



From Short-Term Financial Wellbeing to Long-Term Financial Security

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How to Build Long-Term Financial Wellness Webinar

Motivation



- Subjective perceptions of financial wellbeing (FWB) are important
 - Perhaps a closer measure of happiness than asset levels
- Recent research has worked to define FWB and examine determinants
- Relatively little work has examined how FWB changes over time
 - What factors are predictive of substantial increases?

Study



- Use 4 years of longitudinal data (pre-pandemic) to examine:
 - How FWB evolves over time
 - What factors and behaviors are associated with large increases (and decreases) in FWB
- Examine whether these relationships changed post-pandemic
- Explore relationship between stimulus receipt and FWB

Financial Wellbeing



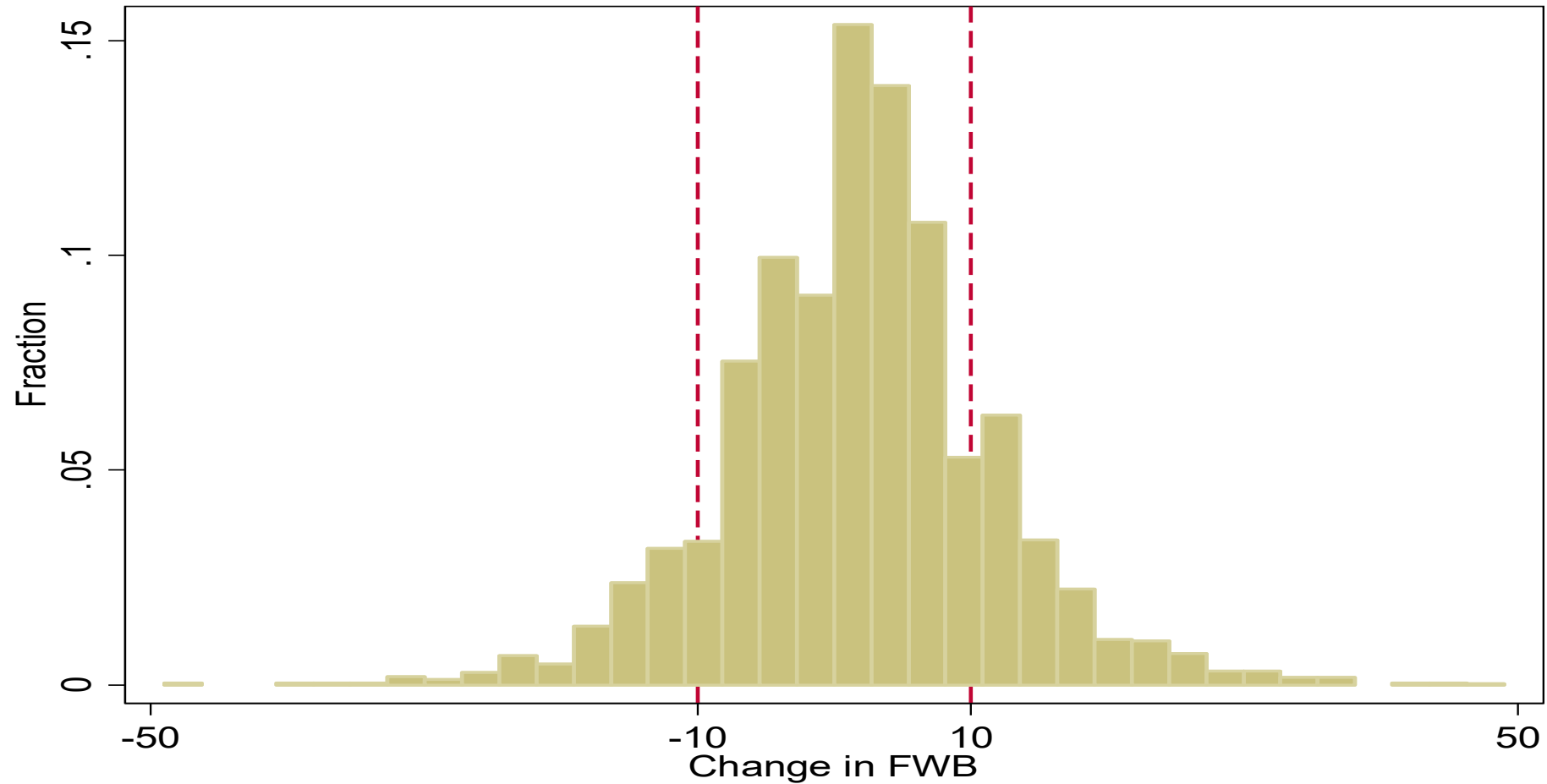
- 10 item CFPB Financial Wellbeing (100 point) scale:
 - Feeling in control of day-to-day finances
 - Capacity to absorb a financial shock
 - Feeling on track to meet financial goals
 - Having financial freedom to enjoy life
- Large increase = 10 or more points

