RESEARCH & ANALYSIS

Economic Well-Being of U.S. Households in 2021

May 2022

BOARD OF GOVERNORS OF THE
FEDERAL RESERVE SYSTEM

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Executive Summary

This report describes the responses to the 2021 Survey of Household Economics and Decision-making (SHED). The Federal Reserve Board has fielded this survey each fall since 2013 to understand the wide range of financial challenges and opportunities facing families in the United States.[1] The findings in this report primarily reflect financial circumstances in late October and early November of 2021, before the increase in coronavirus (COVID-19) cases from the Omicron variant.

Despite persistent concerns that people expressed about the national economy, the survey highlights the positive effects of the recovery on the individual financial circumstances of U.S. families. In 2021, perceptions about the national economy declined slightly. Yet self-reported financial well-being increased to the highest rate since the survey began in 2013. The share of prime-age adults not working because they could not find work had returned to pre-pandemic levels. More adults were able to pay all their monthly bills in full than in either 2019 or 2020. Additionally, the share of adults who would cover a $400 emergency expense completely using cash or its equivalent increased, reaching a new high since the survey began in 2013.

Parents with children at home, who had been disproportionally affected by the pandemic in 2020, exhibited notable improvements in their financial well-being in 2021. After declining in 2020, parents' assessments of their financial circumstances rebounded in 2021. This improvement is consistent both with reduced childcare burdens as schools returned to in-person classes, as well as additional financial resources provided to parents such as the enhanced child tax credit (CTC). Most parents also said that their child was doing better academically, socially, and emotionally in 2021 than they were a year earlier.

The report also highlights several new topics added to the survey in 2021, such as disruptions from natural disasters, rental debt, and employer vaccine mandates. These new questions provide additional context on the experiences of U.S. adults in handling unexpected expenses, paying for housing, and navigating ongoing changes in the labor market.

To better understand consumer experiences with emerging products, cryptocurrencies and "Buy Now, Pay Later" (BNPL) products were included on the survey for the first time. While most adults did not use cryptocurrencies in the prior year, cryptocurrency use as an investment was far more

[1] The latest survey interviewed over 11,000 individuals in October and November 2021. The anonymized data, as well as appendixes containing the complete SHED questionnaire and responses to all questions in the order asked, are also available at https://www.federalreserve.gov/consumerscommunities/shed.htm.

common than use for transactions or purchases. However, while transactional use of cryptocurrencies was low, those using cryptocurrencies for purchases rather than as investments frequently lacked traditional bank and credit card accounts.

The report also provides insights into long-standing issues related to individuals' personal financial circumstances, including returns to education, housing situations, and retirement savings. In many cases, the report finds that disparities by education, race and ethnicity, and income persisted in 2021.

Key findings from the survey include the following:

Overall Financial Well-Being

In the fourth quarter of 2021, the share of adults who were doing at least okay financially increased relative to 2020. With these improvements, overall financial well-being reached its highest level since the survey began in 2013.

- Seventy-eight percent of adults were either doing okay or living comfortably financially, the highest share with this level of financial well-being since the survey began in 2013.
- Parents experienced particularly large gains in financial well-being over the prior year. In 2021, three-fourths of parents said they were doing at least okay financially, up 8 percentage points from 2020.
- Forty-eight percent of adults rated their local economy as "good" or "excellent" in 2021. This share was up from 43 percent in 2020 but well below the 63 percent of adults who rated their local economy as "good" or "excellent" in 2019, before the pandemic.

Income

The majority of parents received additional income in 2021 through the monthly CTC. Most higher-income parents primarily saved this money, while most lower-income parents primarily spent it on housing, items for their children, or food.

- Three in 10 CTC recipients with income less than $50,000 used the largest portion of their credit on housing expenses, just over 2 in 10 spent the largest portion on their child, and 15 percent spent the largest portion on food.
- Fifteen percent of adults with income less than $50,000 struggled to pay their bills because of varying monthly income. This challenge was even more acute among people who were parents in this income range, of whom 27 percent struggled to pay their bills because of income variability.

Employment

Many people switched jobs in 2021, and those who did generally said that their new job was better than their old one. Most employees also said that their employer was taking about the right amount of COVID-19 precautions, although some people not working indicated that concerns about the virus contributed to the choice not to work.

- Fifteen percent of workers said they were in a different job than 12 months earlier. Just over 6 in 10 people who changed jobs said their new job was better overall, compared with 1 in 10 who said that it was worse.
- Seventy-seven percent of employees said their employers were taking the right amount of precautions against COVID-19. Those who did not were almost evenly split between thinking their employers were taking too many and too few precautions.
- Seven percent of all prime-age adults said that they were not working and that concerns about getting COVID-19 contributed at least in part to their decision not to work.
- Among those working from home, the share of employees who would look for another job if their employer required they work in person was similar to the share who would look after a pay freeze.

Dealing with Unexpected Expenses

The overall share of adults who would cover a small emergency expense using cash or its equivalent increased to the highest level since 2013, when the survey began. Financial preparedness is an important buffer for those who encounter unexpected events, such as medical expenses or disruptions from natural disasters.

- Sixty-eight percent of adults said they would cover a $400 emergency expense exclusively using cash or its equivalent, up from 50 percent who would pay this way when the survey began in 2013.
- Twenty percent of adults had major, unexpected medical expenses in the prior 12 months, with the median amount between $1,000 and $1,999.
- Sixteen percent of adults experienced a financial disruption or hardship from a natural disaster or severe weather event in the prior year.

Banking and Credit

Most adults had a bank account and were able to obtain credit from mainstream sources in 2021, but notable gaps in access to basic financial services still exist among Black and Hispanic adults and those with low income.

- Six percent of adults did not have a bank account. Black (13 percent) and Hispanic (11 percent) adults were more likely not to have a bank account than adults overall.
- Eleven percent of adults with a bank account paid an overdraft fee in the previous 12 months, with higher shares of low-income adults having overdrafted over this period.
- Three percent of adults used cryptocurrency for purchases or money transfers. Among these transactional users of cryptocurrencies, 13 percent did not have a bank account.

Housing

Low mortgage rates resulted in a continuation of the wave of refinancing in 2021, although high-income borrowers were primarily the beneficiaries of this opportunity to reduce monthly housing costs. The share of renters who had been behind on their rent in the prior 12 months was higher than before the pandemic, and many still owed back rent at the time of the survey.

- Nearly one-fourth of all homeowners with a mortgage refinanced their mortgage in 2021. This includes nearly 3 in 10 mortgage holders with an income of at least $100,000, but a lower 16 percent of those with income under $50,000.
- Seventeen percent of renters were behind on their rent at some point in 2021, including 8 percent who were behind at the time of the survey in late 2021. Among those still behind in late 2021, the total outstanding back rent was between $9.3 billion and $10.9 billion.

Education

At the time of the survey, most parents of primary or secondary school students reported that their children were attending classes completely in person. Most parents also said that their child was doing better academically compared with a year earlier. In contrast to the experience of K–12 students, online education remained prevalent at higher education institutions in the fall of 2021.

- Ninety-three percent of parents with a child in public or private school said their youngest child who was enrolled in K–12 education was attending classes completely in person, compared with 27 percent attending completely in person in 2020.
- Fifty-six percent of parents with a child in public or private school said that their child's academic performance improved in 2021, compared with 7 percent who said it declined.
- Seventy-six percent of higher education students in 2021 said they prefer online or hybrid education, given the situation with the pandemic.

Student Loans

The share of student loan borrowers who were behind on their payments in the fall of 2021 declined relative to before the pandemic. These borrowers also saw increases in their financial well-being compared with prior years.

- Twelve percent of borrowers were behind on their payments in 2021, a significant decline from the 17 percent who were behind in the fall of 2019.
- Seventy-three percent of those who went to college and have student loans for their own education were doing at least okay financially in 2021, up from 65 percent before the pandemic.

Retirement and Investments

Among non-retirees, a higher share reported they felt like their retirement savings were on track than in either 2020 or 2019. However, a sizeable share of recent retirees said COVID-related factors affected the timing of their retirement decision.

- Forty percent of non-retirees thought their retirement saving was on track, up from 36 percent in 2020 and 37 percent in 2019.
- Twenty-five percent of adults who retired in the prior 12 months, and 15 percent of those who retired one to two years ago, said factors related to COVID-19 contributed to when they retired.

Overall Financial Well-Being

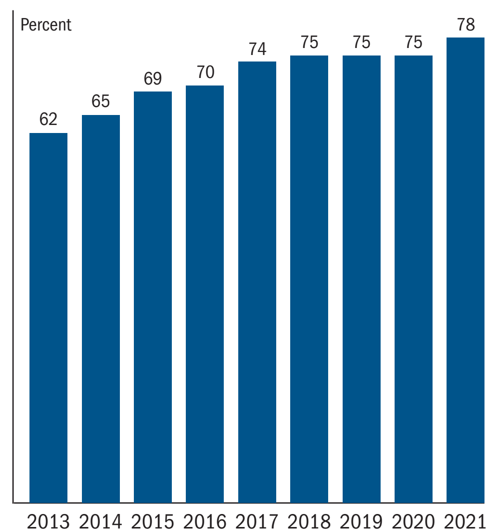
The share of adults doing at least okay financially rose to the highest level since the survey began in 2013.[2] Although financial challenges and risks to the recovery remain, this generally positive assessment of financial well-being was consistent with improved economic conditions and additional COVID-19 relief measures in 2021.

The increase in financial well-being occurred broadly across the population and was especially large among parents. Even so, existing gaps by education and by race and ethnicity persisted.

Current Financial Situation

At the end of 2021, 78 percent of adults were doing at least okay financially, meaning they reported either "doing okay" financially (39 percent) or "living comfortably" (39 percent). The rest reported either "just getting by" (16 percent) or "finding it difficult to get by" (6 percent). The 78 percent of adults doing at least okay financially in 2021 was up 3 percentage points from 2020 and was well above the 62 percent doing at least this well in 2013 (figure 1).

Figure 1. At least doing okay financially (by year)



Note: Among all adults.

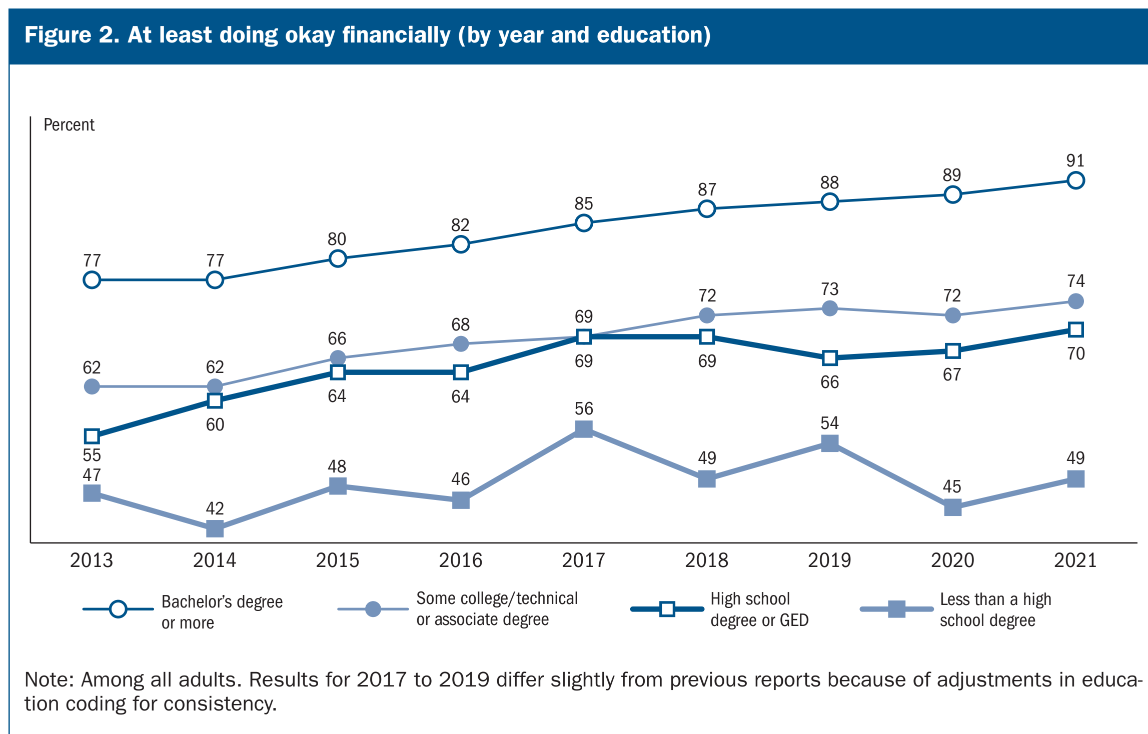
As further evidence of greater financial well-being in 2021, the share of adults who said they were living comfortably rose by 4 percentage points. This increase in financial well-being aligns with improved economic conditions and the additional COVID-19 relief measures enacted in 2021.[3]

[2] The survey was fielded in October and November 2021 and results reflect financial situations at that time. References to "in 2021" refer to the 12-month period before the survey rather than the precise calendar year.

[3] The American Rescue Plan Act of 2021 became law in March 2021 and provided additional relief to most households to address the continued impact of the COVID-19 pandemic; see https://www.congress.gov/bill/117th-congress/house-bill/1319 and https://www.whitehouse.gov/wp-content/uploads/2021/03/American-Rescue-Plan-Fact-Sheet.pdf.

Adults with at least a bachelor's degree continued to be much more likely to be doing at least okay financially (91 percent) than those with less than a high school degree (49 percent). The 42 percentage point gap in well-being was little changed from the 44 percentage point gap in 2020 (figure 2). Moreover, looking over the past five years shows a steady and sizeable increase in financial well-being among those with at least a bachelor's degree (an increase of 9 percentage points in the share doing at least okay from 2016 to 2021), while adults with less than a high school degree have not experienced lasting gains in financial well-being.

Figure 2. At least doing okay financially (by year and education)



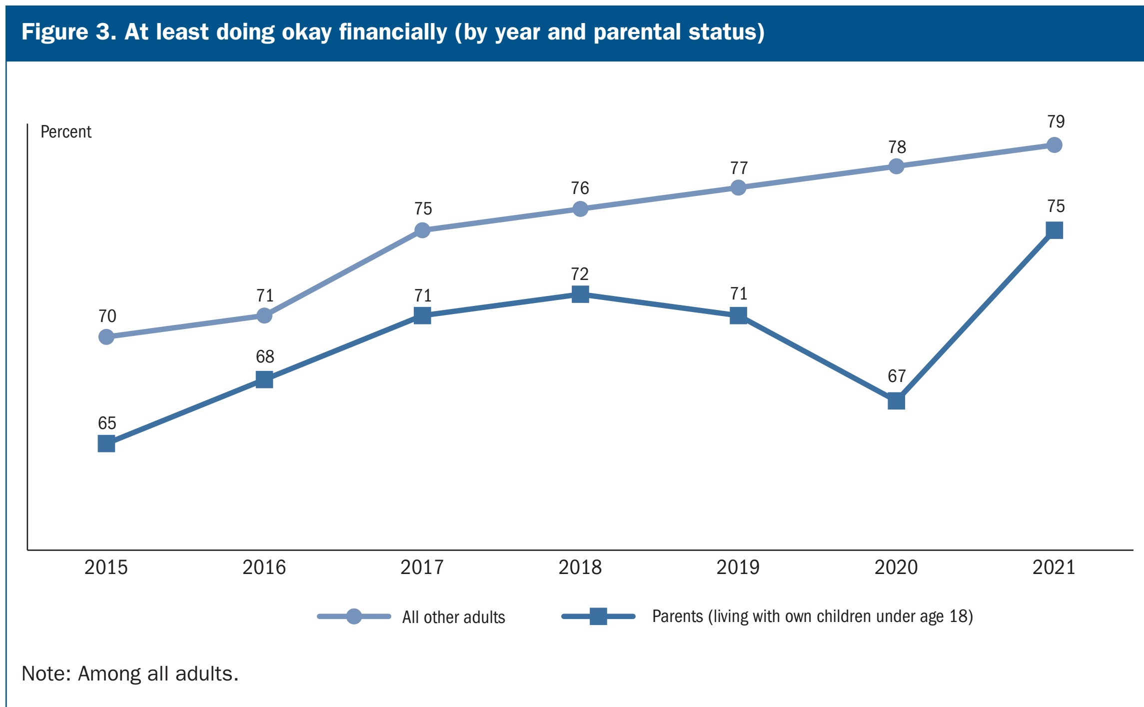
Note: Among all adults. Results for 2017 to 2019 differ slightly from previous reports because of adjustments in education coding for consistency.

Parents were one group that experienced particularly large gains in financial well-being over the prior year. In 2021, three-fourths of parents said they were doing at least okay financially, up 8 percentage points from 2020 (figure 3).

Low-income parents saw even more substantial increases in their financial well-being in 2021. Among parents with income under $25,000, the share doing at least okay financially rose by 13 percentage points, from 40 percent in 2020 to 53 percent in 2021. The share of parents with income between $25,000 and $49,999 who were doing at least okay financially increased by 7 percentage points, while those with higher income exhibited more modest improvements.

A potential explanation for the large rise in financial well-being among parents is the expansion of the CTC. The American Rescue Plan temporarily increased the CTC from $2,000 per child to $3,000 per child ($3,600 for a child under age 6), increased eligibility among low-income families,

Figure 3. At least doing okay financially (by year and parental status)



Note: Among all adults.

and paid the credit monthly (the "Income" section of this report discusses how parents used this credit).[4] Many families also saw a return to in-person schooling in the fall of 2021, which may have eased childcare responsibilities and allowed some parents to return to work or work more hours.

The increase in financial well-being among parents in 2021 contrasts with the decline they experienced from 2019 to 2020 (figure 3).[5] Parents were hit especially hard by the pandemic in 2020, having experienced higher rates of job loss and having faced disruptions to childcare and in-person K–12 schooling that affected their availability to work. (See the report *Economic Well-Being of U.S Households in 2020* for additional information).[6]

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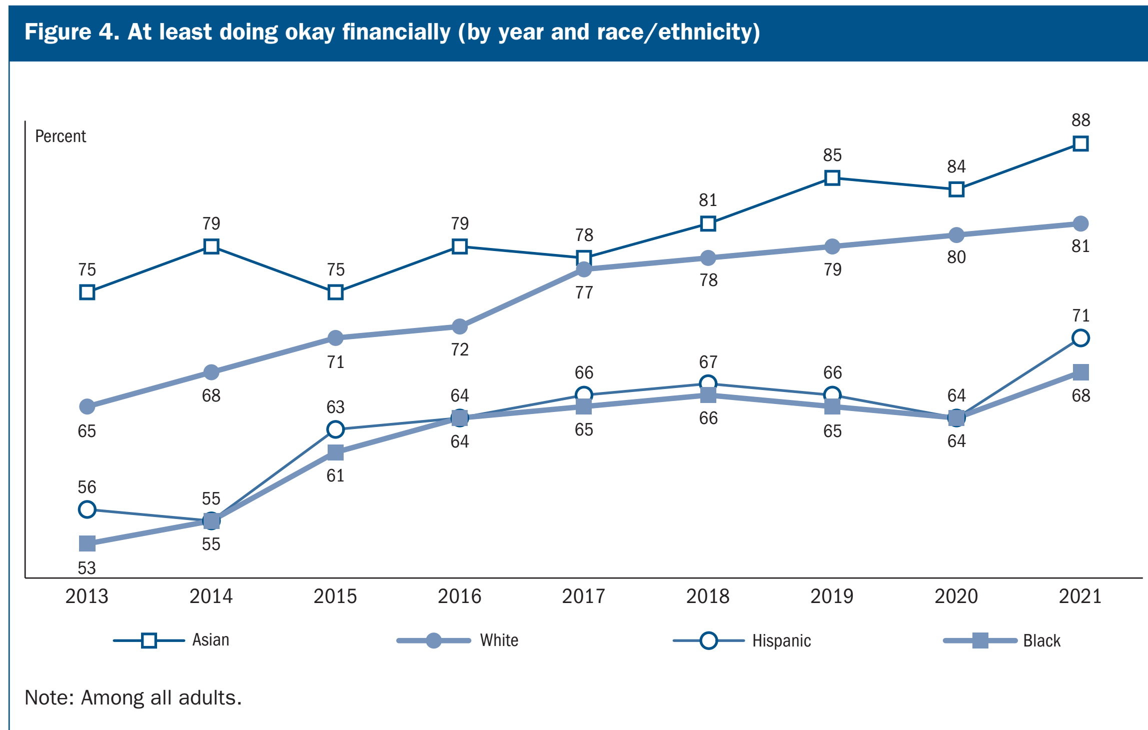
[4] More details on the enhanced CTC are available from U.S. Department of the Treasury, "Child Tax Credit," https://home.treasury.gov/policy-issues/coronavirus/assistance-for-american-families-and-workers/child-tax-credit.

[5] Results in earlier years were updated for consistency with 2021 methods for classifying education status so may differ slightly from earlier reports.

[6] See *Economic Well-Being of U.S. Households in 2020,* https://www.federalreserve.gov/publications/files/2020-report-economic-well-being-us-households-202105.pdf.

Differences in financial well-being across racial and ethnic groups persisted in 2021. Eighty-eight percent of Asian adults were doing at least okay financially, followed by 81 percent of White adults, 71 percent of Hispanic adults, and 68 percent of Black adults (figure 4).[7]

Figure 4. At least doing okay financially (by year and race/ethnicity)



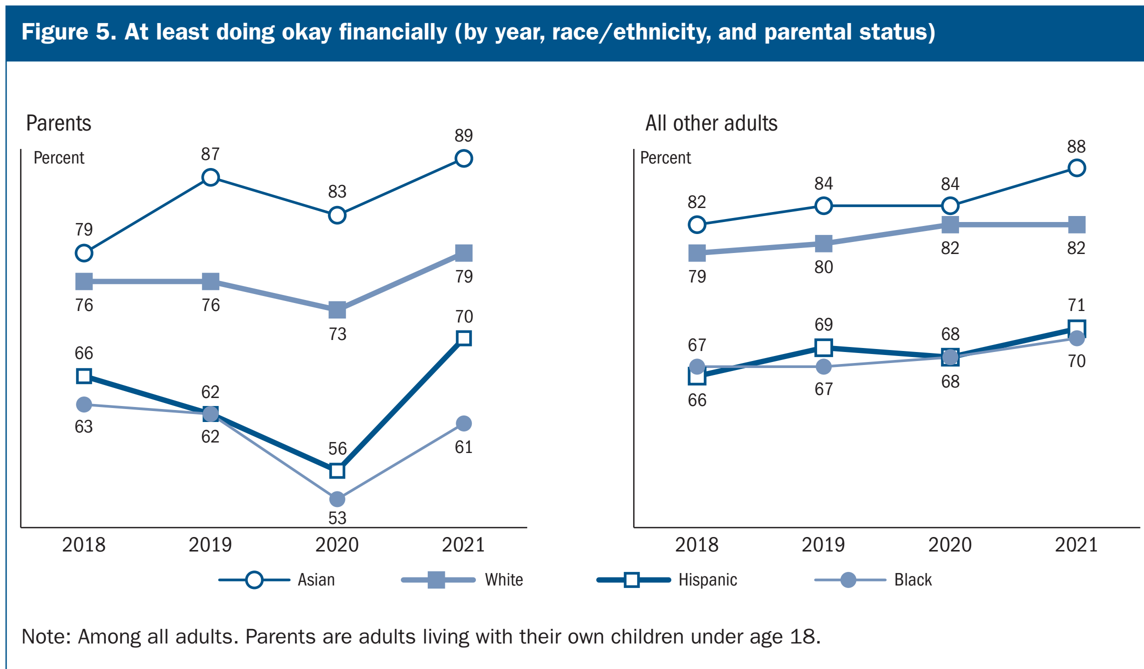
Note: Among all adults.

All racial and ethnic groups measured in the survey saw an increase in financial well-being over the prior year, with Hispanic adults seeing a particularly sharp increase. In 2021, the 71 percent of Hispanic adults who said they were doing at least okay was up 7 percentage points from 2020.

The increase in well-being for Hispanic adults was largely concentrated among parents, similar to the pattern for adults overall. The share of Hispanic parents doing at least okay increased 14 percentage points (to 70 percent) in 2021. However, Hispanic adults not living with their own children under age 18 saw a relatively slight increase (figure 5).

[7] The reported categorizations reflect the largest statistical groupings but are neither exhaustive nor the only distinctions important to understand. Sample sizes for other racial and ethnic groups and subpopulations are not large enough to produce reliable estimates. Asian adults were separately identified for the first time in the survey in the *Economic Well-Being of U.S. Households in 2020*, and in 2021 the Federal Reserve Board identified Asian adults in earlier years of the survey. However, results for Asian adults are sometimes excluded when the sample size is insufficient to provide a reliable estimate.

Figure 5. At least doing okay financially (by year, race/ethnicity, and parental status)



Note: Among all adults. Parents are adults living with their own children under age 18.

Other dimensions across which financial well-being differed include income, geography, LGBTQ+ status, and disability status (table 1). Fifty-five percent of adults with family income less than $25,000 were doing at least okay financially, compared with 96 percent of adults with family income greater than $100,000. People living in low- or moderate-income communities also had lower levels of financial well-being than those living in middle- or upper-income communities.[8] Additionally, those living in metro areas were faring better than those in non-metro communities.[9]

Other surveys have shown that adults identifying as LGBTQ+ were more likely to face economic insecurity, suggesting LGBTQ+ status may be associated with financial well-being.[10] Consistent with this evidence, the 2021 SHED found that 67 percent of adults identifying as LGBTQ+ were doing at least okay financially, compared with 78 percent of the overall population.[11] Moreover, an even lower 62 percent of adults who were transgender or nonbinary, or who reported their sexual

[8] Neighborhood income is defined using the Community Reinvestment Act definition. Under this definition, low- and moderate-income refers to communities that have a median family income of less than 50 percent of the area median income. For details on the definition, see https://www.federalreserve.gov/consumerscommunities/cra_resources.htm.

[9] Non-metro areas are defined throughout this report as being outside of a Metropolitan Statistical Area (MSA), and metro areas are those inside of an MSA, as defined by the Office of Management and Budget. This definition differs from the Census Bureau's definition of urbanized areas. For details, see U.S. Census Bureau, "2010 Urban Area FAQs," https://www.census.gov/programs-surveys/geography/about/faq/2010-urban-area-faq.html.

[10] For example, see U.S. Census Bureau, "Household Pulse Survey Shows LGBT Adults More Likely to Report Living in Households with Food and Economic Insecurity than Non-LGBT Respondents," https://www.census.gov/library/stories/2021/08/lgbt-community-harder-hit-by-economic-impact-of-pandemic.html.

[11] Survey respondents could report their sexual orientation and gender identity on a demographic profile survey previously conducted by the survey vendor. Respondents are classified as LGBTQ+ based on responses to these questions.

Table 1. At least doing okay financially (by demographic characteristics)
Percent

Characteristic	2021	1-year change	5-year change
Family income			
Less than $25,000	55	3	8
$25,000–$49,999	67	2	5
$50,000–$99,999	85	1	5
$100,000 or more	96	1	4
Disability status			
Disability	60	n/a	n/a
No disability	81	n/a	n/a
LGBTQ+ status			
Identifies as LGBTQ+	67	-1	n/a
Does not identify as LGBTQ+	79	2	n/a
Marital status			
Married	86	4	9
Not married	67	0	6
Place of residence			
Metro area	79	3	9
Non-metro area	72	3	4
Neighborhood income			
Low or moderate income	66	4	6
Middle or upper income	82	2	9
Overall	**78**	**3**	**8**

Note: Among all adults. Low- or moderate-income neighborhoods are defined here using the definition from the Community Reinvestment Act. LGBTQ+ status was first identifiable in the 2019 survey and disability status was first identifiable in the 2021 survey. Here and in subsequent tables and figures, percentages may not sum to 100 because of rounding.
n/a Not applicable.

orientation as something other than straight, gay, lesbian, or bisexual, were doing at least okay financially.[12]

Finally, 60 percent of adults with a disability were doing at least okay financially, markedly lower than the overall population.[13] Prior to 2021, the SHED did not include disability status, so we cannot observe how financial well-being has evolved for adults with a disability through the pandemic. However, as discussed in the "Employment" section of this report, other surveys find evidence of an increase in employment among adults with a disability in recent years.

