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**The 2010 Consumer Financial Literacy Survey**  
***Final Report***

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Prepared For:

**The National Foundation for Credit Counseling**



NATIONAL FOUNDATION FOR  
CREDIT COUNSELING

*Knowing the difference can  
make all the difference.*

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**Public Relations Research**

## **Summary**

As the U.S. economy continues to emerge from the global recession, Americans may have found a silver lining to those dark financial clouds. The results of the National Foundation for Credit Counseling's (NFCC) fourth annual Financial Literacy Survey suggest that many U.S. adults are improving how they manage their money: more consumers now have a budget and non-retirement savings, and a greater proportion than last year gives themselves high grades on their knowledge of personal finance.

That being said, many U.S. adults continue to engage in risky financial behaviors and certain subgroups of the population – young adults and minorities in particular – are at greater risk than others. And the majority of adults still agree that they could benefit from the advice of a financial professional, revealing that they themselves recognize the need for further improvement.

## **Methodology**

The 2010 Financial Literacy survey was conducted by telephone within the United States by Harris Interactive on behalf of the NFCC (National Foundation for Credit Counseling) between March 4 and March 8, 2010 among 2,028 adults ages 18+. Results were weighted for age, sex, geographic region, and race where necessary to align them with their actual proportions in the population.

All sample surveys and polls, whether or not they use probability sampling, are subject to multiple sources of error which are most often not possible to quantify or estimate, including sampling error, coverage error, error associated with nonresponse, error associated with question wording and response options, and post-survey weighting and adjustments.

Therefore, Harris Interactive avoids the words "margin of error" as they are misleading. All that can be calculated are different possible sampling errors with different probabilities for pure, unweighted, random samples with 100% response rates. These are only theoretical because no published polls come close to this ideal.

## Key Findings

### Budget and Spending

**Showing slight improvement since 2007 (39 percent), more than two in five adults (43 percent) now keep close track of their spending. However, more than half (56 percent) still do not have a budget,** and more than 11 million adults (5 percent) do not monitor their overall spending and don't know how much they spend on food, housing, and entertainment.

**51 percent of adults report spending less than they were a year ago.** However, more than one in four (27 percent) of those now spending less admit that, if their financial situation were to improve within the next year, they would resume their previous spending habits, and about one in five (21 percent) would spend *more* than they did last year.

### Savings and Retirement

**One-third of adults (33 percent), or about 75 million people, do not put any part of their annual household income toward retirement.** This is up from 28 percent in 2008 and level with 33 percent in 2009.

**Though the proportion of adults who have *non-retirement* savings has increased over the years, three in ten (30 percent), or more than 68 million people, report that they have no savings and only 24 percent are now saving more than they did a year ago because of the current economic climate.** Nearly two in five (39 percent) Gen Y adults – more than any other age group – report having no savings. Of those with no savings, one in four say that, if faced with an emergency, they would charge that expense to a credit card (25 percent) or take out a loan (29 percent), thus adding to any existing debt.

### Debt and Credit

**28 percent, or nearly 64 million adults, admit to not paying all of their bills on time.** Among minorities, this number is at 47 percent for African-Americans and 42 percent for Hispanics.

**Though a majority of adults (67 percent) say they pay for most purchases with cash or a debit card, about two in five (41 percent) report that their household carries credit card debt** and more than 11 million people (5 percent of adults) say they carry \$10,000 or more in credit card debt from month to month.

**In spite of it being free, nearly two-thirds of adults (65 percent), or nearly 148 million people, have not ordered a copy of their credit report in the past year.** And nearly one-third (31 percent) do not know their credit score.