Understanding America Study

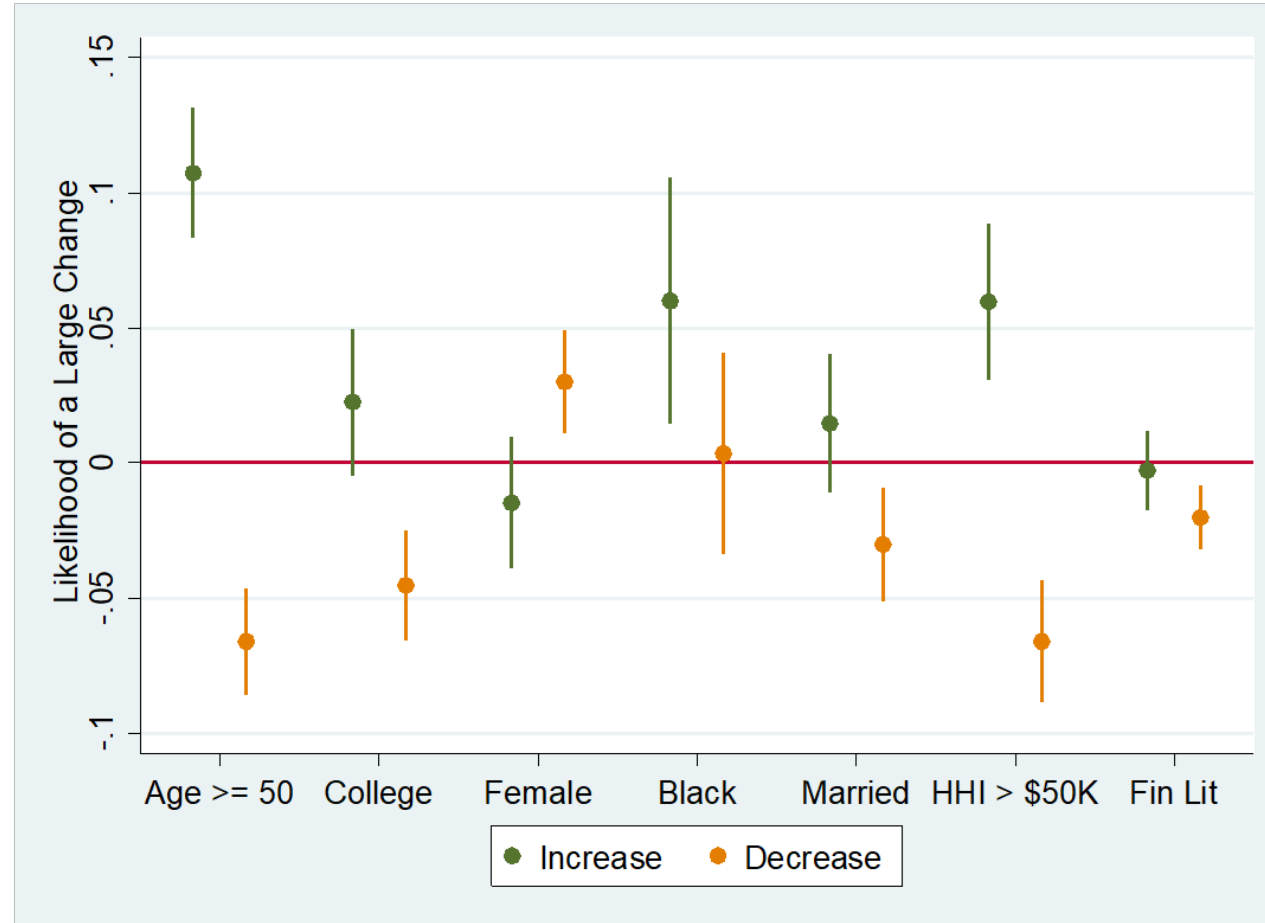


- Nationally representative, longitudinal internet panel
 - Contains voluminous information on participants
 - Elicits FWB on panel entry
 - Re-asked in September 2019 (median 3.1 years between elicitations)
 - Analysis sample – more than 4,000 respondents

