

Welcome

CFPB Financial Well-Being Research Conference | November 2019



About the Bureau

The Consumer Financial Protection Bureau regulates the offering and provision of consumer financial products and services under the Federal consumer financial laws, and educates and empowers consumers to make better informed financial decisions.

consumerfinance.gov

Disclaimer

This presentation is being made by a Consumer Financial Protection Bureau representative on behalf of the Bureau. It does not constitute legal interpretation, guidance or advice of the Consumer Financial Protection Bureau. Any opinions or views stated by the presenter are the presenter's own and may not represent the Bureau's views.

This document was used in support of a live discussion. As such, it does not necessarily express the entirety of that discussion nor the relative emphasis of topics therein.

Defining, measuring, and understanding financial well-being: Why?

“Financial capability empowers individuals to ... improve their present and long-term **financial well-being**.”

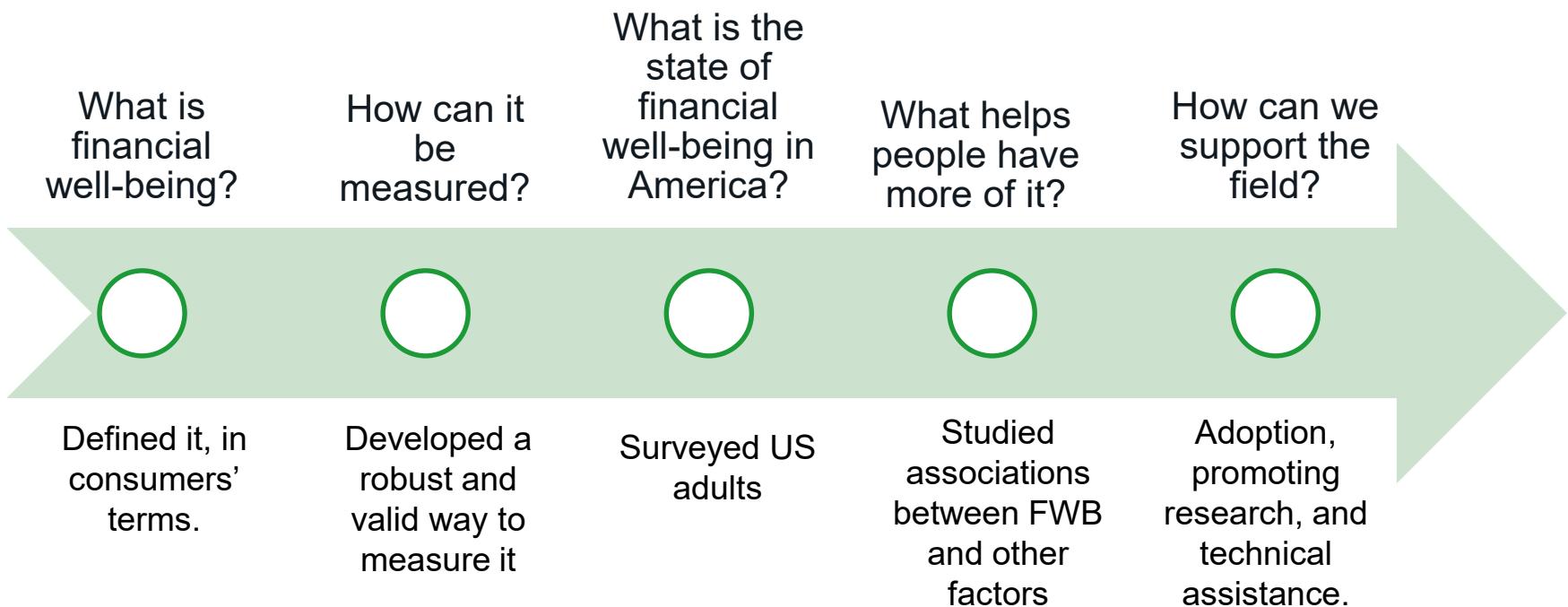
-Executive Order, President’s Advisory Council on Financial Capability (2010)

“Vision: Sustained **financial well-being** for all individuals and families in the United States.”

-U.S. National Strategy for Financial Literacy (2011)

There was consensus on the ultimate outcome of financial education efforts: financial well-being. We needed a definition, a way to measure it, and evidence to find out what improves it.

A multi-year, multi-phase project

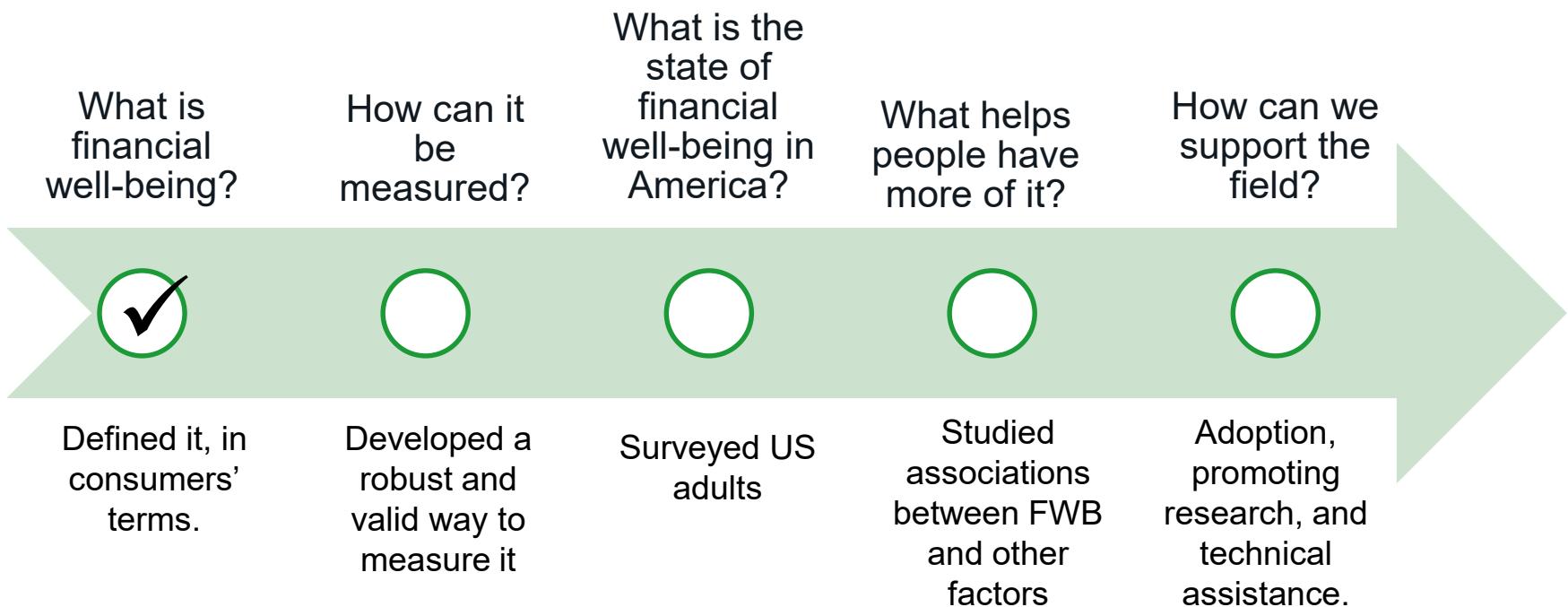


Financial Well-being: An overview

CFPB Financial Well-Being Research Conference | November 2019



A multi-year, multi-phase project



How people define *financial well-being*

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

Phase 2

What is financial well-being?



How can it be measured?



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



What helps people have more of it?



How can we support the field?



Defined it, in consumers' terms.

Developed a robust and valid way to measure it

Surveyed US adults

Studied associations between FWB and other factors

Adoption, promoting research, and technical assistance.

Developing a reliable, validated scale:

- Worked with a **team of subject matter and scale development experts** to develop questions and scoring method.
- The questions were selected through a state-of-the-art process that involved:



The Financial Well-Being Scale

Questions	Response Options
<p>How well does this statement describe you or your situation?</p> <ol style="list-style-type: none">1. I could handle a major unexpected expense2. I am securing my financial future3. Because of my money situation, I feel like I will never have the things I want in life4. I can enjoy life because of the way I'm managing my money5. I am just getting by financially6. I am concerned that the money I have or will save won't last	<ul style="list-style-type: none">• Describes me completely• Describes me very well• Describes me somewhat• Describes me very little• Does not describe me at all
<p>How often does this statement apply to you?</p> <ol style="list-style-type: none">1. Giving a gift for a wedding, birthday or other occasion would put a strain on my finances for the month2. I have money left over at the end of the month3. I am behind with my finances4. My finances control my life	<ul style="list-style-type: none">• Always• Often• Sometimes• Rarely• Never

The Financial Well-being Score



- Standardized number (similar to SAT score)
- A number between 0 and 100
- Adjusted by mode of administration and age group

Phase 3

What is financial well-being?



