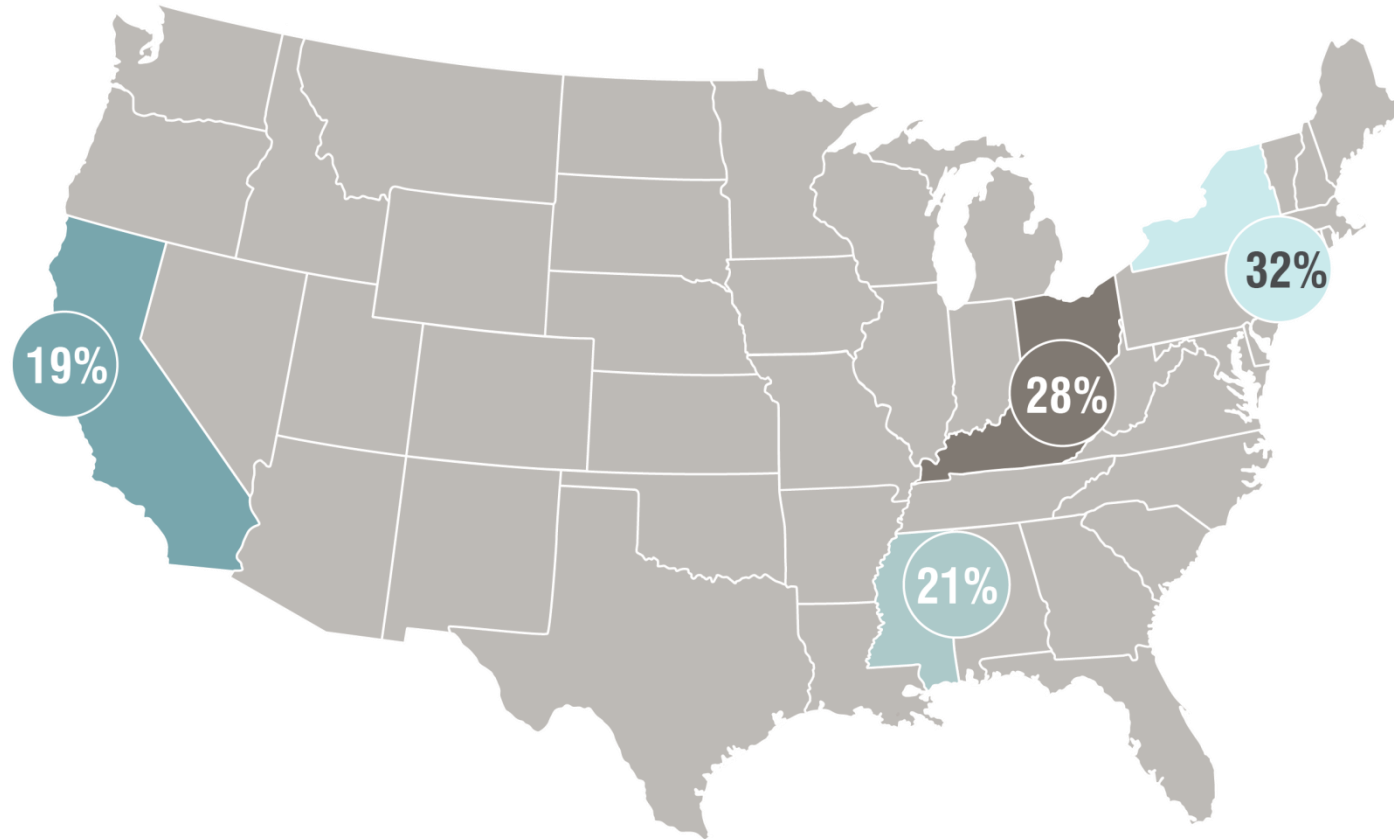
**CASH FLOW**

**244 Households**  
**316,763 cash flows**  
100 spending categories  
38 income types  
69 financial instruments



# Household Diaries

# 235 Households



## CALIFORNIA

San Jose & environs  
Urban & rural  
46 hh; 78 adults

## EASTERN MISSISSIPPI

Rural  
50 hh; 87 adults

## OHIO/KENTUCKY

Cincinnati & environs  
Small town & rural  
69 hh; 130 adults

## NEW YORK CITY

Brooklyn & Queens  
Urban  
79 hh; 158 adults

PRELIMINARY DATA - DO  
NOT CITE





INCOME



ASSETS



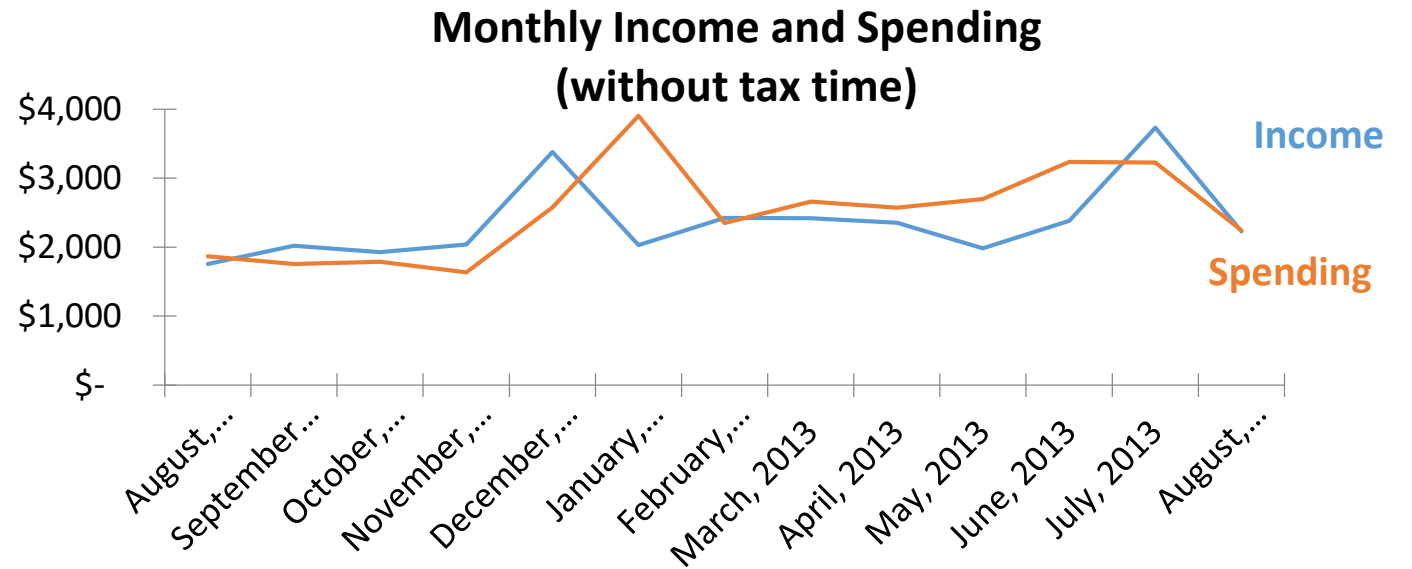
CASH FLOW



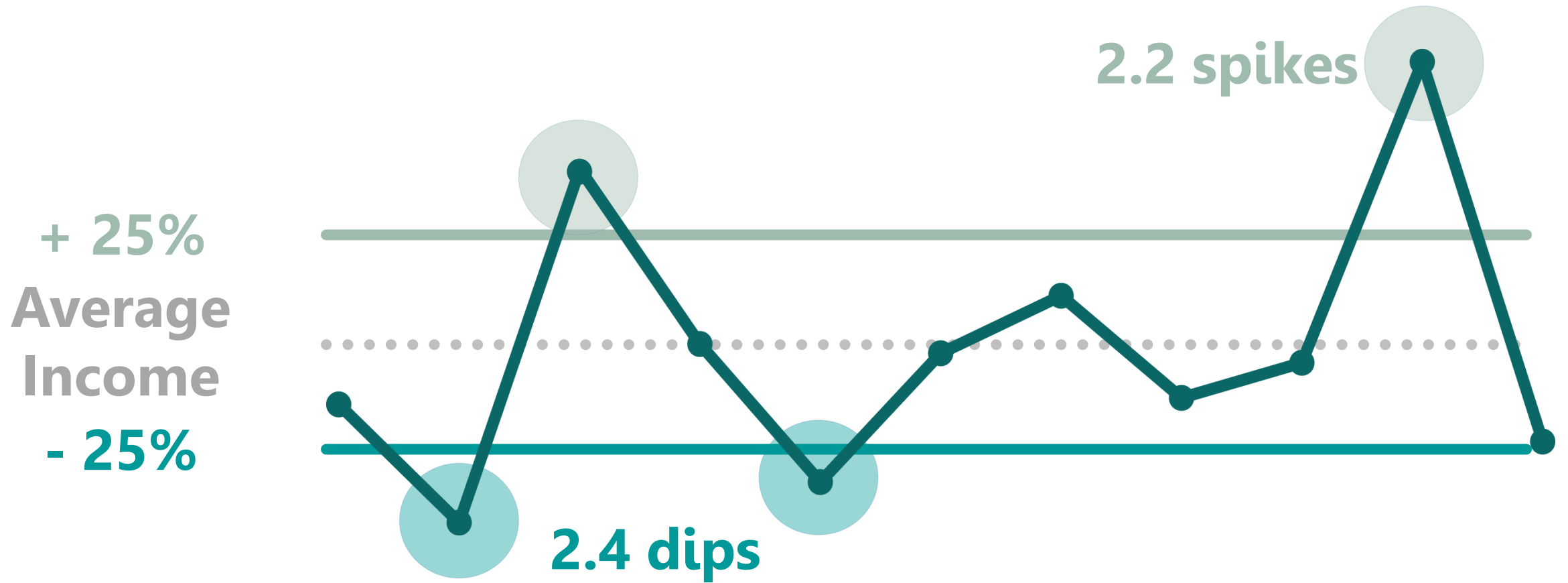
Insecurity (version 2)  
Becky and Jeremy Moore  
SW Ohio