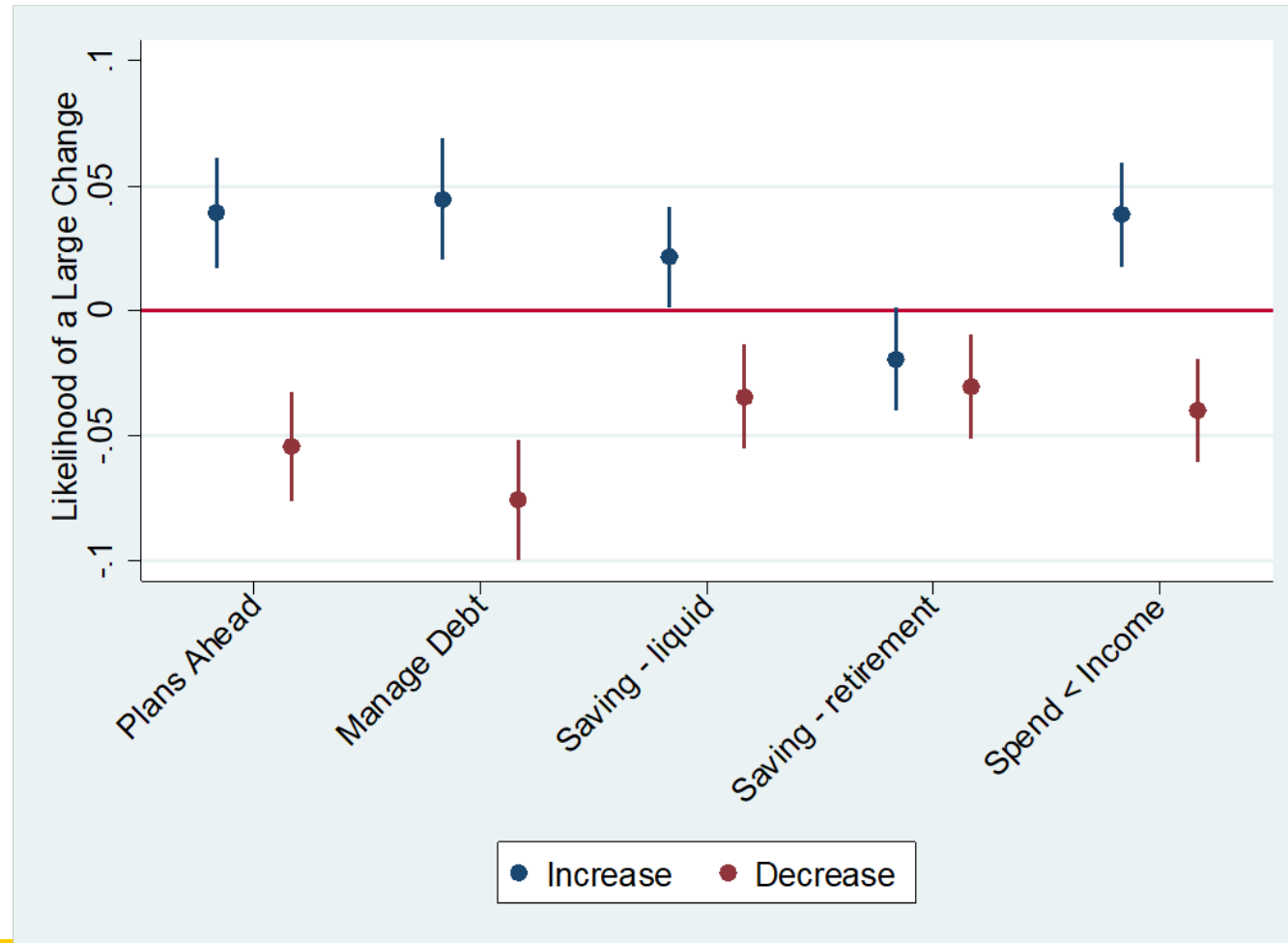
Change in FWB (Feb 2016 – September 2019)