Defined it, in consumers' terms.

How can it be measured?



Developed a robust and valid way to measure it

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



Surveyed US adults

What helps people have more of it?



Studied associations between FWB and other factors

How can we support the field?

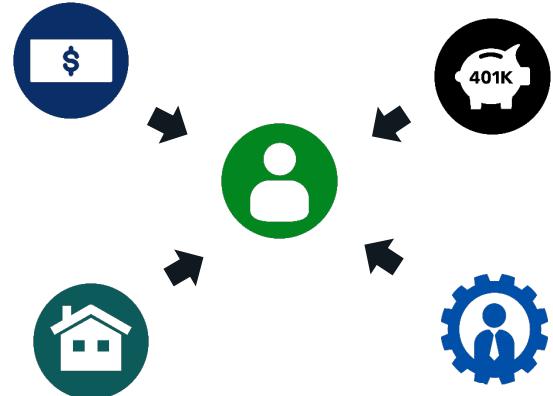


Adoption, promoting research, and technical assistance.

National Financial Well-Being Survey

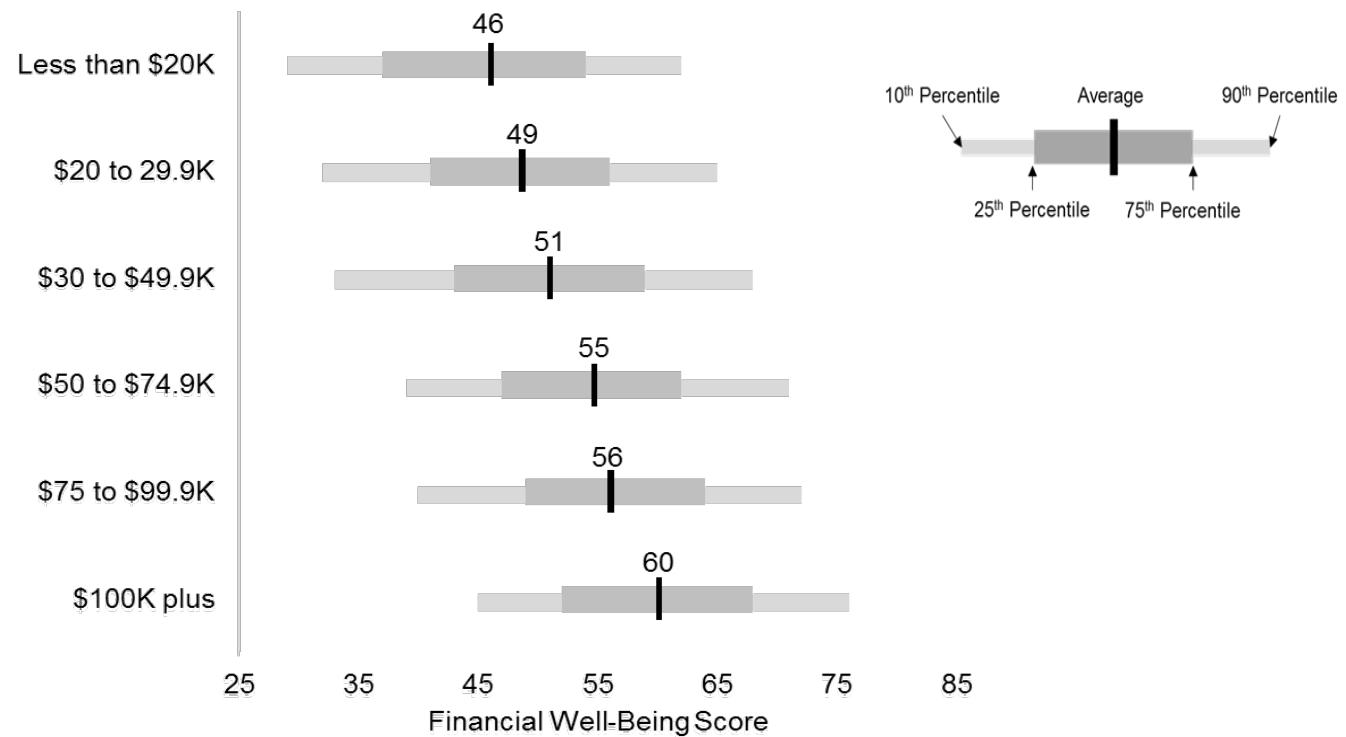
A nationally representative survey of almost 6,400 adults 18+, including questions on topics such as...

- Financial status and circumstances
- Individual characteristics
- Household and family characteristics
- Income and employment characteristics
- Savings and safety nets
- Financial experiences
- Financial behaviors, skills, and attitudes



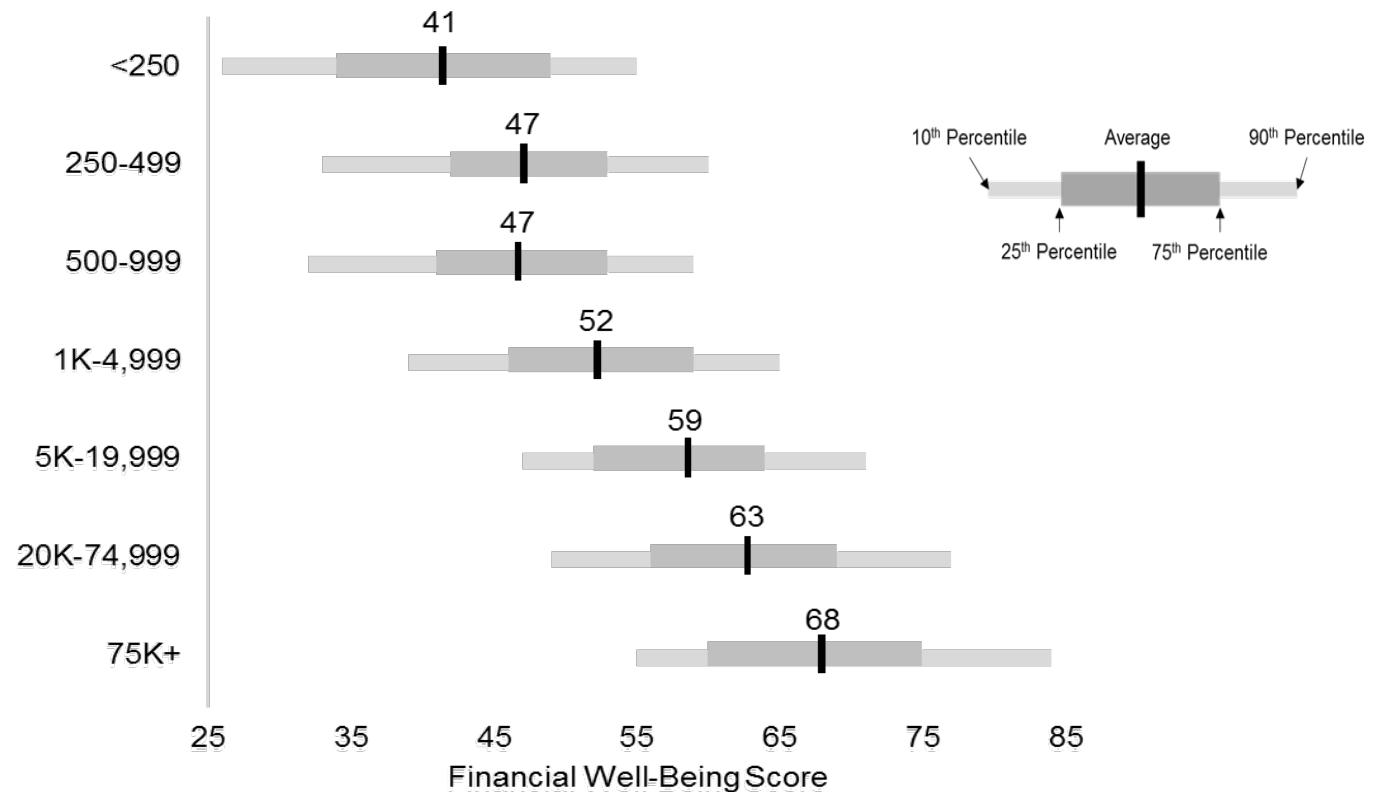
A correlated but different measure than income