Changes in Financial Situation over Time

The survey also tracks overall financial well-being by asking respondents whether they are better or worse off financially than they were 12 months earlier. Measuring well-being in this way helps track changes in perceived well-being over time, as some individuals may feel worse off financially than they were a year earlier, for instance, even if they feel they are still doing okay overall (or that their financial well-being is improving even if they are still struggling overall).

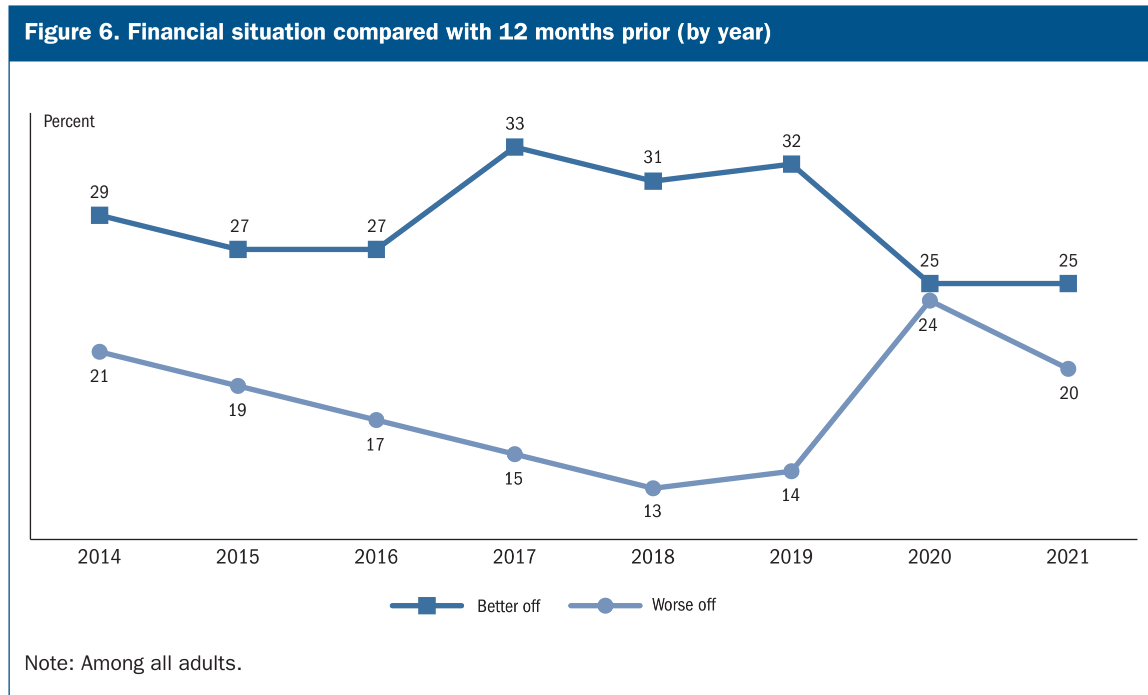
The share of adults who said they were worse off financially than a year earlier fell from 24 percent in 2020 to 20 percent in 2021, yet remained much higher than the 14 percent seen in 2019,

[12] Differences in financial well-being between adults identifying as LGBTQ+ and other adults were present across age groups. For example, only 58 percent of LGBTQ+ adults ages 45 to 54 were doing at least okay, compared with 75 percent among all adults in that age group.

[13] Disability status is defined based on a five-question functional limitation sequence that asks about hearing, vision, ambulatory, self-care, and independent living difficulties. This approach for determining disability status is similar to the six-question sequence used for the American Community Survey (see U.S. Census Bureau, "How Disability Data Are Collected from the American Community Survey," https://www.census.gov/topics/health/disability/guidance/data-collection-acs.html).

before the pandemic (figure 6). The share doing about the same as a year earlier increased 3 percentage points to 54 percent, while the share who said they were better off was unchanged at 25 percent.

Figure 6. Financial situation compared with 12 months prior (by year)



Note: Among all adults.

When asked to compare their financial situation to two years ago, before the pandemic, nearly one-fourth (24 percent) said they were worse off. Forty percent said they were doing about the same, and 36 percent said they were better off than two years ago.[14] Those who were doing worse off than before the pandemic were disproportionately adults with lower family income and less education.

To get a longer-term perspective, individuals were also asked to compare their current financial circumstances to how they perceived their parents' financial situation at the same age. Looking across a generation shows evidence of economic progress over time, despite financial setbacks during the pandemic. A majority of adults (57 percent) thought they were better off financially than their parents were, up from 54 percent in 2020 and back to the pre-pandemic level from 2019. Twenty-one percent thought they were worse off than their parents were at the same age.

[14] A subset of respondents completed both the 2020 and 2021 surveys. Combining the one-year change in well-being results in the 2020 and 2021 surveys for these repeat respondents leads to similar results. Twenty-four percent reported that their financial well-being declined in one year and did not improve in the other, while 34 percent indicated that their well-being improved in one year and did not decline in the other. The remaining 43 percent either said their well-being was about the same in each year (35 percent) or had an improvement in one year and a decline in the other (7 percent).

People holding at least a bachelor's degree were more likely to experience upward economic mobility, relative to those with less education. This is particularly true among first-generation college graduates, among whom 70 percent thought they were better off financially than their parents were.[15]

Local and National Economic Conditions

Along with questions about their own financial circumstances, people were asked to rate their local economy and the national economy as "excellent," "good," "only fair," or "poor." The share of adults rating their local economy favorably increased from 2020 to 2021. Forty-eight percent of adults rated their local economy as "good" or "excellent" in 2021, with the rest rating conditions as "only fair" or "poor." This share was up from 43 percent in 2020, but well below the 63 percent of adults who rated their local economy as "good" or "excellent" in 2019, before the pandemic.

Table 2. Self-assessment of the local economy as good or excellent (by race/ethnicity and place of residence)

Percent

Characteristic	2019	2020	2021
Race/ethnicity			
White	67	46	50
Black	46	32	42
Hispanic	57	39	44
Asian	72	44	61
Place of residence			
Metro area	65	44	50
Non-metro area	53	35	34

Note: Among all adults.

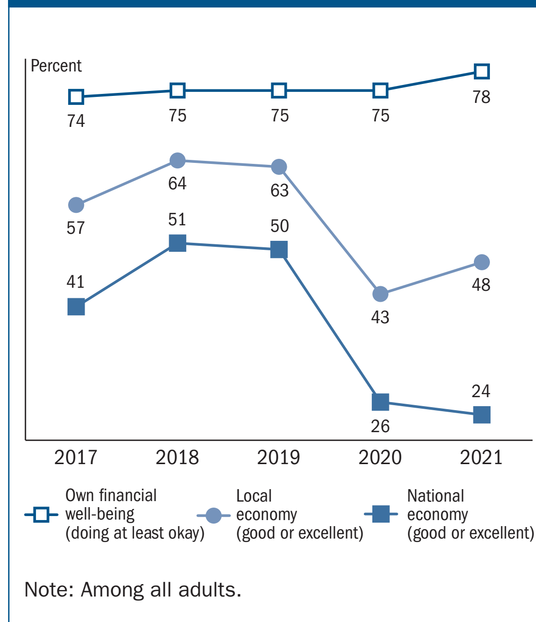
This pattern was generally similar across racial and ethnic groups, with higher shares rating their local economy favorably relative to 2020 but still below the share from 2019 (table 2). One exception was Black adults: the share of Black adults rating their local economy favorably increased 10 percentage points from 2020 to 2021, and was much closer to the pre-pandemic level than for other groups. However, Black and Hispanic adults remained the least likely to report that their local economy was faring well.

People's perceptions about their local economy diverged in 2021 for metro and non-metro areas. While perceptions of the local economy improved for residents of metro areas, perceptions ticked down 1 percentage point for those in non-metro areas. Additionally, the 34 percent of non-metro residents who rated their local economy as "good" or "excellent" remained far below the 53 percent that did so in 2019.

[15] First-generation college graduates are those who have at least a bachelor's degree and who report that neither of their parents completed at least a bachelor's degree.

Similar to people's perceptions of their local economy, the share rating the national economy favorably fell precipitously from 2019 to 2020, after the onset of the pandemic (figure 7). However, people's perceptions of the national economy continued to decline in 2021. Only 24 percent of adults rated the national economy as "good" or "excellent" in 2021, down 2 percentage points from 2020 and about half the rate seen in 2019. This trend contrasts starkly with people's increasingly favorable assessment of their own financial well-being.

Figure 7. Assessment of own financial well-being, local economy, and national economy (by year)



Note: Among all adults.

Overall Life Satisfaction

In addition to questions on financial well-being, the 2021 survey included a question on overall life satisfaction to provide a broader look at how people were faring. Respondents rated how satisfied they were with life as a whole on a scale from 0 to 10. Fifty-eight percent of adults reported "high" life satisfaction (rating 7 to 10), 30 percent reported "medium" life satisfaction (rating 4, 5, or 6), and 11 percent reported "low" life satisfaction (rating 0 to 3).

Life satisfaction was strongly associated with income. Nearly three-fourths (73 percent) of adults with family income of $100,000 or more reported high life satisfaction, compared with 41 percent among those with family income less than $25,000. Differences by education were also large, as were those by disability status and LGBTQ+ status (table 3).[16]

Differences in overall life satisfaction by race/ethnicity, on the other hand, were small. The shares of White, Black, and Hispanic adults reporting high life satisfaction were all within 2 percentage points of the share doing so for the overall population. Asian adults exhibited the largest difference from the overall population, with 63 percent reporting high life satisfaction.

[16] The scales used to measure life satisfaction and financial well-being are not directly comparable.

Table 3. Share of adults with high life satisfaction (by demographic characteristics)

Characteristic	Percent
Family income	
Less than $25,000	41
$25,000–$49,999	51
$50,000–$99,999	61
$100,000 or more	73
Education	
Less than a high school degree	40
High school degree or GED	53
Some college/technical or associate degree	55
Bachelor's degree or more	67
Race/ethnicity	
White	59
Black	56
Hispanic	57
Asian	63
Disability status	
Disability	41
No disability	62
LGBTQ+	
Identifies as LGBTQ+	46
Does not identify as LGBTQ+	60
Parental status	
Not living with own children under age 18	57
Parent (living with own children under age 18)	62
Place of residence	
Metro area	59
Non-metro area	53
Overall	**58**

Note: Among all adults.

Income

Income is central to most people's financial well-being. Recognizing this, the survey included a series of questions on income level and sources, as well as monthly income volatility.

Most parents with a child under age 18 received additional income in 2021 from the CTC. Parents used these monthly payments in a variety of ways, including saving them, spending them on food, and spending them on rent, mortgage, and utilities.

Most adults had income that was roughly the same each month. For adults with varying monthly income, 3 in 10 reported that the volatility caused financial challenges. Income variability was more likely to result in financial challenges among those with lower income.

Level and Source

Family income in this survey is the cash income from all sources, before taxes and deductions, that the respondents and their spouse or partner received during the previous year. Income is reported in dollar ranges and not exact amounts. Just over one-fourth of adults had a family income below $25,000 in 2021, and nearly one-third had $100,000 or more (table 4).

Table 4. Family income (by race/ethnicity)
Percent

Race/ ethnicity	Less than $25,000	$25,000–$49,999	$50,000–$99,999	$100,000 or more
White	20	16	27	37
Black	43	18	22	17
Hispanic	40	18	22	20
Asian	17	10	23	51
Overall	**26**	**16**	**25**	**32**

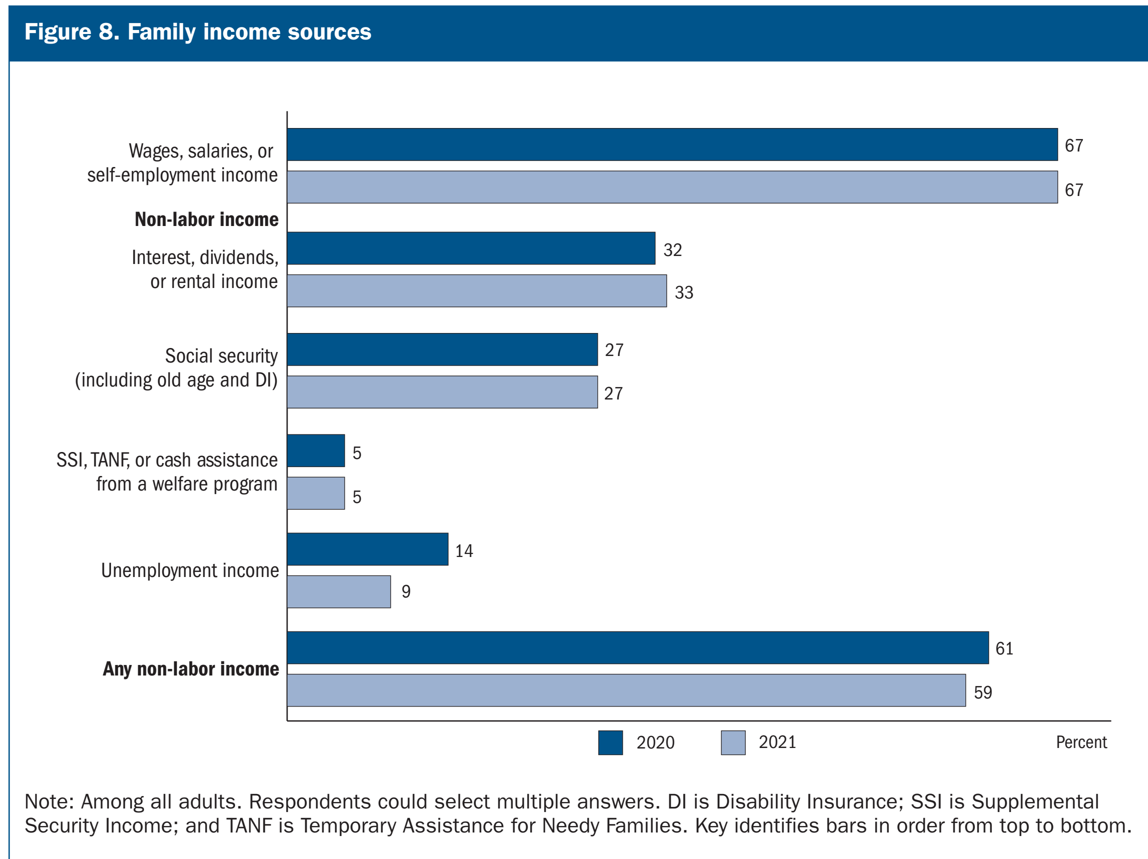
Note: Among all adults.

Family income varied dramatically by race and ethnicity in 2021. Forty-three percent of Black adults and 40 percent of Hispanic adults had a family income below $25,000. This is at least twice the rate among White and Asian adults. Conversely, White and Asian adults were disproportionately likely to have family income above $100,000.

Labor earnings were the most common source of income, but many people had other sources of income as well. Sixty-seven percent of adults and their spouse or partner received wages,

salaries, or self-employment income (collectively referred to here as labor income) (figure 8), matching the share from 2020. Yet, 59 percent of adults and their spouse or partner received non-labor income in 2021.[17]

Figure 8. Family income sources



Note: Among all adults. Respondents could select multiple answers. DI is Disability Insurance; SSI is Supplemental Security Income; and TANF is Temporary Assistance for Needy Families. Key identifies bars in order from top to bottom.

The share of adults receiving unemployment income in 2021 (9 percent) remained higher than before the pandemic but was lower than in 2020, when the job losses caused by the COVID-19 pandemic peaked. Individuals who received income from unemployment insurance in 2021 reported that they were most likely to learn about their eligibility from their employer (45 percent), followed by their own internet research (32 percent).

Assistance from nonprofits and private sources—including financial support from a friend or family member living outside of their home—can also supplement family income. Fifteen percent of adults ages 21 and older received at least one type of assistance from private or nonprofit

[17] Non-labor income is defined as income from interest, dividends, or rental income; social security (including old age and Disability Insurance (DI)); Supplemental Security Income (SSI), Temporary Assistance for Needy Families (TANF), or cash assistance from a welfare program; unemployment income; or income from a pension. Non-labor income does not include Economic Impact Payments, tax credits such as the Earned Income Tax Credit, or in-kind benefits.

sources in 2021 (table 5). Nearly 1 in 10 adults received groceries or meals from a food pantry, religious organization, or community organization, down 2 percentage points from 2020. Seven percent of adults ages 21 and older received financial assistance from a friend or family member living outside of their home, essentially unchanged from 2020. On the other hand, 15 percent of adults provided support to others.

Table 5. Financial assistance received (by educational attainment)
Percent

Characteristic	Free groceries or meals	Financial support from religious or community organization	Financial support from friends or family not in household	Received at least one type of private or nonprofit support
Less than a high school degree	27	5	15	34
High school degree or GED	13	2	7	17
Some college/technical or associate degree	10	2	9	17
Bachelor's degree or more	3	1	5	8
Overall	**9**	**2**	**7**	**15**

Note: Among adults age 21 and older. Respondents could select multiple answers.

Adults with less education were more likely to receive at least one type of assistance from private or nonprofit sources. More than 3 in 10 (34 percent) adults with less than a high school degree received this type of assistance, compared with less than 1 in 10 adults with at least a bachelor's degree.

Child Tax Credit

Starting in July 2021, most parents of children under age 18 saw their income supplemented by the enhanced CTC. Eighteen percent of all adults, and 70 percent of adults living with their children under age 18, reported receiving monthly CTC payments in 2021.[18] An additional 5 percent of adults living with children under age 18 did not know if they received monthly CTC payments.

Parents who received monthly CTC payments most frequently saved the payments, spent them on their child, or used them for necessities. Saving was the most common use of the monthly CTC payments, with 43 percent of recipients saying they saved at least a portion of them.

[18] This estimate corresponds to 27 million payments to 52 million children. Administrative data from the Treasury Department find that 36 million payments were made in December 2021 for 61 million qualifying children (U.S. Department of the Treasury, *By State: Advance Child Tax Credit Payments Distributed in December 2021* (Washington, DC: Department of the Treasury, December 2021), https://home.treasury.gov/system/files/131/Advance-CTC-Payments-Disbursed-December-2021-by-State-12152021.pdf). The lower estimate of parents reporting the credit in the SHED suggests that some parents either did not know their family received the payment or did not know that it was the CTC.

Table 6. Uses for Child Tax Credit (CTC)
Percent

Purpose	Used any for purpose	Used largest portion for purpose
Saved it	43	36
Paid off debt	21	10
Spent on child	40	20
Spent on rent, mortgage, or utilities	29	17
Spent on food	31	12
Spent on other things	12	5

Note: Among parents with a child under age 18 who reported receiving CTC payments. Respondents could select multiple answers.

Other common uses were spending on their child (40 percent); spending on food (31 percent); and spending on rent, mortgage, or utilities (29 percent) (table 6).

Respondents were also asked how they used the largest portion of the monthly CTC payments. Saving the monthly payment was again the most common response (36 percent), with many others saying that they spent the largest portion on their child or on rent, mortgage, or utilities.

The ways people used the CTC payments varied by income. Higher-income adults were most likely to save the largest portion of their credit, whereas lower-income adults were most likely to spend it on housing. For instance, 54 percent of recipients with income of at least $100,000 saved the largest portion of their credit, whereas only 18 percent of recipients with income less than $25,000 did so (table 7).

Table 7. Use for largest portion of Child Tax Credit (by family income)
Percent

Purpose	Less than $25,000	$25,000–$49,999	$50,000–$99,999	$100,000 or more
Saved it	18	15	33	54
Paid off debt	14	9	9	10
Spent on child	22	22	22	16
Spent on rent, mortgage, or utilities	29	33	18	6
Spent on food	13	19	15	7
Spent on other things	5	2	5	7

Note: Among parents with a child under age 18 who reported receiving CTC payments.

Income Variability

Since many bills must be paid monthly, variations in monthly income can lead to financial challenges. Most adults had income that was roughly the same each month, but about 3 in 10 had income that varied from month to month. This share was essentially unchanged from 2020.

Since income variability can result from either dips or spikes in monthly income, the survey asked those who reported varying monthly income whether they struggled to pay bills as a result. Thirty percent of those who experienced varying monthly income, representing slightly less than

1 in 10 adults overall, said they struggled to pay their bills at least once in the past 12 months because of varying monthly income.

Lower-income adults were more likely to have varying monthly income and to report that they struggled to pay their bills at least once in the past 12 months as a result (table 8). Fifteen percent of adults with income less than $50,000 struggled to pay their bills because of varying monthly income. Among lower-income parents, an even greater 27 percent struggled to pay their bills because of income variability.

Adults with and without a disability were similarly likely to experience income variability. However, when those with a disability experienced such variability, it was more likely to lead to a hardship.

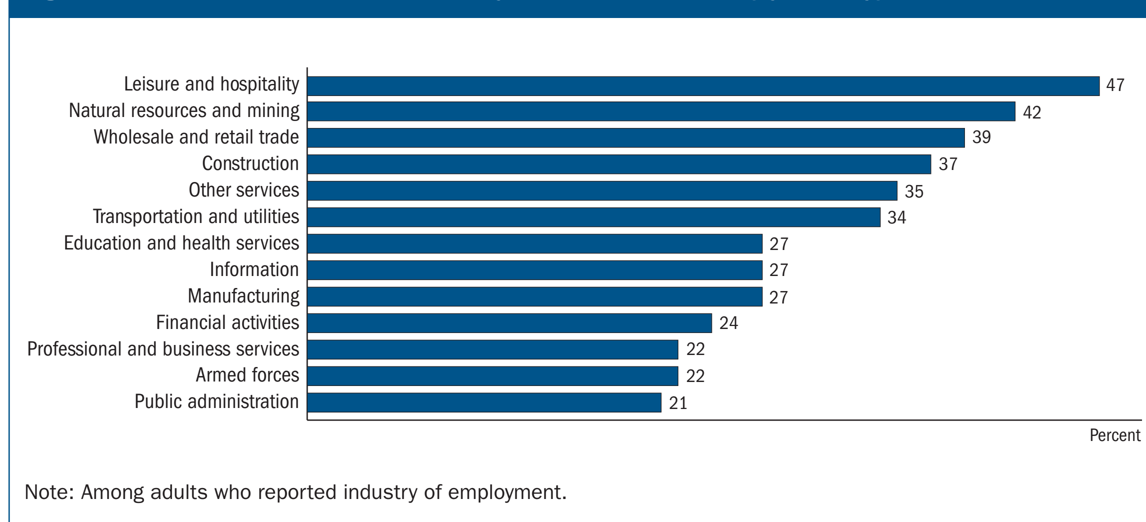
Table 8. Income volatility and related hardship (by family income, race/ethnicity, and disability status)
Percent

Characteristic	Varying income, causes hardship	Varying income, no hardship	Stable income
Family income			
Less than $25,000	16	23	61
$25,000–$49,999	14	17	69
$50,000–$99,999	6	18	75
$100,000 or more	1	19	79
Race/ethnicity			
White	7	19	75
Black	12	19	69
Hispanic	14	23	63
Asian	4	20	76
Disability status			
No disability	7	20	72
Disability	13	15	72
Overall	**9**	**20**	**72**

Note: Among all adults.

Income variability also continued to differ greatly by industry in 2021. Workers in the leisure and hospitality industry were the most likely to have varying monthly income (figure 9).

Figure 9. Income varied at least occasionally from month to month (by industry)



Note: Among adults who reported industry of employment.

These workers also reported the highest rates of hardship because of their varying income. However, the prevalence of income variability within the leisure and hospitality industry was similarly high both before and after the pandemic.

Employment

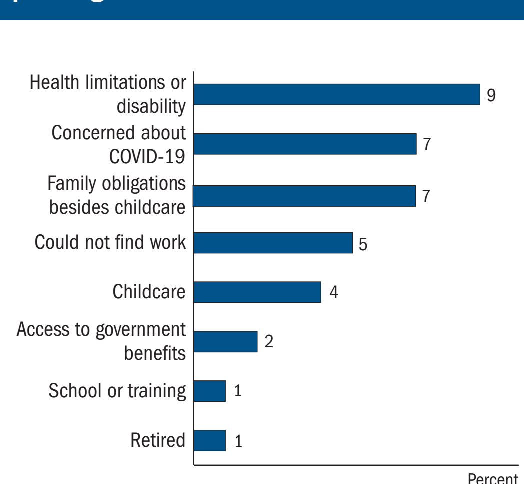
The share of adults who were working in late 2021 remained below the pre-pandemic level. Health limitations, concerns about COVID-19, and family responsibilities were common reasons for not working. Many also switched jobs in 2021, and those who did generally said their new job was better than their old one.

Reasons for Not Working

Twenty-three percent of prime-age adults (ages 25 to 54) were not working in October 2021, down from 26 percent in 2020, but up from 21 percent in 2019, before the pandemic.[19]

Health limitations and concerns about getting COVID-19 were commonly cited reasons for not working. Twelve percent of all prime-age adults were not working, at least in part, for one of these reasons. Health limitations or disability were cited by 9 percent and specific concerns about COVID-19 were cited by 7 percent (figure 10). Family responsibilities were also commonly cited as reasons for not working.

Figure 10. Reasons for not working among prime-age adults



Note: Among adults ages 25 to 54. Respondents could select multiple answers.

The proportion of prime-age adults who said that they were not working because they could not find work fell from 9 percent in 2020 back to 5 percent in 2021, the same as before the pandemic.[20]

Two percent of all prime-age adults said that they were not working, at least in part, because they didn't want to lose access to unemployment insurance or other government ben-

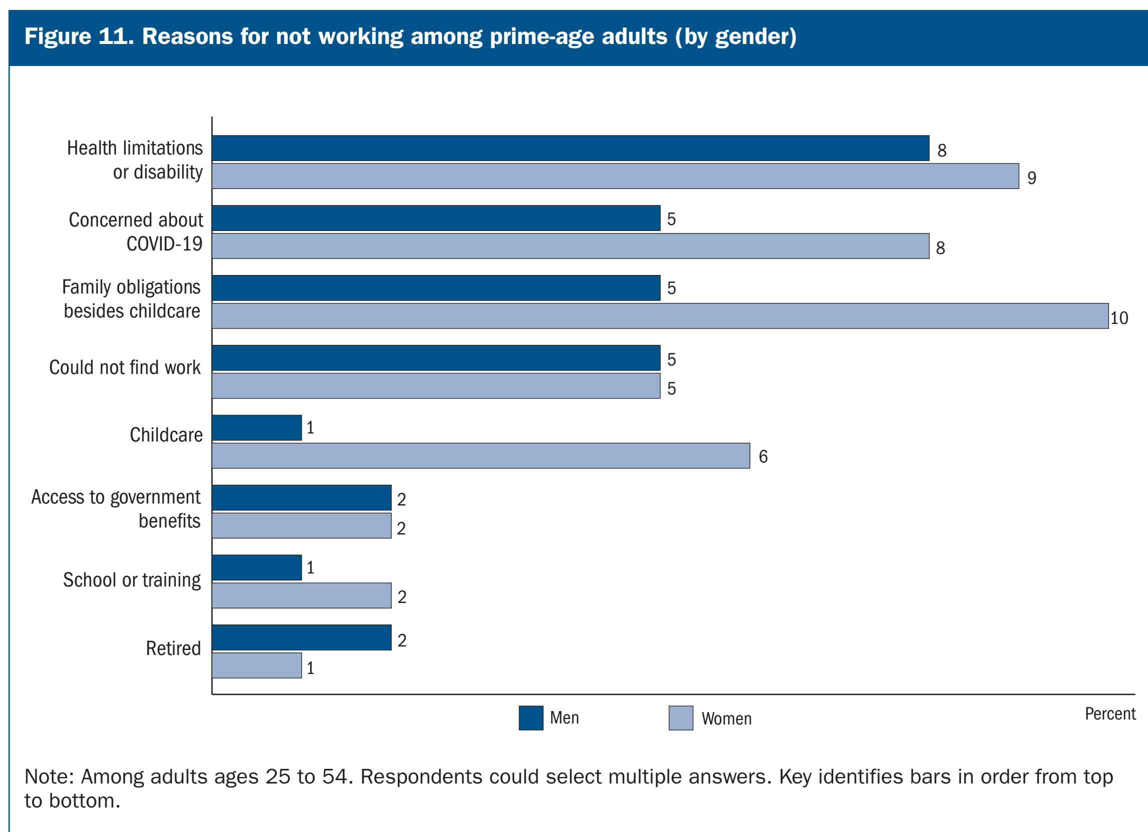
[19] This pattern is consistent with that observed by the Bureau of Labor Statistics, who reported 22 percent not working in October 2021, down from 24 percent not working at the time of the survey in 2020, but up from 20 percent in October 2019. See U.S. Bureau of Labor Statistics, "(Seas) Employment-Population Ratio—25–54 yrs.," https://data.bls.gov/timeseries/LNS12300060.