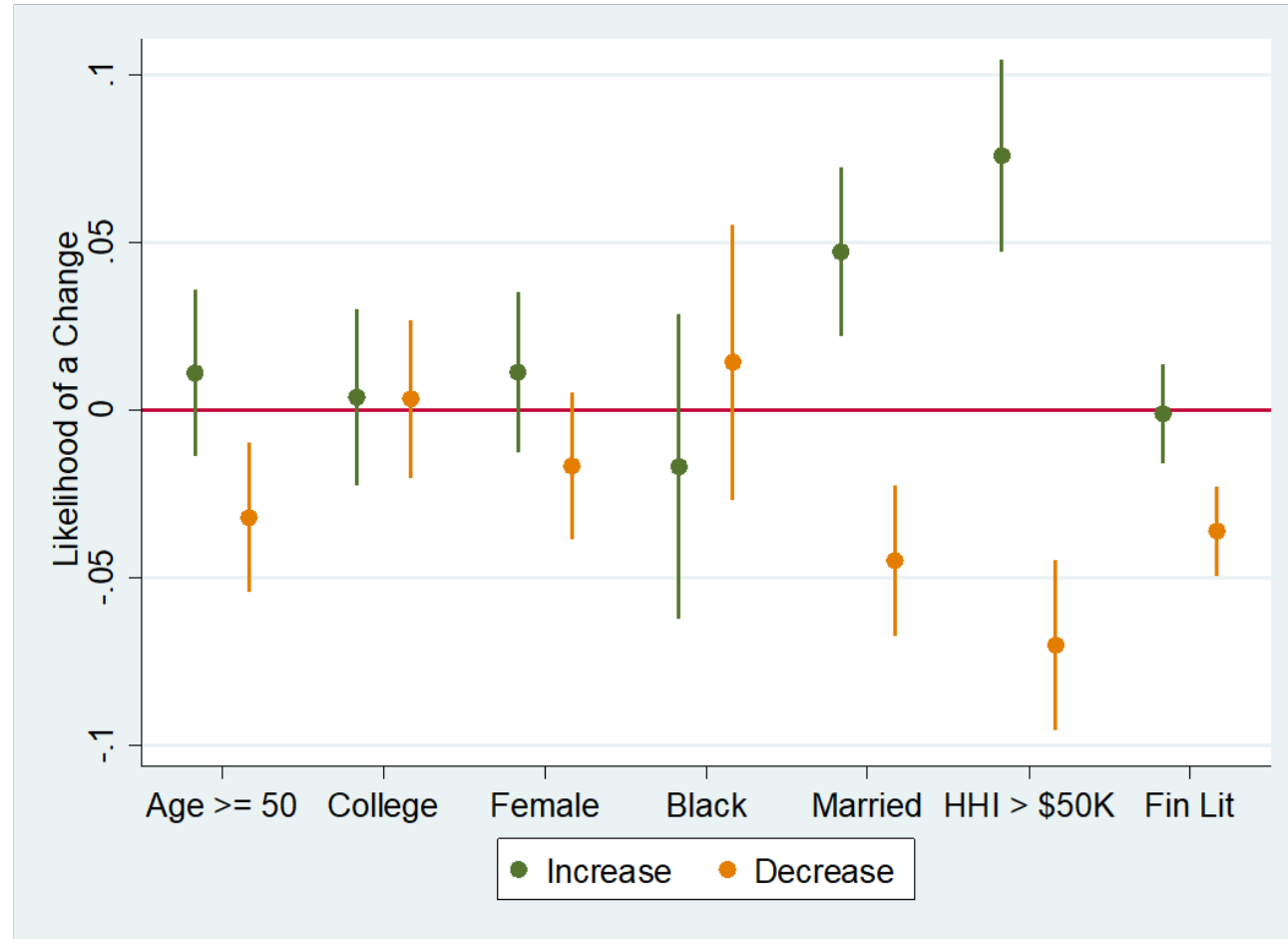
What Demographic Characteristics Predict Large Changes? (Pre-Pandemic)