DISTRIBUTION OF FINANCIAL WELL-BEING SCORE BY INCOME



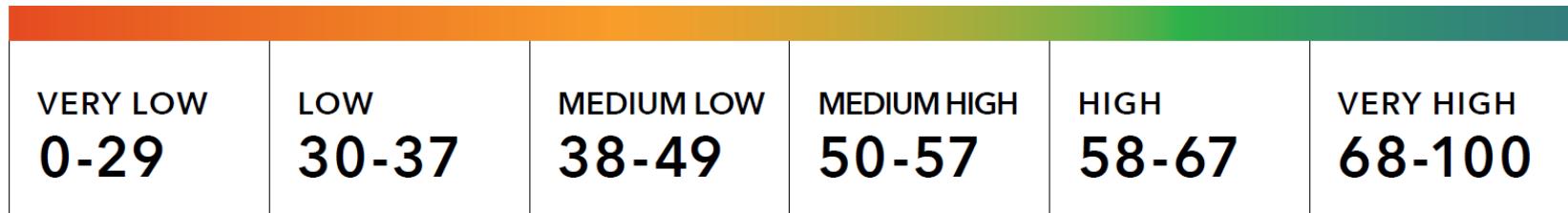
Financial well-being scores by liquid savings

DISTRIBUTION OF FINANCIAL WELL-BEING SCORE BY LIQUID SAVINGS



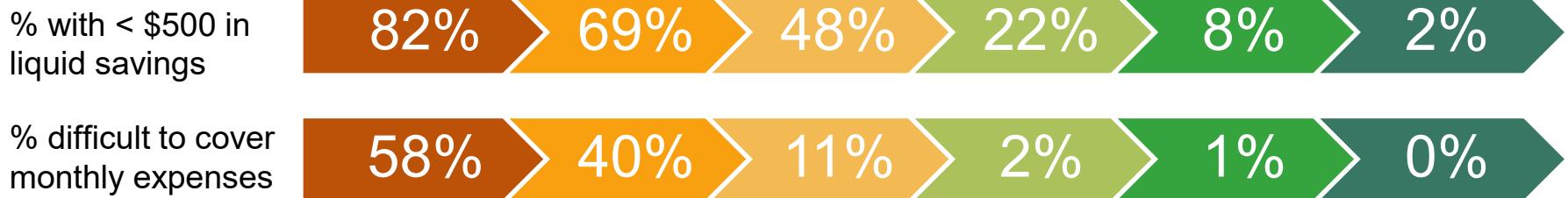
Financial Well-Being Score ranges

Score ranges

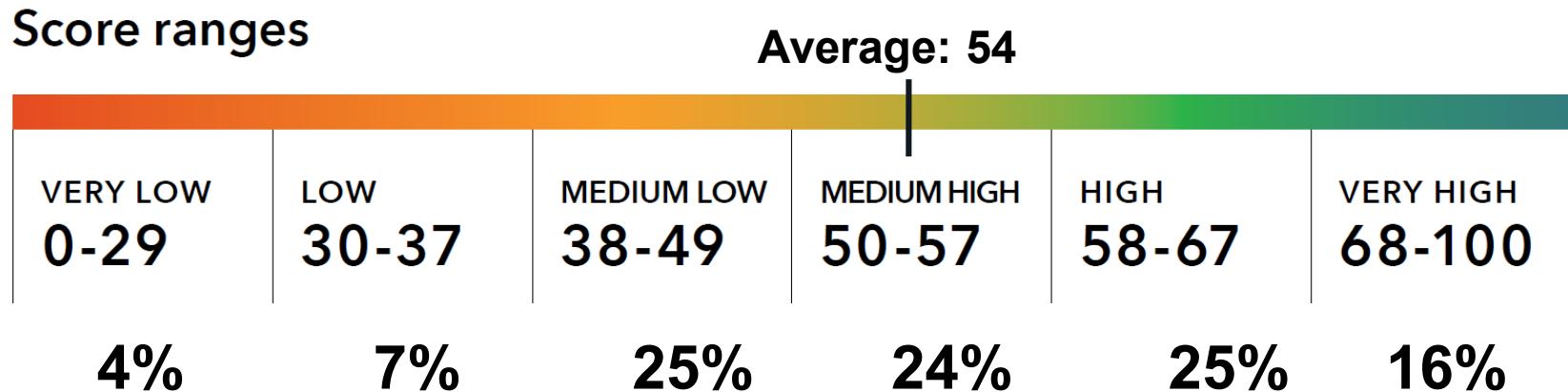


Financial Well-Being Score ranges

Scores reflect a continuum of real financial experiences:



Financial Well-being in America



Phase 4

What is financial well-being?



Defined it, in consumers' terms.

How can it be measured?



Developed a robust and valid way to measure it

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



Surveyed US adults

What helps people have more of it?



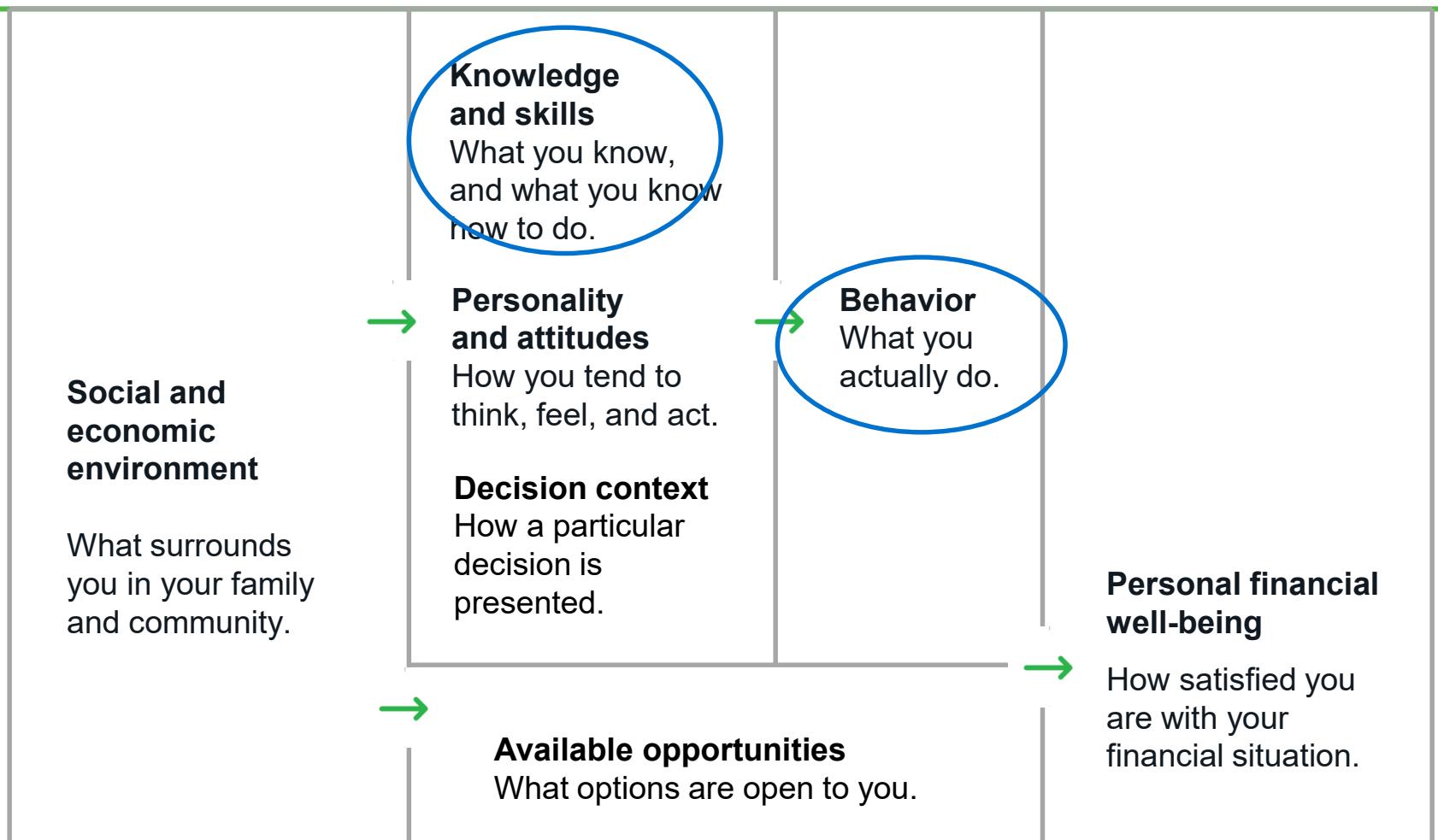
Studied associations between FWB and other factors

How can we support the field?