# Becky and Jeremy

- Annual income: \$35,000
- Four children
- Rural Ohio



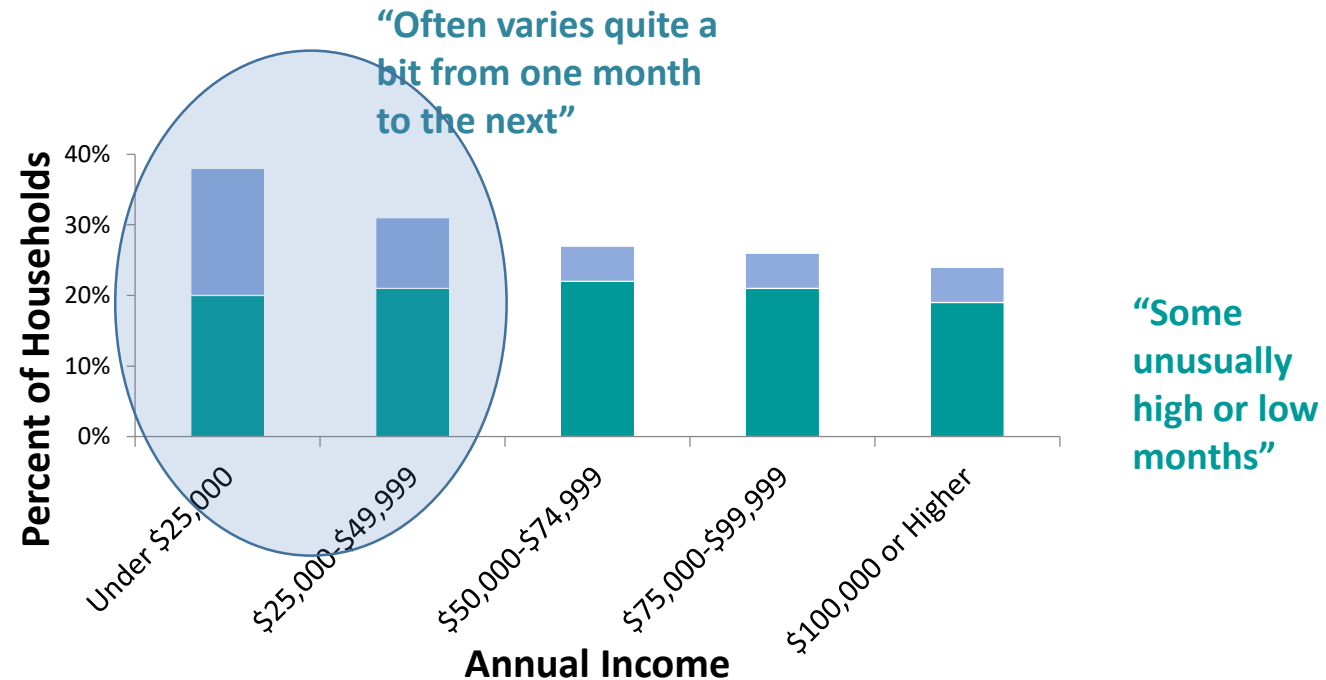




# Steady jobs without steady pay

# Self-reported month to month income variability

SHED - Federal Reserve, 2013 *Survey of Household Economics and Decisionmaking* (7/14)



SHED: Implemented in 9/2013. Nationally-representative sample. Online panel of 50,000 individuals sampled randomly. 6,912 asked to take the survey. About 60% (4,134) agreed. Quick survey (19 minutes median time)

# Old assumption: The life cycle



10

20

30

40

50

60

70

80

# Old assumption: Slow & Steady

Assumes liquidity,  
basic stability



**Q: Which of the following is more important to you?**

A. Financial Stability

B. Moving up the income ladder





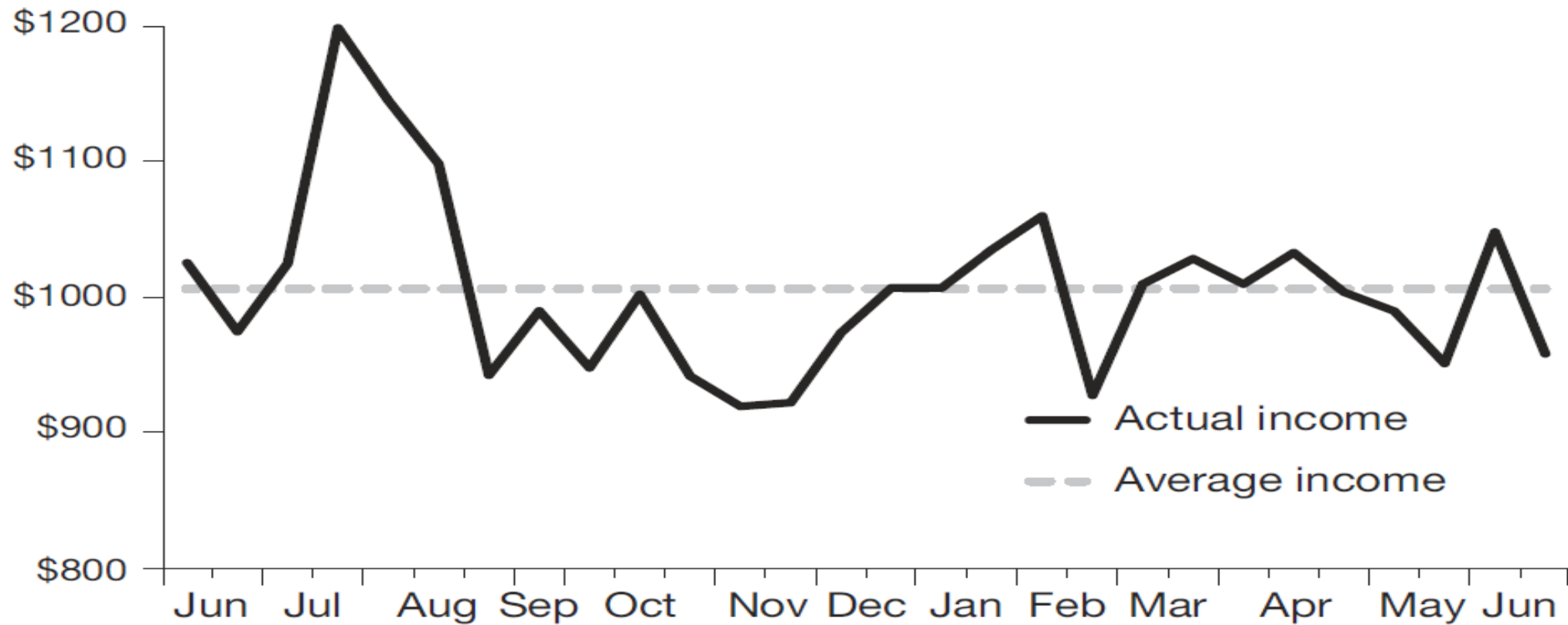
# Eastern Mississippi





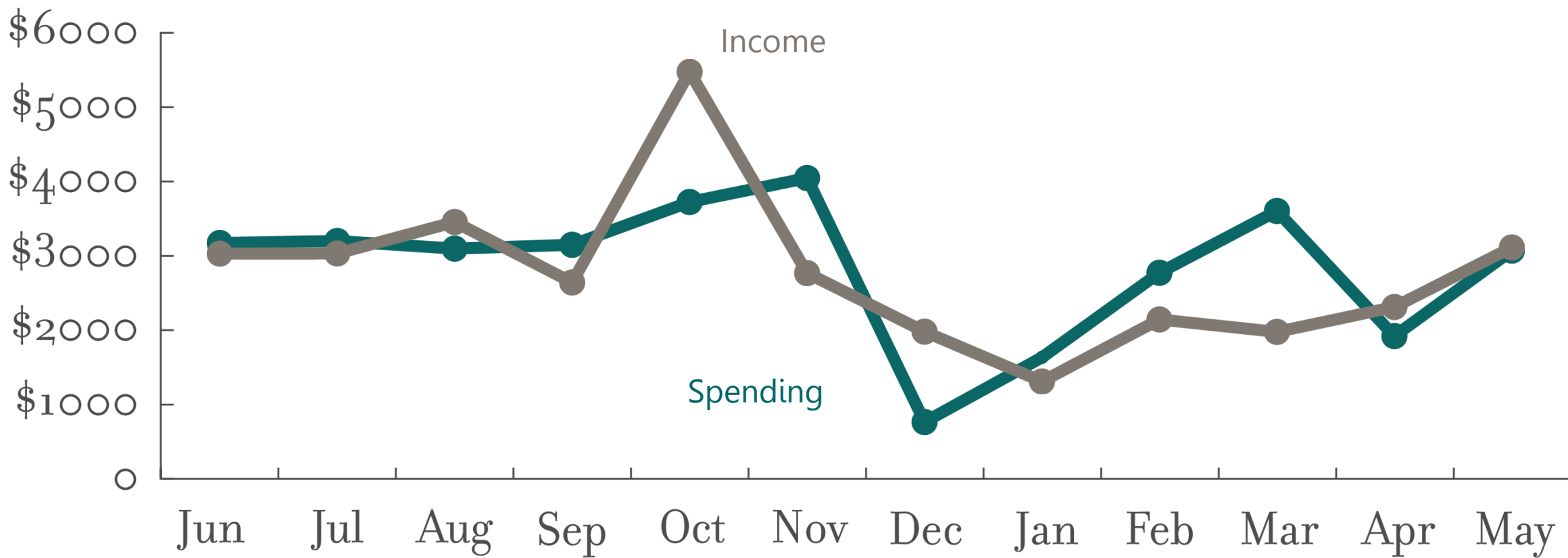
Janice Evans

# Janice's financial year



**Figure 1.1.** Janice's biweekly paychecks, June 2012–June 2013. The dashed line gives her average paycheck value over the period. Paychecks are net of taxes and medical insurance premiums. August and April are three-paycheck months.