### Housing

44 percent of adults, or about 100 million people, currently have a home mortgage and, of those, **one in three (33 percent) say that the terms of their mortgage somehow turned out to be different than they expected.**

**80 percent of adults feel there are situations where it is acceptable to default on a mortgage, and two of the top three most justifiable circumstances place the blame on the lender.**

### Knowledge of Personal Finance

**Nearly four in five adults (78 percent) agree that they would benefit from advice and answers to everyday financial questions from a professional, and nearly one-third (31 percent) *strongly* agree.**

Though more adults now give themselves an A, **34 percent, or nearly 77 million people, gave themselves a grade of C, D, or F on their knowledge of personal finance, suggesting there is still considerable room for improvement, especially among younger adults.**

## More Than Half of Adults Still Do Not Have a Budget

As in 2008 and 2009, just over two in five U.S. adults (43%) have a budget and keep close track of expenses such as food, housing and entertainment – more than half (56%), or about 127 million people, do not.

That being said, however, the proportion of adults who have a budget has gradually increased since 2007, when only 39% of adults had a budget – the 4 percentage point increase translates to 9 million adults who were not in 2007 but are now tracking their spending.

<b>Question:</b>	<u>Total 2010</u> %	<u>Total 2009</u> %	<u>Total 2008</u> %	<u>Total 2007</u> %
<b>Which of the following best describes how you manage your money?</b>	<b>Base: Adults 18+</b>			
	<b>(n= 2,028)</b>	<b>(n= 1,000)</b>	<b>(n= 1,001)</b>	<b>(n= 1,003)</b>
	<b>A</b>	<b>B</b>	<b>C</b>	<b>D</b>
You have a budget and keep close track of how much you spend on such things as food, housing and entertainment	43 <b>D</b>	42	42	39
Don't have a budget (Net)	56	57	N/A	N/A
You have a somewhat good idea about how much you spend on such things as food, housing and entertainment, but you don't keep strict track of your spending on these things	37	39	35	36
You don't have a good idea how much you spend on such things as food, housing and entertainment, but you keep track of your overall spending and try to stay within certain limits that you've set for yourself	14 <b>B</b>	11	12	15 <b>BC</b>
You don't have a good idea how much you spend on such things as food, housing and entertainment, and you often don't keep track of your overall spending	5	7 <b>A</b>	7 <b>A</b>	7 <b>A</b>
Don't know	1	1	2 <b>A</b>	2 <b>A</b>
Refused	*	*	2	1

### **Subgroup Analysis**

Overall, men and women, and adults of all ages, are equally likely to have a budget. Caucasian (40%), African-American (47%), and Hispanic (51%) adults are also all equally likely to track their spending.

Though there were no such differences by household income in 2007 or 2008, this year, as in 2009, we find that adults with a lower annual household income (less than \$35K/year) are significantly *more likely* than those earning \$35K/year or more to have a budget and keep close track of their expenses – in fact, among this group of adults, more than half (55%) have a budget (vs. 39% of those earning \$35K/year+).

## Most Adults Still Curbing Spending

Compared to one year ago, about half of adults (51%), or the equivalent of roughly 116 million people, are now spending less, and nearly one in four (23%) are spending *a lot* less.

Of those who have reduced their spending, however, more than one in four (27%) say they would resume spending as much as they did last year if their financial situation were to improve within the next year, and about one in five (21%) say they would spend more.

<b>Question:</b>	<u>Total 2010</u> %	<u>Total 2009</u> %
<b>Compared to one year ago, how has the current economic climate affected your spending? Are you now spending...?</b>	<b>Base: Adults 18+</b>	
	<b>(n= 2,028)</b>	<b>(n= 1,000)</b>
	<b>A</b>	<b>B</b>
More (Net)	18	18
A lot more than last year	8	7
A little more than last year	10	10
The same as last year	31 <b>B</b>	24
Less (Net)	51	57 <b>A</b>
A little less than last year	28	30
A lot less than last year	23	27 <b>A</b>
Don't know	1	*
Refused	*	1

## Many Not Saving for Retirement, But More Now Have Non-Retirement Savings

One in three adults are still not saving for retirement: the same proportion as last year (33%, vs. 28% in 2008) report that they do not save any part of their annual household income for retirement. Only 7% of adults, or nearly 16 million people, save more than 20% of their household's income for retirement each year.