[20] Some of the decrease could have been due to a change in the questionnaire from 2020 to 2021 to include an additional reason that respondents could give for why they were not working, although respondents still could give multiple answers.

efits.[21] Among those whose family received government benefits in the prior year, 6 percent indicated that benefit eligibility contributed to them not working.[22] However, even among benefit recipients, other factors including concerns about COVID-19 exposure (15 percent) and an inability to find work (11 percent) were more likely to be cited as reasons for not working.

Prime-age women were particularly likely to say that they were not working because of childcare and other family responsibilities. Six percent of prime-age women cited childcare as a reason for not working, and 10 percent cited other family responsibilities, far exceeding that for men (figure 11). However, the share of women not working because of childcare responsibilities did not increase relative to that seen before the pandemic.

Figure 11. Reasons for not working among prime-age adults (by gender)



Note: Among adults ages 25 to 54. Respondents could select multiple answers. Key identifies bars in order from top to bottom.

Another difference between prime-age men and women is that women were more likely to say they were not working, at least in part, because of concerns about getting COVID-19. Eight percent of

[21] The survey was conducted in the fourth quarter of 2021, after the expiration of expanded unemployment insurance programs in September.

[22] Government benefit recipients include prime-age adults whose family received unemployment insurance, Social Security, Supplemental Security Income, TANF, other cash welfare assistance, SNAP benefits, Medicare, or Medicaid.

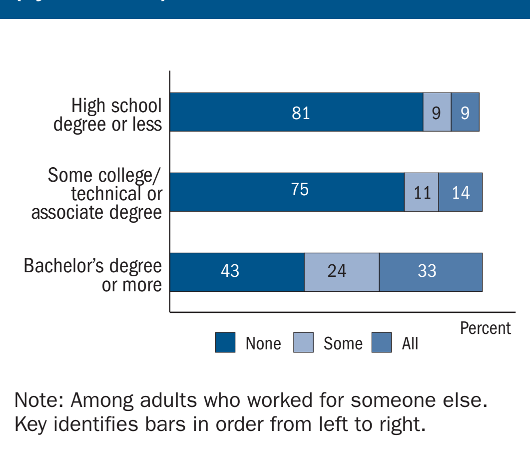
prime-age women cited concern about getting the virus as a reason for not working, compared with 5 percent of prime-age men. Previous studies have found that occupations with more women working in them before the pandemic had higher rates of COVID-19 exposure.[23]

Working from Home

A major change in many people's work lives since 2019 was the increased prevalence of working from home, also known as remote work. During the week of the survey in late 2021, 22 percent of adults who worked for someone else ("employees") worked entirely from home. This share was down from 29 percent in 2020, but well above the 7 percent who worked entirely from home in 2019, before the pandemic.[24] In addition, 17 percent of employees said they worked from home some of the time during the week of the survey in 2021. For some workers, such as those with disabilities, the increased prevalence of remote work in recent years may have facilitated greater participation in the labor market (see box 1).

Employees with more education were much more likely to work from home than those with less education. Thirty-three percent of employees with at least a bachelor's degree worked entirely from home, whereas 14 percent of employees with some college, and 9 percent with a high school degree or less, did so (figure 12).[25]

Figure 12. Amount of work done from home (by education)



Note: Among adults who worked for someone else. Key identifies bars in order from left to right.

One reason for the differences by education is that employees with more education were more likely to have a job where they could work from home. Nearly three-fourths of employees with a bachelor's degree or more either worked from home or said that they could if their employer would let them, compared with 29 percent of employees with a high school degree or less. Overall, 53 percent of employees either worked from home or said that they could if their employer would let them.

[23] Stefania Albanesi and Jiyeon Kim, "Effects of the COVID-19 Recession on the U.S. Labor Market: Occupation, Family, and Gender," *Journal of Economic Perspectives* 35, no. 3 (Summer 2021): 3–24, https://www.aeaweb.org/articles?id=10.1257/jep.35.3.3.

[24] The question asked in 2019 was different from 2020 and 2021. The 2019 survey asked where people worked in their main jobs most of the time.

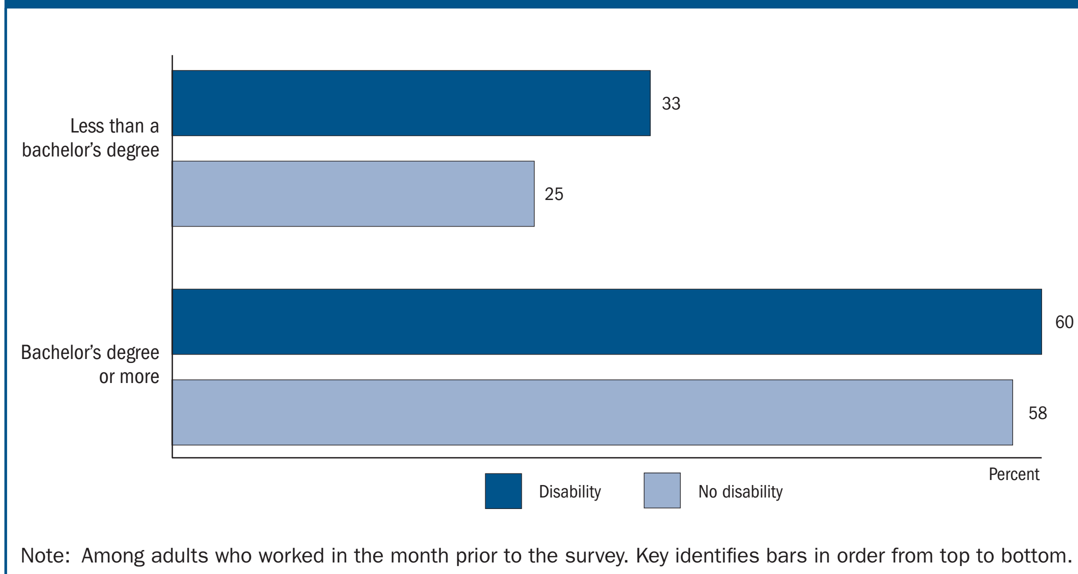
[25] There is variation across industry in the likelihood of working from home, although even within an industry those with a bachelor's degree are generally more likely to work from home than are those with less education.

Box 1. Pandemic Employment Experiences of Adults with a Disability

Individuals with a disability have long faced significant barriers in the labor market. Before the pandemic, in February 2020, the employment rate among individuals with a disability was only 19 percent, compared with 67 percent among those without a disability. Most of this gap was due to individuals with a disability being out of the labor force, meaning they were not looking for work.[1] The widespread disruptions to the labor market during the pandemic created unique challenges for adults with disabilities, but the restructuring of how work is conducted also created an opportunity for some to enter the labor force and contribute in ways that were not previously possible.

Despite the additional pandemic-related hurdles, employers' increased reliance on working from home and remote work had the potential to expand employment opportunities for a wide array of workers with a disability. Thirty-three percent of workers with a disability who had less than a bachelor's degree worked from home some of the time in the week before the survey, compared with 25 percent of their peers without a disability (figure A). Among workers with at least a bachelor's degree, a higher share worked from home, and the shares were similar among workers with and without a disability. The increase in remote work opportunities during the pandemic may have contributed to the more rapid recovery in employment rates since the start of the pandemic among workers with disabilities observed in other data.[2]

Figure A. Worked from home at least some of the time (by education and disability status)



Note: Among adults who worked in the month prior to the survey. Key identifies bars in order from top to bottom.

(continued)

[1] U.S. Bureau of Labor Statistics "(Unadj) Employment-Population Ratio—With a Disability, 16 Years and Over" https://data.bls.gov/timeseries/LNU02374597; and U.S. Bureau of Labor Statistics, "(Unadj) Employment-Population Ratio—With No Disability, 16 Years and Over," https://data.bls.gov/timeseries/LNU02374593.

[2] According to the U.S. Bureau of Labor Statistics, the employment to population ratio of workers with a disability in October 2021 was 1 percentage point above pre-pandemic levels from February 2020 while remaining 2 percentage points below pre-pandemic levels among those without a disability.

Box 1—*continued*

Nevertheless, with the unprecedented health challenges that the pandemic presented to the general population, adults with a disability faced significant difficulties that may be exacerbated by their disability. For some types of disabilities, contracting COVID-19 may present unique difficulties in going about one's day or receiving care. Further compounding matters, comorbidities are more prevalent among adults with a disability, meaning a COVID-19 infection may be more likely to result in serious illness or death.[3]

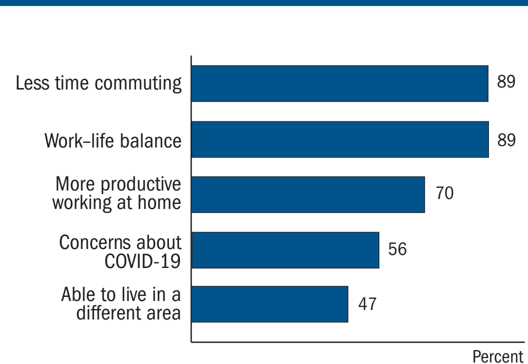
Consequently, workers with a disability may have different preferences on workplace COVID-19 precautions. This, in turn, could affect their employment decisions. After controlling for their level of education, employees with a disability were more likely to favor a vaccine mandate relative to those without a disability.

Additionally, among those who were not working, people with a disability were more likely to say that concerns about contracting COVID-19 contributed to their not working. Among adults with at least a bachelor's degree, 19 percent of those with a disability reported that COVID-19 concerns were a contributing factor. This is nearly twice the frequency of these concerns among similarly educated people without a disability. Among those with less than a bachelor's degree, just over one-fifth of nonworkers with a disability, and just under one-fifth of nonworkers without a disability, said that COVID-19 concerns were a factor in their employment decision. Consequently, while employment rates among workers with a disability have improved recently, health and safety concerns appear to be hampering their employment growth more than among other adults.

[3] Sally-Ann Cooper, Gary McLean, Bruce Guthrie, Alex McConnachie, Stewart Mercer, Frank Sullivan, and Jull Morrison, "Multiple Physical and Mental Health Comorbidity in Adults with Intellectual Disabilities: Population-Based Cross-Sectional Analysis," *BMC Family Practice*, 16, no. 1 (2015): 1–11.

Most employees who worked from home, or who said they could if their employer would let them, would prefer to work from home. Eighty-nine percent said they would like to work from home at least some of the time. Forty-one percent said they would prefer to do so all of the time.

Figure 13. Reasons employees prefer to work from home



Note: Among employees who worked from home or could work from home if their employer allowed, who also said they preferred working from home at least some of the time. Respondents could select multiple answers.

Employees who preferred to work from home at least some of the time most commonly cited less time commuting and work-life balance as reasons (figure 13). Both were cited by 89 percent of employees who preferred to work from home.

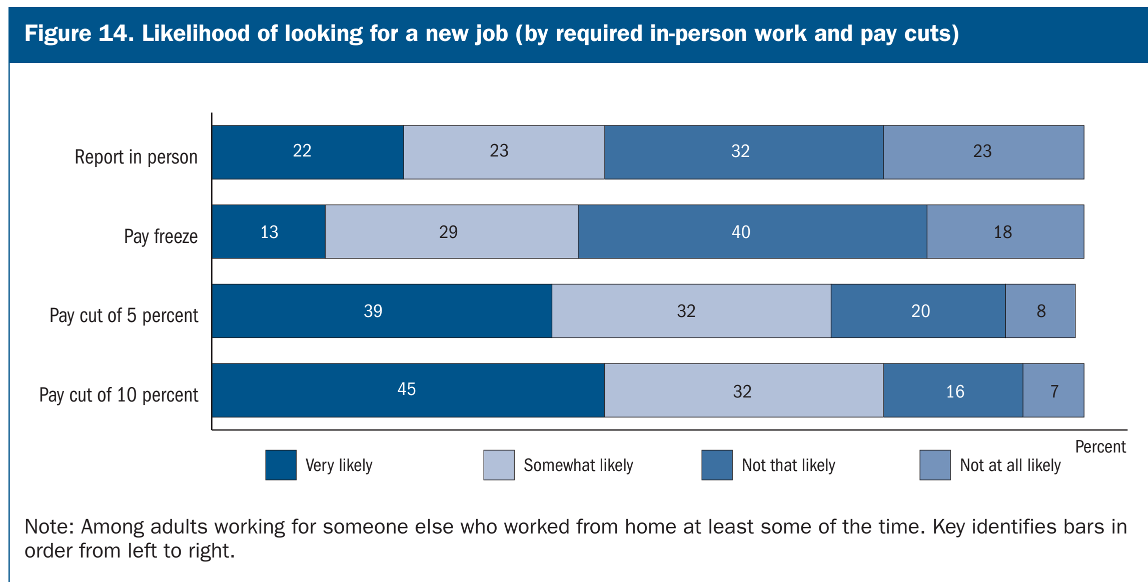
Another common reason employees said they preferred to work from home was increased productivity. Seventy percent of employees who preferred to work from home said that one reason for their preference was that they were more productive at home. While lower,

56 percent of employees who preferred to work from home said that concerns about COVID-19 contributed to their preference.

Many of those who worked from home at least some of the time also said that they would actively look for another job if their employer required them to work in person each workday. Forty-five percent said they were at least somewhat likely to look for another job or leave their job if their employer required them to work in person each workday.[26] Twenty-two percent were very likely. Among those working from home full time, an even larger 55 percent said that they would be somewhat or very likely to look for another job if required to report in person each workday.

For context on the importance of the ability to work from home in people's job decisions, the survey also asked respondents about their likelihood of looking for another job if their employer froze their pay or cut their pay by various amounts.[27] The share of employees who were at least somewhat likely to look for another job if their employer required they work in person was similar to the share who would look after a pay freeze (figure 14).

Figure 14. Likelihood of looking for a new job (by required in-person work and pay cuts)



Note: Among adults working for someone else who worked from home at least some of the time. Key identifies bars in order from left to right.

Job Changes

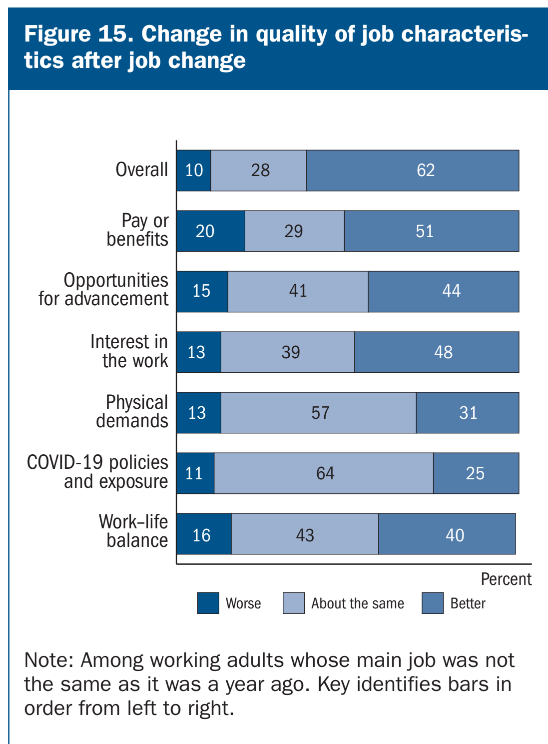
In the fourth quarter of 2021, 15 percent of workers said they were in a different job than they were 12 months earlier. Most people who changed jobs said that their new job was better than

[26] However, 16 percent of those working from home who said that they would prefer to work in person also said that they would actively look for another job in this situation. This suggests that at least some of these individuals either were actively looking irrespective of the work location, or they value being given the choice of where to work even if they chose not to work from home.

[27] The order of the pay cut and telework questions was randomized in the survey, as was the amount of the pay cut that respondents were asked about.

their old one. Over 6 in 10 people who changed jobs said their new job was better overall, compared with 1 in 10 who said that it was worse.

Figure 15. Change in quality of job characteristics after job change



Note: Among working adults whose main job was not the same as it was a year ago. Key identifies bars in order from left to right.

Pay, opportunities for advancement, and interest in the work were frequently seen as better in the new job. Just over half of people who changed jobs said that their pay and benefits improved, compared with 20 percent who said their pay was worse. Similarly, far more people said that their work-life balance, opportunities for advancement, and interest in the work improved than said these measures declined (figure 15).

Of the characteristics considered, COVID-19 policies and exposure were the most likely to be the same in the old and new jobs. Nearly two-thirds (64 percent) of job changers said that COVID-19 policies and exposure were about the same, while one-fourth said that they were better, and 11 percent said that they were worse.[28]

Workers who experienced a layoff and changed jobs were less positive about their new positions than other job changers.[29] Those who were laid off were substantially less likely than those not laid off to say their new job was better overall.[30] They also were less likely to say that the pay and benefits, opportunities for advancement, and interest in the job improved at their new position (figure 16).

COVID-19 Precautions at Work

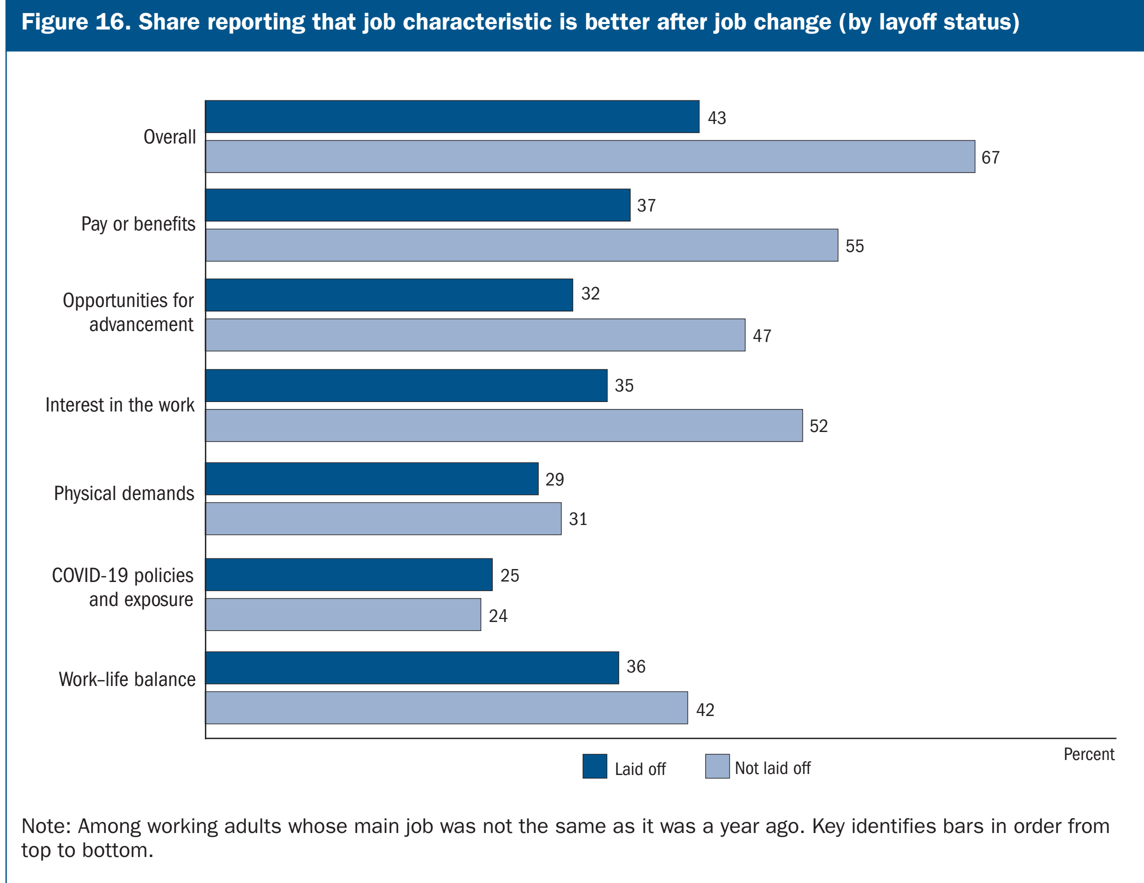
One factor in people's decisions on whether to work and where to work is their perceptions of workplace safety, including COVID-19 precautions. Employees mostly thought that their employers were taking the right amount of precautions to prevent the spread of COVID-19. Seventy-seven percent of employees said their employers were taking the right amount of precautions. Those who

[28] Better COVID-19 policies could mean stricter or more lenient policies, depending on the preference of the respondent. The survey did not define what better or worse policies meant.

[29] Seven percent of adults said that they were laid off in the 12 months prior to the survey.

[30] People's perceptions of their old jobs likely also reflect the circumstances of their leaving, including negative feelings from getting laid off. Moreover, while it is likely the laid-off worker is comparing their new job to the job they were laid off from, it is also possible they had another job in-between.

Figure 16. Share reporting that job characteristic is better after job change (by layoff status)



Note: Among working adults whose main job was not the same as it was a year ago. Key identifies bars in order from top to bottom.

did not were almost evenly split between thinking their employers were taking too many (11 percent) and too few precautions (12 percent).[31]

In terms of specific precautions, just under one-fourth of employees said that their employer had a policy requiring vaccination. An additional 19 percent of employees said that employees could either be vaccinated or be tested regularly. Forty-nine percent said their employer had no specific vaccine or testing requirement.[32]

Employees were almost evenly split on whether they wanted vaccine requirements in their workplaces. Forty-nine percent of workers said that they wanted their employer to require vaccinations of all employees, whereas 51 percent said that they did not. The share who wanted a vaccine requirement was higher (59 percent) among employees who had a COVID-19 vaccine themselves. Just 4 percent of workers who were not vaccinated wanted their employer to require vaccines.

[31] One important aspect, however, is that people who had left an employer over their level of precautions would not have been asked this question about the job that they left. In these cases, an individual will be asked about the precautions at their new job or, if not working, would not be asked the question at all. Nevertheless, most who changed jobs said that their new job's COVID-19 policies were no better or worse than at their previous job.

[32] The remaining 8 percent did not know if there were any requirements.

Part-Time Jobs, Temporary Jobs, and Irregular Schedules

Thirteen percent of adults worked part time at their main job, and 5 percent said that their main job was a temporary position. The share of adults who were working part time declined 1 percentage point from 2020 to 2021. Part-time work was more common among women than among men. Sixteen percent of women worked part time, while 10 percent of men did.

One indication of a stronger job market is that the share of part-time workers who said they wanted to work more hours declined to 41 percent in 2021, from 51 percent in 2020. Differences remained across the population, however. For example, a higher 58 percent of Hispanic part-time workers said that they wanted more work.

People who had a part-time or temporary job reported more financial strain than people who worked full time. Twenty-nine percent of part-time workers and 31 percent of temporary workers said that they were either just getting by or finding it difficult to get by. A smaller 16 percent of permanent, full-time workers reported the same levels of financial strain.

Some employees also had irregular schedules, including 16 percent who had a work schedule that varied based on their employer's needs. These workers with irregular schedules that they did not control tended to be under more financial strain. Twenty-seven percent of workers with a schedule that varied based on their employer's needs said that they were either just getting by or finding it difficult to get by. This compares with 16 percent of workers with a fixed schedule or with a schedule that they control.

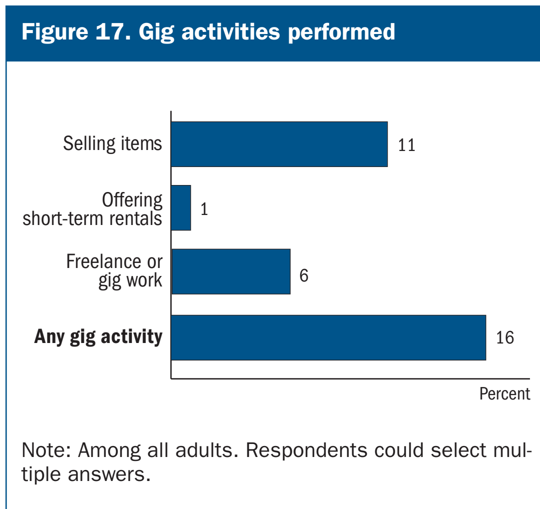
The Gig Economy

Individuals who perform gig work or other gig activities may be contributing to the economy in ways not observed through traditional employment measures. To understand this aspect of the economy, including the effects of the gig economy on household finances, the survey includes a series of questions about gig activities. Gig activities in this report include selling items at places such as flea markets and garage sales or through online marketplaces, short-term rentals of items or property, and freelance gig work such as ridesharing or other roles where people are paid for specific tasks and generally have flexibility about when and how to work.

Overall, 16 percent of adults had performed gig activities over the prior month.[33] This includes 11 percent who sold things, 1 percent who offered short-term rentals, and 6 percent doing other freelance or gig work (with some people performing more than one type of gig activity) (figure 17).

[33] It is not possible to compare how frequently people did gig activities in 2021 with prior years because the gig economy questions were revised substantially in 2021 to refine the definition of gig activities and to reduce respondent burden.

Figure 17. Gig activities performed



Note: Among all adults. Respondents could select multiple answers.

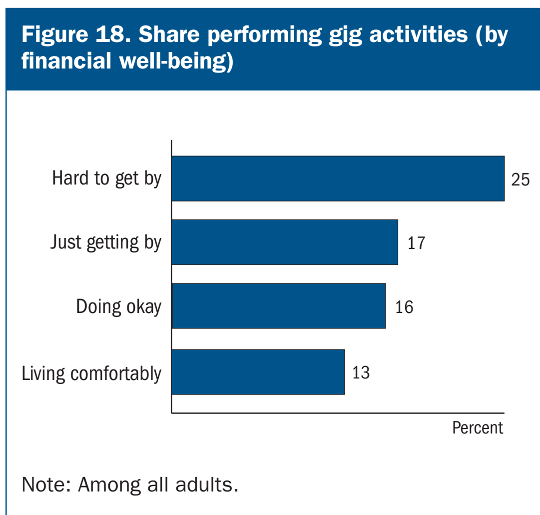
Most commonly, people sold things that they owned for personal use, like clothing. Eight percent of all adults sold a personal item in the prior month. A smaller 3 percent sold something that they purchased to resell, and 2 percent sold something that they made.

Gig activities were typically not full-time jobs. Sixty-four percent of those who performed gig activities (10 percent of all adults) said they spent less than 20 hours doing so over the prior month. That said, those doing freelance gig work were more likely than those selling or renting items to spend at least 20 hours on it over the prior month.

People performing gig activities often had another job. Over half of those performing gig activities (54 percent) also had a job working for someone else. Even among those who spent at least 20 hours on gigs, 46 percent reported that they had a job working for someone else.[34]

As a result, gig activities were rarely people's main source of income. Only 2 percent of all adults said they earned more than half of their income from gigs over the prior month. An even lower 1 percent of all adults said that they earned at least 90 percent of their income from gig activities.

Figure 18. Share performing gig activities (by financial well-being)



Note: Among all adults.

People with lower financial well-being were more likely to perform gig activities than those who were faring better financially. One-fourth of people who found it difficult to get by financially did gig activities, compared with 13 percent of those who were living comfortably (figure 18). At the same time, however, people who performed gig activities were more likely to say that they did it by choice (71 percent) than out of necessity (29 percent).

People who did freelance gig work also varied in how they felt their pay compared with what

[34] Gig questions were asked separately from the standard employment questions. One percent of all adults said that they were both not employed and spending at least 20 hours on gig activities in the prior month.

they could earn from a more traditional job. Thirty-three percent of people who did freelance gig work said that they earned more doing gig work than they could in a traditional job, while 39 percent said they earned less. The remaining 28 percent said they earned about the same amount as they could in a traditional job.