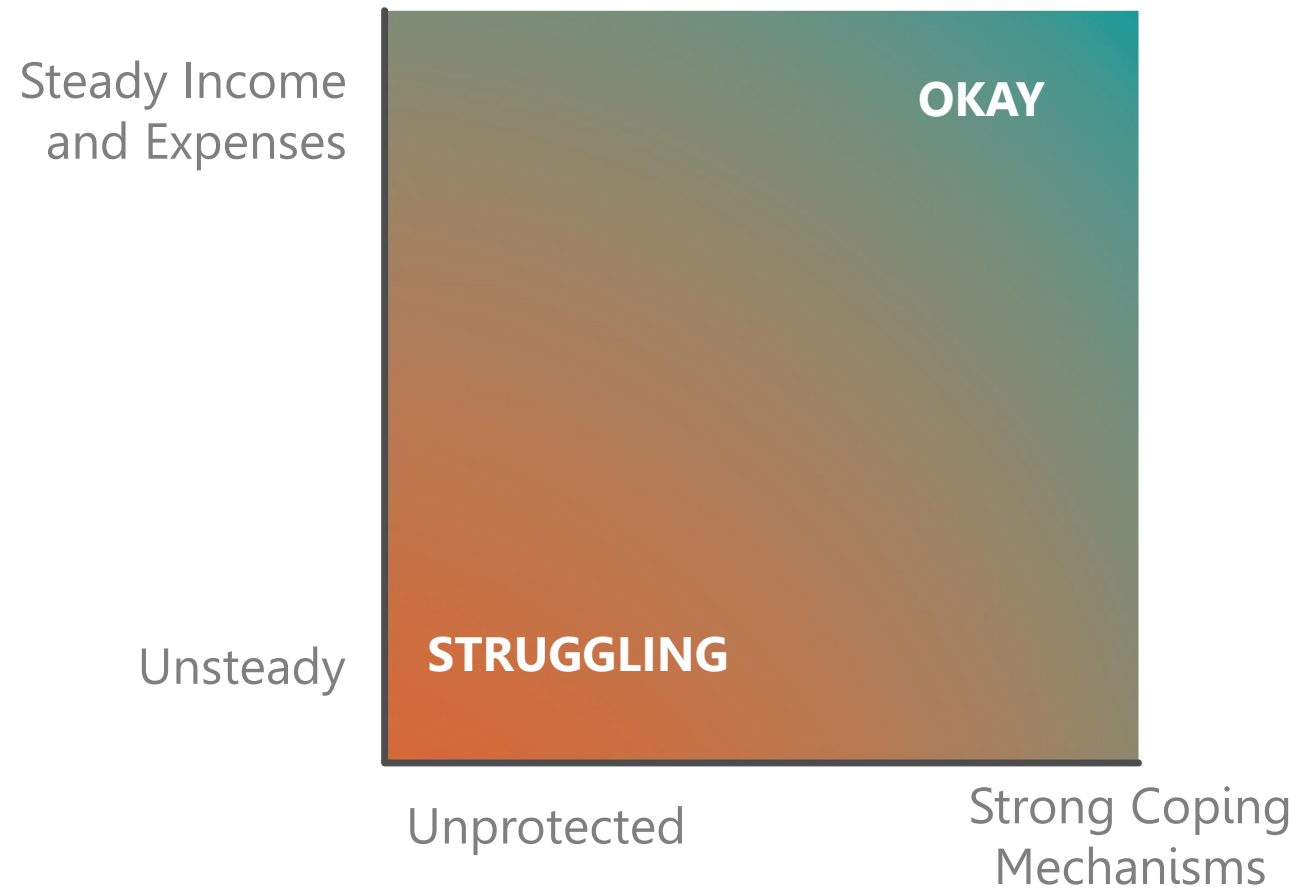


Mismatch

# Instability: Life events

## Big needs, sometimes unexpected

Examples	% of Households
<b>Income:</b> Missed an important source of money coming in that he/she was counting on	51%
<b>Transportation:</b> Vehicle maintenance or repair payment above \$100	47%



A Hidden Inequality

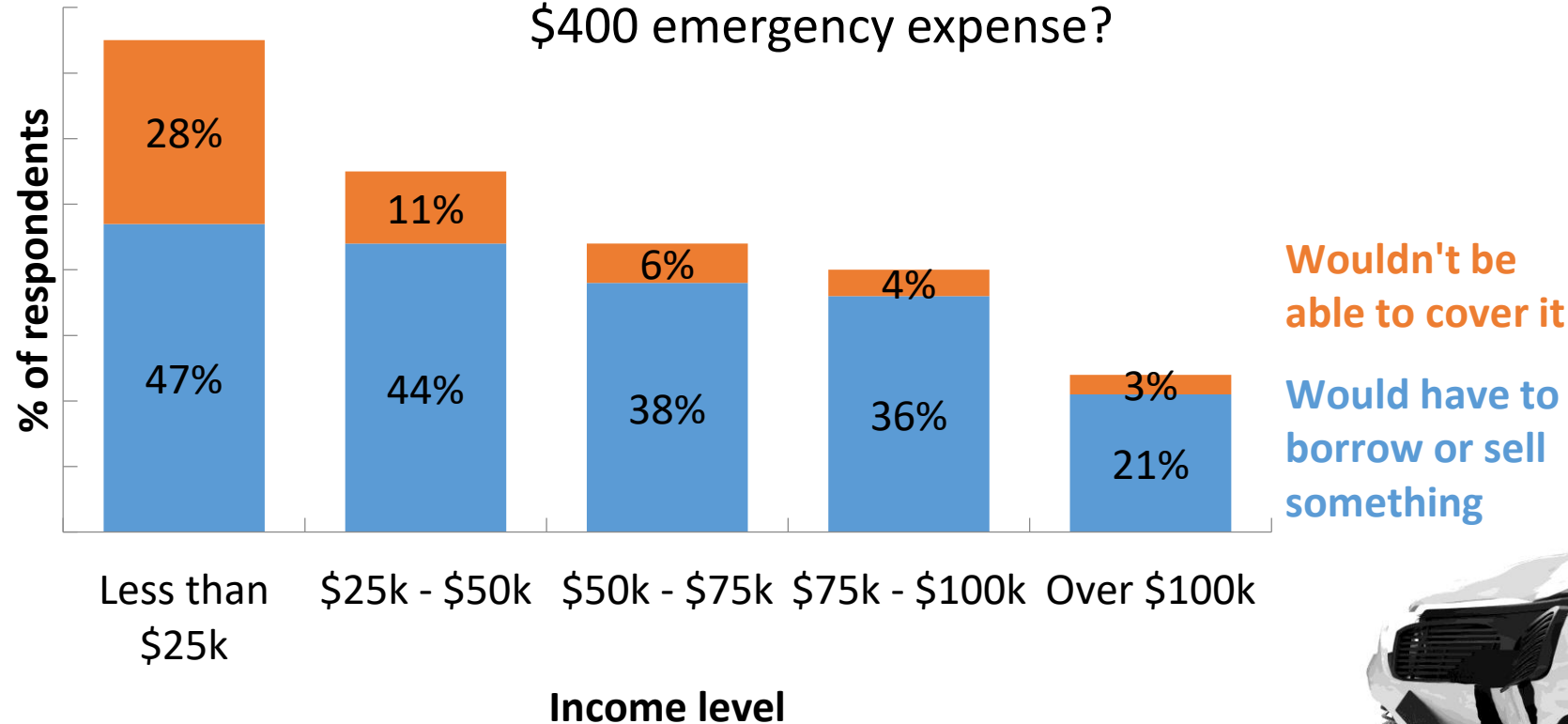
# Not Much Slack

- **Spending > income:** **97%** of households had at least one month with excess spending
- **Overdrafts:** **48%** had one in the last year (if had checking account); **23%** had two +
- **Credit cards:** **78%** not paid in full each month
- **Credit cards:** **34%** had a card near its maximum

# Coping with an Emergency Expense

2015 Survey of Household Economics and Decision-making (SHED)

How would you pay for a  
\$400 emergency expense?