Adoption, promoting research, and technical assistance.

What influences financial well-being? Qualitative findings



Financial Skill Scale

Questions	Response Options
How well does this statement describe you or your situation?	
1. I know how to make complex financial decisions [†]	• Describes me completely
2. I am able to make good financial decisions that are new to me	• Describes me very well
3. I know how to get myself to follow through on my financial intentions [†]	• Describes me somewhat
4. I am able to recognize a good financial investment	• Describes me very little
5. I know how to keep myself from spending too much	• Does not describe me at all
6. I know how to make myself save [†]	
7. I know where to find the advice I need to make decisions involving money	
How often does this statement apply to you?	
1. I know when I do not have enough information to make a good decision involving my money [†]	• Always
2. I know when I need advice about my money	• Often
3. I struggle to understand financial information* †	• Sometimes
	• Rarely
	• Never

* Denotes questions for which the response options are “reverse coded.”

† Denotes questions that are part of the abbreviated (5-question) scale.

Studying the role of behaviors and skills

Financial skill

How you find, process, and use relevant financial information

Financial behavior

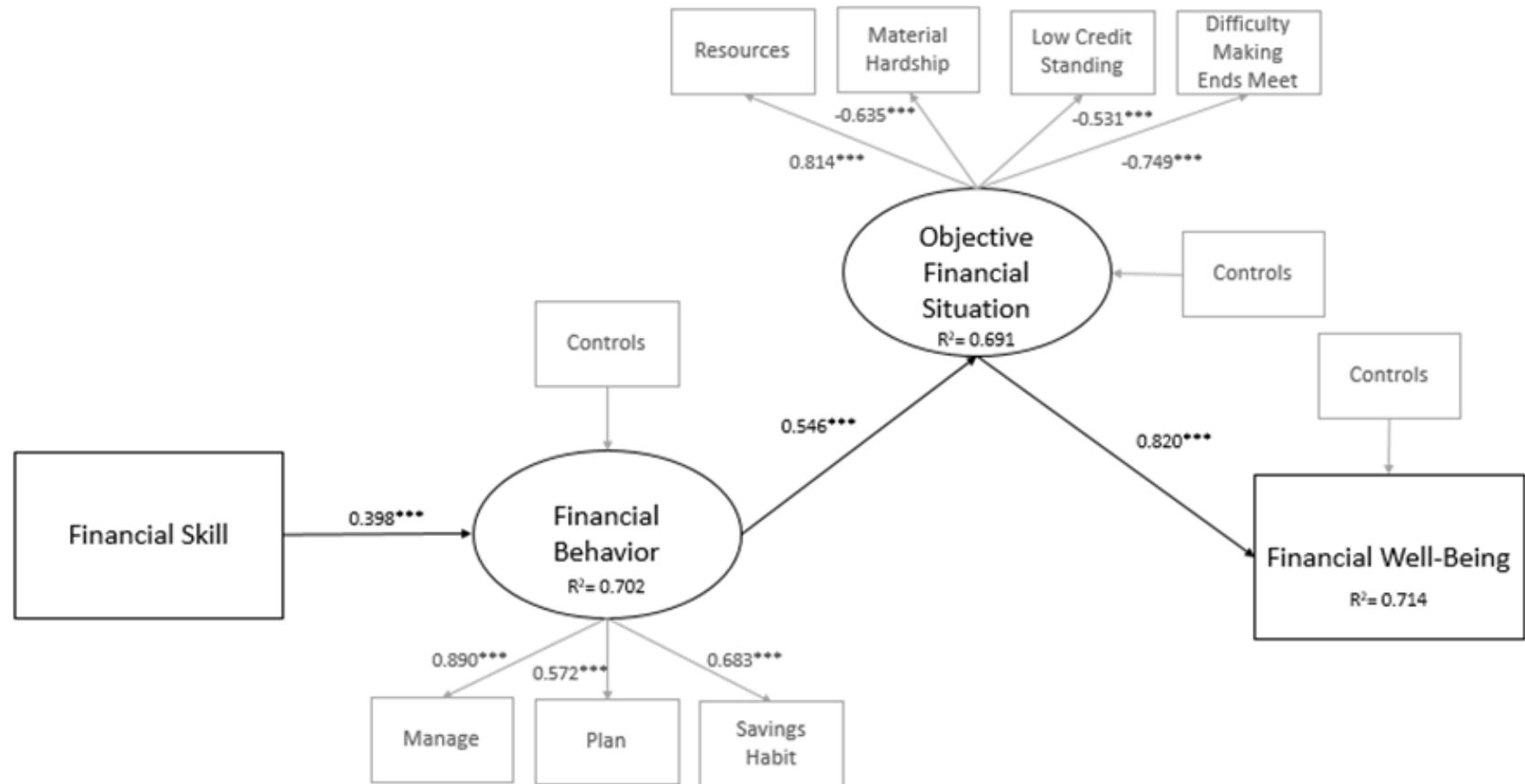
Day-to-day actions you take to secure your financial life

Financial well-being

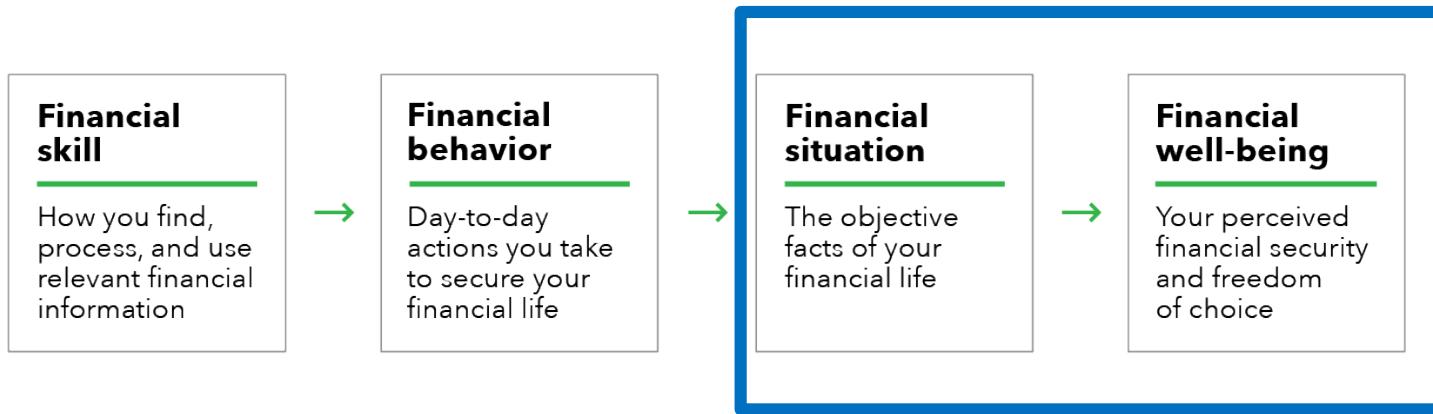
Your perceived financial security and freedom of choice

- Financial knowledge
- Frugality, perceived economic mobility, self-control and discount/time preference
- Race, sex and marital status
- Age, income and education
- Employment status, employer benefits
- Financially supported children
- Professional financial advice
- Family financial socialization

