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CREDIT COUNSELING

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Contact: Gail Cunningham
(940) 691-6322 - direct
(240) 672-2700 – cell
gcunningham@nfcc.org

NFCC AND MSN MONEY RELEASE CONSUMER SURVEY RESULTS ON CAPITOL HILL

2008 Survey Reveals Serious Gaps in Financial Literacy

Silver Spring, MD – The National Foundation for Credit Counseling (NFCC) and MSN Money today released the results of their 2008 Consumer Financial Literacy Survey during a Congressional Briefing on Capitol Hill. The purpose of the survey, conducted by Princeton Survey Research Associates International, is to identify what Americans know about their finances and to assess their overall financial health. Having identified the key areas of deficiency, the NFCC and MSN Money plan to target their financial education initiatives to those Americans most at-risk.

While some results were positive, others revealed an undeniable need for financial education. Key findings were as follows:

Significant number struggle with mortgage payments and complexity of buying a home

One in every 10 Americans with a mortgage, or *roughly 10 million adults*, report being late or missing a mortgage payment in the last year. Adding more stress to the current housing market, *almost one-quarter of Americans* say they do not know enough about owning a home to consider buying one.

Millions have serious difficulties paying bills each month, most notably Generation Y

While a majority of the public reports that they pay their bills on time and do not have any debts in collections, a notable minority has fallen behind and is struggling, with seven percent, or *roughly 15 million adults*, either getting calls from collectors or seriously considering filing for bankruptcy. Higher income households and older Americans are more likely to stay on top of their bills. Whites and Latinos are more likely to pay their bills on time and stay clear of collections than blacks. Alarming, only 59 percent or *roughly 23 million* of the young adults in Generation Y, those ages 18-29, pay their bills on time every month. That translates into millions of tomorrow's leaders, those who will drive the engine of our economy for years to come, who are not practicing a most basic financial principle. The previous generation of consumers, those ages 30-49, also do not appear to be modeling good financial behavior.

Only a minority keep close track of expenses/spending

Financial experts generally agree that having a household budget is sound financial management. However, similar to the findings from 2007, only a minority of Americans say they keep close track of what their typical monthly expenses are. Although a majority of the public has at least a somewhat good idea of where their money goes each month, nearly two in 10, or *roughly 40 million adults*, keep little or no track at all. Contrary to some stereotypes, how closely Americans manage their money does *not* vary by gender, age, or income. Women continue to be as likely as men, younger people as likely as older

people, and lower income households as likely as higher income ones to keep close track of what they spend.

Savings and emergency funds lacking

A majority of the public does not have a sufficient emergency fund, defined as three to six months income saved. More than one-third, or *roughly 76 million adults*, say they do not have any non-retirement savings. Although a majority is currently saving for their retirement, more than one-quarter are not.

Many Americans are under-insured, Latinos at higher risk

Even though the baby boomer generation has come of age, only a little more than one-quarter say they have long-term care insurance. Another at-risk group is renters, with only one in 10 saying they have renters insurance. Latinos are also less likely to have medical and life insurance than whites or blacks.

Minority has ordered credit report

Financial experts recommend that consumers check their credit history at least once a year. Yet, only a minority of Americans has ordered their credit report in the past year, in spite of the fact that it can be acquired for free. And one-third, or *roughly 72 million adults*, readily admit that they do not know their all-important credit score.

Parents and home the biggest influence on financial education

A plurality of the public says they have learned the most about personal finance from their parents or at home. Almost half of those who closely monitor their finances are more likely to say that they learned about personal finance from their parents or at home, underscoring the potential positive influence parents can have on their children financially. To a lesser extent, some say they learned the most about personal finance on their own, followed by a financial professional, self-help sources, school, work, friends, and their spouse or partner.

Americans worry about future income growth; Midwest has greatest concerns

And matters are not likely to improve, according to some Americans. Only one-quarter expect their income to outpace inflation. More than *half of all Americans* believe their income will shrink, not keep pace with inflation, or stay even; this worry is greatest among Americans in the Midwest at nearly 70 percent.

“If there were ever a time that Americans needed to embrace financial literacy, it is now,” said Susan C. Keating, president and CEO of the NFCC. “The NFCC is proud to make public the results of this survey in hopes that it will be a wake-up call to consumers. We live in a credit-dominated society and it is important that consumers avail themselves to the many opportunities to sharpen their financial skills and avoid any traps along the path to financial stability.”

“The findings of this study are staggering, especially given the current economic outlook. We conducted this study to get at the core of what financial issues plague Americans and with this information we are now better equipped to help consumers where they need it most,” said Richard Jenkins, editor-in-chief of MSN Money. “The good news is that there’s an array of tools, expert advice and other resources available to better equip Americans with the information they need to stay on top of their finances. As a first step, I encourage consumers to check out the NFCC and MSN Money Web sites for tips and guidance on how to get their finances on track and stay ahead during these tough financial times.”

Survey Methodology:

Princeton Survey Research Associates International conducted telephone interviews between March 5th and March 15th, 2008 from a representative sampling of 1,001 Americans nationwide. The margin of error for questions based on the total sample is +/- 3 percentage points.

To view the complete survey, please go to www.nfcc.org or contact Gail Cunningham at (940) 691-9322.

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The National Foundation for Credit Counseling (NFCC), founded in 1951, is the nation's largest and longest serving national nonprofit credit counseling organization. The NFCC's mission is to promote the national agenda for financially responsible behavior and build capacity for its members to deliver the highest quality financial education and counseling services. NFCC members annually help more than two million consumers through close to 900 community-based offices nationwide. For free and affordable confidential advice through a reputable NFCC member, call 1-800-388-2227, (en Español 1-800-682-9832) or visit www.nfcc.org.