

# Pathways to Financial Well-Being

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# What is financial well-being?

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*A state of being reflecting a person's ability to meet current and ongoing financial obligations, feel secure in their financial future, and make choices that allow enjoyment of life.*

	Present	Future
Security	Control over your day-to-day, month-to-month finances	Capacity to absorb a financial shock
Freedom of choice	Financial freedom to make choices to enjoy life	On track to meet your financial goals

# Financial well-being is not (only) about the numbers

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## Employee data

Income

Tax status and withholding

Health care benefits enrollment

Retirement plan enrollment, contributions, investments and loans and withdrawals

Insurance benefits coverage

Wage garnishments and collection calls

Other programs

# What is the financial well-being scale?

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- No single data element can fully capture how people feel about their money situation
- With the new scale, you can now score and measure financial well-being

# What is the financial well-being scale?

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- The Bureau developed and tested a set of questions—a “scale”—to measure financial well-being
- The scale is designed to allow practitioners and researchers to accurately and consistently quantify, and therefore observe, something that is not directly observable
- A person’s financial well-being score is generally stable and should not vary much in the short term; for this reason it can be used to measure differences in an individual or a group over time
- The scale is free and publicly available

# The questions that make up the scale

**TABLE 1: FINANCIAL WELL-BEING SCALE**

Questions	Response Options
<b>How well does this statement describe you or your situation?</b>	
1. I could handle a major unexpected expense	• Completely
2. I am securing my financial future	• Very well
3. Because of my money situation, I feel like I will never have the things I want in life*	• Somewhat
4. I can enjoy life because of the way I'm managing my money	• Very little
5. I am just getting by financially*	• Not at all
6. I am concerned that the money I have or will save won't last*	
<b>How often does this statement apply to you?</b>	
7. Giving a gift for a wedding, birthday or other occasion would put a strain on my finances for the month*	• Always
8. I have money left over at the end of the month	• Often
9. I am behind with my finances*	• Sometimes
10. My finances control my life*	• Rarely
	• Never

\* Denotes questions for which the response options are "reverse coded"

# Why use the financial well-being scale?

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- Provide data points to assess benefits strategy
- Help your organization identify needs or gaps in benefits packages
- Help employees identify opportunities to increase usage of and satisfaction with existing benefits
- Adjust products and services offered to better align with this score
- Measure how scores change over time

# Using the financial well-being scale

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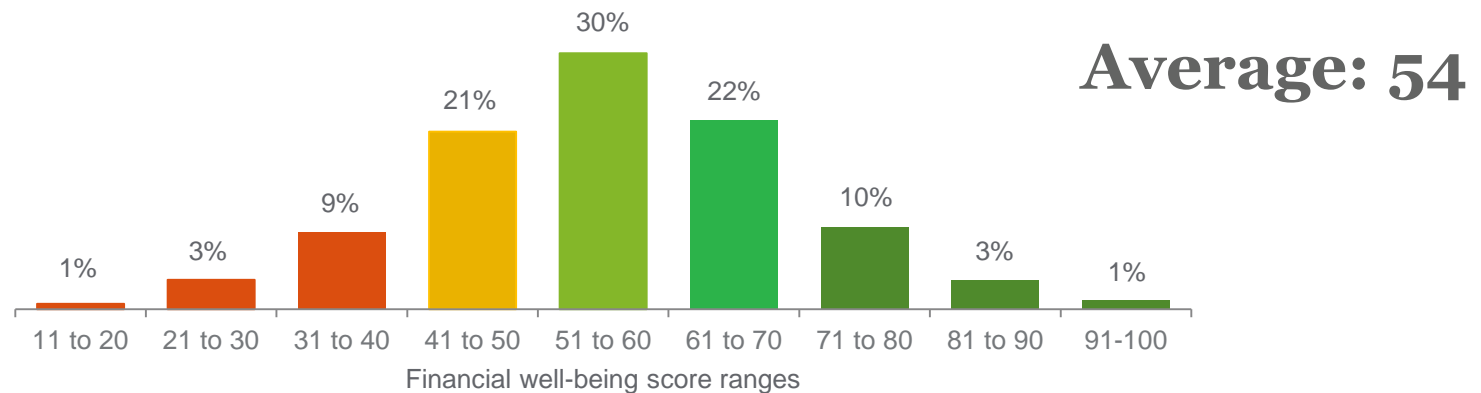
The scale can be used in a variety of ways, including:

- Initial assessment
- Tracking individual progress
- Assessing benefits and communications outcomes
- Financial well-being survey research