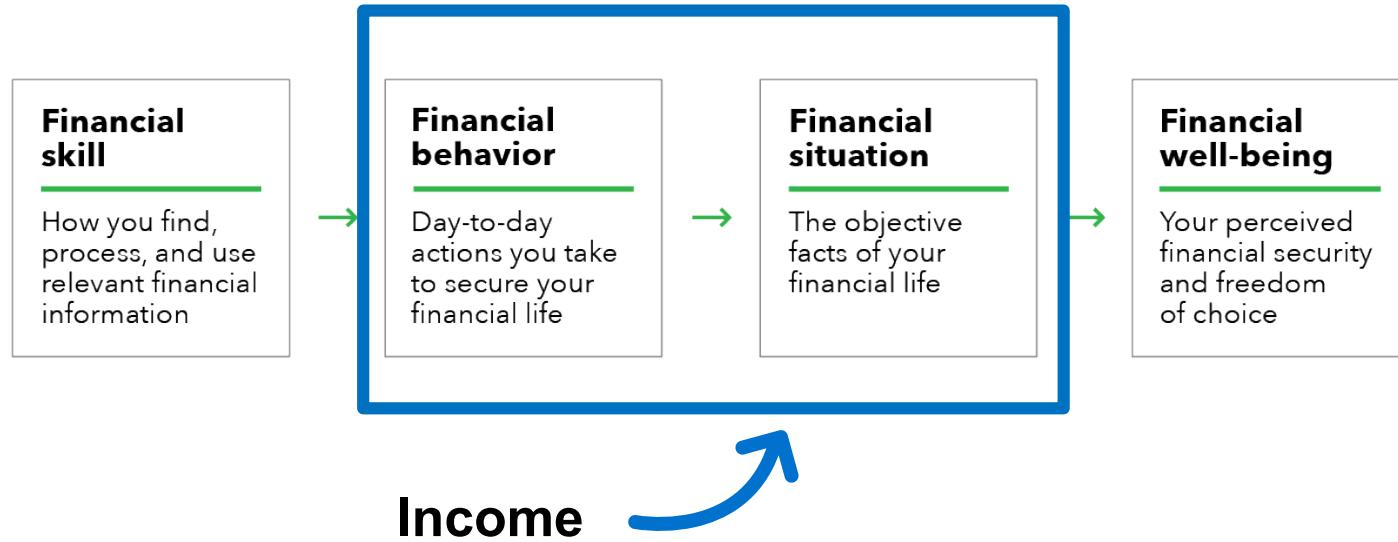
Putting the pieces together: Pathways to Financial Well-being



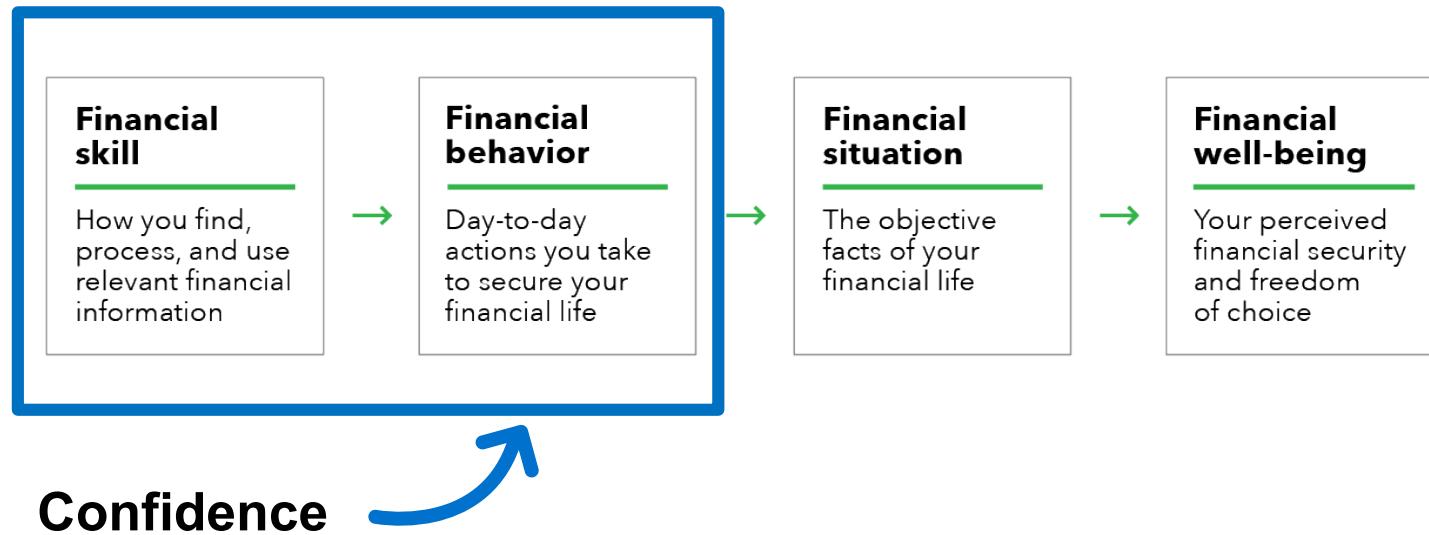
Summary: Pathways to Financial Well-being Model



Summary: Pathways to Financial Well-being Model



Summary: Pathways to Financial Well-being Model



Phase 5

What is financial well-being?

How can it be measured?

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

What helps people have more of it?

How can we support the field?



Defined it, in consumers' terms.

Developed a robust and valid way to measure it

Surveyed US adults

Studied associations between FWB and other factors

Adoption, promoting research, and technical assistance.

Supporting financial educators

CFPB Financial Well-Being Research Conference | November 2019



Using the scale and score in your work

The scale and score can be used to:

- measure individual well-being and progress.



- facilitate one-on-one or group conversations with the people you serve.



Using the scale and score in your work

The scale and score can be used to:

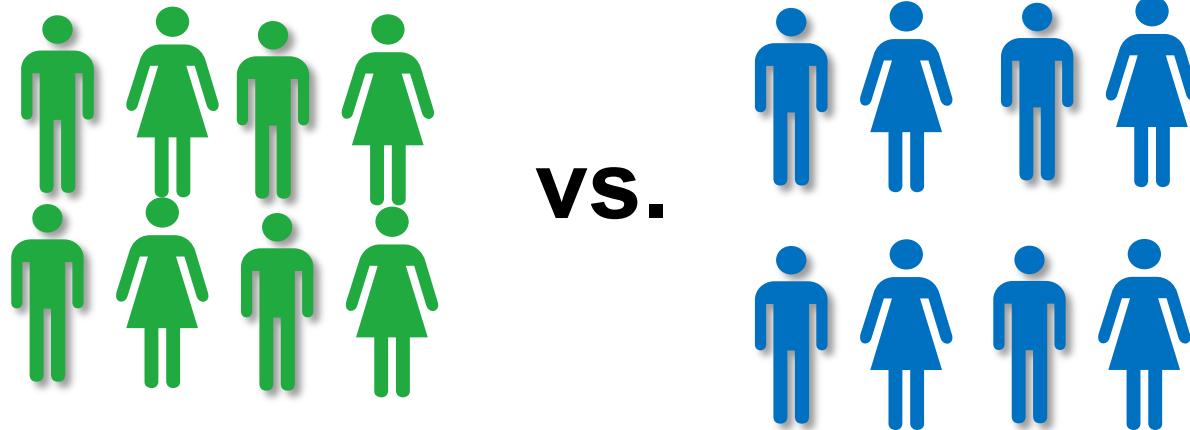
- evaluate and improve programs



Using the scale and score in your work

The scale and score can be used to:

- measure and compare programs and populations.



How can I integrate the scale with other data collection instruments?

Tips for using the scale as part of a longer data collection process or an existing questionnaire:

- **Do not pick and choose questions.** The scale questions have been carefully chosen and validated. If length is a concern, consider using the five-question version of the scale.
- **Do not change the wording.** Keep the scale questions in the same order and with the same wording as developed by the Bureau. If you make changes, your data may not be comparable to the national survey data or to data collected by other programs. Feel free to put on your own logo or to change the font or look of the survey.
- **Do calculate a score.** Calculating a score allows you to compare financial well-being for people over time and to others.
- **Do consider adding the scale to electronic data systems.** Many practitioners have added fields in their databases and client management systems to store scale responses and scores.

Should you share the score with the people you serve?

- While the score is a valuable tool to measure a person's financial well-being, it may not always be useful to share the score with people.
- Depending on the person and the context, sharing the score could lead to a person feeling anxious or upset, or it could motivate the person.
- Before sharing the score, consider how the person might react, and whether sharing the score would help or hinder a person's sense of financial well-being.

Resources to help you

Financial well being hub

An official website of the United States government

Español 中文 Tiếng Việt 한국어 Tagalog Русский العربية Kreyòl Ayisyen (855) 411-2372

cfpb Consumer Financial Protection Bureau

Search | Submit a Complaint

Consumer Tools Practitioner Resources Data & Research Policy & Compliance About Us

We're the CFPB

The Consumer Financial Protection Bureau is a U.S. government agency that makes sure banks, lenders, and other financial companies treat you fairly.

FEATURED

Manage your most urgent financial issues if you're preparing for, recovering from, or rebuilding after a natural disaster or emergency.

We offer clear, impartial answers to hundreds of financial questions.