Dealing with Unexpected Expenses

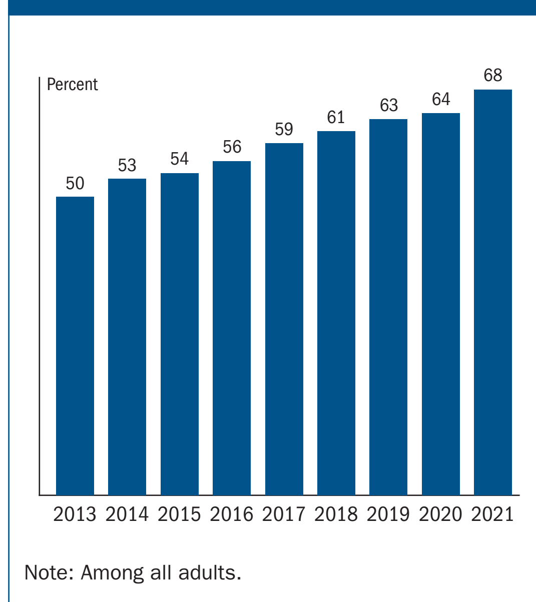
The overall share of adults who would cover a small emergency expense using cash or its equivalent increased to the highest level since 2013, when the survey began. Despite this positive trend, many still faced difficulty paying monthly bills. Black and Hispanic adults, as well as adults with lower income, disproportionately faced such challenges.

Small, Unexpected Expenses

Relatively small, unexpected expenses, such as a car repair or a modest medical bill, can be a hardship for many families. When faced with a hypothetical expense of $400, 68 percent of all adults in 2021 said they would have covered it exclusively using cash, savings, or a credit card paid off at the next statement (referred to, altogether, as "cash or its equivalent").[35] The remainder said they would have paid by borrowing or selling something, or said they would not have been able to cover the expense.

The share who would pay using cash or its equivalent was up 4 percentage points from 2020 and was at the highest level since the survey began in 2013 (figure 19). This increase is consistent with the results on overall financial well-being and may reflect improving economic conditions and the additional COVID-19 relief measures enacted in 2021.

Figure 19. Would cover a $400 emergency expense completely using cash or its equivalent (by year)

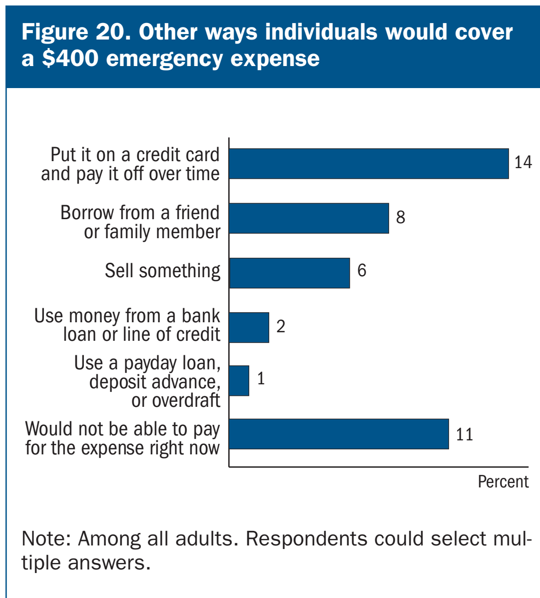


Note: Among all adults.

Like the results for overall financial well-being, parents saw a sharp increase in the share who would cover a $400 expense with cash or its equivalent—up from 56 percent in 2020 to 64 percent in 2021. Those not living with their own children under age 18 saw a smaller increase of 3 percentage points. One reason that parents experienced this sharp increase

[35] However, some who would not have paid with cash or its equivalent likely still had access to $400 in cash. Instead of using that cash to pay for the expense, they may have chosen to preserve their cash as a buffer for other expenses (See box 3 from the *Report on the Economic Well-Being of U.S. Households in 2019, Featuring Supplemental Data from April 2020* at https://www.federalreserve.gov/publications/files/2019-report-economic-well-being-us-households-202005.pdf.)

Figure 20. Other ways individuals would cover a $400 emergency expense



Note: Among all adults. Respondents could select multiple answers.

may be the expansion of the CTC. The most common way parents used their CTC payments was saving them, potentially improving their ability to handle unexpected expenses.[36]

Those who would not have covered a $400 expense completely with cash or its equivalent (32 percent of adults) may have found it more difficult to handle small, unexpected expenses. For these adults, the most common approach was to use a credit card and then carry a balance, although many indicated they would use multiple approaches (figure 20). Eleven percent of all adults said they would be unable to pay the expense by any means, similar to the 12 percent seen in 2020.

To understand more about covering household expenses, the survey asked about adults' ability to pay their monthly bills. As of October and November 2021, 24 percent of adults indicated that they had, or were close to having, difficulty paying bills for that month: 14 percent of adults had one or more bills that they were unable to pay in full, and an additional 10 percent said they would have been unable to pay their bills if faced with a $400 expense. The 24 percent having difficulty (or close to having difficulty) paying bills was down 3 percentage points from 2020 and down 4 percentage points from 2019. These declines are consistent with improvements seen in overall financial well-being.[37]

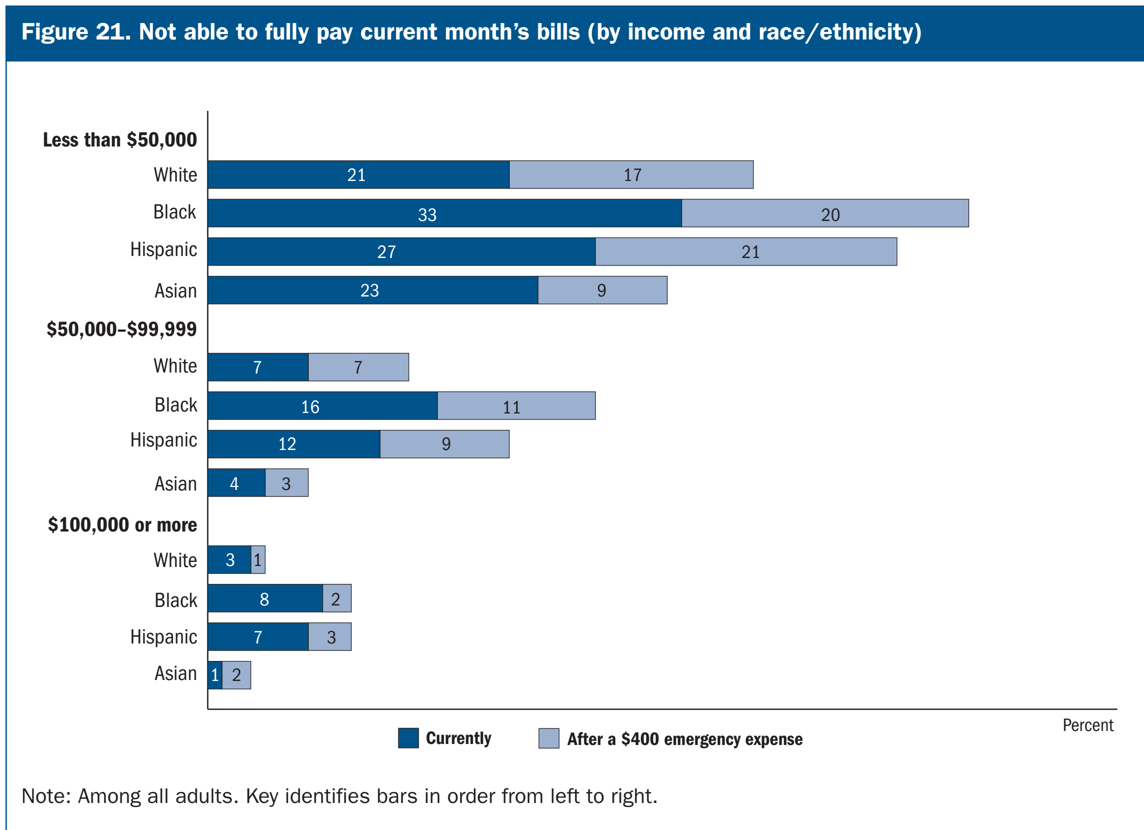
Lower-income adults were especially likely to face difficulty paying bills. Half of adults with a family income less than $25,000 had one or more bills that they were unable to pay in full that month or were one $400 financial setback away from being unable to pay them, compared with 5 percent for adults with a family income of $100,000 or more.

Black and Hispanic adults were much more likely than White or Asian adults to face difficulty paying bills, and these differences were present at all income levels (figure 21). Forty percent of Black adults and 35 percent of Hispanic adults had, or were close to having, difficulty paying bills, compared with 19 percent of White adults and 11 percent of Asian adults.

[36] More detail on the CTC is available in the "Income" section of this report.

[37] Hispanic adults and parents were two groups that experienced particularly large declines in the share facing difficulty paying bills, similar to results for financial well-being. (See the "Overall Financial Well-Being" section for results on financial well-being among Hispanics and parents.)

Figure 21. Not able to fully pay current month's bills (by income and race/ethnicity)



Note: Among all adults. Key identifies bars in order from left to right.

Looking across income levels shows that, even among adults with a family income of $100,000 or more, Black and Hispanic adults were more than twice as likely as White or Asian adults to face these challenges. Several interrelated factors, including discrimination or differences in credit access, could have contributed to the differences by race and ethnicity. (See box 2 on "Racial and Ethnic Discrimination" in the report *Economic Well-Being of U.S Households in 2020* for a discussion of discrimination, and the "Banking and Credit" section for differences in credit access.)[38]

Some financial challenges, such as a job loss, require more financial resiliency than would an unexpected $400 expense. One common measure of financial resiliency is whether people have savings sufficient to cover three months of expenses if they lost their primary source of income. In 2021, nearly 60 percent of people said they had set aside money specifically as emergency savings or "rainy day" funds, the highest share since the survey began in 2013.

For those who did not set aside money for this purpose, some would have dealt with a loss of their main source of income by borrowing, selling assets, or drawing on other savings. Fourteen percent

[38] See *Economic Well-Being of U.S Households in 2020,* May 2021, https://www.federalreserve.gov/publications/files/2020-report-economic-well-being-us-households-202105.pdf.

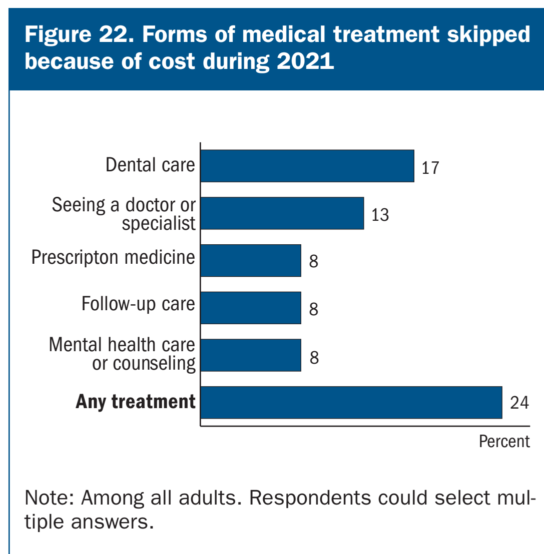
of adults said that they could have covered three months of expenses in this way. Twenty-seven percent of adults indicated they could not cover three months of expenses by any means.

Health-Care Expenses

Out-of-pocket spending for health care is a common unexpected expense that can be a substantial hardship for those without a financial cushion. As with the financial setbacks discussed earlier, many adults were not financially prepared for health-related costs at the time of the survey.

Twenty percent of adults had major, unexpected medical expenses in the prior 12 months, with the median amount between $1,000 and $1,999. Fifteen percent of adults had debt from their own medical care or that of a family member (not necessarily from the past year).

Figure 22. Forms of medical treatment skipped because of cost during 2021



Note: Among all adults. Respondents could select multiple answers.

Many went without medical care because they could not afford it. Twenty-four percent of adults went without some form of medical care because they could not pay, ticking up from 23 percent in 2020 but well below the 32 percent reported in 2013. Dental care was the most frequently skipped, followed by visiting a doctor (figure 22). Some people also reported skipping prescription medicine, follow-up care, or mental health visits.

The likelihood of skipping medical care because of cost was strongly related to family income. Among those with family income less than $25,000, 38 percent went without some medical care because they couldn't afford it, compared with 9 percent of adults making $100,000 or more.

Ability to afford health care may contribute to the finding that, as family income rises, the likelihood a person reported being in good health increases substantially. Among those in families with income less than $25,000, 75 percent reported being in good health, compared with 92 percent for those in families with income of $100,000 or more.

Health insurance is one way that people can pay for routine medical expenses and protect against the financial burden of large, unexpected expenses. In 2021, 91 percent of adults had health insurance, a slight uptick from 2020. Those without health insurance were nearly twice as likely to

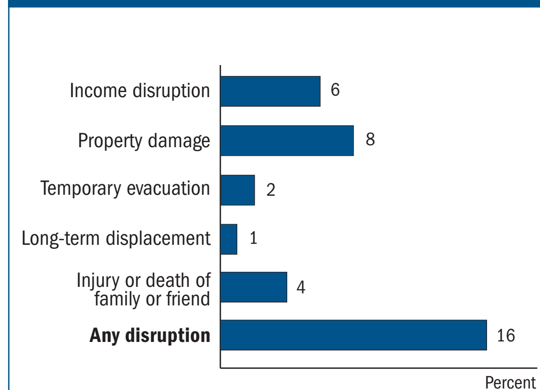
forgo medical treatment because they couldn't afford it. Among the uninsured, 40 percent went without medical treatment because they couldn't afford it, versus 22 percent among the insured.

Hardships from Natural Disasters

Those without a financial cushion may face unique and particularly severe challenges in the event of natural disasters. Natural disasters may cause disruptions to people's ability to work, damage to or displacement from their home, or higher bills for heating or cooling. These consequences all require some financial resources to manage, such as a rainy-day fund; access to credit; or support from family, friends, or the local community.

Almost one in six adults (16 percent) were directly affected by a natural disaster during the prior 12 months, meaning that they experienced one or more of the following five events as the result of a natural disaster or severe weather event: (1) an income loss or work disruption, (2) property damage, (3) a temporary evacuation, (4) longer-term displacement from home, or (5) the injury or death of a family member or close friend. The two most common ways that people were affected by natural disasters were property damage, which affected 8 percent of adults, and an income loss or work disruption, which affected 6 percent. Four percent of people had a close friend or relative who was injured or killed by a natural disaster (figure 23).

Figure 23. Disruptions from natural disasters in the prior 12 months



Note: Among all adults. Respondents could select multiple answers.

The effects from natural disasters are not uniform across segments of society. Adults with lower income or less education were more likely to be affected by natural disasters than those with higher income (table 9). Nearly 2 in 10 of those with income below $50,000 reported any disaster-related hardship.

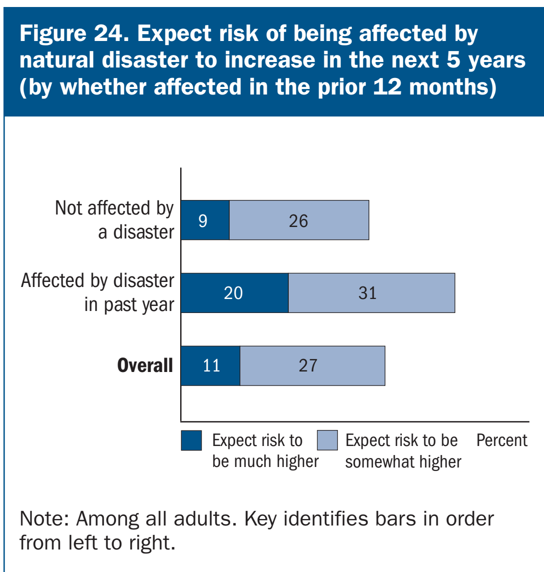
Looking at specific hardships, people with an income of less than $50,000 were more than twice as likely to experience an income loss or work disruption, longer-term displacement from home, or the injury or death of a friend or relative than someone with an income of $100,000 or more. Similar differences were observed across education levels. Black or Hispanic adults were also more likely to be affected by natural disasters than White or Asian adults, both overall and within specific income or education categories.

Table 9. Disruptions from natural disasters (by demographic characteristics)

Characteristic	Percent
Family income	
Less than $25,000	20
$25,000–$49,999	18
$50,000–$99,999	14
$100,000 or more	13
Education	
Less than a high school degree	23
High school degree or GED	15
Some college/technical or associate degree	17
Bachelor's degree or more	14
Race/ethnicity	
White	14
Black	19
Hispanic	21
Asian	15
Age	
18–29	17
30–44	17
45–59	17
60+	14
Homeownership status	
Own	15
Rent	18
Other	14
Overall	**16**

Note: Among all adults.

Figure 24. Expect risk of being affected by natural disaster to increase in the next 5 years (by whether affected in the prior 12 months)



Note: Among all adults. Key identifies bars in order from left to right.

Overall, most people did not expect their risk of experiencing a natural disaster to change in the near future. Fifty-eight percent of adults assessed their likelihood of experiencing a natural disaster in five years as "about the same" as it is currently. However, 37 percent of adults expected their risk of experiencing a natural disaster to be higher in five years, including 11 percent of adults who assessed their natural disaster risk to be "much higher." Less than 5 percent of adults expected their risk of experiencing a natural disaster to decrease.

In contrast to the overall population who expected their risk from natural disasters would be about the same in five years, most people affected by a natural disaster in the past year expected their risk of a natural disaster to be higher in five years. This includes 20 percent who expected their risk to be "much higher" (figure 24).

Some people undertook mitigation activities to reduce their risks from natural disasters. These mitigation activities differed substantially by homeownership status. Nineteen percent of renters investigated other places to live, which was about twice the rate of homeowners. Conversely, 18 percent of homeowners improved their property to mitigate the risks of disasters (figure 25).

While the risks from natural disasters appear higher for people with less education, these individuals were less likely to engage in natural-disaster mitigation activities (table 10). Twenty-two percent of renters with a bachelor's degree or more investigated other

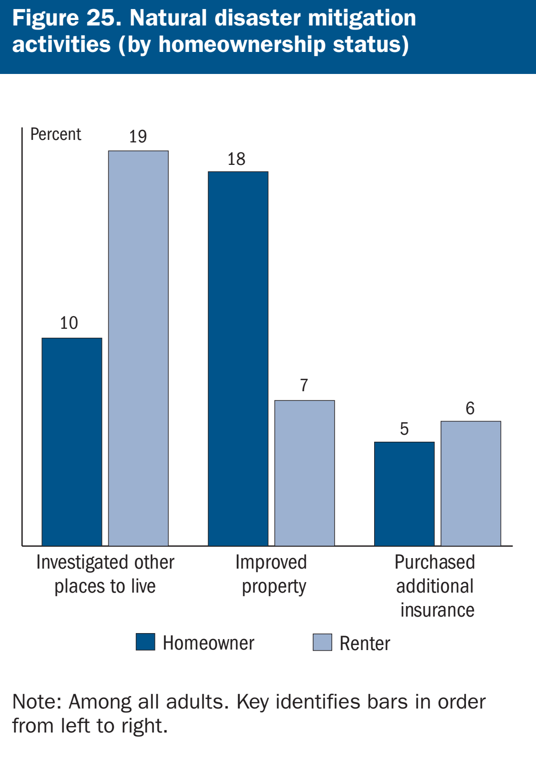
places to live in the prior 12 months because of natural disaster risks, double the 11 percent of renters with less than a high school degree who did so. Homeowners with college degrees were also more likely to improve their properties to reduce natural disaster risks than were those with less education.

Mitigation activities also differed significantly by age. Younger adults—regardless of whether they were renters or homeowners—were more likely to investigate other places to live because of natural disaster risk and more likely to invest in property improvements than older adults.

Mitigation activities were also much more common among people who expected their risk of experiencing a natural disaster to be higher in five years. Among adults who expected their natural disaster risk to be higher in five years, 28 percent of renters investigated other places to live, and 29 percent of homeowners improved their properties—each about 10 percentage points higher than the comparable rates for all renters and homeowners.

Fewer adults purchased additional insurance to mitigate their natural disaster risk compared with the other disaster mitigation activities asked about in the survey. Overall, 6 percent of renters and 5 percent of homeowners purchased additional insurance in the prior 12 months. While the rates were higher among people who expected their risk of experiencing a natural disaster to increase, they were less than 10 percent for that population.

Figure 25. Natural disaster mitigation activities (by homeownership status)



Note: Among all adults. Key identifies bars in order from left to right.

Table 10. Natural disaster mitigation activities (by homeownership status, education, and age)
Percent

Characteristic	Investigated other places to live		Improved property to reduce risk	
	Homeowner	Renter	Homeowner	Renter
Education				
Less than a high school degree	7	11	12	9
High school degree or GED	6	15	13	5
Some college/technical or associate degree	10	21	19	9
Bachelor's degree or more	11	22	20	6
Age				
18–29	15	21	20	8
30–44	12	21	18	6
45–59	10	16	17	5
60+	6	10	18	6

Note: Among all adults.

Banking and Credit

Access to financial services from banks and credit unions can be important for people's financial well-being. Most adults had a bank account and were able to obtain credit from mainstream sources in 2021, but notable gaps in access to basic financial services still exist among Black and Hispanic adults and those with low income.

Fewer applicants were denied credit in 2021, and the share of adults who were "very confident" that they would be approved for credit if they applied increased to the highest levels observed since the survey first asked this question in 2015. The use of alternative financial services such as money orders, check cashing, and payday loans was essentially unchanged after a years-long decline.

Unbanked and Underbanked

Most adults in the United States (81 percent) were "fully banked," meaning that they had a bank account and, in the past 12 months, did not use any of the alternative financial services asked about in the survey. Such services include money orders, check cashing services, payday loans or payday advances, pawn shop loans, auto title loans, and tax refund advances.

An additional 13 percent had a bank account but also made use of alternative financial services. These adults are considered "underbanked" because the banking services they accessed appear to have been insufficient to meet their financial service needs.

The rest of the adult population (6 percent) did not have a bank account. Less than half of these "unbanked" adults used alternative financial services.

Unbanked and underbanked rates were higher among adults with lower income, adults with less education, and Black and Hispanic adults. The largest differences were by education and income level. Twenty-four percent of adults with less than a high school degree, and 17 percent of adults with income below $25,000, were unbanked (table 11). The share of people with income under $25,000 without a bank account far exceeded that of the two highest income levels. As a result, 79 percent of all unbanked adults had income below $25,000, and 91 percent had income below $50,000.

Adults with less education and adults with lower income were also more likely to be underbanked. Nearly one-fourth of those with less than a high school degree and 20 percent of those with

Table 11. Banking status (by family income, education, and race/ethnicity)
Percent

Characteristic	Unbanked	Underbanked	Fully banked
Family income			
Less than $25,000	17	20	62
$25,000–$49,999	4	20	76
$50,000–$99,999	1	12	87
$100,000 or more	1	5	94
Education			
Less than a high school degree	24	23	53
High school degree or GED	10	15	75
Some college/technical or associate degree	5	17	79
Bachelor's degree or more	1	7	92
Race/ethnicity			
White	3	10	87
Black	13	27	59
Hispanic	11	18	71
Asian	2	6	92
Overall	**6**	**13**	**81**

Note: Among all adults.

income less than $25,000 were underbanked. In addition to being more likely to use alternative financial services, lower-income adults were also more likely to use cryptocurrencies for transaction purposes, as discussed in box 2.

Between 2020 and 2021, the shares of unbanked, underbanked, and fully banked adults were essentially unchanged. Looking at the longer-term trend, however, shows a 7 percentage point decline in the underbanked rate since 2015. During this same period, the share of adults with a bank account increased by 2 percentage points. As a result, much of the decline in the underbanked rate likely reflects the decline in the share using the alternative financial services asked about in the survey.

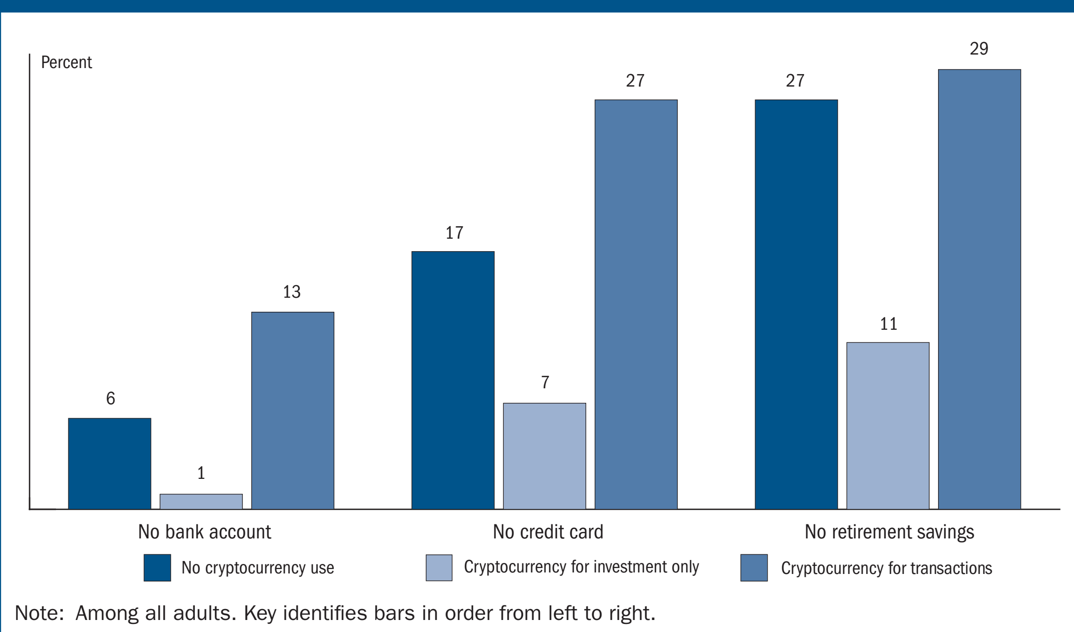
This decline does not necessarily reflect improvements in financial inclusion, however. The market for financial products and services has been evolving during this time, particularly in the digital space. As a result, while use of these alternative financial services have declined, people may have substituted away from the products and services asked about in the survey to other nonbank offerings that are harder to measure.

Box 2. Conducting Financial Transactions Using Cryptocurrencies

Cryptocurrencies are relatively new digital assets that may be held as an investment or used for conducting financial transactions.[1] In 2021, most people using cryptocurrencies did so for investment purposes. In 2021, 12 percent of adults held or used cryptocurrencies in the prior year. Eleven percent of adults had held cryptocurrency as an investment, while a far smaller 2 percent of adults said that they used cryptocurrency to buy something or make a payment in the prior 12 months, and 1 percent used it to send money to friends or family.[2]

Those who held cryptocurrency purely for investment purposes were disproportionately high-income, almost always had a traditional banking relationship, and typically had other retirement savings. Forty-six percent of those using cryptocurrencies only for investment had an income of $100,000 or more, while 29 percent had an income under $50,000. Additionally, 99 percent of those investing in cryptocurrency, but not using it for transactions, had a bank account, and 89 percent of nonretired cryptocurrency investors had at least some retirement savings (figure A).

Figure A. Share without a bank account, credit card, or retirement savings (by cryptocurrency use)



Note: Among all adults. Key identifies bars in order from left to right.

(continued)

[1] Cryptocurrencies are decentralized digital assets that have a distributed ledger and can be used for peer-to-peer payments. For additional information on cryptocurrencies, see Board of Governors of the Federal Reserve System, *Money and Payments: The U.S. Dollar in the Age of Digital Transformation* (Washington: Board of Governors, January 2022), https://www.federalreserve.gov/publications/files/money-and-payments-20220120.pdf.

[2] Because the survey is conducted online, the sample population may be more technologically connected than the overall population, which could increase the share of adults reporting use of emerging technologies such as cryptocurrencies.

Box 2—*continued*

The financial profiles of those who used cryptocurrency for transactions, however, were quite different. Nearly 6 in 10 adults who used cryptocurrencies for transactions had an income of less than $50,000. A far lower 24 percent of transactional users had an income of more than $100,000.

Transactional cryptocurrency users also were less likely to have a bank account. Thirteen percent of those who used cryptocurrency for transactions lack a bank account, compared with 6 percent of adults who did not use cryptocurrency. Similarly, 27 percent of transactional cryptocurrency users did not have a credit card, exceeding the 17 percent of non-users without a credit card.