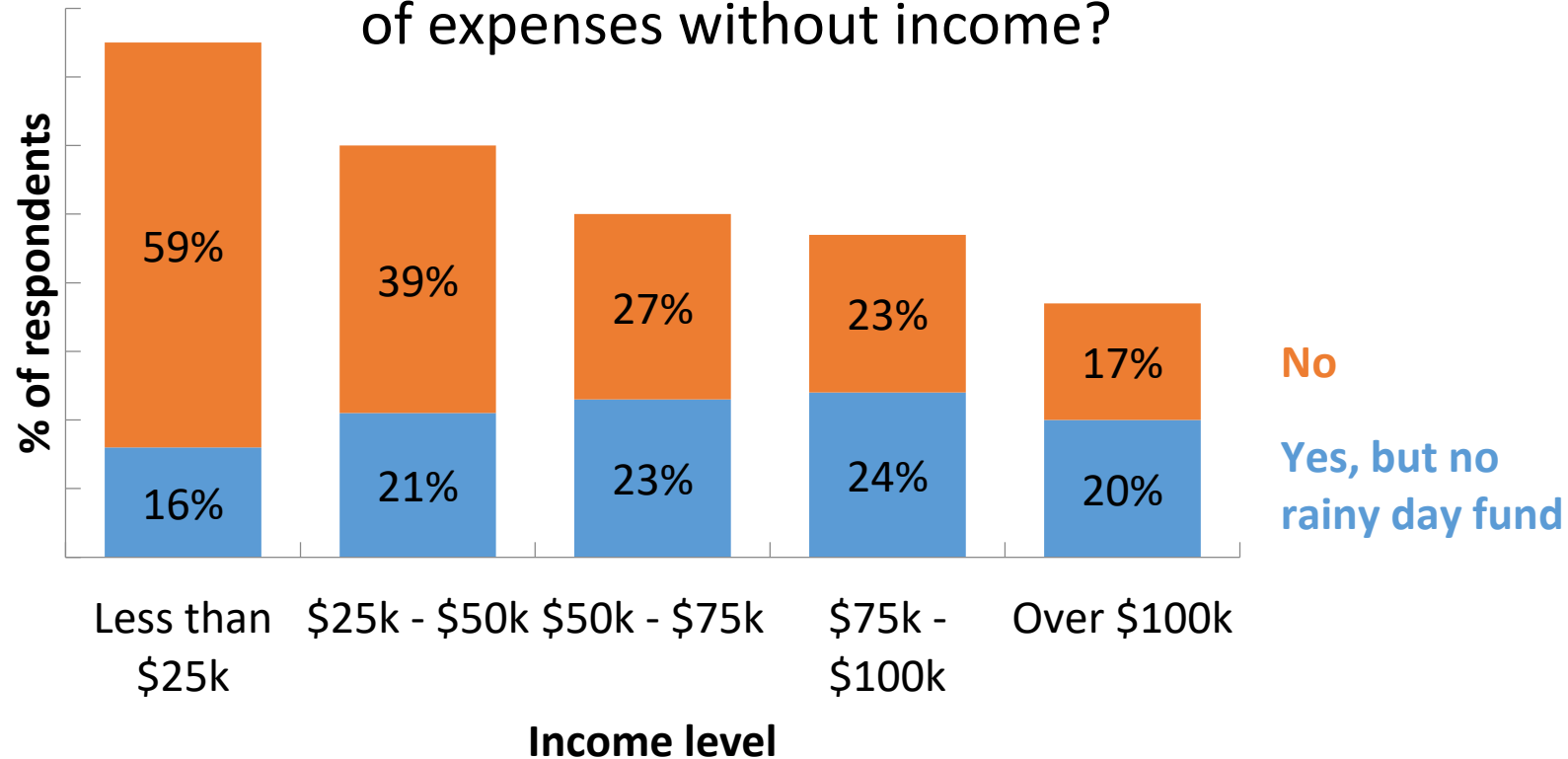


Federal Reserve, SHED 2015. Sample size n=5,591

# Coping with a Long-Term Shock

2015 Survey of Household Economics and Decision-making (SHED)

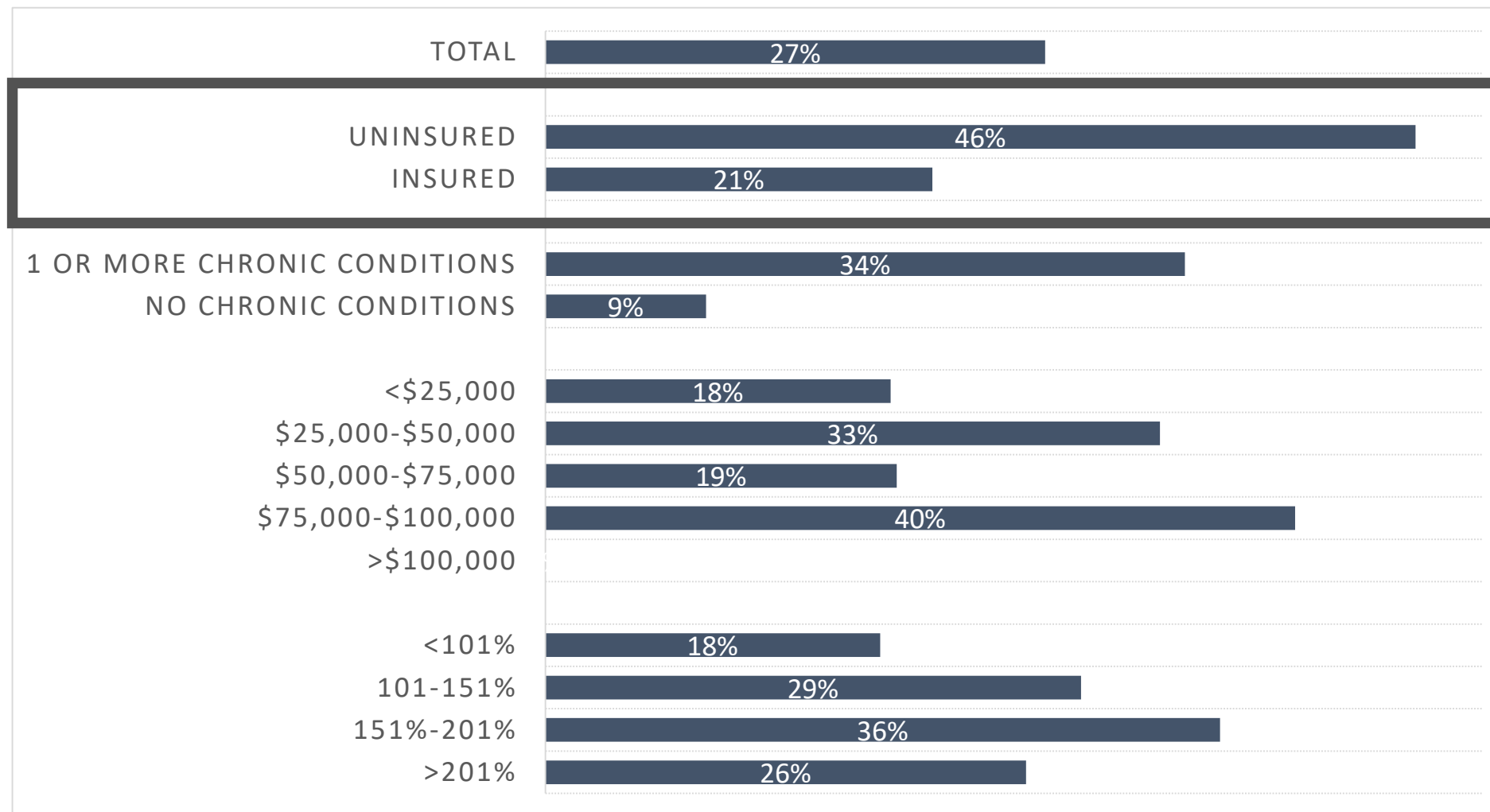
Could you meet three months  
of expenses without income?