CFPB Consumer Financial Protection Bureau

Find it at consumerfinance.gov/practitioner-resources/financial-well-being-resources/ ³⁶

Financial well being hub

An official website of the United States government

Español 中文 Tiếng Việt 한국어 Tagalog Русский العربية Kreyòl Ayisyen (855) 411-7237

cfpb Consumer Financial Protection Bureau

Search | Submit a Comment

Consumer Tools Practitioner Resources Data & Research Policy & Compliance About Us

POPULATIONS SERVED

- Adult Financial Education
- Economically Vulnerable Consumers
- Older Adults & Their Families
- Servicemembers & Veterans
- Students & Student Loan Borrowers
- Youth Financial Education

PROGRAMS

- Financial Coaching
- Financial Well-Being Resources
- Resources for Libraries
- Resources for Tax Preparers
- Resources for Youth Employment Programs
- Your Money, Your Goals

[Financial Well-Being Resources](#)



Explore financial well-being survey results

See national survey results on financial well-being and how it relates to other factors in a person's financial life.

Financial well being hub

Financial well-being resources

Financial well-being is the ultimate goal of financial education. To help people improve their financial well-being, you first must be able to measure it.

Financial well-being describes a condition wherein a person can fully meet current and ongoing financial obligations, can feel secure in their financial future, and is able to make choices that allow them to enjoy life. It's determined by the extent to which people feel that they:

- Have control over day-to-day, month-to-month finances
- Have the capacity to absorb a financial shock
- Are on track to meet his or her financial goals
- Have the financial freedom to make the choices that allow one to enjoy life



Get started measuring financial well-being

The toolkit provides an introduction to the financial well-being scale, with instructions, case studies, and other resources.

[Download the toolkit for financial educators](#)

Measure and score financial well-being

The financial well-being scale is a free tool to help you measure your client's financial well-

FINANCIAL SKILL SCALE

Measure how well a person has developed three key skills that apply to money decisions.

[Read the report](#)

DATA ON FINANCIAL WELL-BEING IN AMERICA

Explore and download data from the 2016 national survey.

[View the data](#)

FINANCIAL WELL-BEING REPORTS

Catch up on background and research on the state of financial well-being and how people can improve it.

[Financial well-being in America](#)

[Financial well-being: The goal of financial education](#)

[Pathways to financial well-being](#)

Financial well-being reports

Financial well-being:
The goal of financial
education

August 2016

cfpb

Pathways to financial
well-being: the role of
financial capability

Research Brief



cfpb

Consumer Financial
Protection Bureau

Measuring financial
well-being

A guide to using the CFPB Financial Well-Being Scale

August 2016

Measuring financial skill

A guide to using the Bureau of Consumer Financial Protection
Financial Skill Scale



September 2017

Financial well-being in
America

BUREAU OF CONSUMER FINANCIAL PROTECTION | DECEMBER 2018

Financial Well-being of
Older Americans

Office of Financial Protection for Older Americans

CONSUMER FINANCIAL PROTECTION BUREAU | APRIL 2019

Financial Well-Being of
Veterans

Office of Servicemember Affairs



Getting started with
measuring financial well-being
A toolkit for financial educators

cfpb Consumer Financial
Protection Bureau

cfpb Consumer Financial
Protection Bureau

Paper version

 CFPB FINANCIAL WELL-BEING SCALE
Scoring worksheet

NAME OR NUMBER

1. Select the person's answers, record the response value in the right hand column and add up the total values for each part of the questionnaire.

This statement describes me	Completely	Very well	Somewhat	Very little	Not at all	Response value
1. I could handle a major unexpected expense	4	3	2	1	0	1
2. I am securing my financial future	4	3	2	1	0	2
3. Because of my money situation, I feel like I will never have the things I want in life	0	1	2	3	4	1
4. I can enjoy life because of the way I'm managing my money	4	3	2	1	0	1
5. I am just getting by financially	0	1	2	3	4	3
6. I am concerned that the money I have or will save won't last	0	1	2	3	4	1
						Part 1 subtotal: 9
This statement applies to me	Always	Often	Sometimes	Rarely	Never	Response value
7. Giving a gift for a wedding, birthday or other occasion would put a strain on my finances for the month	0	1	2	3	4	1
8. I have money left over at the end of the month	4	3	2	1	0	1
9. I am behind with my finances	0	1	2	3	4	0
10. My finances control my life	0	1	2	3	4	1
						Part 2 subtotal: 3
						Total response value: 12

2. Find the financial well-being score

How old is the person?
 18-61 62+

How did the person take the questionnaire?
 Self administered
 Administered by someone else

Because scores vary based on age and how the questionnaire was administered, you must convert the total response value to a financial well-being score.

a. Find the row that corresponds to the total response value.

b. Follow that row across to the column that corresponds to the person's age and how the questionnaire was administered.

c. Record the final score.

Financial well-being score: **40**

Total response value	Questionnaire self-administered		Questionnaire administered by someone else	
	18-61	62+	18-61	62+
0	14	14	16	18
1	17	20	21	23
2	21	24	24	26
3	23	26	27	28
4	21	29	29	30
5	27	31	31	32
6	31	33	33	33
7	32	35	34	35
8	34	36	36	36
9	35	38	38	38
10	37	39	39	39
11	38	41	40	40
12	40	42	42	41
13	41	44	43	43
14	42	45	44	44
15	44	46	45	45
16	45	48	47	46
17	46	49	48	47
18	47	50	49	48
19	49	52	50	49
20	50	53	52	50
21	51	54	53	52
22	52	56	54	53
23	54	57	55	54
24	55	58	57	55
25	56	60	58	56
26	58	61	59	57
27	59	63	60	58
28	60	64	62	60
29	62	66	63	61
30	63	67	65	62
31	65	69	66	64
32	66	71	68	65
33	68	73	70	67
34	69	75	71	68
35	71	77	73	70
36	73	79	76	72
37	75	82	78	75
38	78	84	81	77
39	81	88	85	81
40	86	95	91	87

Learn more at consumerfinance.gov/financial-well-being

cfpb Consumer Financial Protection Bureau



Consumer Financial
Protection Bureau

Online version

Find out your financial well-being

Answer ten questions to measure your current financial well-being and see steps you can take to improve it.

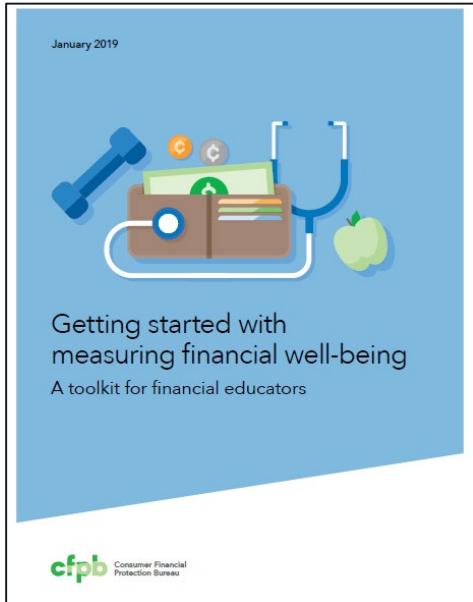


Interactive tool that allows consumers to:

- Answer the questions and get their score
- Find steps they can take to improve their financial well-being
- See how their score compares to other U.S. adults

consumerfinance.gov/financial-well-being

Financial well-being toolkit



A toolkit for financial educators:

- How to use the scale
- Case studies
- Benchmark tables
- Complementary resources

consumerfinance.gov/practitioner-resources/financial-well-being-resources/

Financial well-being score benchmarks for practitioners

Score ranges

VERY LOW 0-29	LOW 30-37	MEDIUM LOW 38-49	MEDIUM HIGH 50-57	HIGH 58-67	VERY HIGH 68-100
<p>People in these ranges tend to experience the following:</p>					
<ul style="list-style-type: none">Just 5% are certain they could come up with \$2,000 for an emergency.Most (82%) sometimes or often experience food insecurity or food hardship.Almost all (96%) find it somewhat or very difficult to make ends meet.	<ul style="list-style-type: none">Few (23%) habitually save and only some (38%) have more than \$250 in liquid savings.Just 12% always stay on budget.Nearly half (45%) have experience with debt collectors.	<ul style="list-style-type: none">Most (60%) have minimal savings of \$250 or more, but only 30% have \$2,000 or more.Almost all (80%) find it somewhat or very difficult to make ends meet.Some (32%) have had a credit application rejected or are concerned about credit rejection.	<ul style="list-style-type: none">More than half (55%) have automated deposits into a savings or retirement account.A minority (32%) always pay off credit cards in full.Few (16%) sometimes or often experience food insecurity or hardship.	<ul style="list-style-type: none">The vast majority (81%) are certain they could come up with \$2,000 for an emergency.Just 35% always stay on budget.Very few (6%) have experienced a credit rejection or are concerned about credit rejection.	<ul style="list-style-type: none">Most have high levels of savings; 80% have \$10,000 or more in liquid savings.The majority (69%) make automated deposits into a savings or retirement account.Most (81%) have health insurance.