Moreover, the longer-term decline in use of alternative financial services has been similar among both the unbanked and banked, providing more evidence that a wider availability of banking services may not explain the decline in the underbanked rate.

Table 12. Paid an overdraft fee on a bank account in the prior year (by demographic characteristics)

Characteristic	Percent
Family income	
Less than $25,000	16
$25,000–$49,999	16
$50,000–$99,999	10
$100,000 or more	5
Education	
Less than a high school degree	16
High school degree or GED	11
Some college/technical or associate degree	13
Bachelor's degree or more	7
Race/ethnicity	
White	9
Black	20
Hispanic	14
Asian	3
Age	
18–29	15
30–44	14
45–59	10
60+	5
Overall	**11**

Note: Among adults with a bank account.

Overdraft

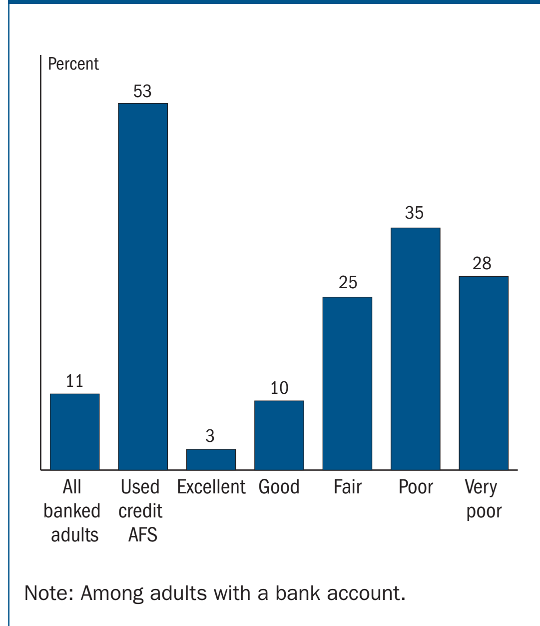
Overall, 11 percent of adults with a bank account paid an overdraft fee in the previous 12 months (table 12). Adults with income less than $50,000 were three times as likely to have paid an overdraft fee as people with an income of $100,000 or more. Similarly, the share of adults paying an overdraft fee tended to be higher among people with less education or of younger ages. Across races or ethnicities, a larger share of Black or Hispanic adults paid an overdraft fee in the past 12 months than the population as a whole. In contrast, 3 percent of Asian adults paid an overdraft fee, a rate about one-third of the population as a whole.

Adults with bank accounts who used credit alternative financial services and those with lower self-reported credit ratings were particularly likely to have paid an overdraft fee in the prior year.[39] Fifty-three percent of banked adults who used credit alternative financial

[39] Credit alternative financial services include payday loans or payday advances, pawn shop loans, auto title loans, and tax refund advances.

services also paid an overdraft fee in the prior 12 months, about five times the rate of the banked population overall (figure 26).[40] Additionally, 35 percent of those rating their credit as "poor" and 28 percent rating their credit as "very poor" paid an overdraft fee, compared with 3 percent of those rating their credit as "excellent."

Figure 26. Paid an overdraft fee on a bank account in the prior year (by use of credit alternative financial services (AFS) and self-reported credit rating)



Note: Among adults with a bank account.

One explanation for these patterns is that those using credit alternative financial services and those rating their credit as "poor" or "very poor" were in a precarious financial position, making them more likely to unintentionally overdraft their account. Another possibility is that people without access to cheaper forms of credit were intentionally using overdraft as a form of short-term, albeit high-cost, credit. Finally, use of online credit alternative financial services themselves may directly trigger an overdraft when the lender attempts to collect payment.[41]

Credit Outcomes and Perceptions

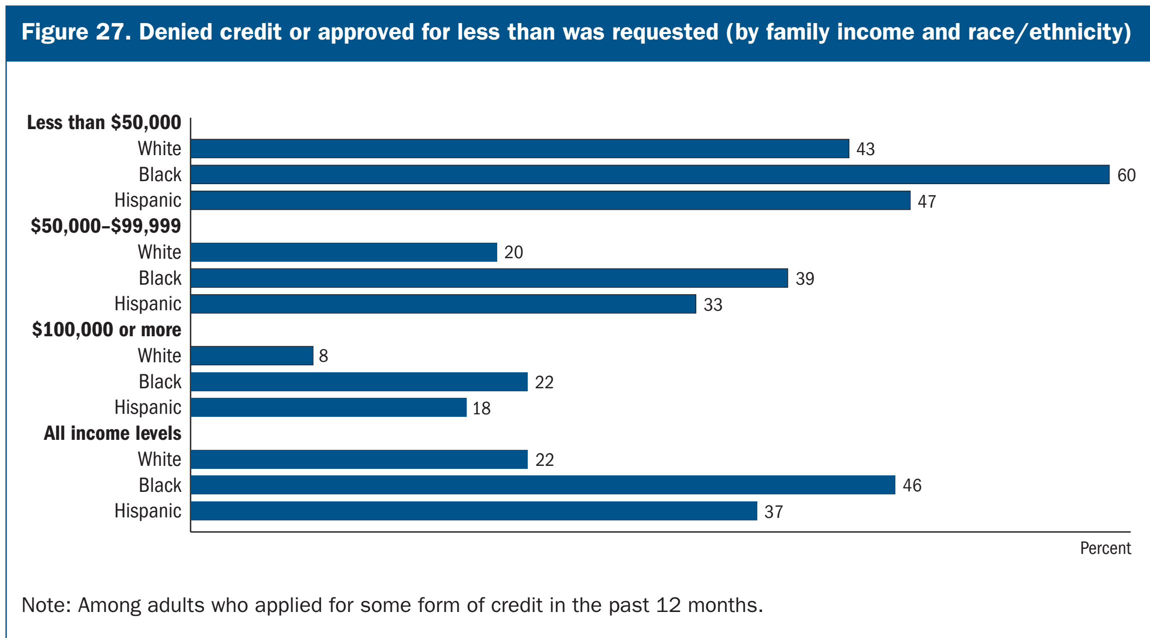
Thirty-eight percent of adults applied for credit in 2021, a slight increase over the share who applied in 2020. But among those who applied, the share who were either denied credit, or approved for less credit than they requested, fell about 3 percentage points to 28 percent. Consistent with the lower denial rates, consumer confidence about credit card applications improved. Sixty-five percent of adults were "very confident" that their application would be approved, 4 percentage points higher than in 2020 and the highest share since this question was first asked in 2015. Similarly, only 12 percent of adults were "not confident" that their application would be approved.

The share of adults who were denied credit, or approved for less than requested, differed by income level and by race and ethnicity (figure 27). Almost half of credit applicants with income below $50,000 experienced such actions, compared with 11 percent of those with income above $100,000.

[40] Overall, 4 percent of adults had a bank account and used credit alternative financial services.

[41] See Consumer Financial Protection Bureau, *Online Payday Loan Payments* (Washington: CFPB, April 2016), https://files.consumerfinance.gov/f/201604_cfpb_online-payday-loan-payments.pdf.

Figure 27. Denied credit or approved for less than was requested (by family income and race/ethnicity)



Note: Among adults who applied for some form of credit in the past 12 months.

Denial rates also differed by race and ethnicity, with Black and Hispanic applicants being particularly likely to report a denial or an approval for less credit than requested. For Black applicants, this was also true within income levels, although for Hispanic applicants with income below $50,000, the denial rates were comparable to others with similar incomes.

Credit Cards

People use credit cards in different ways. Some use credit cards as a convenient, if not necessary, way to pay expenses, paying off their balances in full each month and avoiding any interest costs. Others carry a balance and thus use credit cards as a source of credit to defer paying expenses.

Eighty-four percent of adults had a credit card in 2021. They were nearly evenly split between the people who paid off their balances in each of the previous 12 months and people who carried balances from month to month at least once in the prior year. Among those who carried a balance at least once, 73 percent were carrying a balance at the time of the survey.

Almost all people with income of at least $100,000 had a credit card. At lower income levels, having a credit card was somewhat less common, though adults at these income levels who did have credit cards were more likely to use them to carry balances from month to month. Consequently, middle-income adults were the most likely to have a credit card that they used to finance purchases by carrying balances from one month to the next. Almost half of people with income between $25,000 and $99,999 carried a balance on a credit card at least once in the past

12 months, exceeding the shares of adults with either lower or higher income levels who did so (table 13).

Similar patterns were observed across education levels, with more-educated adults being both more likely to have a credit card and less likely to carry a balance from one month to the next. Credit card usage also differed by race and ethnicity. Over 90 percent of Asian adults had a credit card but just under one in four of those with a credit card carried a balance at least once in the prior 12 months. Black and Hispanic adults were much more likely to carry balances on their credit cards than other racial or ethnic groups.

The share of adults with outstanding debt who were carrying less debt than 12 months ago was comparable with, though slightly higher than, the share carrying more debt. This pattern is similar to that in recent years, with the exception of 2020, when the share who had reduced their credit card debt exceeded the share who had increased it by 8 percentage points.

Table 13. Credit card access and usage (by demographic characteristics)
Percent

Characteristic	Has a credit card	Carried a balance (among credit card holders)	Carried a balance (among adults)
Family income			
Less than $25,000	57	57	33
$25,000–$49,999	84	59	49
$50,000–$99,999	94	50	47
$100,000 or more	98	36	36
Education			
Less than a high school degree	52	57	30
High school degree or GED	76	57	43
Some college/technical or associate degree	83	56	46
Bachelor's degree or more	96	35	34
Race/ethnicity			
White	88	42	37
Black	72	72	52
Hispanic	77	63	48
Asian	93	24	22
Self-reported credit rating			
Very poor	33	66	22
Poor	45	77	35
Fair	73	81	59
Good	90	65	58
Excellent	97	31	31
Don't know	40	39	16
Overall	**84**	**48**	**40**

Note: Among all adults. Carried a balance in the prior 12 months includes adults who carried an unpaid balance from one month to the next at least once in the 12-month period.

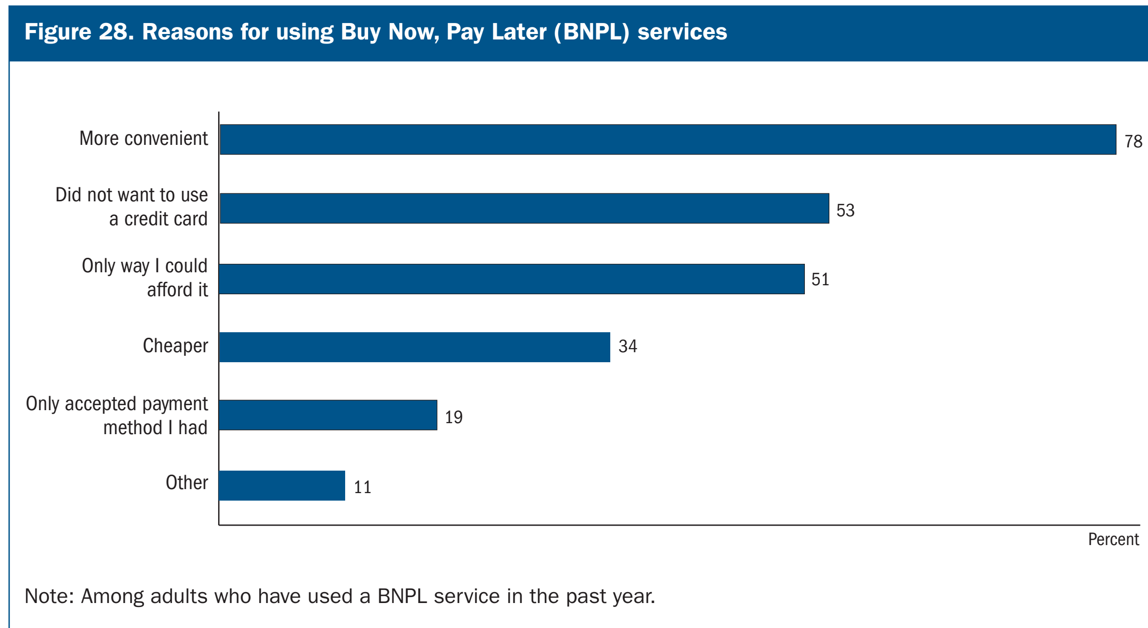
Buy Now, Pay Later

The 2021 survey introduced a series of questions about the use of BNPL services. BNPL allows people to finance a purchase by making a small number of equal payments, often without being charged interest. For example, someone purchasing a $100 item, instead of paying the entire amount upfront, may instead be able to make four monthly payments of $25, with the first payment due at the time of purchase.

Overall, 10 percent of people used a BNPL service in the previous 12 months. Seven percent were making payments under a BNPL plan at the time of the survey, with about half paying on just one purchase.

The most cited reasons for using BNPL services were convenience (78 percent) and not wanting to use a credit card (53 percent) (figure 28). Just over half of people who used BNPL also indicated that it was the only way they could afford their purchase (51 percent).

Figure 28. Reasons for using Buy Now, Pay Later (BNPL) services



Note: Among adults who have used a BNPL service in the past year.

The use of BNPL was more common among people with lower income and less education (table 14). Around 13 percent of those with income below $50,000 used BNPL in the prior year, compared with 7 percent of those with an income of $100,000 or more. Similarly, 14 percent of people with less than a high school degree used BNPL, compared with 8 percent of those with at least a bachelor's degree.

The reasons for using BNPL also differed with income and education levels. While convenience was universally the most cited reason for using BNPL, around 60 percent of people with income under $50,000 or with no more than a high school degree cited an inability to pay for the product otherwise, compared with about one-fourth of people whose income was at least $100,000. Moreover, around 25 percent of people in these lower income and education groups reported using BNPL because they lacked another accepted payment option, more than twice the rate for people in the highest income and education categories.

People also differed in their use of BNPL according to their self-reported credit rating. Those with lower credit ratings were more likely to use BNPL than were people who rated their credit as "excellent." Among those who used BNPL, adults with lower self-reported credit ratings were also more likely to cite an inability to afford the purchase otherwise or a lack of other payment options as reasons for using BNPL than adults who rated their credit higher.

Most people who use BNPL make their payments on time. Overall, 15 percent of people who used BNPL in the prior 12 months were late making a payment. Late payments were somewhat more common among people with income less than $50,000. Late payments were also more common among people with lower self-reported credit ratings. Adults who rated their credit as "poor" were over five times as likely to have been late making a BNPL payment as someone who rated their credit as "excellent." Among people who would not have been able to afford their purchase without BNPL, 23 percent paid late, compared with 7 percent of people who did not give that reason for using BNPL.

Table 14. BNPL service use (by demographic characteristics)
Percent

Characteristic	Used a BNPL service	Paid BNPL late (among users)
Family income		
Less than $25,000	12	23
$25,000–$49,999	14	18
$50,000–$99,999	11	11
$100,000 or more	7	6
Education		
Less than a high school degree	14	n/a
High school degree or GED	10	15
Some college/technical or associate degree	12	17
Bachelor's degree or more	8	10
Race/ethnicity		
White	7	10
Black	20	21
Hispanic	15	19
Asian	7	n/a
Age		
18–29	13	18
30–44	13	18
45–59	12	13
60+	6	9
Credit card ownership		
Has a credit card	10	14
No credit card	10	23
Self-reported credit score		
Very poor	13	n/a
Poor	21	29
Fair	22	13
Good	12	13
Excellent	5	5
Don't know	6	n/a
Overall	**10**	**15**

Note: Among all adults. Some results are not applicable because of small sample size.
n/a Not applicable.

Housing

Housing—especially the cost of housing and housing tenure type—affects people's economic well-being. The majority of adults owned their homes. Adults who rented their homes were disproportionately lower-income, Black, or Hispanic. The share of renters who had been behind on their rent in the prior 12 months was higher than the level before the pandemic. Among homeowners, the refinancing wave continued, although high-income borrowers were primarily the beneficiaries of this opportunity.

Living Arrangements

Living arrangements can affect family finances and well-being. Eighty-six percent of adults lived with other people, usually a spouse or a partner and frequently their children under age 18 (table 15). More than half (52 percent) of all adults lived in a household with a spouse or partner or with a child under age 18 and with no one else. Other types of living arrangements were less common. Still, more than one-fourth of adults (28 percent) lived in a household that contains multiple generations of adults, meaning that the adult respondents either lived with their parents or adult children.

Table 15. Other people living in household

Category	Percent
Live alone	14
Spouse or partner	66
Children under age 18	25
Adult children age 18 or older	16
Parents	13
Brothers or sisters	6
Other relatives	4
Other non-relatives	5

Note: Among all adults. Respondents (other than those who live alone) can select multiple answers.

Older adults, and older women in particular, were the most likely to live alone. Twenty-one percent of adults age 65 or older lived alone, and 27 percent of women age 65 or older lived alone. In contrast, young adults were very likely to live with their parents. But this rate drops significantly for adults in their mid- and late 20s: 47 percent of 22- to 24-year-olds lived with their parents compared with 27 percent of 25- to 29-year-olds. Fewer adults in older age cohorts live with their parents: 13 percent of 30- to 44-year-olds live with their parents and 7 percent of 45- to 59-year-olds live with their parents. Conversely, the share living with a spouse or partner increased with age, from 26 percent of 22- to 24-year-olds to 52 percent of 25- to 29-year-olds.[42]

[42] Among adults ages 22 to 24, the majority of those living with a spouse or partner are not married, and a smaller share are married. For the older age groups, the majority of adults living with a spouse or partner are married.

Table 16. Reasons for living with parents (by age)

Reason	22–24	25–29	30–44	45–59
To save money	92	88	63	48
To help them financially	31	44	57	61
To provide help with childcare or medical care	7	15	27	45
To receive help with childcare or medical care	13	16	20	15
Prefer living with others	46	40	36	23

Note: Among people living with parents. Respondents could select multiple answers.

A substantial majority of young adults living with their parents said that saving money was a reason for their living arrangement. Overall, three-fourths of people who lived with their parents said this was to save money. However, the direction of financial support flips for many older adults who live with their parents. Fifty-seven percent of adults ages 30 to 44 who lived with their parents said that providing financial help was a reason, as did 61 percent of those ages 45 to 59 (table 16).

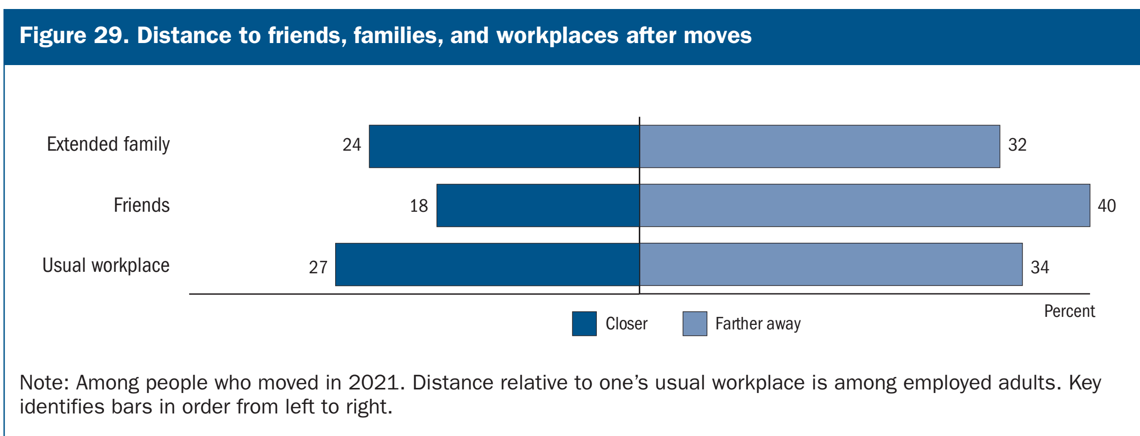
Another common reason for living with parents was to provide care, especially as people get older. Twenty-one percent of people who lived with their parents gave this reason. Adults in their 30s, 40s, and 50s who lived with their parents were more likely to say that they lived with others for caregiving reasons. Forty-five percent of 45- to 59-year-olds who lived with their parents said they lived with others to provide care.

Moving

The share of people who reported moving in 2021 was unchanged from 2020. Nine percent of adults said they moved to their home in 2021. The majority of individuals who moved remained in the same state. Just over one in four adults who moved—2 percent of all adults—crossed state lines in 2021.

Moving was generally associated with an increasing distance from family, friends, and other informal supports. Thirty-two percent of people who moved in 2021 said they moved farther away from family, while 24 percent said they moved closer (figure 29). Forty percent of adults who

Figure 29. Distance to friends, families, and workplaces after moves



Note: Among people who moved in 2021. Distance relative to one's usual workplace is among employed adults. Key identifies bars in order from left to right.

moved said they moved farther from friends. Another moving pattern that continued in 2021 was employed adults moving farther away from their usual workplace. Thirty-four percent of movers who were employed moved farther away from their usual workplace compared with 27 percent who moved closer.

Homeownership and Mortgages

Nearly two-thirds of adults owned their homes, though young adults, as well as Black and Hispanic adults, were less likely to own. Twenty-nine percent of 18- to 29-year-olds owned their homes, compared with 84 percent of people age 60 and older. Within each age group, there is substantial variation in the homeownership rate by race and ethnicity. For example, 4 in 10 Black adults and nearly 5 in 10 Hispanic adults ages 30 to 44 were homeowners. Among White adults in this age range, nearly 7 in 10 owned their home (table 17).

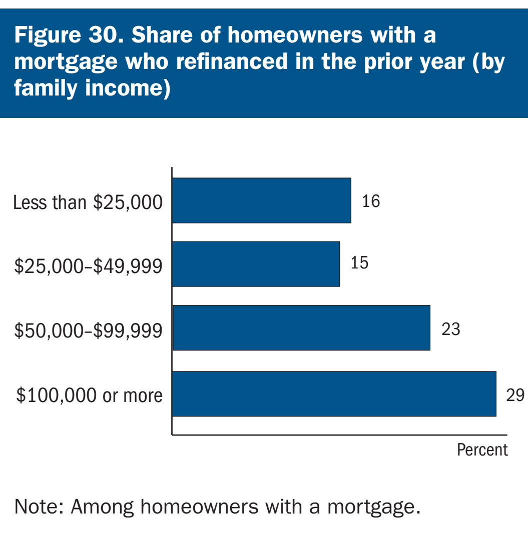
Table 17. Homeownership rate (by age and race/ethnicity)

Characteristic	Percent
18–29	
White	35
Black	18
Hispanic	20
Asian	34
Overall	**29**
30–44	
White	69
Black	40
Hispanic	49
Asian	71
Overall	**61**
45–59	
White	83
Black	57
Hispanic	63
Asian	90
Overall	**76**
60+	
White	88
Black	68
Hispanic	78
Asian	78
Overall	**84**

Note: Among all adults.

Many homeowners took advantage of the continued low interest rates in 2021 to refinance their mortgages. Nearly one-fourth of all homeowners with a mortgage refinanced their mortgage within the prior year. Higher-income homeowners were the predominant group who opted to refinance (figure 30).[43] Nearly 3 in 10 mortgage holders with income of at least $100,000 per year refinanced within the prior 12 months, compared with 23 percent of those with income between $50,000 and $99,999 and 16 percent of those with income under $50,000.

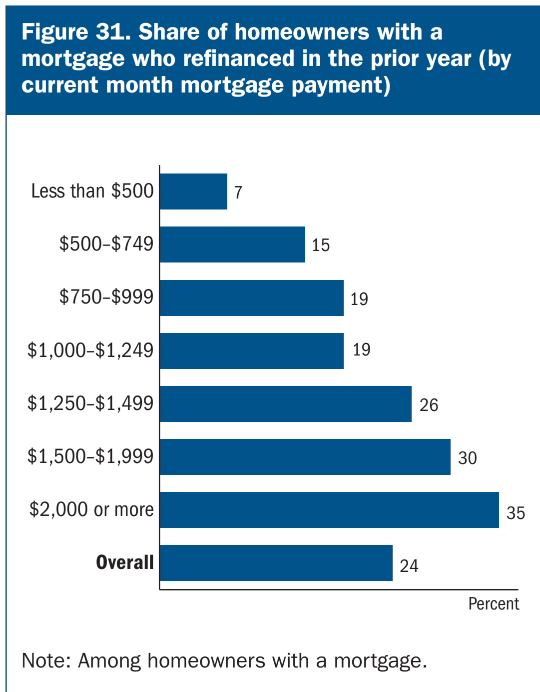
Figure 30. Share of homeowners with a mortgage who refinanced in the prior year (by family income)



Note: Among homeowners with a mortgage.

[43] This fact holds when considering individuals who refinanced in 2020 as well. Among those who have refinanced in the past two years, high-income (those with an income of $100,000 or more) homeowners with a mortgage were about twice as likely to have refinanced as those with an income of less than $50,000.

Figure 31. Share of homeowners with a mortgage who refinanced in the prior year (by current month mortgage payment)



Note: Among homeowners with a mortgage.

Mortgage holders with a higher mortgage payment were also more likely to have refinanced during the prior year. More than one-third (35 percent) of homeowners with a monthly mortgage payment of $2,000 or more refinanced, compared with 15 percent of homeowners with a monthly payment from $500 to $749 (figure 31).[44]

Renting and Evictions

More than one in four adults rent their home (27 percent). Benefits of renting include the flexibility to move more easily as well as the convenience of not having to manage repairs. But renting can also lead to less-stable living arrangements and less control over living spaces and repairs. Many renters do not own their home because of financial circumstances. (See box 3 for a discussion of renters who fell behind on rent during the pandemic.)

Adults with lower income, and those who are Black and Hispanic, are more likely to rent their homes. Forty-five percent of adults with a family income of less than $25,000 rent, compared with 10 percent of adults with family income of $100,000 or more (table 18). Forty-four percent of Black adults and 37 percent of Hispanic adults rent, compared with 21 percent of White adults and 23 percent of Asian adults.

Housing tenure varies by other demographic characteristics, including disability status and neighborhood income. Adults with a disability had a greater likelihood of being renters than adults with no disability. Forty-four percent of adults who live in low- and moderate-income neighborhoods rent. This is over twice the rate among adults who live in middle- and upper-income neighborhoods.

[44] While families with more income have higher mortgage payments on average, the increased prevalence of refinancing among those with higher mortgage payments holds even when controlling for income. In part, this may reflect that the potential savings from refinancing are greater for those with larger loans.

Renters with lower family income were frequently cost burdened, meaning that they spent more than 30 percent of their income on rent payments.[45] About half of renters with income between $25,000 and $49,999 had rent payments that exceeded 30 percent of their income.

Reflecting the flexibility that comes with renting, most people who moved were renters. Almost three-fourths of people who moved in the prior year did not own their home before the move. In general, these moves were to another rental, rather than a home purchase—just 26 percent of those who did not own their previous house and moved in the past year did so for a home that they purchased.

Some of these moves, however, resulted from an eviction. Slightly fewer than 1 percent of adults, which is about 1.8 million people, said they moved in the prior year because of an eviction or the threat of an eviction.[46] This represents approximately 8 percent of all people who moved during this period.

Table 18. Share who rent (by demographic characteristics)

Characteristic	Percent
Family income	
Less than $25,000	45
$25,000–$49,999	36
$50,000–$99,999	24
$100,000 or more	10
Race/ethnicity	
White	21
Black	44
Hispanic	37
Asian	23
Disability status	
Disability	36
No disability	24
Metro status	
Metro	28
Non-metro	21
Neighborhood income	
Low or moderate income	44
Middle or upper income	21
Overall	**27**

Note: Among all adults.

[45] Cost burdened is defined using the midpoint of both the monthly rent payment range and the family income range and comparing the ratio to the 30 percent threshold. The Department of Housing and Urban Development has established this "cost burdened" threshold of 30 percent. For details, see U.S. Department of Housing and Urban Development, "Rental Burdens: Rethinking Affordability Measures," https://www.huduser.gov/portal/pdredge/pdr_edge_featd_article_092214.html.

[46] In this report, people who experienced an eviction or the threat of eviction include those who reported they were evicted or received an eviction notice; had a landlord tell them or a person they were staying with to leave; missed a rent payment and thought they would be evicted; or were living in a property that was condemned by the city, forcing them to leave.