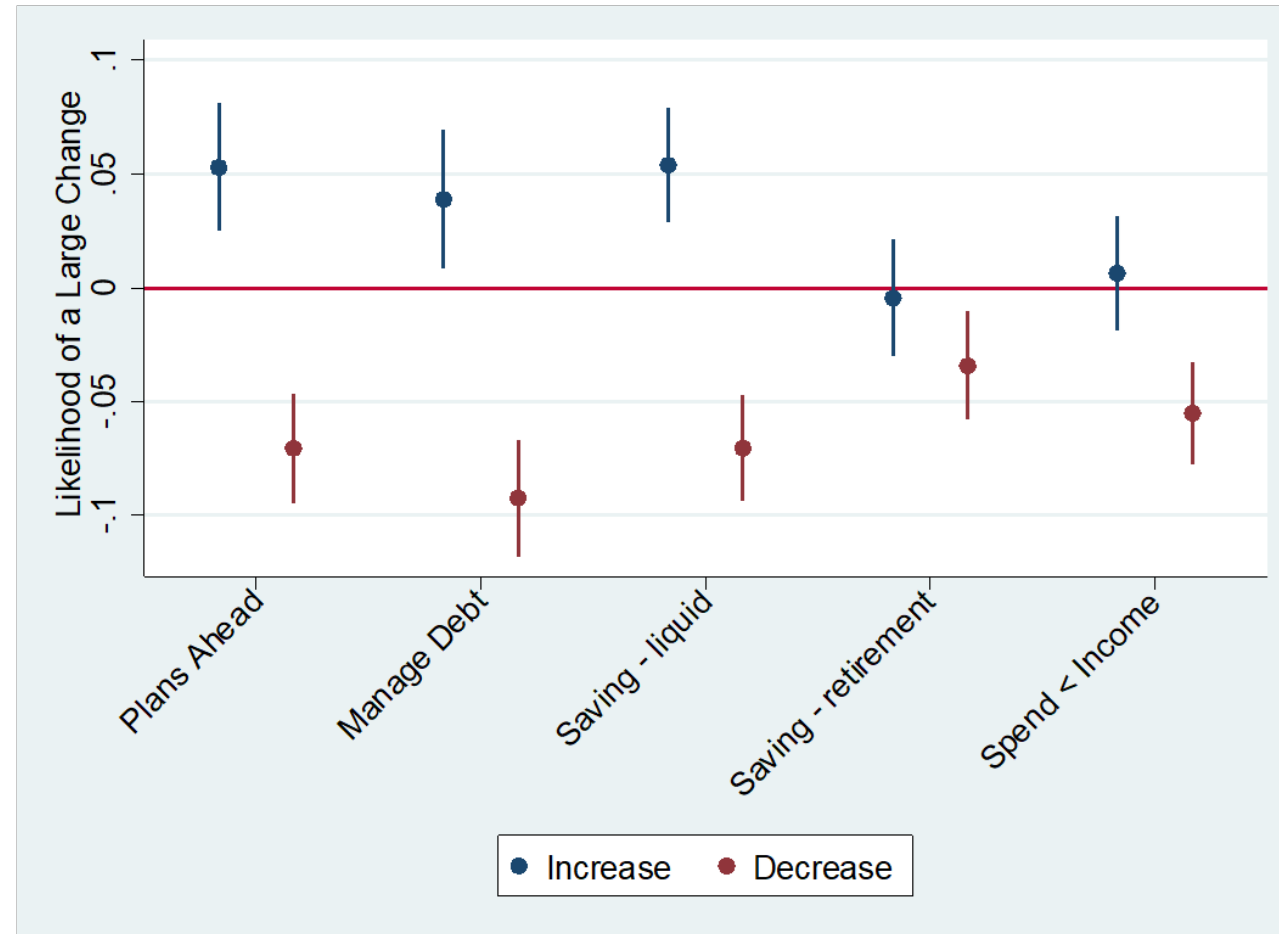
What Financial Behaviors Predict Large Changes? (Pre-Pandemic: 5/18 – 5/19)



What Demographic Characteristics Predict Large Changes? (Post-Pandemic: 5/19 – 5/20)



What Demographic Characteristics Predict Large Changes? (Post-Pandemic: 5/19 – 5/20)



Influence of Financial Behavior on Large Changes in FWB Pre/Post Pandemic



Behavior	Pre-Pandemic May 2018 – May 2019		Post-Pandemic May 2019 – May 2020	
	FWB Increase	FWB Decrease	FWB Increase	FWB Decrease
<i>Plans Ahead</i>				
<i>Manageable Debt</i>				
<i>Saving - Liquid</i>				
<i>Saving - Retirement</i>				
<i>Spend < Income</i>				

Insights



- Despite relative stability in the aggregate, a sizeable portion of people experience large changes in FWB over a 3 – 4 year period
- Several financial behaviors are predictive of large increases:
 - Planning ahead financially
 - Maintaining manageable debt
 - Saving in liquid accounts
 - Spending less than income
- Other modifiable characteristics associated with lower likelihood of decreases
 - Education level
 - Financial literacy
- Similar relationships observed pre- and post-pandemic
- Descriptive not causal