In 2009, nearly 1 in 4 adults (23%) said that they were saving more compared to the previous year because

<b>Question:</b>	<u>Total 2010</u> %	<u>Total 2009</u> %	<u>Total 2008</u> %
<b>Do you have any savings, excluding retirement savings?</b>	<b>Base: Adults 18+</b>		
	<b>(n= 2,028)</b>	<b>(n= 1,000)</b>	<b>(n= 1,001)</b>
	<b>A</b>	<b>B</b>	<b>C</b>
Yes	67 <b>C</b>	65	63
No	30	32	36 <b>A</b>
Don't know	1	*	*
Refused	2 <b>C</b>	2	1

of the economic climate and, in fact, we now find that two in three adults (67%) have savings (excluding retirement savings) – a 4 percentage point increase since 2008 (63%).

That being said, there are still 30% of adults, or more than 68 million people, who report that they have no savings and only one in four (24%) are now saving more than they were a year ago because of the current economic climate.

<i>Question:</i>	<u>Total 2010</u> %	<u>Total 2009</u> %
<b>Compared to one year ago, how has the current economic climate affected your saving habits? Are you now saving...?</b>	<b>Base: Adults 18+</b>	
	<b>(n= 2,028)</b>	<b>(n= 1,000)</b>
	<b>A</b>	<b>B</b>
More (Net)	24	23
A lot more than last year	8	9
A little more than last year	17	15
The same as last year	38	39
Less (Net)	36	35
A little less than last year	18 <b>B</b>	15
A lot less than last year	17	20 <b>A</b>
Don't know	1	1
Refused	1	2

If they encountered an emergency or unexpected expense, one in four adults without savings would charge it to a credit card (25%) or take out a loan (29%), thus taking on or adding to existing debt. About half would turn to family or friends to borrow the money (51%), but as many as one in five (21%), or more than 14 million people, would be forced to neglect their other financial obligations.

### **Subgroup Analysis**

Gen Y adults and adults ages 65+ are least likely to save for retirement, probably because they have a limited income (younger) or have already retired (older). African-American adults (47%) are less likely than white adults (63%) to save for retirement. Not surprisingly, adults earning less than \$35K/year are least likely to be saving for retirement, while those earning \$100K+ are most likely to contribute 11-20% of their annual household income to retirement.

Not surprisingly, young adults (39% of those ages 18-34) and those earning less than \$35K/year (55%) are much more likely than their older and higher-earning counterparts, respectively, to say they do not have any non-retirement savings. African-American (50%) and Hispanic (38%) adults are more likely than Caucasian adults (25%) to not have any savings.

## **More Than One in Four Do Not Pay Their Bills on Time**

Though most adults say they pay their bills on time and have no debts in collection, 28%, or nearly 64 million people, admit to not paying all of their bills on time. 6% of adults, or nearly 14 million people, currently have debts in collection, including 2% (4.5 million people) who are seriously considering filing for bankruptcy or have already done so in the past three years.

### **Subgroup Analysis**

Adults ages 65+ and those with an annual household income of \$100K+ are more likely than their younger and lower income household counterparts, respectively, to say they pay all of their bills on time and have no debts in collection. Though they are most likely to have a budget, adults with an annual household income of less than \$35K are also most likely to say they don't pay all their bills on time – in fact, as many as 1 in 10 are getting calls from collectors and struggle to pay their bills every month.

Additionally, African-American (47%) and Hispanic (42%) adults are more likely than their white (22%) counterparts to not pay all of their bills on time. African-Americans are twice as likely as Hispanics, and four times as likely as Caucasian adults, to have debts in collection (16% African-American vs. 8% Hispanic and 4% white).

## Two in Three Pay with Cash or Debit, Yet Many Carry Credit Card Debt

Two in three adults (67%) say they pay for most purchases with cash or a debit card, and more than half (54%) have always done so. Compared to one year ago, more than one in ten (13%) used to pay for most purchases with a credit card but now use cash or debit.

Those who typically pay with cash or debit do so primarily because they want to avoid paying high interest rates on their purchases (72%), but more than two in five (43%) also say they do not want to do business with credit card issuers.

Despite a majority of adults claiming to pay for most purchases with cash or debit, about two in five (41%) say their household carries at least some credit card debt from month to month, and more than 11 million people (5% of all adults) carry \$10,000 or more from month to month.