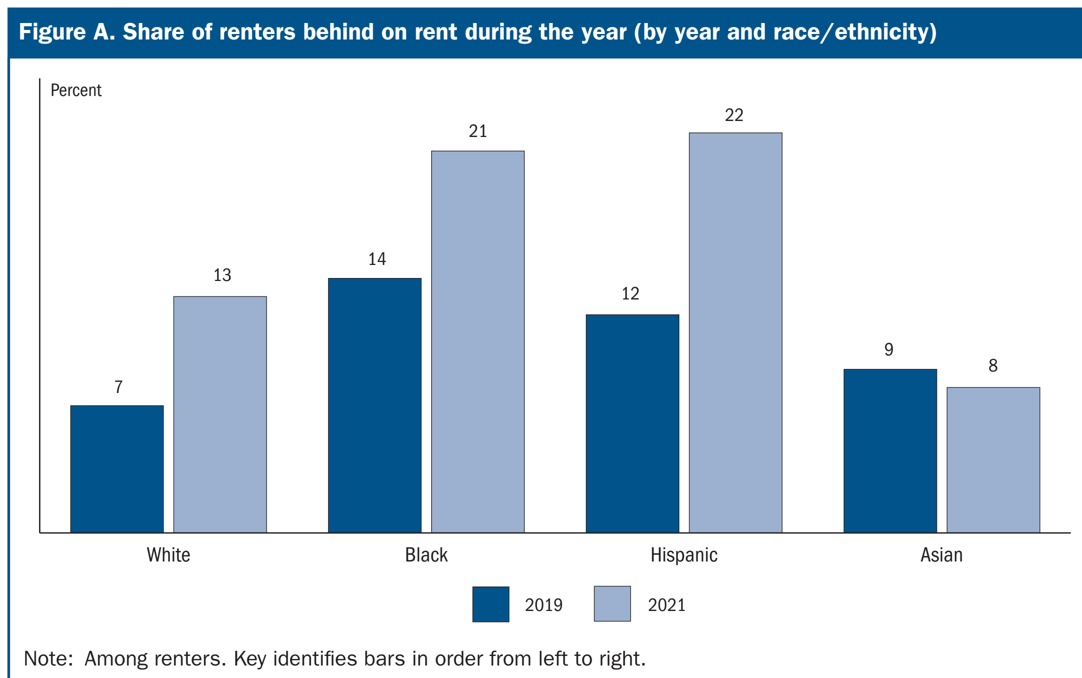
Box 3. Pandemic's Effect on Rent Payment

Many renters faced challenges paying their rent before the pandemic, but in the fall of 2021, after nearly two years of economic disruptions from the pandemic, a higher share of renters reported they had been behind on their rent in the prior 12 months. Moreover, many still owed back rent despite a variety of government supports including unemployment benefits, stimulus checks, and rental assistance.

More renters were behind on rent in 2021 than before the pandemic. When asked about their rent payments before the pandemic, 10 percent of renters reported they had missed a payment at some point in 2019.[1] In the fall of 2021, a higher 17 percent of renters reported they had been behind on their rent in the prior 12 months.

The pandemic increased the share of renters who were behind on rent for most racial and ethnic groups. When compared with pre-pandemic levels, White, Black, and Hispanic renters all saw increases in the share behind on rent sometime in the prior 12 months (figure A).

Figure A. Share of renters behind on rent during the year (by year and race/ethnicity)



Note: Among renters. Key identifies bars in order from left to right.

Black renters and Hispanic renters were more likely to be behind on rent payments, compared with other renters. This disparity was present in 2019 and persisted through the pandemic. In 2021, over one in five Black renters and Hispanic renters said they had been behind on rent in the prior year.

(continued)

[1] This question was asked of renters in 2021 about their rent payments in 2019. It was not asked on the 2019 survey.

Box 3—*continued*

Layoffs during the pandemic likely contributed to difficulty paying rent. Among renters who were laid off in the prior 12 months, 38 percent were behind on rent, compared with 15 percent of renters who were not laid off. Differences in layoffs by race and ethnicity may contribute to differences in being behind on rent since layoffs were more common for Black and Hispanic renters than other renters in 2020 and 2021.

Low-income renters were also hit particularly hard by the pandemic recession. The share of adult renters with income below $50,000 reporting being behind on rent increased from 12 percent in 2019 to 23 percent in 2021. For renters with income of $50,000 or more, a smaller 6 percent reported in the fall of 2021 that they had been behind on rent in the prior 12 months—similar to the 5 percent who said they were behind in 2019.

Many renters who fell behind during the year still carried rental debt as of late 2021. Forty-five percent of renters who were behind on their rent at some point in 2021 said that they still owed money for back rent or fees at the time of the survey. This represents 8 percent of renters (2 percent of adults) who still owed back rent or fees in late 2021. For this group of renters, the mean amount still owed was $2,064 and the median was $1,200. This mean amount of back rent suggests total estimated back rent for all renters as of late 2021 was between $9.3 and $10.9 billion.[2] These estimates are lower than October 2021 estimates from the Federal Reserve Bank of Philadelphia ($16.8 billion) and Moody's Analytics and the Urban Institute ($16.7 billion).[3]

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[2] These estimates are for adults who are renters. Because respondents who were married could have given the amount of back rent for their household, or just their individual share, the lower estimate divides the amount of back rent in half for married couples to account for married respondents who may have answered for their household rather than for just themselves.

[3] The Federal Reserve Bank of Philadelphia's estimate comes from a model simulating job loss and calculates total back rent for renters who experienced a job loss during the pandemic (Federal Reserve Bank of Philadelphia, *Household Rental Debt during COVID-19: Update for August 2021* (Philadelphia: FRB Philadelphia, July 2021), https://www.philadelphiafed.org/-/media/frbp/assets/community-development/briefs/updatedhouseholdrentdebt-final.pdf). Moody's Analytics and Urban Institute's estimate comes from Moody's baseline economic forecast and calculates back rent for all renters, including those without a job loss during the pandemic (Jim Parrott and Mark Zandi, "The Race to Save Millions from Eviction," Urban Institute, September 2021, https://www.urban.org/sites/default/files/publication/104762/the-race-to-save-millions-from-eviction.pdf). In contrast, the SHED estimates rely on survey questions that ask directly about the amount of back rent owed.

Education

Education is widely recognized as a path to higher income and greater financial well-being. The pandemic brought widespread education disruptions, including school closures for students of all ages in 2020. In 2021, K–12 schools largely returned to in-person education. At the time of the survey, most parents of primary or secondary school students reported that their youngest child was attending classes completely in person.

This shift to in-person learning likely reduced childcare responsibilities, and most parents said they preferred in-person classes over online or hybrid options. However, potentially reflecting ongoing concerns about COVID-19 transmission, some parents whose children were attending school in person in the fall of 2021 would have preferred online or hybrid classes for their child.

In contrast to the experience of K–12 students, online education remained prevalent at higher education institutions in the fall of 2021. Most higher-education students preferred at least some online classes.

Modes of Learning in Primary and Secondary School

In the fall of 2021, most parents of primary and secondary school students said their children had returned to completely in-person education after the widespread reliance on online learning in 2020.[47] At the time of the survey, 93 percent of parents with children in school said their youngest child enrolled in K–12 education was attending classes completely in person, compared to 27 percent with completely in-person classes in 2020.

Even among children attending school in person, however, disruptions occurred because of the pandemic. Over one-fourth (27 percent) of parents whose youngest child's classes were completely in person said that at least once, since the start of the school year, their child was unable to attend in person because of a pandemic-related disruption. For 7 percent of parents whose child's classes were completely in person, a disruption to in-person schooling led them to work fewer hours or take unpaid leave from work.

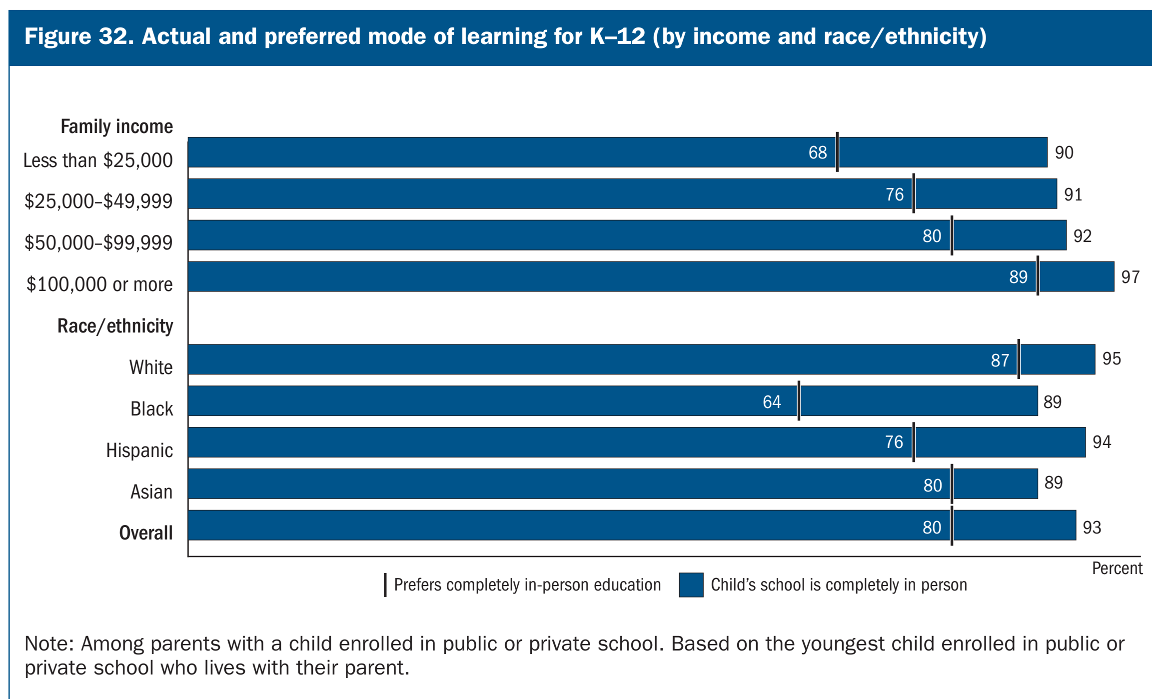
Though nearly all parents of K–12 students said that their child's classes were in person, lower-income parents were less likely to report in-person K–12 education than higher-income parents. Ninety percent of parents making less than $25,000 per year said that their child's classes were

[47] References to a child's education in this section refer to the individual's youngest school-age child. Parents of school-age children are respondents who lived with their own children under age 18 who were enrolled in a public or private K–12 school. Except where specified, parents who only home-school their children are excluded.

in person, compared with 97 percent of parents making $100,000 or more per year. Additionally, Black and Asian parents were less likely to say their child was attending school in person than White and Hispanic parents.

However, preferred modes of education also varied by income and race. Nearly 9 in 10 parents of school-age children with an annual income of $100,000 or more said they prefer completely in-person education, compared with fewer than 7 in 10 parents with an annual income under $25,000. Eighty-seven percent of White parents with school-age children said they prefer completely in-person education, higher than that seen among Black, Hispanic, or Asian parents (figure 32).

Figure 32. Actual and preferred mode of learning for K–12 (by income and race/ethnicity)



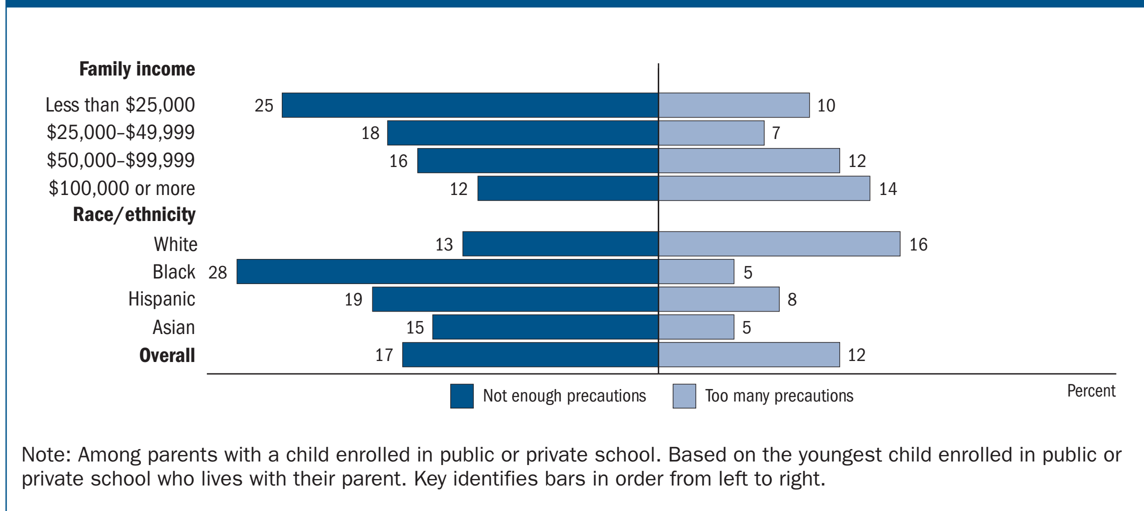
Note: Among parents with a child enrolled in public or private school. Based on the youngest child enrolled in public or private school who lives with their parent.

Additionally, parents' preferred mode of learning differed by the type and level of the school. Parents of children in public school were less likely (80 percent) than parents of children in private school (89 percent) to prefer completely in-person education, and parents whose youngest child is in middle or high school were less likely (76 percent) to prefer in-person class than parents with children in elementary school (84 percent).

Most parents (72 percent) felt that their child's school was taking the right level of COVID-19 precautions. Of those who did not, slightly more felt that the school was taking too few precautions (17 percent) than too many (12 percent). This is consistent with the observation that a larger share of students had in-person education than parents preferred.

Parents' views on the precautions taken by their children's schools varied along similar lines to their preferences for in-person education. Low-income parents were more likely than high-income parents to say their child's school was not taking enough precautions in light of the pandemic, and Black parents were over twice as likely as White parents to say this (figure 33).

Figure 33. Parents' views on precautions taken by child's school (by income and race/ethnicity)



Note: Among parents with a child enrolled in public or private school. Based on the youngest child enrolled in public or private school who lives with their parent. Key identifies bars in order from left to right.

Parents of children in public school were also more likely (18 percent) than those with children in private school (9 percent) to say their child's school was not taking enough precautions. However, parents' opinions on precautions at school did not vary by the age of their youngest child.

Some parents opted to home school their children in 2021. Just under 1 in 10 parents of school-age children said that one of their children was home schooled and not enrolled in public or private school. For most home-schooling parents, this was not because of COVID-19. Fifty-three percent said that COVID-19 concerns and school safety policies did not contribute to the decision. This is consistent with observations from other data that about half of the current rate of home schooling predated the pandemic.[48]

Of those who home schooled their children for COVID-19-related reasons, most did so because of concerns about exposure at school. Thirty-seven percent of parents who home school at least one child said they do so in part because of concern about COVID-19 exposure at school.

[48] The Census Household Pulse Survey indicates that, by the fall of 2020, the share of households with school-age children who home school their children was around 11 percent—about double the share who home schooled at the start of the pandemic. See https://www.census.gov/library/stories/2021/03/homeschooling-on-the-rise-during-covid-19-pandemic.html. By December 2021, the share of households with school-age children who reported home schooling in the Census Household Pulse Survey was still around 11 percent, similar to the share who reported home schooling in this year's SHED.

Fourteen percent said they decided to home school their child in part because the local school's safety measures were too strict.

Perceptions of Children's Performance in School

An important factor for parents as they are making work, spending, and housing decisions is the effects that these decisions have on their children. Parents may make changes in these areas that have implications for their family finances if they feel that their child is falling behind. Consequently, the survey asked parents how they felt that their child was faring as the educational environment shifted through the pandemic.

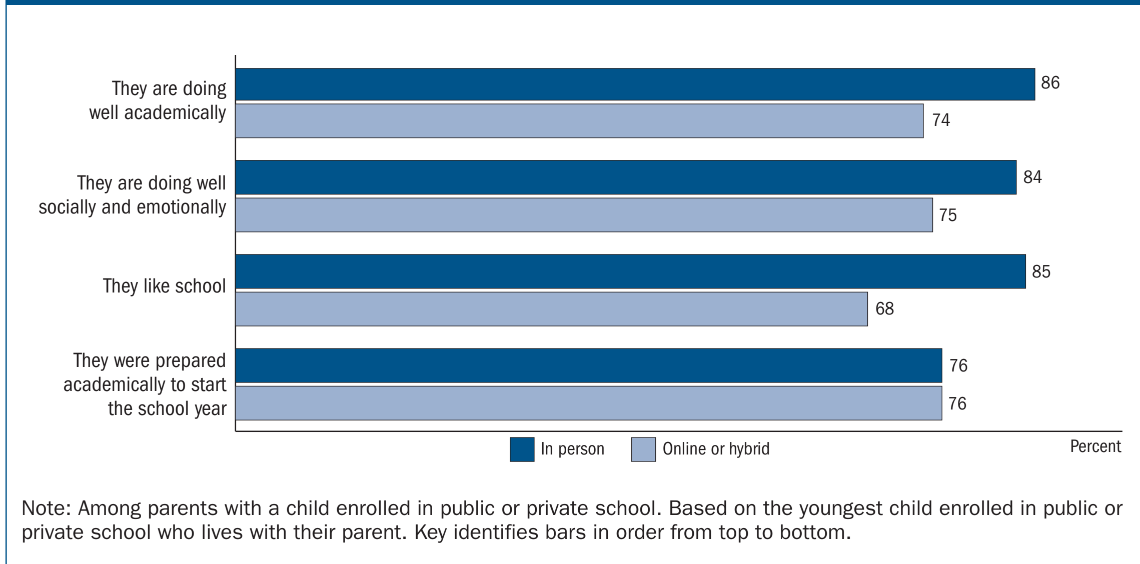
Many parents in the 2020 survey felt that the quality of their children's education had declined amid the pandemic. In 2021, parents generally said their youngest child in K–12 school was doing well, both academically and emotionally. Eighty-five percent of parents with a child in public or private school said that their child was doing well academically, 84 percent said that they were doing well socially and emotionally, and 84 percent said their child liked school. A slightly smaller majority (76 percent) said that their child was prepared for this school year.

A majority of parents with a child in public or private school also said that their child was doing better academically than in 2020. Fifty-six percent said that their child's academic performance improved, compared with 7 percent who said it declined. Similarly, a majority of parents (59 percent) said their child was doing better socially and emotionally compared with a year earlier, while many fewer parents (8 percent) said their child's social and emotional performance was worse than in 2020.

However, parents of children taking classes partially or completely online were less likely to say their child has improved socially and emotionally. Forty-three percent of parents whose youngest child was attending classes at least partially online said that their child was doing better socially and emotionally than in 2020, compared with 60 percent of parents whose youngest child was attending classes completely in person. In addition, parents of children in online or hybrid education were less likely to say that their youngest child likes school or that their child was doing well academically (figure 34). The share of parents who said their child had improved academically did not differ significantly between those with completely in-person classes and those with online or hybrid education.

While most parents said their youngest school-age child was doing well in school in the fall of 2021, parents' assessments of their child's educational performance varied by race and ethnicity. Seventy-six percent of Black parents believed their youngest child was doing well academically, lower than the share seen among the other racial and ethnic groups. Similarly, Black parents and Hispanic parents were least likely to say that their youngest child was prepared for the school year.

Figure 34. Parents' assessment of child's performance in school (by mode of education)



Note: Among parents with a child enrolled in public or private school. Based on the youngest child enrolled in public or private school who lives with their parent. Key identifies bars in order from top to bottom.

However, the share of parents who said their child likes school did not differ significantly by race and ethnicity (table 19).

Parents' assessments of their children's performance in school also increased with income. Seventy-seven percent of parents with under $25,000 in income said their child is doing well academically, compared with 89 percent of parents with $100,000 or more in income. Seventy-four percent of parents earning less than $25,000 agreed that their child was doing well socially and emotionally, whereas 88 percent of parents with income of $100,000 or more agreed with this statement.

Table 19. Parent's assessment of child's performance in school (by race/ethnicity)
Percent

Assessment	White	Black	Hispanic	Asian
They are doing well academically	87	76	83	82
They are doing well socially and emotionally	86	76	83	81
They like school	84	81	84	86
They were prepared academically to start the school year	79	70	74	79

Note: Among parents with a child enrolled in public or private school. Based on the youngest child enrolled in public or private school who lives with their parent.

Modes of Learning in Higher Education

While primary and secondary schools largely returned to in-person classes in 2021, online learning remained prevalent at higher education institutions. More than three-fourths of students enrolled in higher education said their classes were partly or completely online. Although many postsecondary students in the 2020 survey expressed concern about the quality of online classes, 76 percent of college students in 2021 said they prefer online or hybrid education.

Table 20. Prefer online only education (by type of degree program)

Characteristic	Percent
GED, technical, or associate degree	47
Bachelor's degree	29
Graduate or professional degree	47
Overall	**40**

Note: Among students currently enrolled in higher education.

Bachelor's degree students were the least likely to prefer completely online education, given the situation with the pandemic. Just fewer than 3 in 10 students enrolled in bachelor's degree programs said they prefer completely online classes (table 20). In contrast, 47 percent of students in either technical and associate degree programs or graduate and professional degree programs prefer online-only education. This may reflect that technical and associate degree students, as well as graduate degree students, were more likely to be older adults who may have other responsibilities. Sixty-four percent of technical and associate degree students and 78 percent of graduate degree students were over age 24. Among bachelor's degree students, a far lower 36 percent were over age 24.

College students generally expressed satisfaction with the amount of pandemic-related precautions taken by their school. Eight in ten postsecondary students said they thought their school was taking about the right amount of precautions, while just more than 1 in 10 said their school was not taking enough precautions.

Overall Value of Higher Education

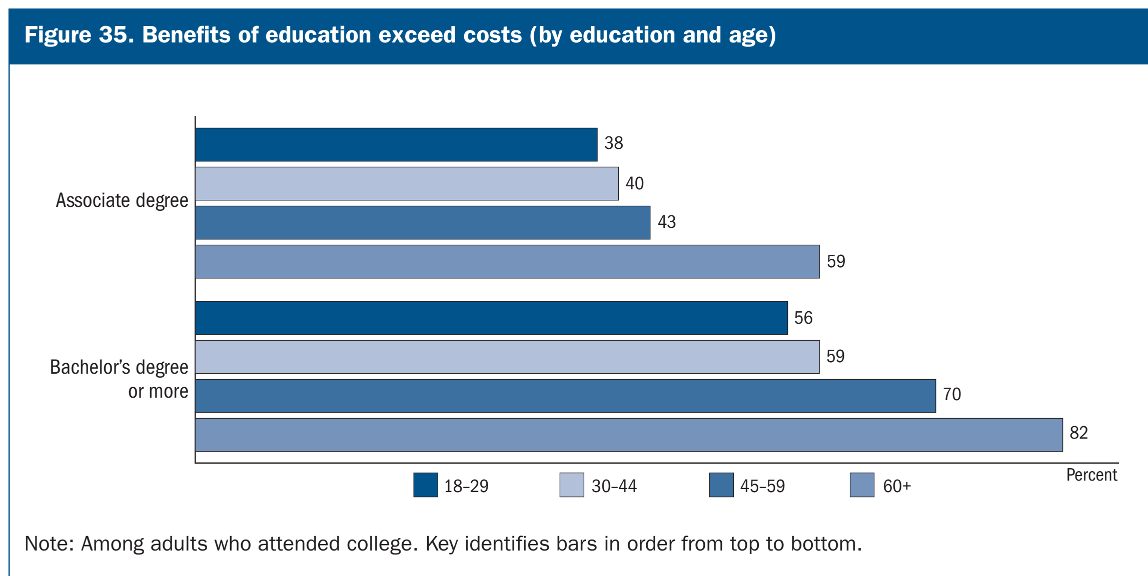
At the time of the survey, 70 percent of adults had ever enrolled in an educational degree program beyond high school, and 36 percent had received a bachelor's degree. Self-reported financial well-being rose strongly with education, although the effects differed across demographic groups (see the "Overall Financial Well-Being" section of this report for details on financial well-being by education).

Consistent with the higher rates of financial well-being among those who have more education, more than half of adults who went to college said that the lifetime financial benefits of their higher education exceeded the financial costs. Meanwhile, one in five said that the costs are higher. The rest saw the benefits as about the same as the costs. These self-assessments of the value of education have changed little in recent years.

The self-assessed value of higher education, while generally positive, depends on several aspects of a person's educational experience. Most importantly, those who completed their program and received a degree were more likely to see net benefits than noncompleters. For example, among those who went to college but did not complete at least an associate degree, 31 percent said the benefits of their education exceeded the cost. This fraction jumped to 46 percent of those with an associate degree and 67 percent of those with at least a bachelor's degree.

The self-assessed value of higher education also differed by age. Among those with at least an associate degree, older adults were more likely than younger adults to see the benefits of their education as greater than the costs (figure 35).[49] One explanation for this result could be that older respondents have had a longer time to experience the benefit of their education than younger respondents. This variation in views on the net benefit of college may also be driven by the rising cost of higher education—people who attended college more recently likely faced a higher cost than those who attended college further in the past.[50]

Figure 35. Benefits of education exceed costs (by education and age)



Note: Among adults who attended college. Key identifies bars in order from top to bottom.

Additionally, the gap in valuations of higher education across age groups was wider among those with higher degree levels. Among those with an associate degree, fewer than 4 in 10 adults under age 30 said the benefits of their education exceeded the costs, compared with nearly 6 in 10 adults age 60 and over. Among those with a bachelor's degree or more, this gap was wider—56 percent of adults under age 30 thought the benefits of their education exceeded the cost, compared with 82 percent of adults age 60 and over.

One potential explanation is that younger adults are more likely to have taken out debt for their education and to be paying down these loans. Consequently, the costs of education may be more salient for them than for older adults (see the "Student Loans" section of this report for a discussion of educational debt and the self-assessment of the value of higher education).

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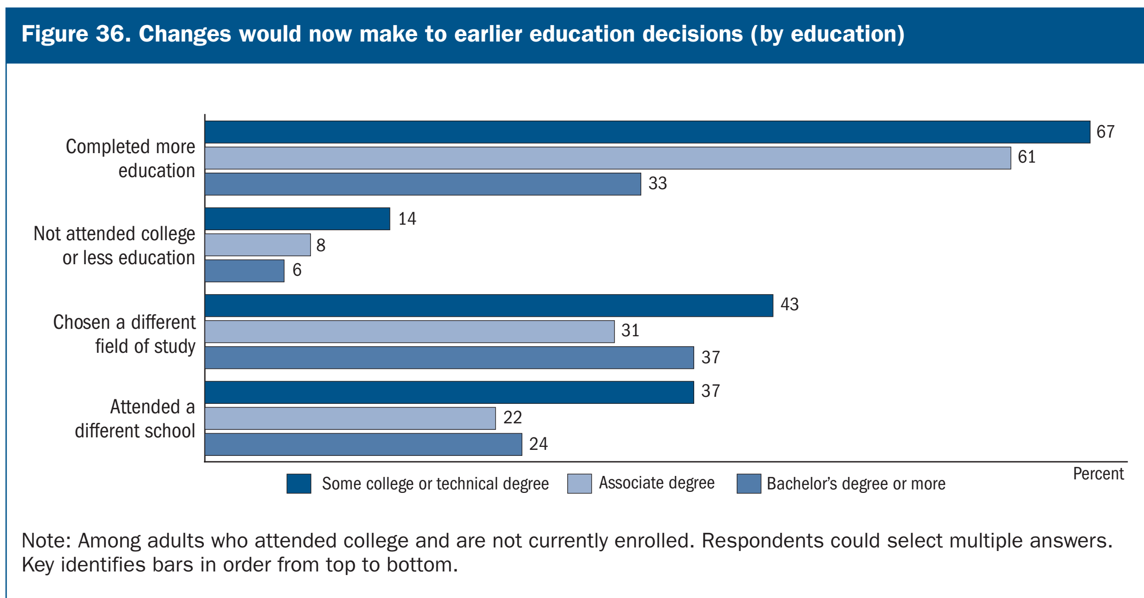
[49] If adults currently enrolled in higher education levels are excluded, the share of adults who say the benefits outweigh the cost increases with age at every education level.