Case studies

Case Study 1: How one financial coaching organization uses the scale to facilitate conversation

mpowered is a financial coaching and education organization with a staff of 18, including 11 certified financial coaches. Coaches have been using the scale since 2016.

Coaches at mpowered⁹ use the scale in one-on-one coaching sessions to facilitate conversations and measure client well-being and progress. The scale also allows mpowered's data specialist and program director to evaluate and improve programs.

Case Study 2: How one financial coaching organization uses the scale to measure client well-being and progress

The Center for Changing Lives (CCL) is a non-profit organization that provides financial, employment, and resource development. It has 14 staff members, including two housing and financial coaches. CCL has been using the scale since 2015 and asks all coaching clients to complete the scale.

CCL¹⁰ uses the scale to facilitate conversations, measure client well-being and progress, and evaluate and improve programs.

Case Study 3: How one funder uses the scale to evaluate and improve programs

United Way California Capital Region (UWCCR) is a grant-making agency with 28 staff members working across several program areas. Financial coaching grants are one of six major activities under UWCCR's financial stability program. UWCCR adopted the scale as a required tool for grantees to use and report on starting in 2017.

The scale allows financial coaching grantees to facilitate conversations and measure client well-being and progress. As a funder, UWCCR¹¹ uses the scale to measure client well-being and progress, evaluate and improve programs, and compare programs in its portfolio.



Consumer Financial
Protection Bureau

Financial Well-being by state

CFPB Financial Well-being Conference | November 2019



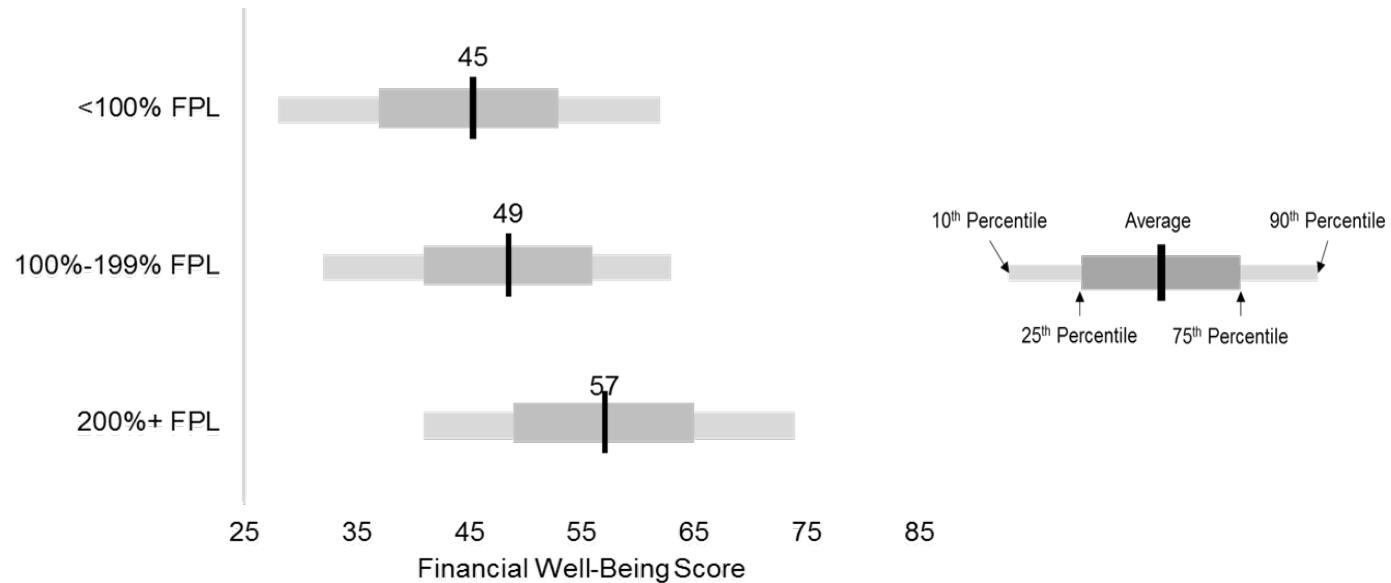
Background

Financial well-being and geography

- People's definition of financial well-being was the same regardless of geographic location and other demographic factors.
- Financial well-being is likely to vary by state and neighborhood because of differences in employment opportunities and the availability of products and services at these geographic levels.
- “Contextual” factors were relatively different for adults ages 62 and older than their younger counterparts.
- No differences in average FWB by Census Region.

Financial well-being and poverty

DISTRIBUTION OF FINANCIAL WELL-BEING SCORES BY FEDERAL POVERTY LEVEL



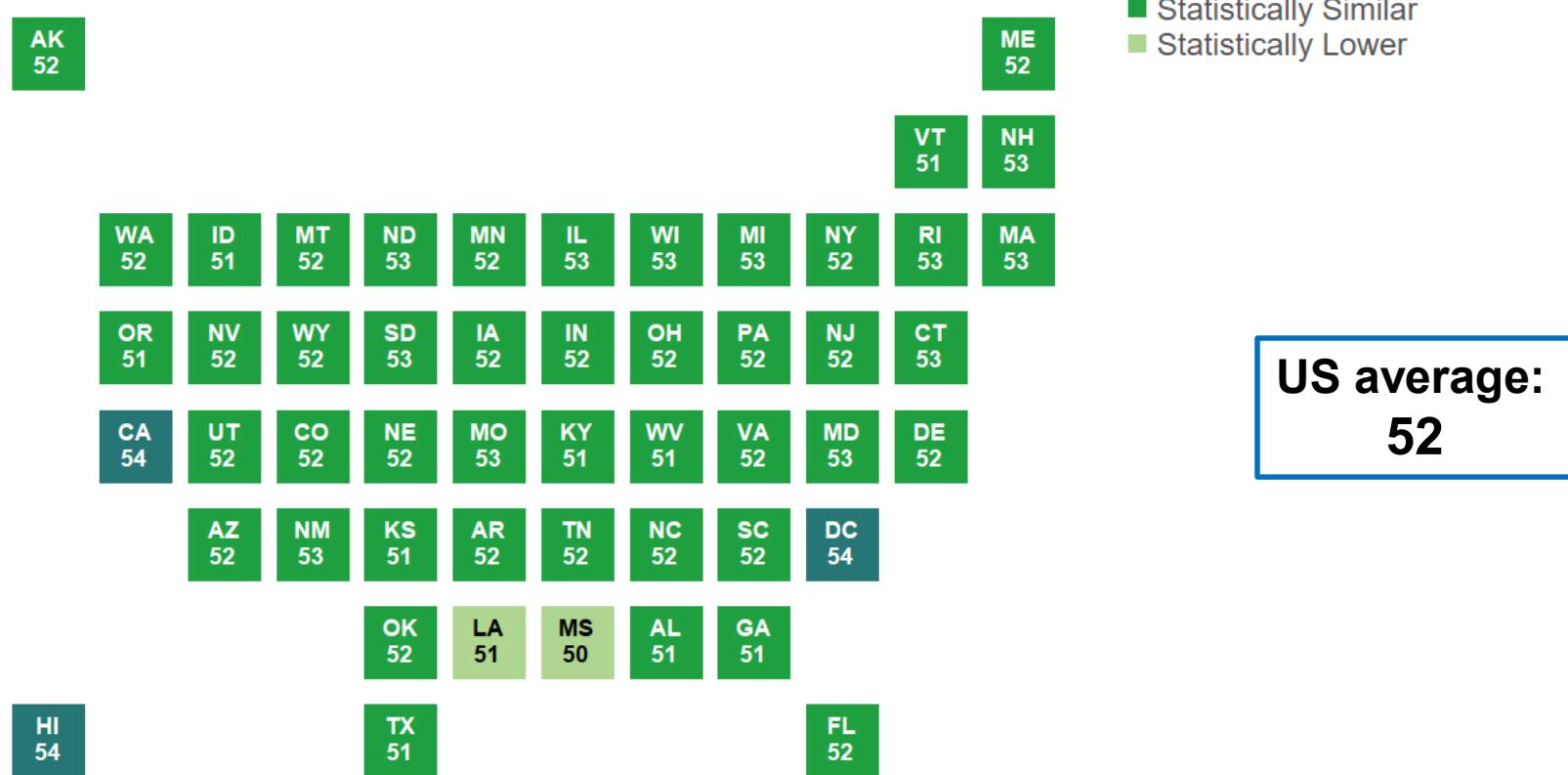
Methodology

- Data: 2018 National Financial Capability Study (NFCS) State-by-State Survey.
 - Administered online to a sample of 27,091 American adults (roughly 500 per state, plus the District of Columbia) between June and October 2018.
 - The corresponding national and state weights were applied to the data to obtain the financial well-being scores.
- Research team: Hector Ortiz, CFPB and Carly Urban, Montana State University.
- Code: www.montana.edu/urban/NFCS_2018FWB.do