In the last 12 months, 12% of adults (more than 27 million people) have been late making a credit card payment, 5% (more than 11 million people) have made a payment that was less than the minimum required, and 8% (about 18 million people) have missed a payment entirely. Additionally, 6% (nearly 14 million people) have transferred the balance from one card to another, 4% (about 9 million) have obtained a cash advance from their credit card company, and 2%, or as many as 4.5 million people, have consolidated their credit card debt into a personal bill consolidation loan.

<b>Question:</b>	<u>Total 2010</u> %
<b>You mentioned that you pay for most purchases with cash or a debit card. Why? Is it because...? *</b>	<b>Base: Adults 18+ who pay for most purchases with cash or a debit card (n= 1,276)</b>
You want to avoid paying high interest rates on your purchases	72
You do not want to do business with credit card issuers	43
You tend to overspend when using credit cards	23
You elected to close your accounts	19
You no longer have access to additional credit	8
Your credit card issuers have closed your accounts	6
Other	22
Don't know	2
Refused	1

### **Subgroup Analysis**

Younger adults ages 18-54 are more likely than those ages 65+ to have been late making a payment and to have missed a payment entirely. Adults with children under 18 in the household are more likely to have been late making a payment and to have made a payment that was less than the minimum required.

## Most Adults Have Not Reviewed Credit Report, Yet More Report Higher Credit Score

About two-thirds of adults (65%), or nearly 148 million people, have not ordered a copy of their credit report within the past 12 months and nearly one in three (31%), or about 70.5 million people, do not know their credit score. Interestingly, while the proportion of adults who have ordered a copy of their credit report remains roughly the same, the number of those reporting a credit score of 700 or higher has gradually increased since 2008 when this question was first asked (39% in 2010 vs. 35% in 2009 and 30% in 2008).

### **Subgroup Analysis**

Gen Y adults, those ages 65+, and adults earning less than \$35K/year are less likely to have ordered a copy of their credit report in the past 12 months. There were no significant differences by gender, region, or ethnicity.

## One in Three Mortgage-Holders Surprised by Their Terms; Four in Five Adults Find It Acceptable to Default on Mortgage

About three in five homeowners (61%) currently have a home mortgage – roughly the same proportion as last year (59%). Homeowners were least likely to report having a mortgage in 2008 (45%, vs. 53% in 2007, 59% in 2009, and 61% in 2010).

One in three adults who have a home mortgage (33%), or about 33 million people, report that the terms of their lien turned out to be different than what they initially expected with respect to: the amount of their monthly payment (14%); the interest rate (12%) or how long the initial rate lasted (9%); the private mortgage insurance (PMI) they had to pay in addition to the monthly mortgage payment (9%); and/or, the new dollar amount of their mortgage after it reset (11%).

If they were unable to meet all of their financial obligations, the vast majority of mortgage-holders (91%) say they would be more likely to keep their mortgage current than their credit cards (4%). However, if they had to default, most adults would understand: 80% of U.S. adults, or nearly 182 million people, feel there are circumstances under which it is justifiable for someone to default on a mortgage.

<b>Question:</b>	<b>Total 2010 %</b>
<b>Under what circumstances, if any, would you consider it justifiable for someone to default on a mortgage? *</b>	<b>Base: Adults 18+ (n= 2,028)</b>
Any (Net)	80
The borrower was misled about the terms of the loan	49
The borrower could no longer afford the monthly payment	46
The lender would not work with the borrower to modify the	43
The emotional stress of trying to meet the payment each month is overwhelming	30
The borrower needs to be relocated	26
The property is now worth less than what is owed on it	23
The property is not the borrower's primary residence	16
The property is an investment property only	14
Other	18
None	15
Don't know	4
Refused	1

And, two of the top three acceptable reasons for defaulting on a mortgage hold the lender responsible: the borrower was misled about the terms of the loan (49%), the borrower could no longer afford the monthly payment (46%), and the lender would not work with the borrower to modify the mortgage (43%).