Health and finance

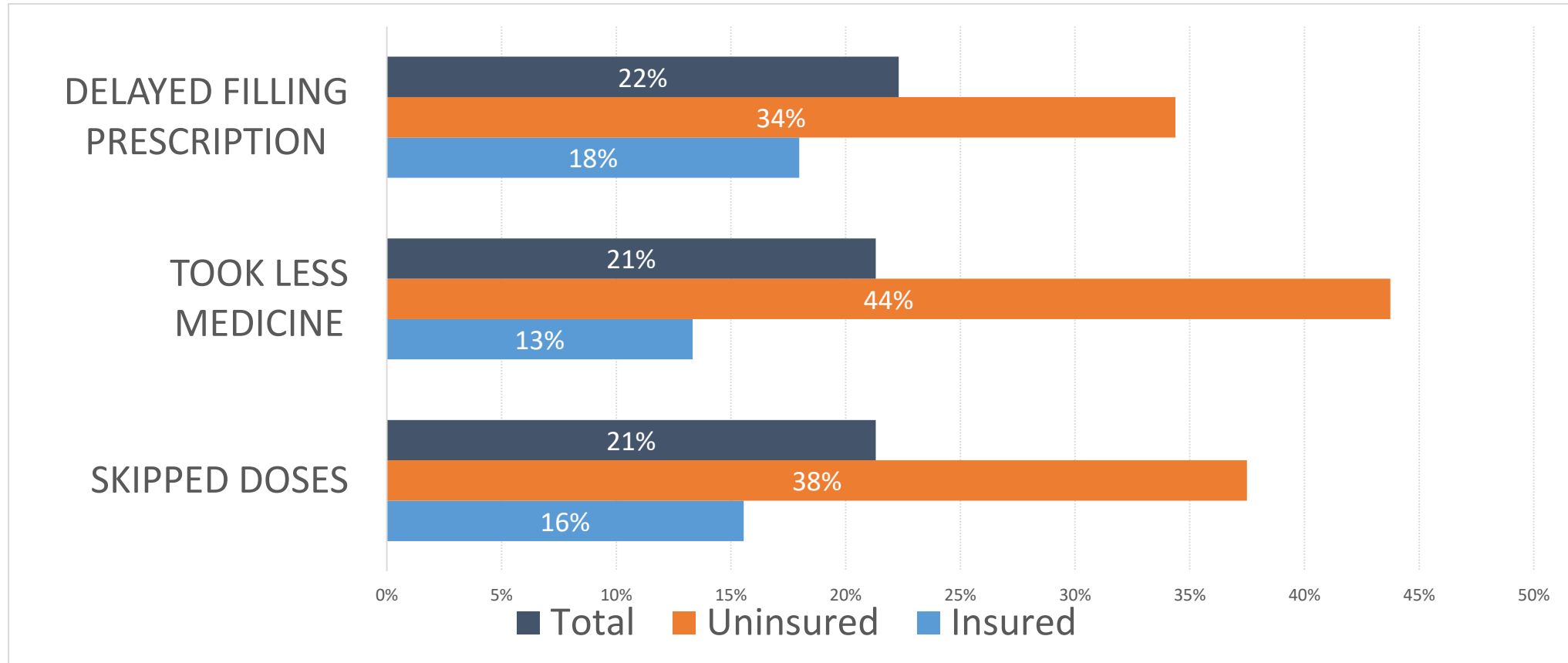
# Medication non-compliance

Household heads self-reports, to save money

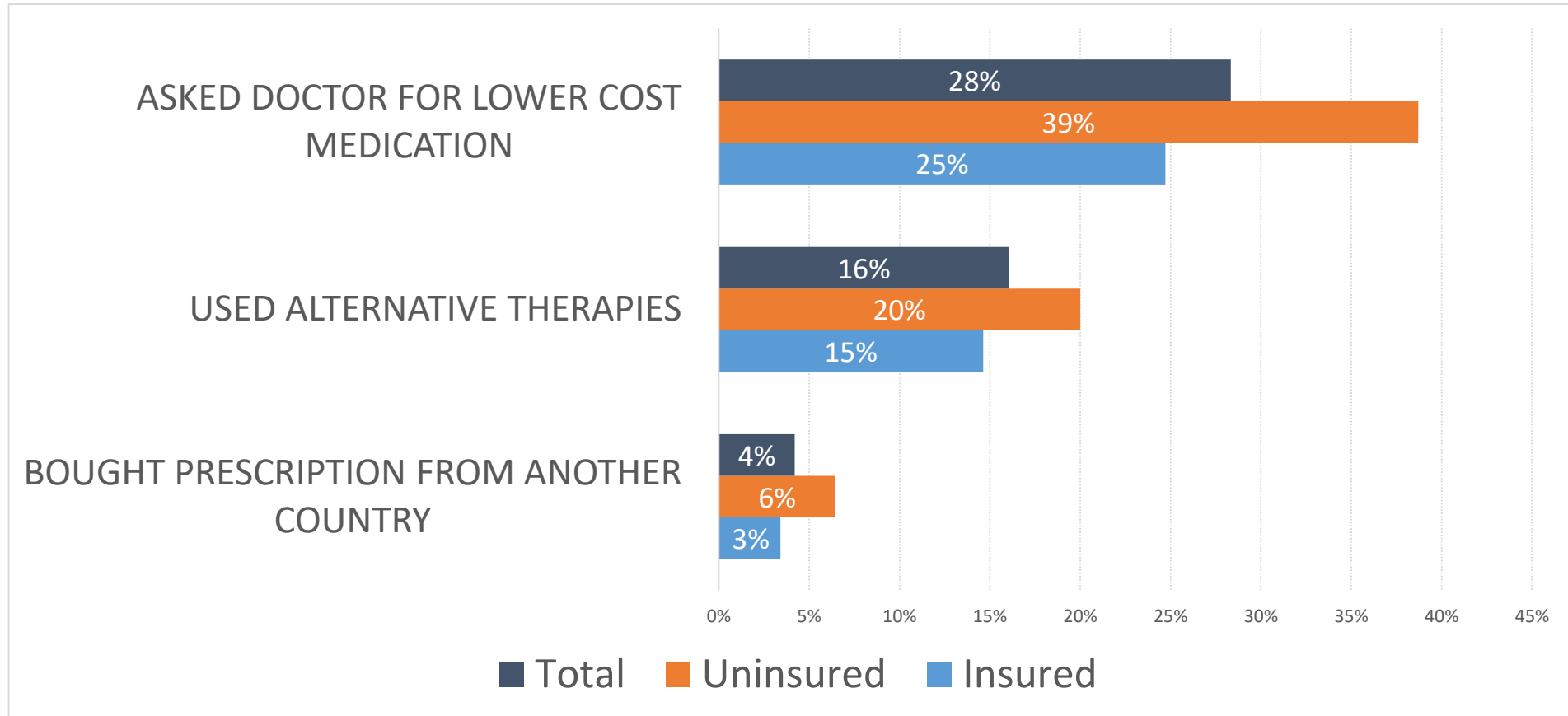




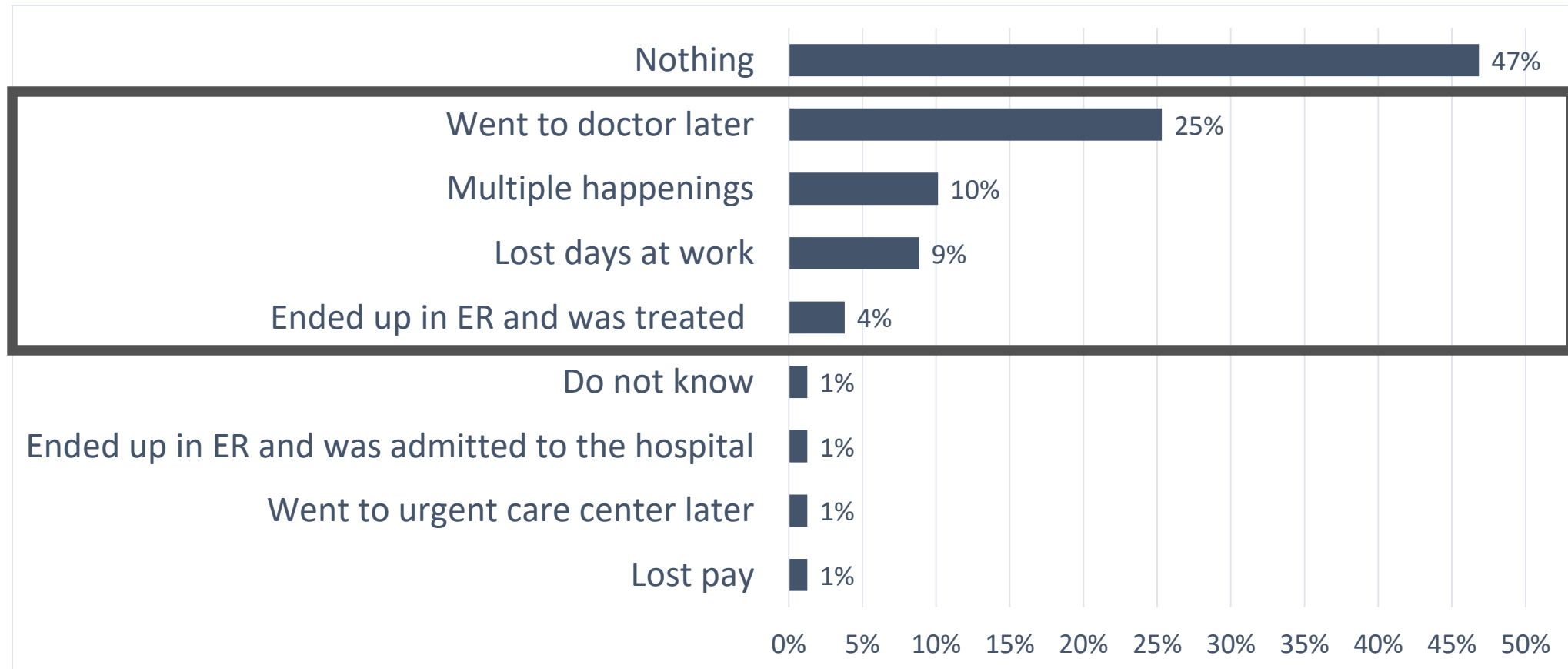
# Noncompliance



# Cost-cutting steps



# Results of delaying or not getting care

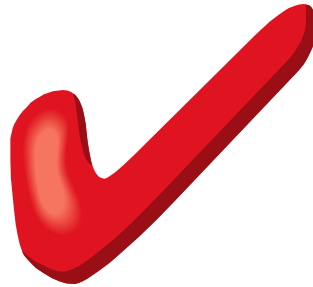


**Now** **Soon** **Later**

**Overspending  
now**

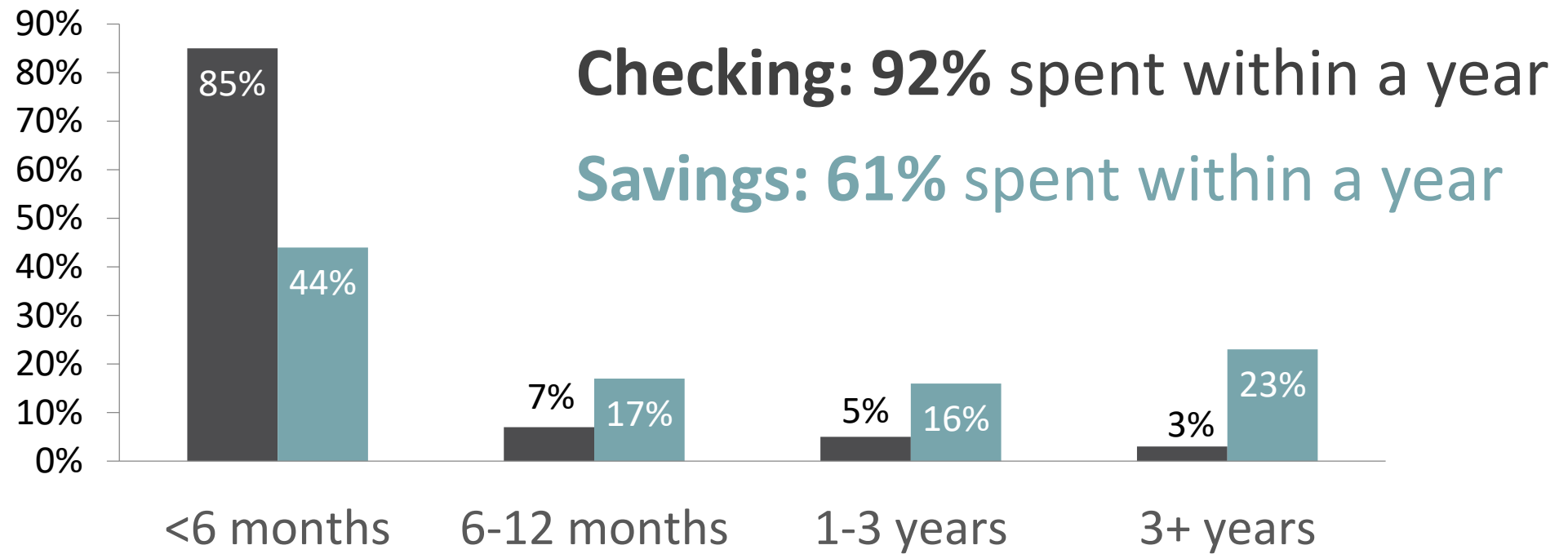


**Saving  
for  
Soon**



**Saving  
for  
Later**





■ Checking accounts (87% of households have)  
■ Savings accounts (65% of households have)