[50] From 1995 to 2015, net tuition, fees, room, and board rose 54 percent at public four-year institutions and 29 percent at private, nonprofit, four-year institutions. See College Board, *Trends in College Pricing 2014*, https://research.collegeboard.org/pdf/trends-college-pricing-2014-full-report.pdf. In the current school year, net tuition, room, board, and fees at public and private nonprofit institutions are about the same as they were in the 2014–15 school year (see https://research.collegeboard.org/pdf/trends-college-pricing-student-aid-2021.pdf).

Figure 36. Changes would now make to earlier education decisions (by education)



Note: Among adults who attended college and are not currently enrolled. Respondents could select multiple answers. Key identifies bars in order from top to bottom.

Another contributor to differences in how people viewed their education was the type of institution attended.[51] Consistent with previous years of the survey, 69 percent of those with bachelor's degrees from public institutions and 63 percent with bachelor's degrees from private not-for-profit institutions saw their educational benefits as greater than their costs. However, 43 percent of those with bachelor's degrees from for-profit institutions felt their education was worth the cost.

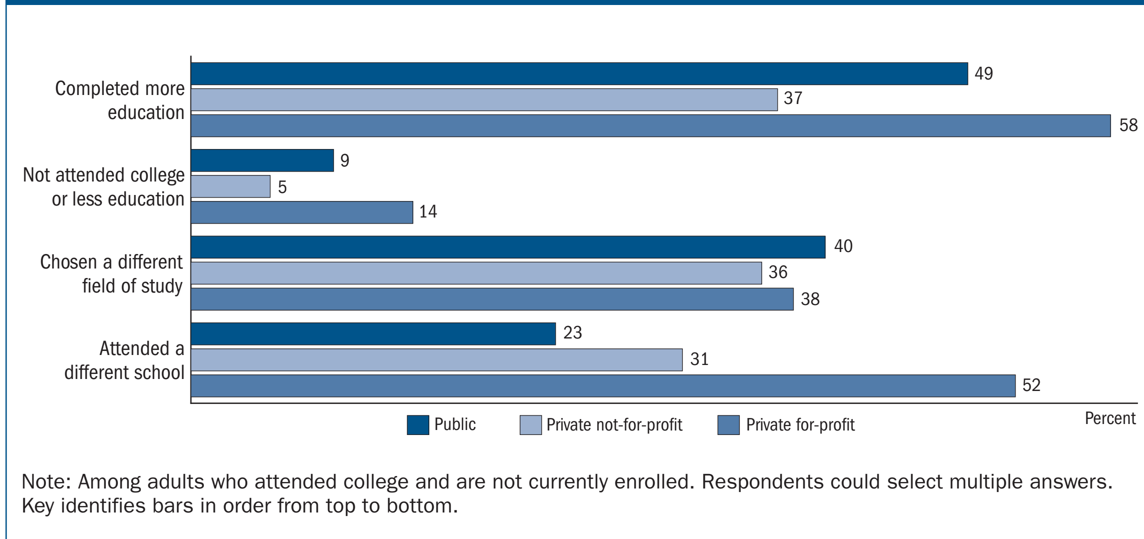
Look Back on Education Decisions

Another way to assess the value of education is to consider what people would have done differently if given the chance. Most people value the education they have, but with the benefit of hindsight and life experience, it is also common to think that different educational decisions could have been better.

Completing more education was the most common change that those with less education would have made if they were able to make a change. Sixty-seven percent of those without a college degree and 61 percent of those with an associate degree said they would like to have completed more education (figure 36). For those with a bachelor's degree or more, choosing a different field of study (37 percent) was the most common change they would make to their education. Few people of any education level said they would have completed less education if they could make their decisions again.

[51] Individuals do not self-report the type of institution in the survey. Instead, the institution type is assigned by matching the name and location of the college reported by the individual with data from the Center on Postsecondary Research at the Indiana University School of Education (https://cpr.indiana.edu/). For individuals who completed an associate or bachelor's degree, institution type is based on the school from which they received the degree. For other individuals, it is based on the last school attended.

Figure 37. Changes would now make to earlier education decisions (by institution type)



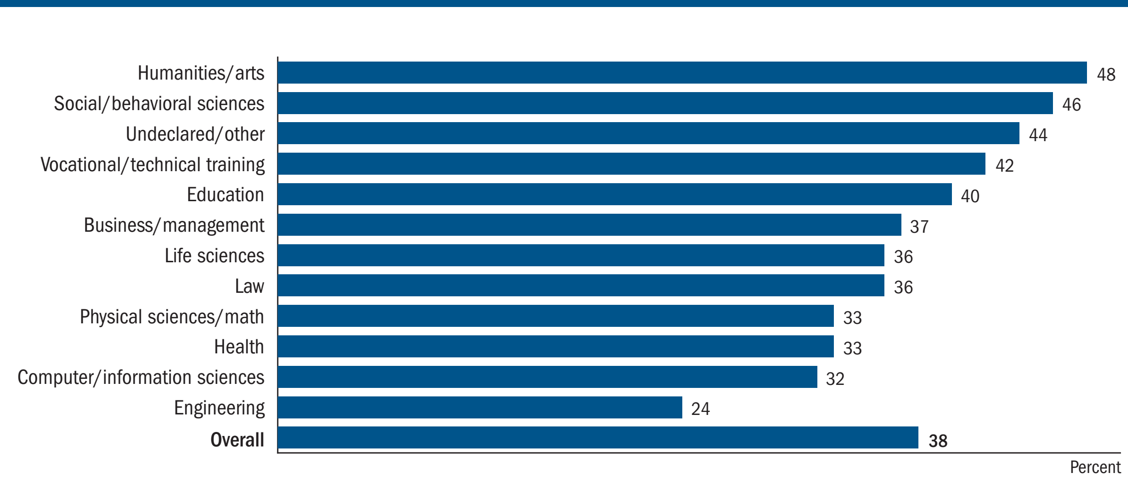
Note: Among adults who attended college and are not currently enrolled. Respondents could select multiple answers. Key identifies bars in order from top to bottom.

Additionally, reassessments of educational decisions varied by the type of institution attended. Slightly over half of those who attended a for-profit institution said they would have attended a different school, compared with 31 percent of those attending a private not-for-profit institution and 23 percent attending a public institution (figure 37). This difference remains even after accounting for the selectiveness of the institution, level of education completed, the parents' level of education, and demographic characteristics of the student.[52]

The changes adults who completed at least some college said they would now make to their educational decisions were also related to the field of study they pursued. In particular, the share who said they would study a different topic in hindsight varied by fields of study. Forty-eight percent of those who studied the humanities and arts, and 46 percent of those who studied social and behavioral sciences, said they would choose a different field. In comparison, a lower share (24 percent) of those who studied engineering said they would have chosen a different field (figure 38).

[52] Selective institutions, as defined by the Carnegie Classification, are those whose first-year students' test scores are in the middle two-fifths of baccalaureate institutions; more selective institutions are in the top one-fifth of baccalaureate institutions. See also "The Carnegie Classification of Institutions of Higher Education," web page, http://carnegieclassifications.iu.edu/. The remainder are referred to here as "less selective" institutions.

Figure 38. Would now choose a different field of study (by field of study)



Note: Among adults who completed at least some college who are not currently enrolled.

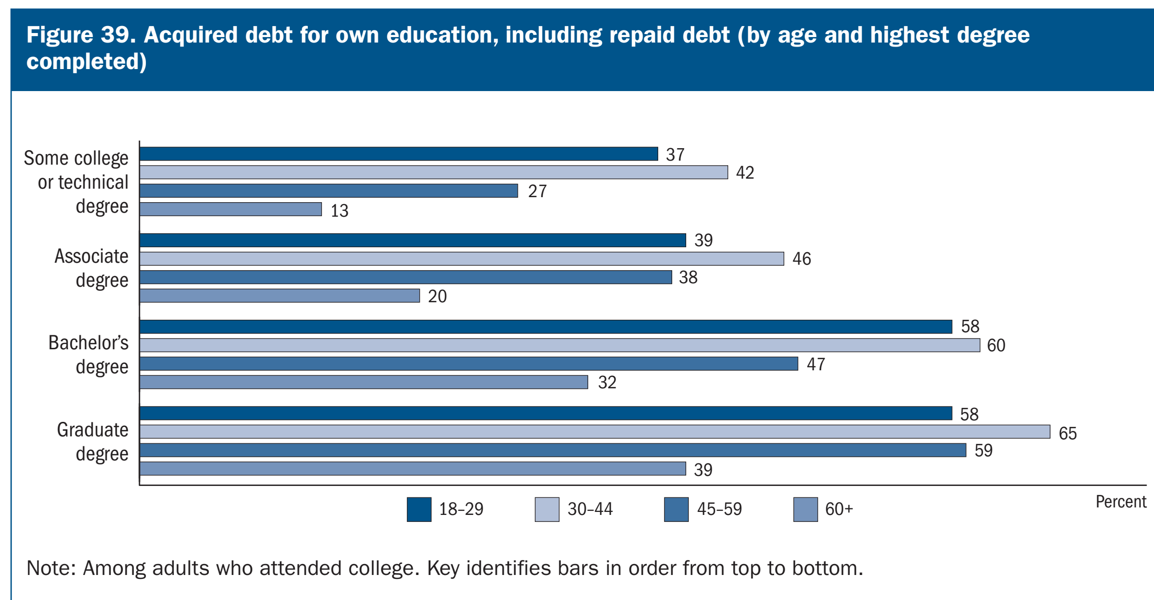
Student Loans

Education debt is prevalent among people who went to college, and especially among younger adults. In 2021, many student loan borrowers continued to receive delays in payment due dates for student loan bills because of ongoing pandemic relief measures. Consequently, the share of borrowers from a range of backgrounds who were behind on their payments in the fall of 2021 declined relative to before the pandemic. Additionally, borrowers who had outstanding student loan debt at the time of the survey reported higher levels of financial well-being compared with prior years.

Incidence and Types of Education Debt

Thirty percent of all adults—representing over 4 in 10 people who went to college—said they incurred at least some debt for their education. This includes 20 percent of college attendees who still owed money and 22 percent who borrowed but fully repaid their education debts. Adults under age 30 who attended college were more likely to have taken out loans than older adults, consistent with the upward trend in educational borrowing over the past several decades (figure 39).[53]

Figure 39. Acquired debt for own education, including repaid debt (by age and highest degree completed)



Note: Among adults who attended college. Key identifies bars in order from top to bottom.

[53] Student loan borrowing has declined since its peak in 2010–11 but remains substantially above the levels from the mid-1990s. (Jennifer Ma and Matea Pender, *Trends in College Pricing and Student Aid 2021* (New York: The College Board, 2021), https://research.collegeboard.org/pdf/trends-college-pricing-student-aid-2021.pdf).

The incidence of education debt varied by the type of institution attended. Among those who attended public institutions, 40 percent either previously held debt or currently had debt at the time of the survey, compared with 57 percent of those who attended private not-for-profit and 59 percent who attended private for-profit institutions. Among younger cohorts of students, those who attended private for-profit institutions were also more likely to have taken out student loans than those who attended either private not-for-profit or public institutions.

Table 21. Type of education debt
Percent

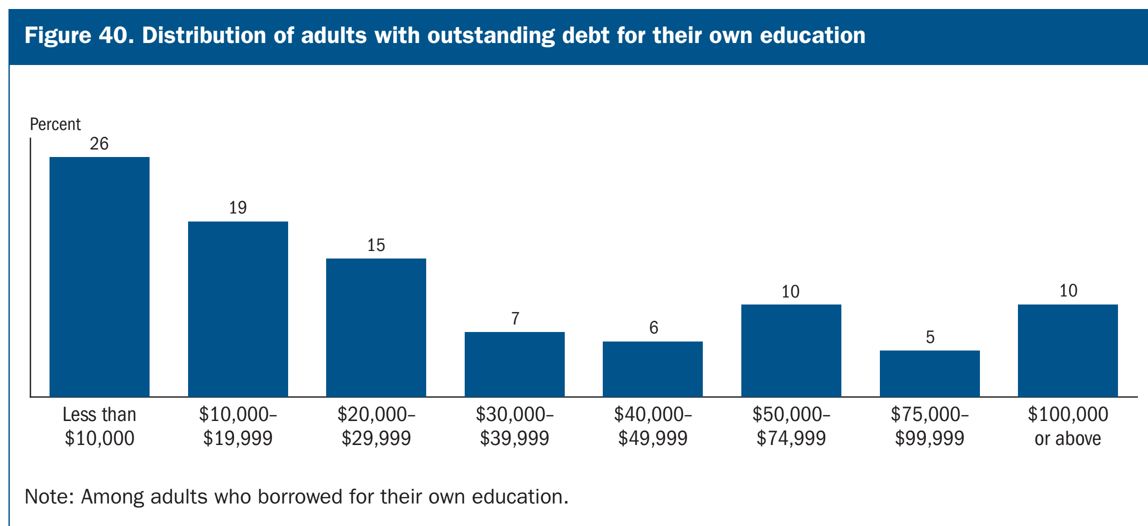
Debt type	Own education	Child's or grandchild's education
Student loan	96	88
Credit card	19	12
Home equity loan	4	9
Other loan	11	11

Note: Among adults with at least some debt outstanding for their own education or a child's or grandchild's education. Some people had more than one type of debt.

Not all education debt is in the form of student loans. Ninety-six percent of those with outstanding debt from their own education had student loans, but many borrowers had other forms of education debt as well (table 21). This includes 19 percent who borrowed with credit cards, 4 percent with a home equity loan, and 11 percent with some other form. Collectively, 24 percent of borrowers had one or more forms of education debt besides student loans for their own education.

Most student loan borrowers owe less than $25,000 on their loans. The median amount of education debt in 2021 among those with any outstanding debt for their own education was between $20,000 and $24,999. One-quarter of student loan borrowers had less than $10,000 in outstanding student debt (figure 40). Student debt balances vary across different demographic groups. Borrowers with an income of less than $50,000 a year were more likely to carry lower balances of student loan debt.

Figure 40. Distribution of adults with outstanding debt for their own education



Note: Among adults who borrowed for their own education.

Some people also took out education debt to assist family members with their education through either a co-signed loan with the student or a loan taken out independently. Although this is less common than borrowing for one's own education, 4 percent of adults owed money for a spouse's or partner's education, and 4 percent had debt that paid for a child's or grandchild's education. Like debt outstanding for the borrower's education, debt for a child's or grandchild's education can be in forms other than a student loan.

Student Loan Payment Status

The Coronavirus Aid, Relief, and Economic Security Act (CARES Act) and subsequent executive orders in response to COVID-19 provided federal student loan payment relief throughout 2021, dramatically reducing the share of borrowers who were behind on their payments.[54] Among adults with outstanding debt from their own education, 12 percent were behind on their payments in 2021, a significant decline from the 17 percent who were behind in the fall of 2019, before the pandemic.[55]

Consistent with previous years, borrowers with less education were more likely to be behind on their payments. Twenty-three percent of borrowers with loans outstanding who completed less than an associate degree reported being behind.[56] Among borrowers with an associate degree, 18 percent were behind. The delinquency rate was even lower among borrowers with a bachelor's degree (6 percent) or graduate degree (5 percent).

Borrowers who said neither of their parents had completed a bachelor's degree were more likely to be behind on their payments than those with a parent who had completed a bachelor's degree. In 2021, borrowers who did not have a parent with a bachelor's degree were almost twice as likely to be behind on their payments as those with a parent who completed a bachelor's degree (table 22). However, the difference in repayment status among these groups has narrowed since the fall of 2019.

[54] Beginning on March 27, 2020, the CARES Act granted relief to student loan borrowers by temporarily pausing payments—including principal and interest—on federally held student loans. This payment pause for federal student loan borrowers has been extended multiple times by executive orders during the COVID-19 pandemic through all of 2021 and into 2022. (See U.S. Department of Education at https://studentaid.gov/announcements-events/coronavirus).

[55] Borrowers could be behind on payments for student loans or other types of debt for their own education. Although the federal student loan pause has been in effect since March 2020, findings from the 2020 survey did not show substantial improvement in student loan repayment status among borrowers. This could be due to the uncertainty regarding the policy and interpretation of the survey questions. Data from the Federal Reserve Bank of New York show a decline in student loan delinquency in 2020 and 2021 (Federal Reserve Bank of New York, *Quarterly Report on Household Debt and Credit* (New York: FRB New York, November 2021), https://www.newyorkfed.org/medialibrary/interactives/householdcredit/data/pdf/HHDC_2021Q3.pdf).

[56] Currently enrolled students are frequently not required to make payments so are less likely to fall behind. Among those with less than an associate degree who are not currently enrolled, a larger 28 percent of borrowers are behind.

Table 22. Behind on student loan payments for own education (by parents' education, race/ethnicity, and institution type)
Percent

Characteristic	2019	2021	Change
Parents' education			
Parent has completed a bachelor's degree	9	8	−2
Neither parent has completed a bachelor's degree	22	15	−7
Race/ethnicity			
White	11	9	−2
Black	29	17	−12
Hispanic	24	18	−6
Institution type			
Public	15	11	−4
Private not-for-profit	11	7	−4
Private for-profit	27	23	−4

Note: Among adults with outstanding debt for their own education. Change reported may not match difference between the columns because of rounding.

Difficulties with repayment also vary by race and ethnicity. While Black and Hispanic borrowers were still disproportionately likely to be behind on their debt and were less likely to have completely paid off their student loan debts, these borrowers saw improvements in their repayment status. In 2021, 17 percent of Black borrowers and 18 percent of Hispanic borrowers reported being behind on their student loan debt, compared with 29 and 24 percent in 2019, respectively.

While the percentage of borrowers behind on payments declined over the prior two years, disparities in payment status persist based on the type of institution attended. Twenty-three percent of borrowers who attended for-profit institutions were behind on student loan payments, versus 11 percent who attended public institutions and 7 percent who attended private not-for-profit institutions.

Greater difficulties with loan repayment among attendees of for-profit institutions may partly reflect the lower returns on degrees from these institutions.[57] Indeed, when accounting for race and ethnicity, parents' education, level of institution (two year or four year), and institution selectivity, the relationship between for-profit institution attendance and being behind on student loan payments persists. This suggests that the high payment difficulty rates for attendees of for-profit institutions reflect characteristics of the schools and is not simply due to the characteristics of their students.

Although it is common to focus only on those with outstanding debt, many people who borrowed for their education had repaid their loans completely. Excluding these people who have paid off their debt could overstate difficulties with repayment. Indeed, the share of adults who were behind on their payments is much lower when accounting for all who ever borrowed, including those who had completely repaid that debt.

Among those who ever incurred debt for their education, 6 percent were behind on their payments at the time of the 2021 survey, 42 percent had outstanding debt and were current on their pay-

[57] See David J. Deming, Claudia Goldin, and Lawrence F. Katz, "The For-Profit Postsecondary School Sector: Nimble Critters or Agile Predators?" *Journal of Economic Perspectives* 26, no. 1 (Winter 2012): 139–64, https://www.aeaweb.org/articles?id=10.1257/jep.26.1.139, for a discussion of the rates of return by education sector.

ments, and 52 percent had completely paid off their loans. Nevertheless, the demographic and educational characteristics of those who fall behind on payments remain similar when also incorporating those who have paid off their loans.

Relation to Financial Well-Being

Consistent with the student loan payment relief and improvements in payment statuses, self-reported financial well-being among adults with outstanding debt has increased over the pandemic. Among all adults who went to college and had outstanding student loan debt, 73 percent were doing at least okay financially in 2021. This is up from 65 percent who were doing at least okay financially in 2019.

The improvement in financial well-being among student loan borrowers occurred among borrowers of all education levels. The 65 percent of borrowers with an associate degree who reported doing at least okay financially in 2021 was up 9 percentage points from the 56 percent who were doing at least okay in 2019 (table 23). Among borrowers with some college education but no associate degree, the improvement was 7 percentage points. Among those with at least a bachelor's degree, the improvement in financial well-being was 6 percentage points.

Table 23. At least doing okay financially (by education and debt status)
Percent

Characteristic	2019	2021	Change
Some college, no associate degree			
Never had debt	77	76	−1
Previously had debt, now repaid	71	74	3
Currently has debt	51	58	7
Associate degree			
Never had debt	85	83	−2
Previously had debt, now repaid	79	76	−3
Currently has debt	56	65	9
Bachelor's degree or more			
Never had debt	92	94	2
Previously had debt, now repaid	92	94	2
Currently has debt	75	81	6

Note: Among all adults who attended college.

In contrast, adults who attended college and either did not borrow or had already repaid their student loan debts did not exhibit similar improvements in financial well-being. For those with an associate degree who never borrowed, 83 percent were doing okay financially in 2021, as were 76 percent of those who borrowed and paid off their debt. Each of these were similar to or below the shares doing at least okay in 2019, standing in contrast to the improvements seen among those with outstanding loans. This suggests that the changes in student loan policies likely contributed to the increase in self-reported well-being among borrowers.

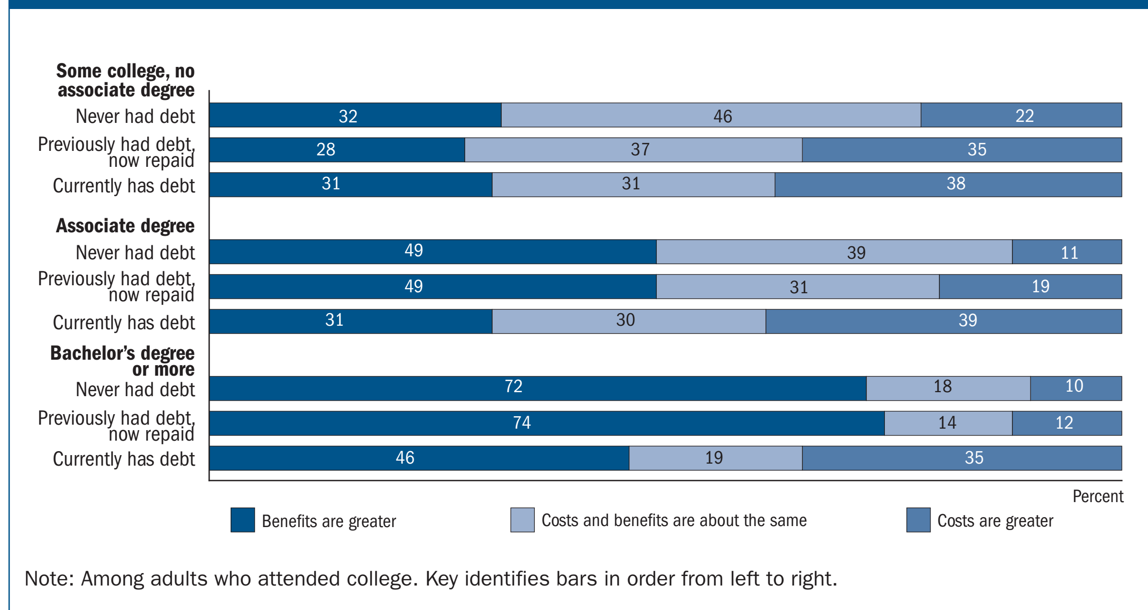
Relation to Self-Assessed Value of Higher Education

The self-assessed value of higher education was lower among those who had outstanding debt. Among borrowers with outstanding debt, 40 percent said the benefits of their education exceeded

the cost. This was below the 63 percent of borrowers who completely paid off their debt and 51 percent of those who went to college but never had debt.[58] Student loan borrowers with outstanding debt also were twice as likely as those who repaid their debt to say that the costs of their education outweigh the benefits.

These gaps in perceptions of one's higher education were particularly notable among those who completed a degree. Approximately 3 in 10 adults who attended college but did not complete an associate or bachelor's degree said that the benefits of their education exceeded the costs, regardless of their student loan status. However, substantial gaps in perceptions of higher education emerged for those who completed a degree. Just over 3 in 10 associate degree recipients with outstanding debt said that the benefits exceeded the costs, compared with half of those without outstanding debt. Among bachelor's degree recipients, the gap in perceptions between those with and without outstanding student loan debt is even greater (figure 41). This gap indicates the extent to which perceptions of higher education are linked to whether individuals had to borrow for their education, and whether the returns on their education were sufficient for them to repay their student loans.

Figure 41. Self-assessed value of higher education (by education and debt status)



Note: Among adults who attended college. Key identifies bars in order from left to right.

[58] Differences in the level of education within these debt status groups also contribute to the self-assessment of costs and benefits. Those with a bachelor's degree or higher make up 71 percent of those who attended college and previously had debt, compared with 42 percent of those who attended and never had debt.

Retirement and Investments

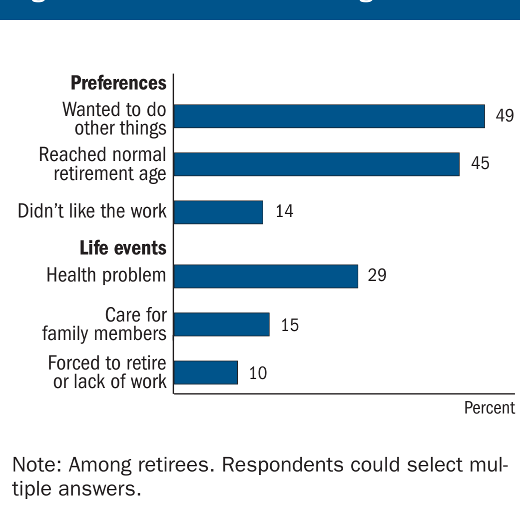
In 2021, retirees' descriptions of their reasons for retirement and their income sources were consistent with recent years. As was the case in 2020, a sizeable share of recent retirees said COVID-related factors affected the timing of their retirement decision. Among non-retirees, a higher share reported they felt like their retirement savings were on track, and a smaller share borrowed against or cashed out retirement savings, compared with 2020. Yet, differences by age and race or ethnicity in retirement preparedness among non-retirees remained similar to earlier years.

Current Retirees

Retirees represent a sizeable portion of the adult population. Twenty-seven percent of adults in 2021 considered themselves to be retired, even though some were still working in some capacity.[59] Fourteen percent of retirees had done some work for pay or profit in the prior month. Consequently, 4 percent of all adults considered themselves retired and were still working. Retirees with more education were slightly more likely to work in retirement.

In deciding when to retire, most retirees indicated that their preferences played a role, but life events contributed to the timing of retirement for a substantial share (figure 42). Forty-nine percent of retirees said a desire to do other things or to spend time with family was important for their decision to retire, and 45 percent said they retired because they reached a normal retirement age.

Figure 42. Reasons for the timing of retirement



Note: Among retirees. Respondents could select multiple answers.

Nonetheless, 29 percent said that a health problem was a factor in their decision to retire, and 15 percent said they retired to care for family members. One in 10 said they were forced to retire or that work was not available. Collectively, health problems, caring for family, and lack of work contributed to the timing of retirement for 45 percent of retirees.

[59] In this report, descriptions of current retirees include everyone who reported being retired, including those who also reported that they are working.

A sizeable share of recent retirees indicated that COVID-19 was a factor in their retirement decision. Twenty-five percent of adults who retired in the prior 12 months, and 15 percent of those who retired one to two years ago, said factors related to COVID-19 contributed to when they retired. Compared with other retirees, recent retirees whose retirement decision was related to COVID-19 were more likely to say they retired because they were forced to do so or work was not available. While the pandemic may be contributing to retirement decisions for some recent retirees, the share of adults who consider themselves to be retired has remained relatively consistent during the pandemic.[60]

Table 24. Sources of income in the prior 12 months among retirees (by age)
Percent

Source	Retirees age 65 and older	All retirees
Social Security	92	78
Pension	66	57
Interest, dividends, or rental income	49	43
Wages, salaries, or self-employment	25	32
Cash transfers other than Social Security	7	11

Note: Among retirees. Respondents could select multiple answers. Sources of income include the income of a spouse or partner.

Social Security remained the most common source of retirement income, but 79 percent of retirees had one or more sources of private income. This included 57 percent of retirees with income from a pension; 43 percent with interest, dividends, or rental income; and 32 percent with labor income (table 24).[61] Seventy-eight percent of retirees received income from Social Security in the prior 12 months, including 92 percent of retirees age 65 or older.

