Bankrate

Nearly Half Have Less or No Savings Compared to a Year Ago

36% Have More Credit Card Debt than Emergency Savings, Marking a 12 Year Record High

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NEW YORK – February 23, 2023 – As high inflation takes a toll on household finances, nearly half of U.S. adults (49%) have either less or no emergency savings compared to a year ago, according to a new Bankrate report. That includes 39% who say they have less savings than last year, and 10% who had no emergency savings last year and still have none this year. Alarmingly, more than one-third of U.S. adults overall (36%) say their credit card debt outweighs their emergency savings, the highest in 12 years of polling and up significantly from the last two years (27% in 2021; 22% in 2022).

https://www.bankrate.com/banking/savings/emergency-savings-report/

Considering these economic challenges, only 26% say they have more emergency savings this year, while 25% say their level of savings is about the same.

Across both age and income level, at least one-third say they are likely to have less emergency savings now compared to last year. However, millennials and lower earning households are more likely to have not had any emergency savings last year and still not have any this year. Millennials (16%; ages 27-42) are nearly or at least twice as likely as Gen Zers (8%; ages 18-26), Gen Xers (9%; ages 43-58), and baby boomers (5%; ages 59-77) to report no savings last year or this year. The same trend is present regarding income level, as the lowest earning households (under $50,000/year) are five times as likely (15%) to have no savings last year or this year, compared to just 3% of the highest earning households (over $100,000/year).

Overall, just over half of U.S. adults (51%) say they have more emergency savings than credit card debt, marking two straight years of decline (54% in 2021; 53% in 2022).

Both older generations and higher earners are more likely to have more emergency savings than credit card debt, while younger generations and lower earners are more likely to have the opposite financial situation. The majority of baby boomers (67%) and 50% of Gen Xers, compared to 38% of millennials and 40% of Gen Zers, have more emergency savings than credit card debt, while more than half of the highest earning households (68%) and middle-income households (60%; earning $50,000-99,999/year) can say the same, compared to just 36% of the lowest earning households.

Notably, nearly half of millennials (45%) and Gen Xers (44%), or those in their prime working years, have more credit card debt than in their emergency fund or savings, compared to 38% of Gen Zers and 25% of baby boomers.

Finally, an additional 13% say they have no credit card debt, nor any emergency savings, the lowest since 2018. Gen Zers were most likely to say they had neither credit card debt nor savings (22%), compared to 17% of millennials, 6% of Gen Xers, and 9% of baby boomers.

“It’s clear that the less-than-optimal economy, including historically high inflation coupled with rising interest rates, has taken a double-edged toll on Americans,” said Bankrate senior economic analyst Mark Hamrick. “Many have resorted to tapping their emergency savings if they have it, or have taken on credit card debt, or some combination. Adding to the challenge is the record high level of credit card interest rates, punitive for those who fail to pay off their balances immediately.”

Thinking of their current financial priorities, more than one-third of U.S. adults (34%) are striving to focus on increasing emergency savings while also paying down debt. That is compared to 32% who are focused just on increasing emergency savings, and 23% who are prioritizing paying down debt. An additional 11% say neither increasing emergency savings nor paying down debt is a priority for them right now.

Building emergency savings remains a lofty goal for many, as a recent Bankrate report found that the majority of U.S. adults (57%) are unable to afford a $1,000 emergency expense.

“For those wisely focused on managing and building their emergency savings, this is an opportune time to benefit from the increase in interest rates,” Hamrick added. “Emergency savings, by definition, needs to be liquid or easily accessible. A high-yield savings account dedicated to this purpose amounts to a self-insurance policy guarding against unplanned expenses.”

Methodology:
This study was conducted for Bankrate by SSRS on its Opinion Panel Omnibus platform. The SSRS Opinion Panel Omnibus is a national, twice-per-month, probability based survey. Interviews were conducted from January 20-23, 2023 among a sample of 1,032 respondents in English (1,007) and Spanish (25). This survey was conducted via web (1002) and telephone (30), while surveys prior to 2023 were conducted entirely via telephone. The margin of error for total respondents is +/-3.7 percentage points at the 95% confidence level. All SSRS Omnibus data are weighted to represent the target population.

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