Most savings are spent soon

Day-to-day  
cash flow  
management

**Short-term  
smoothing**

**Emergency  
saving**

Retirement funds  
College funds  
Housing saving



Sooner

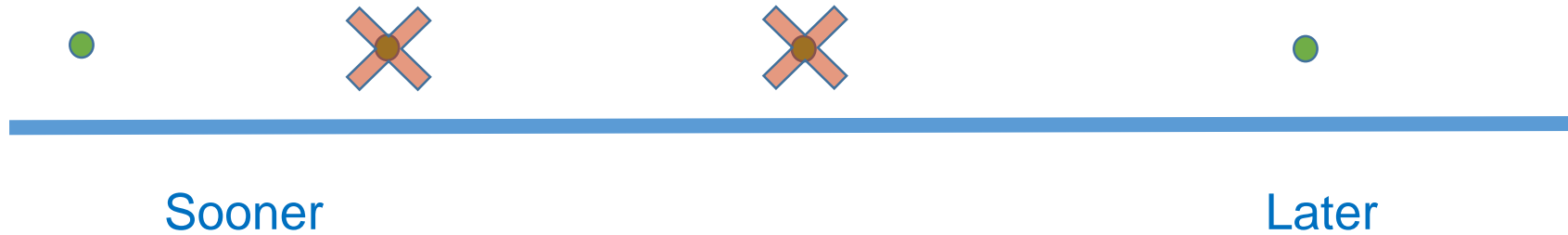
Later

Day-to-day  
cash flow  
management

**Short-term  
smoothing**

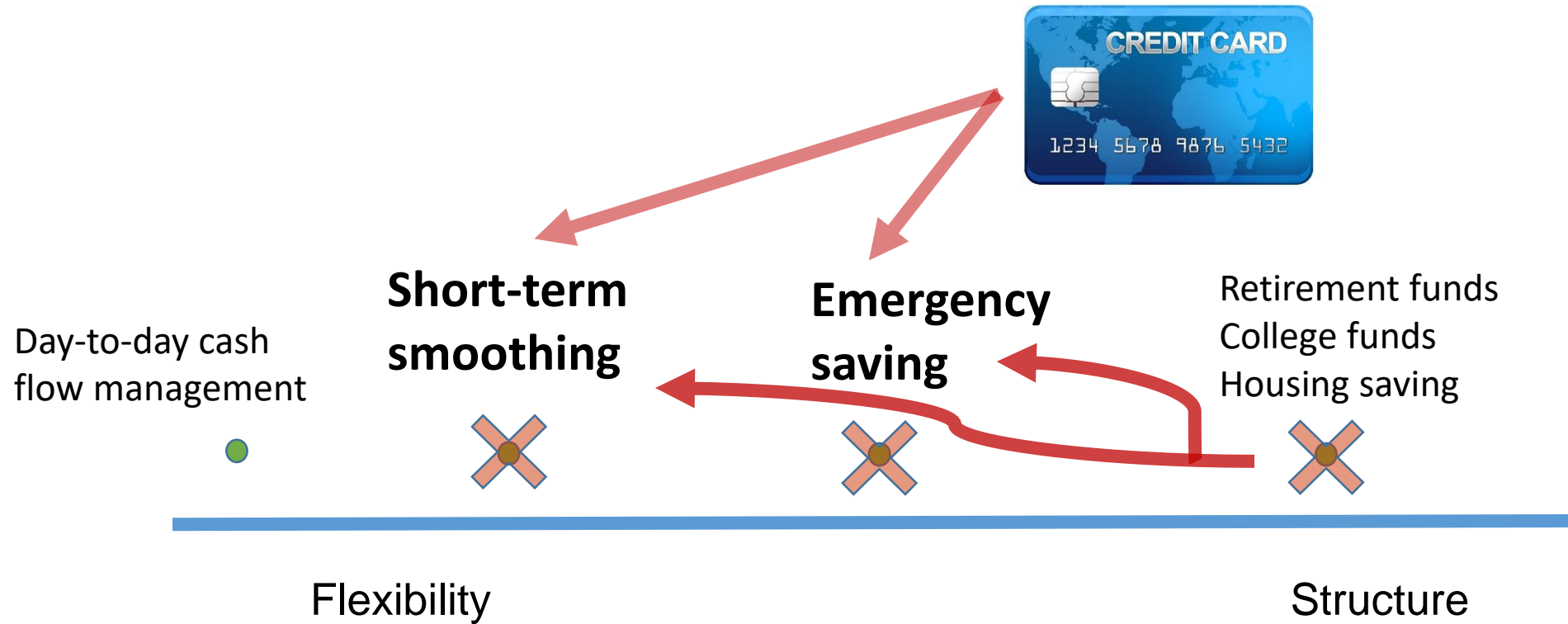
**Emergency  
saving**

Retirement funds  
College funds  
Housing saving



What happens when saving is  
imperfect but urgent needs arise?