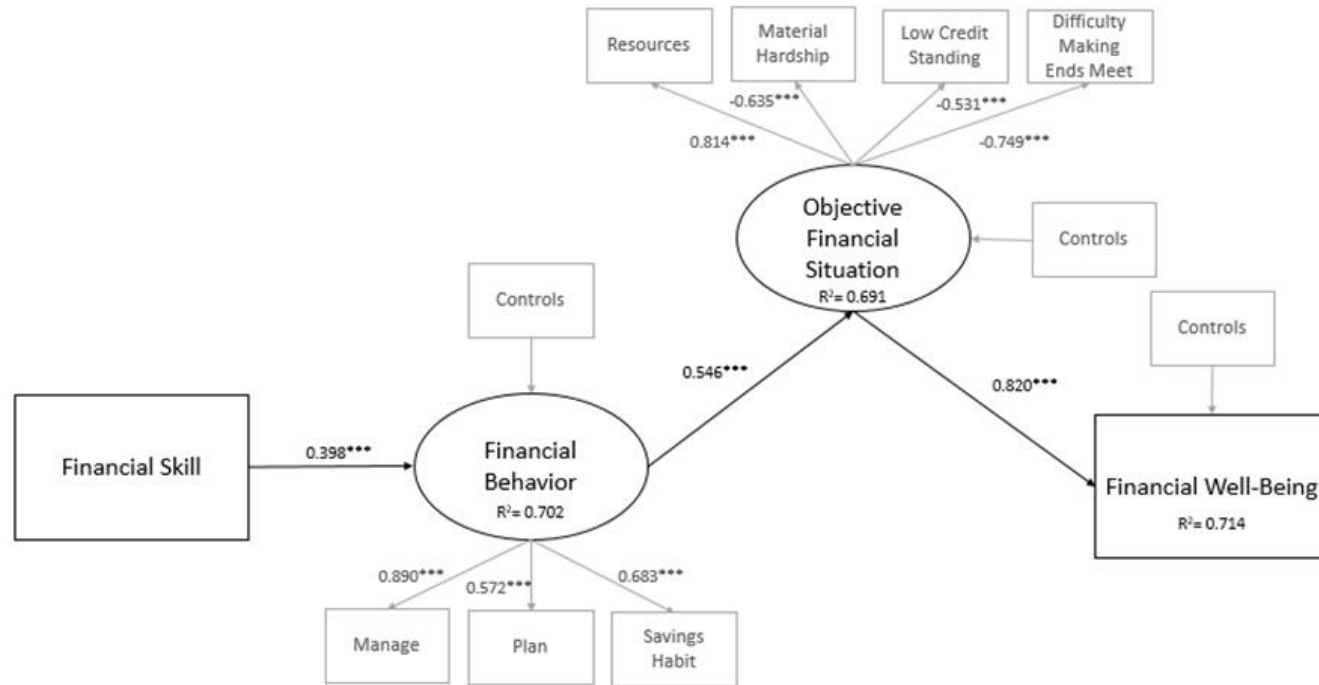
# What is the state of financial well-being in America?

## The national financial well-being survey



Financial well-being score range	Financial circumstances	Percent of U.S. adult population with scores in this range
≤ 40	Always struggles to pay for basic expenses	13% of the adult population
41 to 50	Frequently struggles to pay for basic expenses	21% of the adult population
51 to 60	Sometimes struggles to pay for basic expenses	30% of the adult population
61 to 70	Rarely struggles to pay for basic expenses	22% of the adult population
>70	Never struggles to pay for basic expenses	14% of the adult population

# What is associated with financial well-being?



SOURCE: Analysis of the 2016 National Financial Well-Being Survey data.

CONTROLS: Income, retirement status, financial self-efficacy, frugality, perceived economic mobility, and self-control.

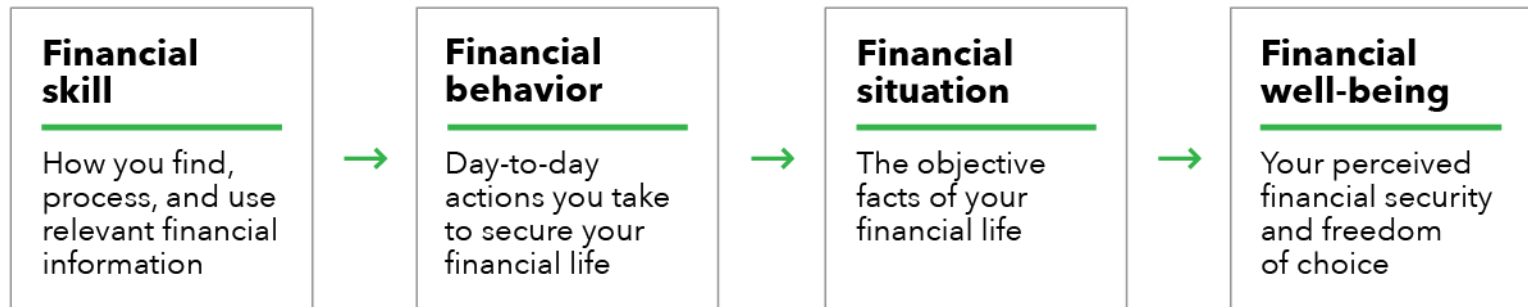
NOTE: N = 6,394. Standardized coefficients for the model of the associations among financial well-being, objective financial situation, financial behavior, and financial skill. Only significant paths shown. \*  $p < .05$ . \*\*  $p < .01$ . \*\*\*  $p < .001$ . In the table below, <sup>c</sup> Indicates control variables.

MODEL FIT:  $\chi^2$  (df) = 1666.253 (54); RMSEA = 0.068; CFI = 0.911, TLI = 0.862, SRMR = 0.045.

# Implications

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The resulting model of inter-connected pathways suggest that financial education can help consumers improve their financial situations and ultimately, financial well-being, by helping them to improve their financial skill and financial behavior.



# Resources and links

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- Online questionnaire: [consumerfinance.gov/consumer-tools/financial-well-being/](https://consumerfinance.gov/consumer-tools/financial-well-being/)
- How to use and how to score: [consumerfinance.gov/data-research/research-reports/financial-well-being-scale/](https://consumerfinance.gov/data-research/research-reports/financial-well-being-scale/)