While retirees as a group report a generally high level of financial well-being and life satisfaction, those who were not married and those with a disability reported lower levels for these subjective measures (table 25).[62] In 2021, 81 percent of all retirees said they were doing at least okay financially, and 60 percent reported high levels of life satisfaction. On average, retirees who were not married were not doing as well, with just 68 percent saying that they were doing at least okay financially and 49 percent reporting high levels of life satisfaction. Retirees with a disability, regardless of their marital status, were less likely to report they were doing at least okay financially or that they had high levels of life satisfaction.

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[60] Other recent data have shown an increase in retirements during the pandemic. In part, the difference in findings is because retirees in the SHED include some who are retired while also working in some capacity, as well as some who are retired but provide other reasons—such as health limitations—as the reason for not working. An alternative definition of retirement focuses only on older adults who are not working and who say the reason they are not working is because they are retired. By this measure in the SHED, 51 percent of adults age 55 or older were retired in 2021—a share that edged up over the course of the pandemic from 48 percent in 2019 and 49 percent in 2020—consistent with results from the Current Population Survey using a similar definition (Richard Fry, "Amid the Pandemic, a Rising Share of Older U.S. Adults Are Now Retired," web page, Pew Research Center 2021, https://www.pewresearch.org/fact-tank/2021/11/04/amid-the-pandemic-a-rising-share-of-older-u-s-adults-are-now-retired/).

[61] The type of pension was not specified, so pension income may include income from defined benefit plans, which pay a fixed monthly amount, and defined contribution plans, such as 401(k) and 403(b) plans.

[62] About one-third of retirees were not married, and about one-fourth of retirees had a disability.

Retirement Savings among Non-Retirees

Although three-fourths of non-retired adults had at least some retirement savings, about one-fourth did not have any (figure 43). This share has remained nearly unchanged since 2019. Among those with retirement savings, these savings were most frequently in defined contribution plans, such as a 401(k) or 403(b), with 55 percent of non-retired adults having money in such a plan. These accounts were more than twice as common as traditional defined benefit pension plans. Fifty-two percent of non-retirees had retirement savings outside of formal retirement accounts, up from 48 percent of non-retirees who reported having such accounts in 2020.

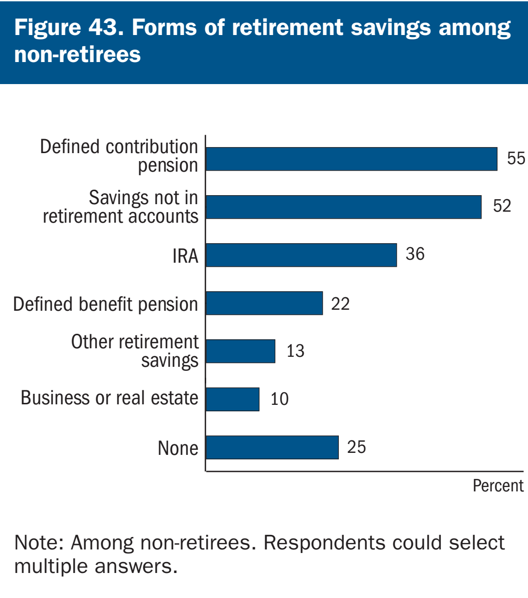
While most non-retired adults had some type of retirement savings, only 40 percent of non-retirees thought their retirement saving was on track. Still, the share of non-retirees who thought their retirement saving was on track increased in 2021, from 36 percent who thought their saving was on track in 2020 and 37 percent who thought their retirement savings were on track in 2019. Because retirement saving strategies differ by circumstances and age, survey respondents assessed whether or not they felt that they were on track, but they defined that for themselves.

Table 25. Financial well-being and life satisfaction among retirees (by marital status and disability status)
Percent

Characteristic	At least doing okay financially	High life satisfaction
Married		
No disability	92	70
Disability	77	53
Overall	**88**	**65**
Not married		
No disability	75	54
Disability	58	40
Overall	**68**	**49**

Note: Among retirees.

Figure 43. Forms of retirement savings among non-retirees



Note: Among non-retirees. Respondents could select multiple answers.

Retirement savings and perceived preparedness differed across demographic groups. Younger adults were both less likely to have retirement savings and to view their savings as on track than older adults. Compared with all non-retirees, Black and Hispanic non-retirees were less likely to have retirement savings and to view their retirement savings as on track, while White and Asian non-retirees were more likely to have such savings and say they were on track (table 26).

Table 26. Retirement saving and self-assessed preparedness (by age, race/ethnicity, and disability status)
Percent

Characteristic	Any retirement savings	Retirement savings on track
Age		
18–29	62	30
30–44	75	39
45–59	84	45
60+	87	52
Race/ethnicity		
White	81	46
Black	64	26
Hispanic	61	25
Asian	85	52
Disability status		
No disability	79	43
Disability	49	17
Overall	**75**	**40**

Note: Among non-retirees.

The lower rates of savings among Black and Hispanic non-retirees partly reflect the fact that Black and Hispanic adults were, on average, younger than the non-retired population overall. Even within age cohorts, however, significant differences remained in retirement savings by race and ethnicity, consistent with patterns seen in previous years.

Non-retirees with a disability were also less likely to have retirement savings and to view their savings as on track. Among non-retirees with a disability, only 49 percent had retirement savings and 17 percent viewed their savings as on track. Adults with a disability have a lower rate of employment compared with adults without a disability. (See box 1 for more on the employment experiences of adults with a disability during the pandemic.) In addition, adults with a disability who receive means-tested benefits may face asset limits that would deter holding any savings they may have accrued.[63]

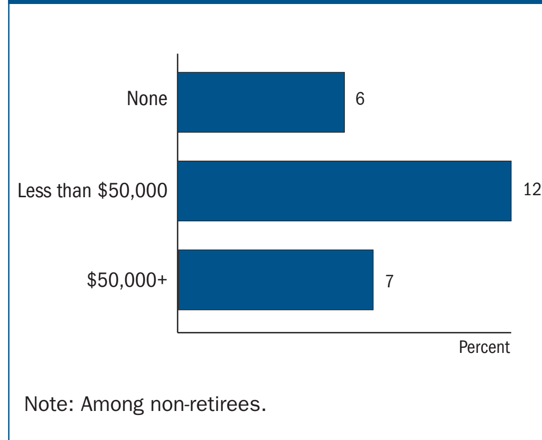
Occasionally, retirement savings can also act as a source of emergency funds for non-retirees who face economic hardships. Overall, 8 percent of non-retired adults tapped their retirement savings—a slight decrease from 2020. Yet, 14 percent of non-retired adults who had experienced a layoff in 2021 borrowed or cashed out funds from their retirement savings. Even so, some non-retirees who may have a need for a reserve fund to weather a hardship may not have retirement savings or may have already tapped such savings. Forty-three percent of non-retirees who experienced a layoff in the prior 12 months did not have self-directed retirement savings at the time of the survey, compared with 26 percent of non-retirees who did not experience a layoff.

Non-retirees with smaller account balances were more likely to have borrowed from, or cashed out, funds from their retirement accounts in the prior 12 months (figure 44). Twelve percent of those

[63] SSI and Social Security Disability Insurance (SSDI) are federal programs to support adults with a disability who meet medical and other requirements. SSI recipients must have limited income and resources, but SSDI recipients do not have to meet income and resource limits to qualify for benefits. See Social Security Administration, *Red Book: A Summary Guide to Employment Supports for Persons with Disabilities Under the Social Security Disability Insurance (SSDI) and Supplemental Security Income (SSI) Programs*, January 2020, https://www.ssa.gov/redbook/.

with account balances under $50,000 borrowed from, or cashed out, these accounts, compared with 7 percent of those with account values of $50,000 or more. While tapping retirement funds could result in smaller account balances, or the exhaustion of such reserves altogether, adults with lower income (and likely with lower account balances) were more likely to experience shocks that could prompt them to tap retirement reserves early.[64]

Figure 44. Borrowed from or cashed out retirement savings accounts in the prior 12 months (by amount of self-directed retirement savings)

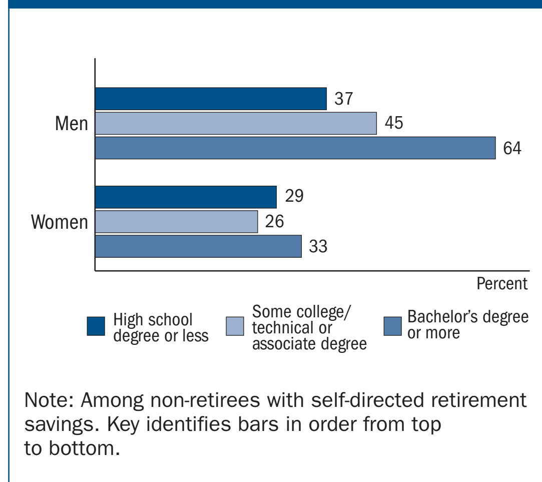


Note: Among non-retirees.

Self-directed retirement accounts frequently have complex rules on withdrawals and rely on individuals to have the skills and knowledge required to manage their own investments. Non-retirees with self-directed retirement savings varied in their comfort with making investment decisions for their accounts. Nearly 6 in 10 non-retirees with self-directed retirement savings expressed low levels of comfort in making investment decisions with their accounts.

Among those non-retirees with self-directed savings, a higher share of men were comfortable managing their retirement investments compared to women (figure 45). Sixty-four percent of men with a bachelor's degree were mostly or very comfortable making investment decisions, compared to 33 percent of women with this level of education who were mostly or very comfortable. In fact, the 33 percent of women with a bachelor's degree who were comfortable investing was similar to the 37 percent of men with a high school degree or less who expressed the same level of comfort.

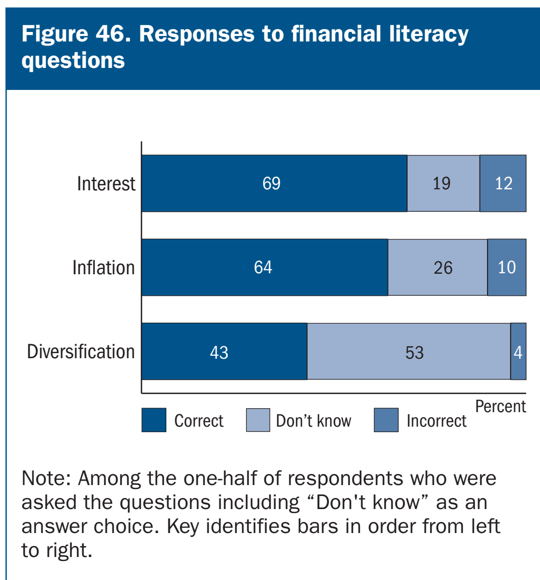
Figure 45. Mostly or very comfortable investing self-directed retirement savings (by gender and education)



Note: Among non-retirees with self-directed retirement savings. Key identifies bars in order from top to bottom.

[64] For more on early withdrawals and the relationship with economic shocks and income, see Robert Argento, Victoria L. Bryant, and John Sabelhaus, "Early Withdrawals from Retirement Accounts during the Great Recession," *Contemporary Economic Policy* 33, no. 1 (March 2013), https://www.researchgate.net/publication/254969212_Early_Withdrawals_from_Retirement_Accounts_during_the_Great_Recession.

Figure 46. Responses to financial literacy questions



Note: Among the one-half of respondents who were asked the questions including "Don't know" as an answer choice. Key identifies bars in order from left to right.

Financial Literacy and Experience with Investments

To get some sense of individuals' financial knowledge, respondents were asked three questions—on interest, inflation, and risk diversification, respectively—that are commonly used as measures of financial literacy (figure 46).[65]

Higher shares of adults provided correct answers to questions about interest and inflation than to the question on risk diversification. The average number of correct answers was 1.8 out of 3, and 34 percent of adults got all three correct.

Table 27. Financial literacy (by retirement savings and comfort investing)
Percent

Presence of retirement savings and level of investing comfort	Correct	Incorrect	Don't know/ Refused
Has self-directed retirement savings	67	7	26
Mostly or very comfortable investing	78	7	15
Not or slightly comfortable investing	59	8	33
No self-directed retirement savings	32	11	56
Retired	61	8	31
Overall	**59**	**8**	**33**

Note: Among the one-half of respondents who were asked the questions including "Don't know" as an answer choice.

Self-assessed comfort in managing investments was correlated with these measures of financial literacy. Among those with self-directed retirement accounts, on average, those who expressed comfort with managing their investments answered a larger share of questions correctly (78 percent) than those who expressed little or no comfort (59 percent) (table 27). Notably, the share of incorrect answers did not vary much with investment comfort. Instead, the number of "don't know" responses fell as investment comfort rose. Overall, however, non-retirees with such accounts still answered more financial literacy questions correctly, on average, than either non-retirees who did not have such accounts or people who were already retired.

[65] These questions were developed by Annamaria Lusardi and Olivia Mitchell (see "Financial Literacy around the World: An Overview," *Journal of Pension Economics and Finance* 10, no. 4 (2011): 497–508) and have been widely used to study financial literacy. In the 2021 SHED, half of the respondents received the questions and answer choices developed by Lusardi and Mitchell, and the results reported here reflect their responses. The other half of the respondents received the same questions without the "don't know" answer option. Full question wording is available in appendix A and results from the group who received the alternative formulation are included in appendix B of the appendixes to this report.

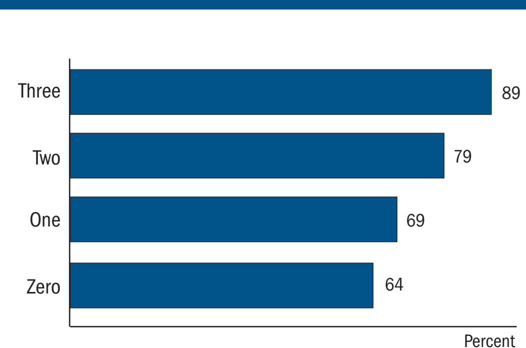
Gender differences in financial literacy mirrored differences in being comfortable with the investment decisions. Women, on average, answered a lower share of financial literacy questions correctly (52 percent) than men (66 percent). Women were also more likely to select "don't know" or to skip questions (39 percent) than men (26 percent). As a result, women, on average, had lower levels of financial literacy by this measure. Some evidence suggests that one driver of this gender difference may relate to different levels of experience with financial decisions.[66]

Financial knowledge appears to be correlated with experience with other investments as well. On average, people who own individual stock answered 77 percent of the financial literacy questions correctly. Those who have self-directed retirement savings, but no individual stocks, answered 59 percent correctly, and those with no self-directed retirement savings or stock holdings answered 32 percent correctly.

The high financial literacy scores among those who own individual stocks is particularly notable since one of the questions asks if owning individual stocks is riskier than owning a stock mutual fund. Sixty-three percent of stock owners correctly answered that it is riskier to own an individual stock, whereas just 33 percent of people who do not own individual stocks answered this question correctly. Consequently, many people who own individual stocks appear to be aware of this additional risk and either view the benefits as outweighing the risk or see the individual stocks as part of their broader investment portfolio.

Financial well-being is higher among people with higher rates of financial knowledge. Among those who answered all three of the financial literacy questions correctly, 89 percent were doing at least okay financially, whereas a lower 64 percent of those who did not answer any of the questions correctly were doing at least okay financially (figure 47). This positive relationship between financial well-being and financial literacy remains even when looking at people with the same level of education, although the magnitude of differences shrinks. Nevertheless, at least a portion of the increase in well-being with additional financial knowledge is likely attributable to other factors rather than to differences in financial knowledge alone.

Figure 47. At least doing okay financially (by number of financial literacy questions answered correctly)



Note: Among the one-half of respondents who were asked the questions including "Don't know" as an answer.

[66] Some of the gender gap in financial literacy may relate to specialization in financial tasks within a household, with women being less likely to handle the finances. Joanne Hsu finds that women's financial literacy increases after the death of a spouse (see "Aging and Strategic Learning: The Impact of Spousal Incentives on Financial Literacy," *Journal of Human Resources* 51(4) (Fall 2016): 1036–67).

Description of the Survey

The Survey of Household Economics and Decisionmaking was fielded from October 29 through November 22, 2021. This was the ninth year of the survey, conducted annually in the fourth quarter of each year since 2013.[67] Staff of the Federal Reserve Board wrote the survey questions in consultation with other Federal Reserve System staff, outside academics, and professional survey experts.

Ipsos, a private consumer research firm, administered the survey using its KnowledgePanel, a nationally representative probability-based online panel. Since 2009, Ipsos has selected respondents for KnowledgePanel based on address-based sampling (ABS). SHED respondents were then selected from this panel.

Survey Participation

Participation in the 2021 SHED depended on several separate decisions made by respondents. First, they agreed to participate in Ipsos' KnowledgePanel. According to Ipsos, 10.1 percent of individuals contacted to join KnowledgePanel agreed to join (study-specific recruitment rate). Next, they completed an initial demographic profile survey. Among those who agreed to join the panel, 61.3 percent completed the initial profile survey and became a panel member (study-specific profile rate). Finally, selected panel members agreed to complete the 2021 SHED.

Of the 18,322 panel members contacted to take the 2021 SHED, 11,965 participated and completed the survey, yielding a final-stage completion rate of 65.3 percent.[68] Taking all the stages of recruitment together, the cumulative response rate was 4.0 percent. After removing a small number of respondents because of high refusal rates or completing the survey too quickly, the final sample used in the report included 11,874 respondents.[69]

Targeted Outreach and Incentives

To increase survey participation and completion among hard-to-reach demographic groups, Board staff and Ipsos used a targeted communication plan with monetary incentives. The target groups—young adults ages 18 to 29; adults with less than a high school degree; adults with

[67] Data and reports of survey findings from all past years are available at https://www.federalreserve.gov/consumerscommunities/shed.htm.

[68] Three hundred ninety-five respondents were not included in the analysis because they started, but did not complete, the survey (known as break-offs). The study break-off rate for the SHED was 3.2 percent.

[69] Of the 11,965 respondents who completed the survey, 91 were excluded from the analysis in this report because of either leaving responses to a large number of questions missing, completing the survey too quickly, or both.

household income under $50,000 who are under age 60; and those who are a race or ethnicity other than White, non-Hispanic—received additional email reminders and text messages during the field period, as well as additional monetary incentives.

All survey respondents not in a target group received a $5 incentive payment after survey completion. Respondents in the target groups received a $15 incentive. These targeted individuals also received additional follow-up emails during the field period to encourage completion. Additionally, the incentives offered to some targeted individuals increased to $25 during the field period to increase the incentive for completion.[70]

Survey Questionnaire

The 2021 survey took respondents 21.6 minutes (median time) to complete.

A priority in designing the survey questions was to understand how individuals and families—particularly those with low- to moderate-income—fared financially in 2021. The questions were intended to complement and augment the base of knowledge from other data sources, including the Board's Survey of Consumer Finances. In addition, some questions from other surveys were included to allow direct comparisons across datasets.[71] The full survey questionnaire can be found in appendix A of the appendixes to this report.

Survey Mode

While the sample was drawn using probability-based sampling methods, the SHED was administered to respondents entirely online. Online interviews are less costly than telephone or in-person interviews and can be an effective way to interview a representative population.[72] Ipsos' online panel offers some additional benefits. Their panel allows the same respondents to be re-interviewed in subsequent surveys with relative ease, as they can be easily contacted for several years.

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[70] All participants received a pre-notification email before the survey launch. They also received four email reminders during the three-week field period in addition to the initial survey invitation. Targeted respondents received two additional email reminders over this period. Three days before closing the survey, the email reminder to targeted adults increased the incentive for completing the survey from $15 to $25. Of the 5,733 respondents in a targeted group, 251 received the higher $25 incentive payment and the rest received the $15 incentive payment.

[71] For a comparison of results to select overlapping questions from the SHED and Census Bureau surveys, see Jeff Larrimore, Maximilian Schmeiser, and Sebastian Devlin-Foltz, "Should You Trust Things You Hear Online? Comparing SHED and Census Bureau Survey Results," Finance and Economics Discussion Series Notes (Washington: Board of Governors of the Federal Reserve System, October 15, 2015), https://doi.org/10.17016/2380-7172.1619.

[72] David S. Yeager et al., "Comparing the Accuracy of RDD Telephone Surveys and Internet Surveys Conducted with Probability and Non-Probability Samples," *Public Opinion Quarterly* 75, no. 4 (2011): 709–47.

Furthermore, internet panel surveys have numerous existing data points on respondents from previously administered surveys, including detailed demographic and economic information. This allows for the inclusion of additional information on respondents without increasing respondent burden.[73] The respondent burdens are further reduced by automatically skipping irrelevant questions based on responses to previous answers.

The "digital divide" and other differences in internet usage could bias participation in online surveys, so recruited panel members who did not have a computer or internet access were provided with a laptop and access to the internet to complete the surveys. Even so, individuals who complete an online survey may have greater comfort or familiarity with the internet and technology than the overall adult population, which has the potential to introduce bias in the characteristics of who responds.

Sampling and Weighting

The SHED sample was designed to be representative of adults age 18 and older living in the United States.

The Ipsos methodology for selecting a general population sample from KnowledgePanel ensured that the resulting sample behaved as an equal probability of selection method (EPSEM) sample. This methodology started by weighting the entire KnowledgePanel to the benchmarks in the latest March supplement of the Current Population Survey along several geo-demographic dimensions. This way, the weighted distribution of the KnowledgePanel matched that of U.S. adults. The geo-demographic dimensions used for weighting the entire KnowledgePanel included gender, age, race, ethnicity, education, census region, household income, homeownership status, and metropolitan area status.

Using the above weights as the measure of size (MOS) for each panel member, in the next step a probability proportional to size (PPS) procedure was used to select study specific samples. This methodology was designed to produce a sample with weights close to one, thereby reducing the reliance on post-stratification weights for obtaining a representative sample.

After the survey collection was complete, statisticians at Ipsos adjusted weights in a post-stratification process that corrected for any survey non-response as well as any non-coverage or under- and oversampling in the study design. The following variables were used for the adjustment of weights for this study: age, gender, race, ethnicity, census region, residence in a metropolitan area, education, and household income. Demographic and geographic distributions for the

[73] This approach also may allow for the retroactive linking of information learned about respondents from other data, as was done in 2021 to determine Asian respondents in earlier years of the survey.

noninstitutionalized, civilian population age 18 and older from the March Current Population Survey were the benchmarks in this adjustment. Household income benchmarks were obtained from the 2021 March Current Population Survey (CPS).

One feature of the SHED is that a subset of respondents also participated in prior waves of the survey. In 2021, about one-third of respondents had participated in the fall 2020 survey. Prior year case identifiers for these repeat respondents are available in the publicly available dataset, along with weights for this subset of respondents. These weights use a similar procedure as described above to ensure estimates based on the repeated sample are representative of the U.S. population.

Although weights allow the sample population to match the U.S. population (excluding those in the military or in institutions, such as prisons or nursing homes) based on observable characteristics, similar to all survey methods, it remains possible that non-coverage, non-response, or occasional disparities among recruited panel members result in differences between the sample population and the U.S. population. For example, address-based sampling likely misses homeless populations, and non-English speakers may not participate in surveys conducted in English.[74]

Despite an effort to select the sample such that the unweighted distribution of the sample more closely mirrored that of the U.S. adult population, the results indicate that weights remain necessary to accurately reflect the composition of the U.S. population. Consequently, all results presented in this report use the post-stratification weights produced by Ipsos for use with the survey.

Item Non-response and Imputation

Item non-response in the 2021 SHED was handled by imputation. Typically, less than 1 percent of observations were missing for each question.[75] As a result, population estimates were not sensitive to the imputation procedure and a simple regression approach was used.[76]

[74] For example, while the survey was weighted to match the race and ethnicity of the entire U.S. adult population, there is evidence that the Hispanic population in the survey were somewhat more likely to speak English at home than the overall Hispanic population in the United States. In the 2021 SHED, the 60 percent of Hispanic adults who speak Spanish at home is below estimates from the 2019 American Community Survey. See table B16006 at https://data.census.gov. See the *Report on the Economic Well-Being of U.S. Households in 2017* for a comparison of results to select questions administered in Spanish and English at https://www.federalreserve.gov/publications/2018-economic-well-being-of-us-households-in-2017-preface.htm.

[75] Because item non-response is very low in the SHED, 2021 estimates are comparable with prior years where item non-response was handled differently.

[76] A logit regression was used for binary variables, a multinomial logit for categorical variables, an ordinal logit for ordered values, and a linear regression for continuous values. Typical predictors included income, education, race and ethnicity, age, gender, and metropolitan status, but varied depending on how well they predicted the variable of interest and item non-response. Additional predictors were included as appropriate.

The imputation procedure was carried out as follows:

1. Impute questions, like income and education, to be used in the imputation models throughout.
2. Continue at the beginning of the survey and impute missing values sequentially, question by question.

In some cases, the imputation for one question affected later questions by switching an observation from out-of-universe to in-universe or vice versa. These cases were handled by imputing the missing "downstream" question response or recoding it to missing, where appropriate.

Each variable in the publicly available SHED dataset has a corresponding imputation flag, 'var'_iflag, which is set to 1 if the observation was imputed and 0 otherwise.[77] For example, the first question of the survey about whether the respondent lived with their spouse or partner, L0_a, has a corresponding imputation flag of L0_a_iflag. This question had 31 missing values that were imputed, accounting for 0.3 percent of all observations.

[77] The survey data can be downloaded at https://www.federalreserve.gov/consumerscommunities/shed_data.htm.

Acknowledgments

This survey and report were prepared by the Consumer and Community Research Section of the Federal Reserve Board's Division of Consumer and Community Affairs (DCCA).

DCCA directs consumer- and community-related functions performed by the Board, including conducting research on financial services policies and practices and their implications for consumer financial stability, community development, and neighborhood stabilization.

DCCA staff members Alicia Lloro, Ellen Merry, Kenneth Brevoort, Kayla Jones, Jeff Larrimore, Jacob Lockwood, Anna Tranfaglia, Erin Troland, Douglas Webber, and Mike Zabek prepared this report. Federal Reserve staff members Laura Benedict, Andrea Brachtesende, David Buchholz, Ellen Levy, Madelyn Marchessault, Kirk Schwarzbach, and Pamela Wilson provided valuable feedback on the report. The authors would like to thank Eric Belsky, Anna Alvarez Boyd, Eileen Divringi, Dan Gorin, Simona Hannon, Geng Li, Tenisha Noel, Kamila Sommer, Sarah Stein, and Ann Thompson for their contributions to new survey questions. The authors would also like to thank Bob Torongo, Frances Barlas, Poom Nukulkij, and Alyssa Marciniak for their assistance fielding the survey.

If you have questions about the survey or this report, please email SHED@frb.gov.

Corrections

The Federal Reserve revised this report on August 22, 2022, to reflect corrected data described below.

On page 38, in the Health-Care Expenses section, figure 22, “Forms of medical treatment skipped because of cost during 2021,” data were corrected for the entry “Dental care” from 13 percent to 17 percent and for the entry “Seeing a doctor or specialist” from 17 percent to 13 percent.

The Federal Reserve revised this report on February 2, 2023, to reflect the corrections described below.

On page 12, in the Overall Financial Well-Being section, in table 1, “At least doing okay financially (by demographic characteristics),” “LGBTQ+ status was first identifiable in the 2020 survey” was corrected to “LGBTQ+ status was first identifiable in the 2019 survey.”

On page 54, in the Housing section, the title of figure 29 was corrected from “Distance to friends, families, and workplaces in 2020” to “Distance to friends, families, and workplaces after moves” and the bar lengths were adjusted to match the figure values.

On page 63, in the Education section, the bar lengths of figure 33, “Parent’s views on precautions taken by child’s school (by income and race/ethnicity),” were adjusted to match the figure values.

On page 71, in the Education section, the bar lengths of figure 39, “Acquired debt for own education, including repaid debt (by age and highest degree completed),” were adjusted to match the figure values.

On page 76, in the Education section, text in the footnote of figure 41, “Self-assessed value of higher education (by education and debt status),” was corrected from “Among adults ages who borrowed for their own education” to “Among adults who attended college.”

On page 83, in the Retirement and Investments section, in figure 47, “At least doing okay financially (by number of financial literacy questions answered correctly),” the text “Key identifies bars in order from left to right” was removed from the footnote.

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