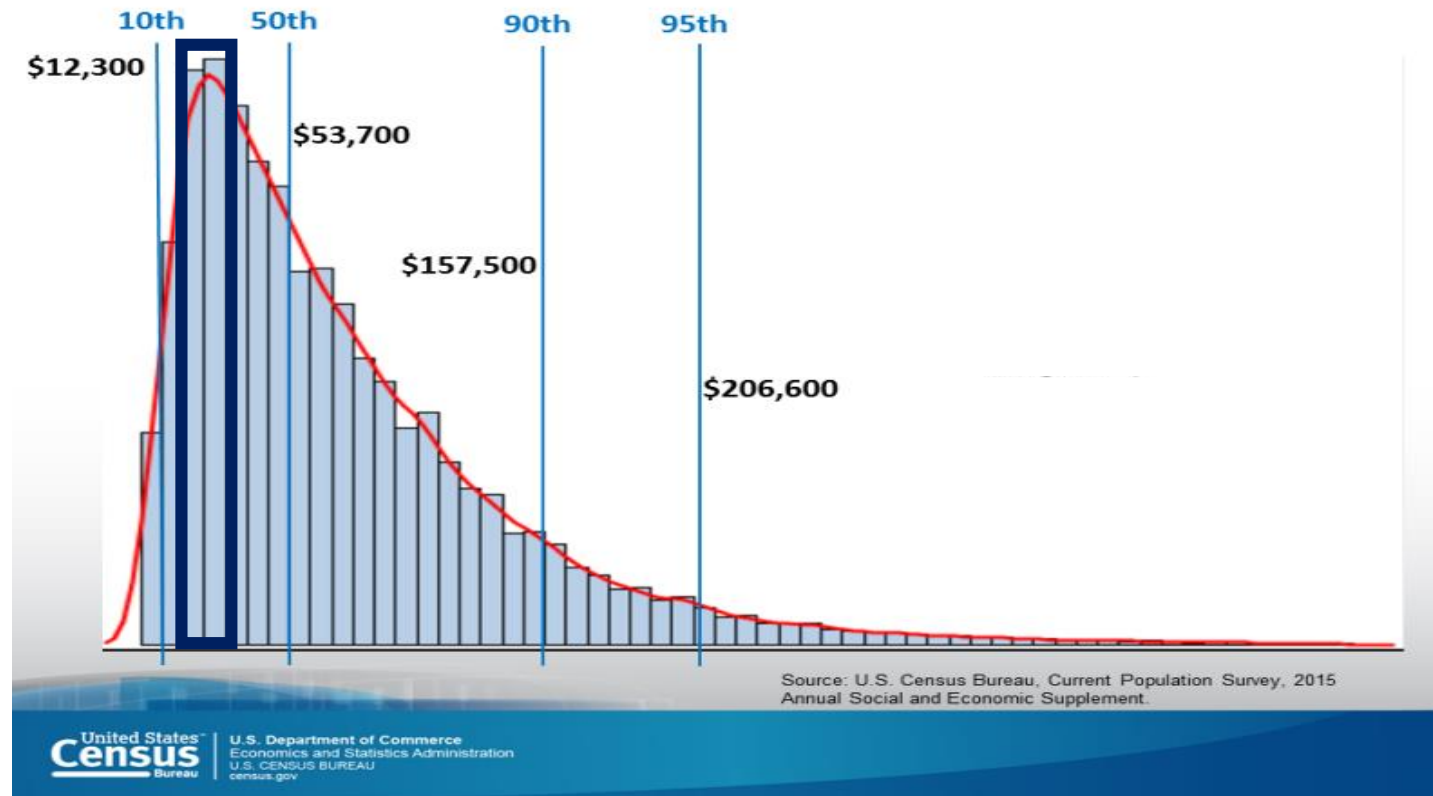




**Now** **Soon** **Later**



# Census: Modal income is around poverty lines

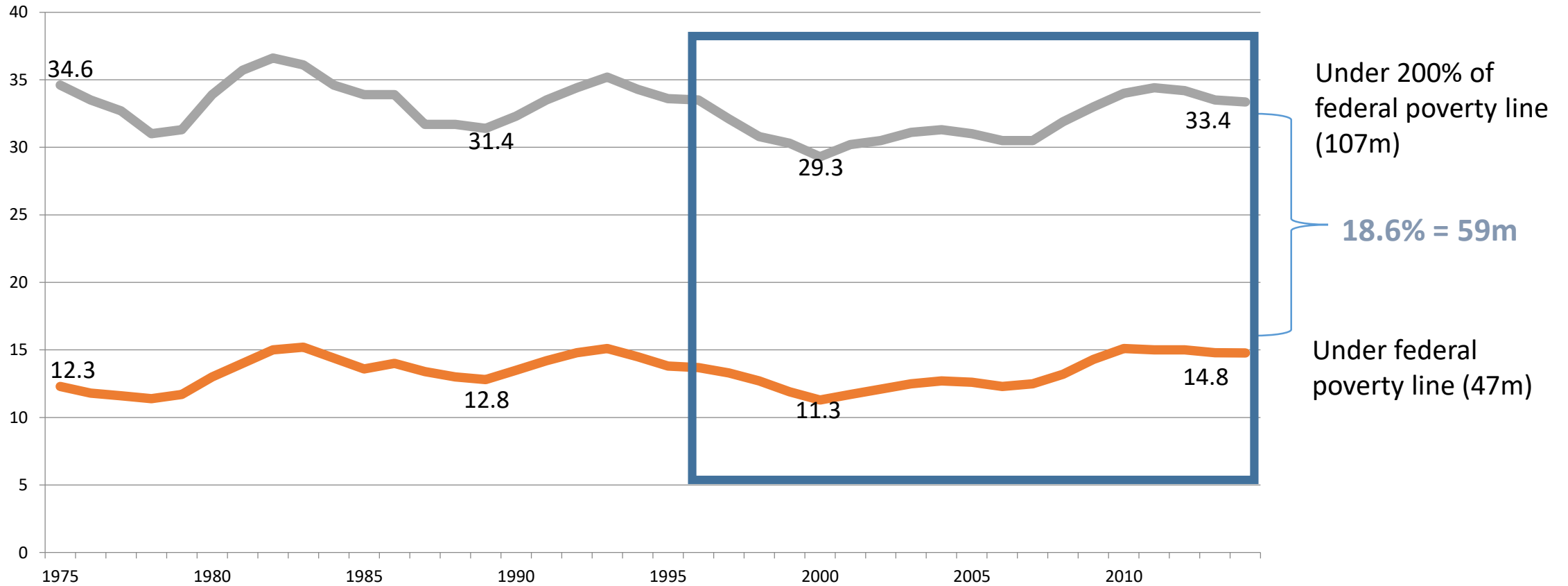


## Distribution of Household Income 2014

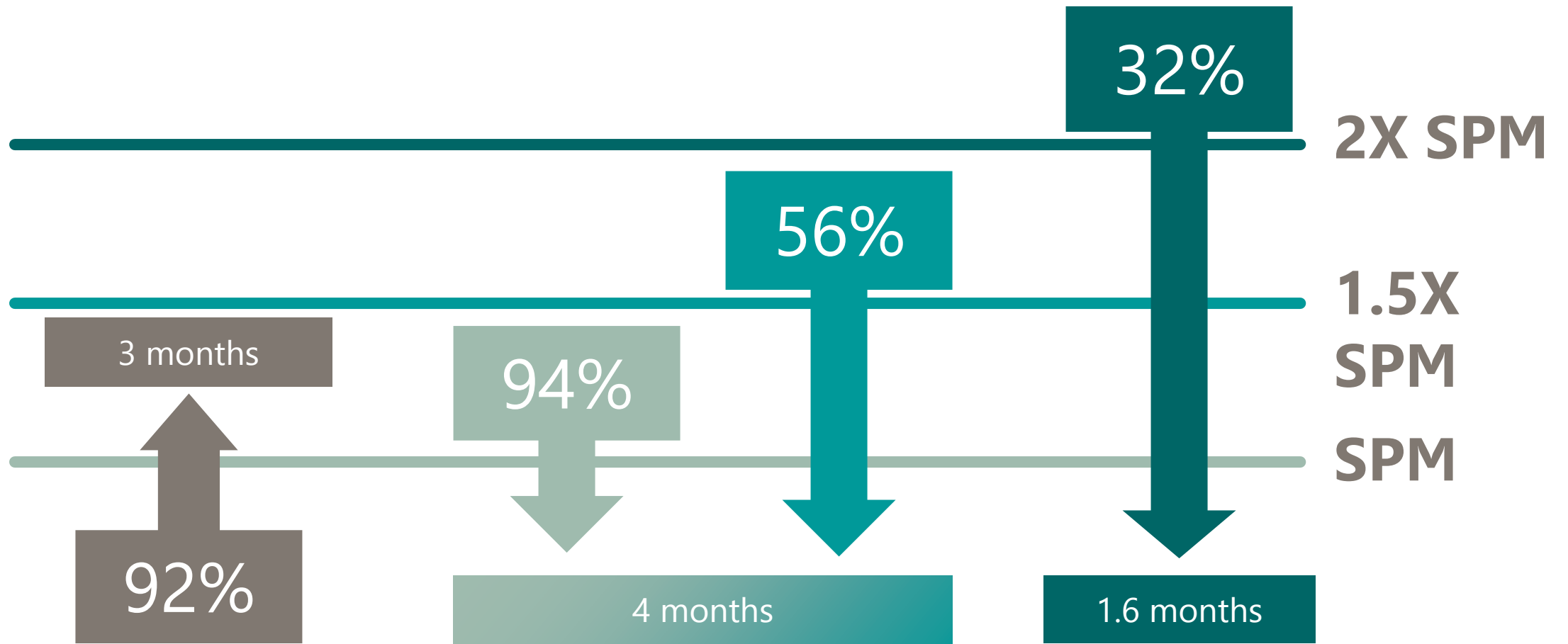
<http://www.census.gov/library/visualizations/2015/demo/distribution-of-household-income--2014.html>

# Near poor

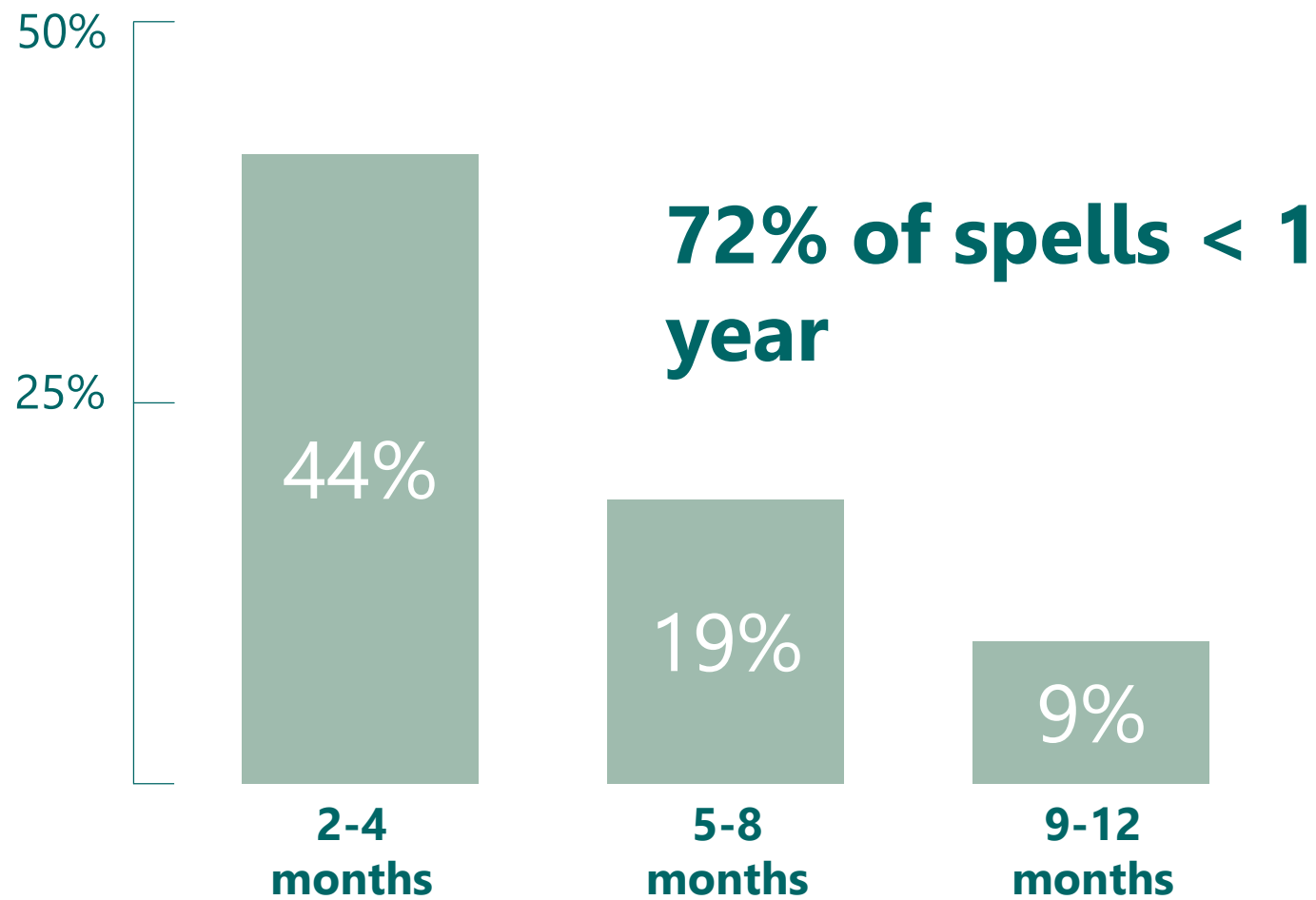
Percent below federal poverty line and < 200% of the poverty line, 1975-2014



Source: U.S. Bureau of the Census, Current Population Survey, Annual Social and Economic Supplements.  
<https://www.census.gov/hhes/www/poverty/data/historical/people.html>