### **Subgroup Analysis**

Among homeowners, adults ages 65+ are least likely to currently have a home mortgage, probably because they have already paid it off. Homeowners earning a higher income, as well as those with children under 18 living with them, are more likely to have a home mortgage.

Among those who have a mortgage, African-American adults and those with lower household incomes are more likely than their Caucasian and higher-earning counterparts, respectively, to have found that the terms of their mortgage were different than what they expected in various ways.

## Financial Literacy May Be Improving, But Most Still Recognize Need for Education

When asked what grade they would give themselves for their knowledge of personal finance, one in three adults (34%), or more than 77 million people, gave themselves a C, D, or F. Though this percentage is lower than the 41% who rated themselves similarly in 2009, the average grade U.S. adults would give their knowledge of personal finance remains a B- or C+, suggesting there is still room for improvement.

Indeed, despite more adults giving themselves an A or B this year than last (65% in 2010 vs. 58% in 2009), nearly four in five (78%, 80% in 2009) agree that, even considering what they already know about personal finance, they could still benefit from advice and answers to everyday financial questions from a professional, and nearly one in three (31%) *strongly* agree.

When it comes to learning about personal finance, the home is the most commonly cited source for personal finance education: 41% of adults say they learned the most about personal finance

from their parents or at home. Only 6% say they learned the most about personal finance in school – the relatively low grades many adults give themselves on their knowledge of personal finance suggest that this subject should be more broadly incorporated into school curricula.

### **Subgroup Analysis**

Adults with a lower annual household income are more likely to give themselves lower grades on their financial knowledge. Older adults ages 55+ are more likely than Gen Y adults (those ages 18-34) to give themselves an A in personal finance, and they are also more likely to say they don't need the help of a financial professional, while as many as 43% of Gen Yers *strongly* agree that they could benefit from advice and answers to everyday financial questions from a professional. Nearly two in five Gen Y adults (39%) give themselves a C, D or F in personal finance.

Though Caucasian (33%), African-American (36%), and Hispanic (38%) adults are equally as likely to give themselves a C, D or F on their knowledge of personal finance, Caucasian (25%) adults are more likely to give themselves an A than both African-Americans (14%) and Hispanics (15%), suggesting they have greater confidence in their financial literacy. African-Americans and Hispanics are both more likely than Caucasian adults to agree that they could benefit from the advice of a financial professional – in fact, nearly half of African-Americans (49%) and more than two in five Hispanics (42%, vs. 26% white) *strongly* agree that they could use answers to everyday financial questions from a professional.

<b>Question:</b>	<u>Total 2010</u> %	<u>Total 2009</u> %
<b>On a scale from A to F, what grade would you give yourself in terms of your knowledge about personal finance?</b>	<b>Base: Adults 18+</b>	
	<b>(n= 2,028)</b>	<b>(n= 1,000)</b>
	<b>A</b>	<b>B</b>
A/B (Net)	65 <b>B</b>	58
A	22 <b>B</b>	18
B	42	40
C	26	29
D/F (Net)	8	12 <b>A</b>
D	7	9
F	2	3
Don't know	1	1
Refused	*	1

## **Familiarity with NFCC and CCCS Remains Low**

Fewer than one in five adults (18%) are somewhat or very familiar with the NFCC, and only 2%, or 4.5 million people, say they are *very* familiar with the organization. More adults, though not by a wide margin, are familiar with the CCCS: 26% are somewhat or very familiar, and 4%, or about 9 million people, are *very* familiar. A majority of adults are not at all familiar with either the NFCC (62%) or the CCCS (53%).

### **Subgroup Analysis**

Patterns of awareness among various segments of the population are somewhat similar for the NFCC and the CCCS, and there are certain subgroups that are more likely to be familiar with one or both of these organizations: specifically, women and adults under the age of 65 are more likely to be familiar with one or both organizations.

African-American adults (26%) are more likely than Caucasian (16%) adults to be very or somewhat familiar with the NFCC. Along with Hispanic adults (37%), African-Americans (34%) are also more likely than their white counterparts (24%) to be familiar with the CCCS.