Over 29 million Americans comprise the “at risk” segment – most likely of all the segments to live paycheck to paycheck and run out of money before the end of the month. Seven in ten struggle to keep on top of their bills, and a quarter are actually falling behind on credit and bill payments. They are the most likely of all segments to have lost a job, had hours cut or pay reduced, received an eviction or foreclosure notice, or had a health emergency in the last five years. Most of them work – three-quarters receive wages from an employer, and one-quarter earns over $60,000 annually. This diverse population spans all income and demographics but is similar in their high levels of financial stress and insecurity.

### Who Are They?

#### 12% of American Adults Are Financially At Risk

- **Race/Ethnicity**
  - 66% White, Non-Hispanic
  - 15% Hispanic
  - 14% Black, Non-Hispanic
  - 4% Other, Non-Hispanic
  - 1% 2+ Races, Non-Hispanic

- **Household Income**
  - $100,000 or more: 8%
  - $60,000 - 99,999: 16%
  - $30,000 - 59,999: 29%
  - Less than $30,000: 47%

- **Age**
  - 65+: 8%
  - 50-64: 33%
  - 36-49: 28%
  - 26-35: 22%
  - 18-25: 10%

- **Gender**
  - Male: 43%
  - Female: 57%

- **40% have children**
What Behaviors Does This Segment Exhibit?

Planning

Most are extremely vulnerable to a financial shock.

» 62% could only make ends meet for one month or less in the event of a sudden drop in income.

» Half say: “We would plan ahead if we could,” yet only one in five plans ahead for large, irregular expenses.

» One-quarter says it is somewhat or very difficult to predict next month’s income.

» 35% say they experience unexpected expenses at least monthly.

Saving

Most do not save, and one quarter spend more than their income.

» 74% do not save.

» For 49%, the most important timeframe for saving for the future is the next few weeks or the next few months.

» 77% have less than $1,000 in non-retirement savings; 63% have less than $1,000 in retirement savings.

Debt

Many have debt loads that may be difficult to manage.

» 43% have student loan debt, 49% have medical debt, and 85% have other non-mortgage debt.

» At least 48% have an unhealthy amount of debt compared to income.*

Attitudes

✓ 74% say their finances cause them significant stress.

✓ 14% are confident they can meet their short-term savings goals.

✓ 16% are confident they can meet their long-term goals for becoming financially secure.

✓ 32% believe they have the skills and knowledge to manage their finances well.

What Products Are They Using?

Individuals in the at risk segment are among the most likely to cash checks at non-bank locations, including check cashers, stores, and through friends and family. They are the most likely to have borrowed money from friends and family in the past year (46%), to have intentionally over-drawn a checking account, and to have taken out a payday loan, auto title loan, or pawn loan.

» 16% of at risk households have a prepaid card.

» 13% do not have a checking account. Of those, 67% previously had one.

» 44% do not have a savings account. Of those, 54% previously had one.

» 46% do not have a credit card. Of those, 59% previously had one.

» More at risk households have a prepaid card than any other segment – 16% overall; further, 5% have a payroll card.

» 53% use online banking and 37% use mobile financial services regularly.**

» 67% use debit cards and 56% use cash always or often to make purchases.

» 12% sought out debt counseling advice from a financial professional in the last 5 years.

* An ‘unhealthy amount of debt’ is defined as having a financial obligation ratio of 40% or more. The ratio could not be calculated for 25% of this segment because respondents answered “don’t know” to one or more of the questions that provided data for the ratio.

** Mobile financial services includes mobile banking, receiving an SMS alert from a financial services provider, and using mobile remote deposit capture. Regular use = in the last 30 days.
How to Reach the Financially At Risk

Many consumers in the at risk segment are facing dire financial straits that high-quality financial services alone cannot adequately address. For these consumers, non-profit and government agencies are better positioned to serve these individuals with financial coaching, debt counseling, Individual Development Accounts (IDAs), and other social services. Government payments can also serve as an on-ramp to the financial sector by offering direct deposit, prepaid cards, and personal financial management tools linked to benefits cards.

For-profit, non-profit, and government providers have an opportunity to serve this segment by further exploring their financial pain points and testing innovative solutions to uncover:

» How can financial technology innovation facilitate access to social services; for example, by streamlining the application process for certain government benefits, like Supplemental Nutrition Assistance (SNAP) and Temporary Assistance for Needy Families (TANF)? Can social services providers reduce costs and increase efficiency, reach, and impact by leveraging technology to serve members of this segment?

» What type of account design will help consumers avoid the pitfalls that previously led them to close accounts (or have providers close them) while also providing the convenience and functionality they need? What types of guardrails and features promote consumer success and mitigate provider risk?

» How can high-quality products help consumers make the most of what they have? For example, can accelerating access to wages help address liquidity challenges? Can a creatively designed debt consolidation and repayment product help individuals in this segment reduce debt burdens while amassing a savings cushion for the future?

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Support for this Brief
MetLife Foundation is a major sponsor of CFSI’s ongoing consumer financial health work, including these segment briefs.

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About the Consumer Financial Health Study
The Consumer Financial Health Study benefited from guidance and generous financial support from Ford Foundation and MetLife Foundation. The Consumer Financial Health Study also benefited from generous financial support from American Express.

The Center for Financial Services Innovation launched its Consumer Financial Health Study to better understand the current state of financial health in America and consumer challenges.

For more on the study – including details on the survey instrument, methodology, financial health indicators, and financial health segmentation – download the segmentation whitepaper: http://bit.ly/ConsumerFinHealth