Sometimes Poor



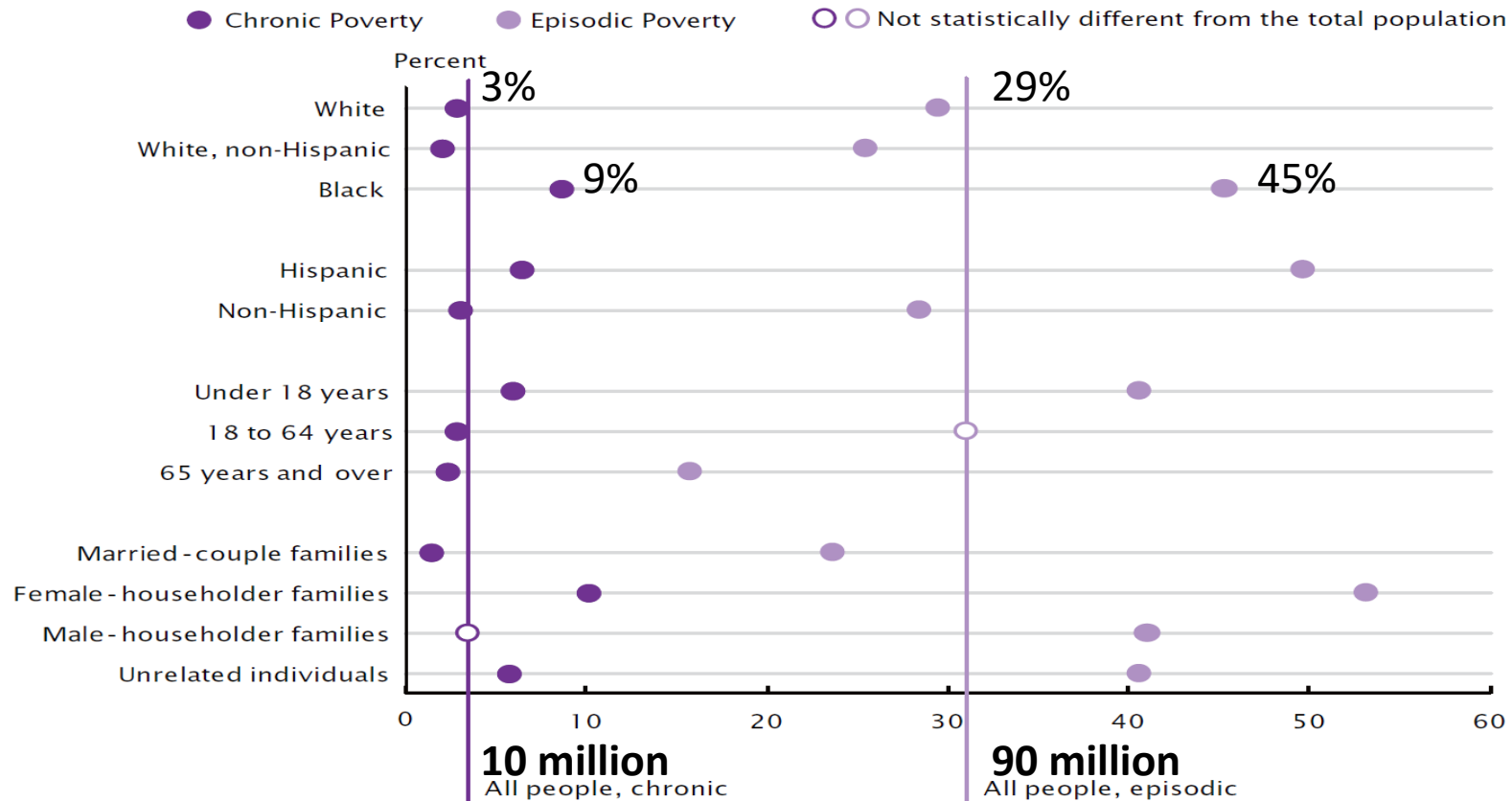
Length of poverty spells, US  
US Census SIPP, 2009-11

# Chronic and Episodic poverty, 2009-11

Ashley Edwards. "Dynamics of Economic Well-Being: Poverty, 2009–2011" US Census Bureau. January 2014

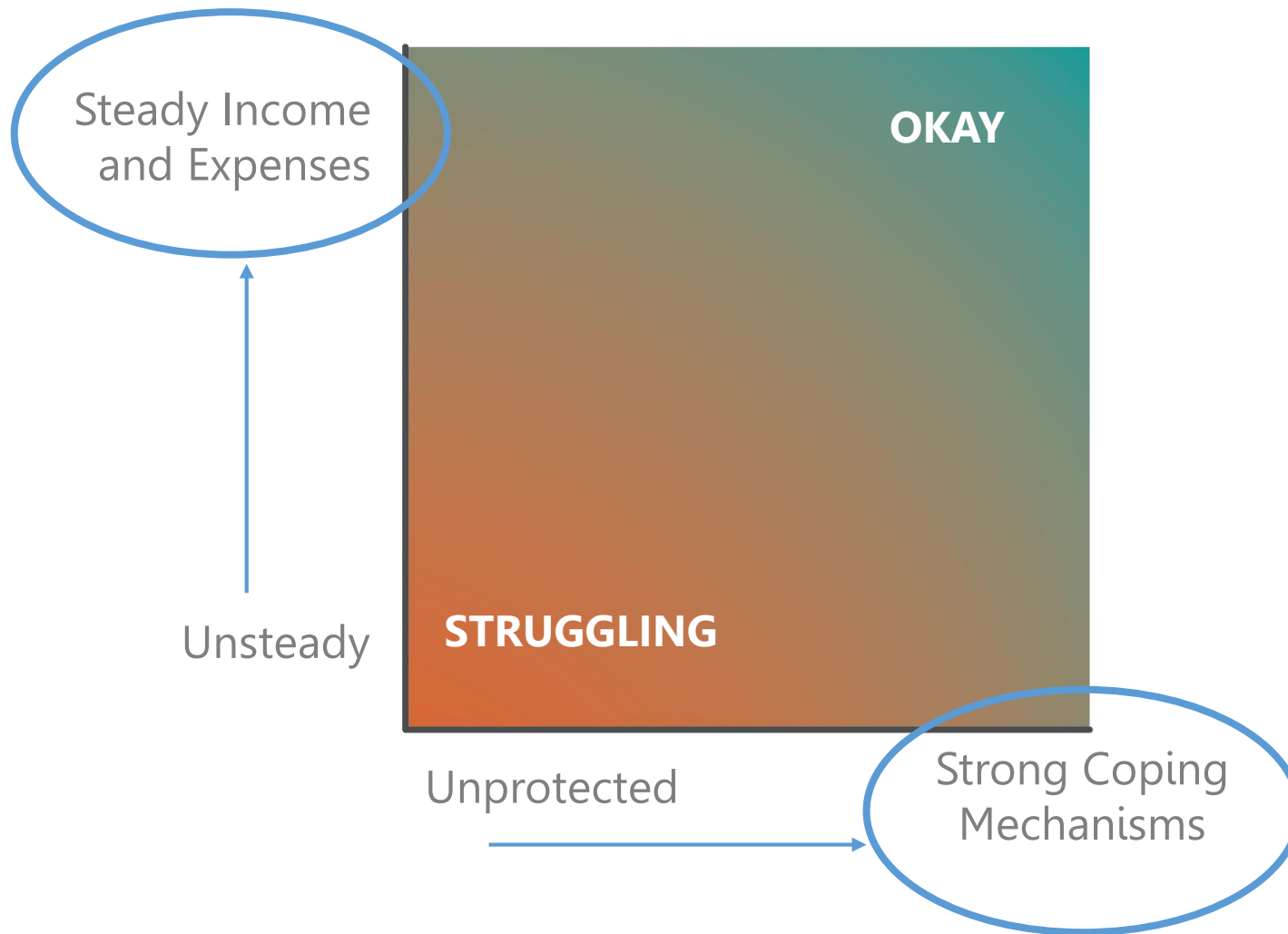
Figure 3.

## Chronic and Episodic Poverty by Selected Characteristics: 2009 to 2011



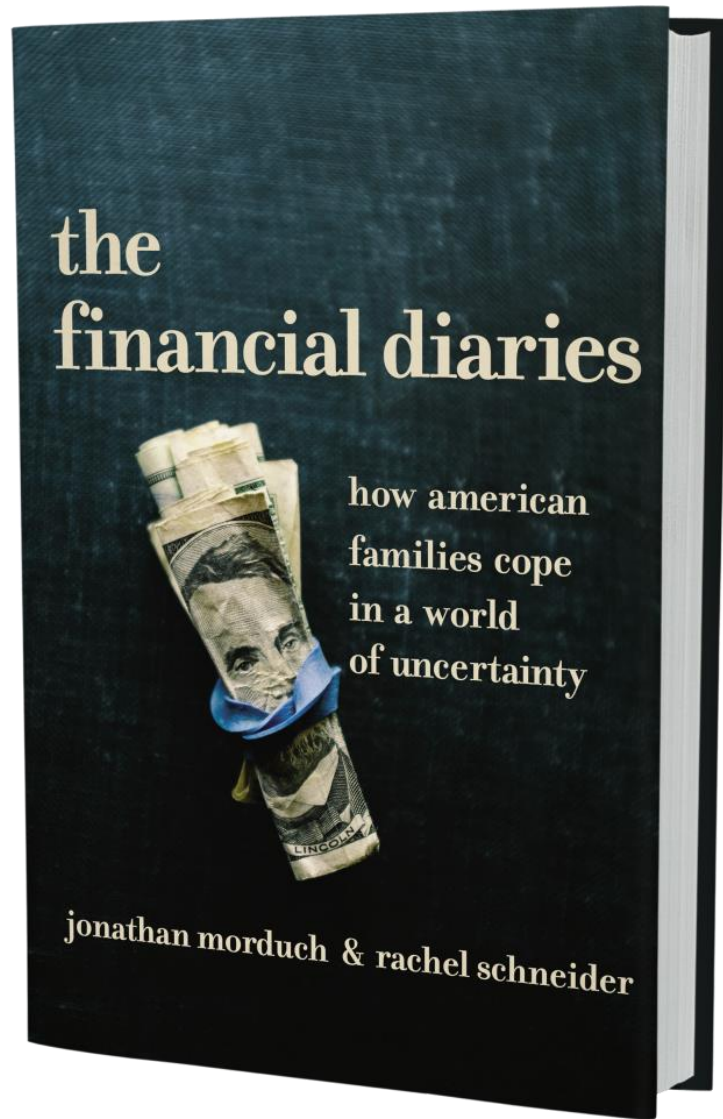
Note: Federal surveys, including the SIPP 2008 Panel, give respondents the option of reporting more than one race. These data can be shown in two ways: (1) as mutually exclusive from other race groups, which may be denoted by "alone" or (2) not mutually exclusive with other race groups, denoted by "alone or in combination with other race groups." This figure shows race using the first method. Because Hispanics may be of any race, data for Hispanics are not mutually exclusive with race. Female householders refer to female householders, no husband present; male householders refer to male householders, no wife present.

Source: U.S. Census Bureau, Survey of Income and Program Participation, 2008 Panel. For information on confidentiality protection and sampling and nonsampling error, see <[www.census.gov/sipp/source.html](http://www.census.gov/sipp/source.html)>.



Ways to improve





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