All adults (ages 18+)

Average financial well-being score by state, 18+

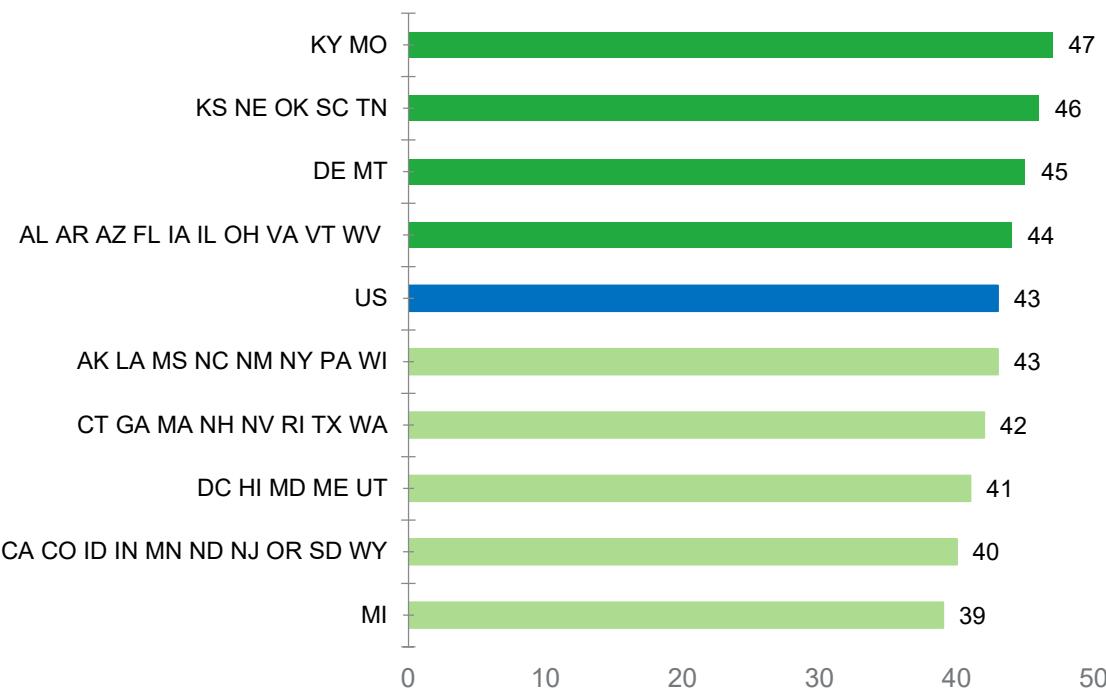
AVERAGE FINANCIAL WELL-BEING SCORES BY STATE, ADULTS AGES 18 AND OLDER



Source: CFPB analysis of 2018 NFCS State-by-State Survey data

Spread in financial well-being scores, 18+

DIFFERENCE IN FINANCIAL WELL-BEING SCORE BETWEEN 10TH AND 90TH PERCENTILE
BY STATE, ADULTS AGES 18 AND OLDER



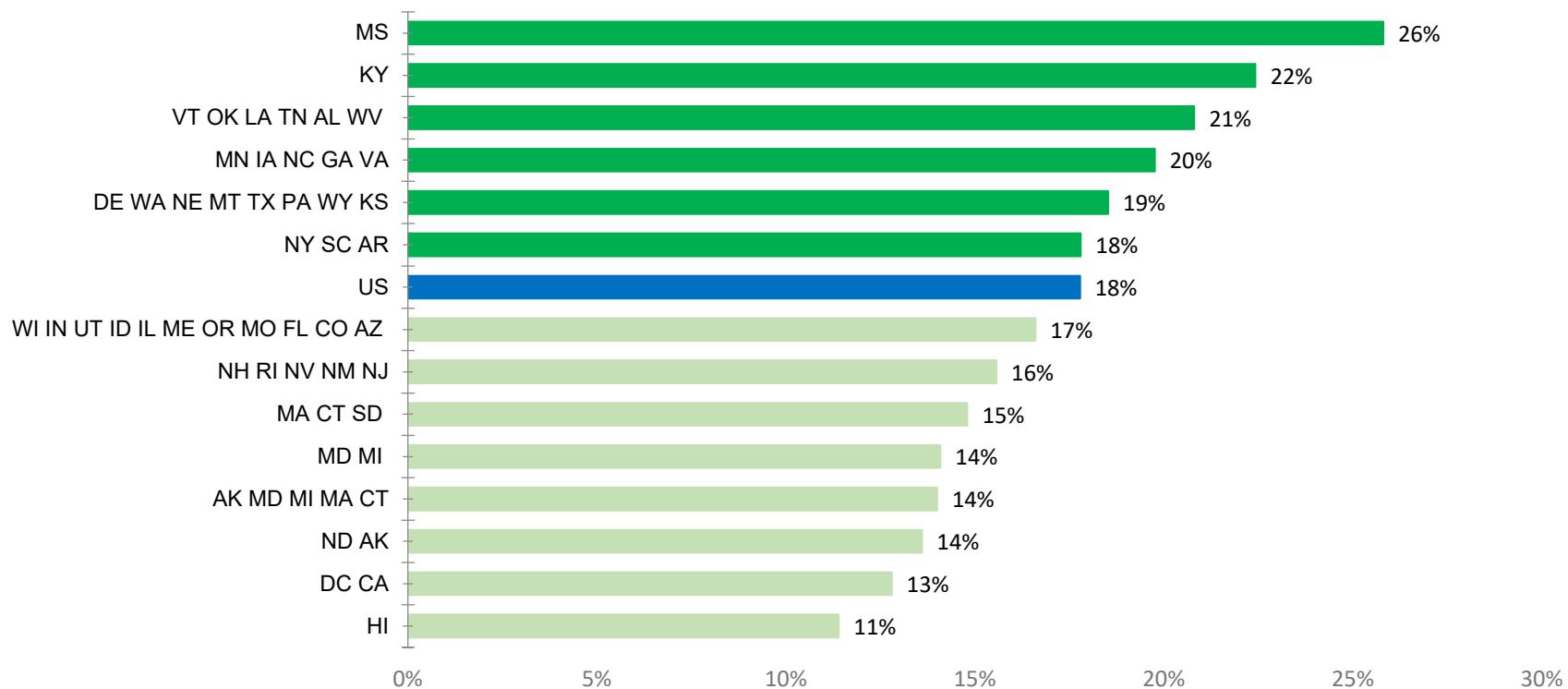
By score ranges

Recap: Financial well-being score ranges

VERY LOW 0-29	LOW 30-37	MEDIUM LOW 38-49	MEDIUM HIGH 50-57	HIGH 58-67	VERY HIGH 68-100
<p>People in these ranges tend to experience the following:</p>					
<ul style="list-style-type: none">▪ Just 5% are certain they could come up with \$2,000 for an emergency.▪ Most (82%) sometimes or often experience food insecurity or food hardship.▪ Almost all (96%) find it somewhat or very difficult to make ends meet.	<ul style="list-style-type: none">▪ Few (23%) habitually save and only some (38%) have more than \$250 in liquid savings▪ Just 12% always stay on budget▪ Nearly half (45%) have experience with debt collectors.	<ul style="list-style-type: none">▪ Most (60%) have minimal savings of \$250 or more, but only 30% have \$2,000 or more▪ Almost all (80%) find it somewhat or very difficult to make ends meet.▪ Some (32%) have had a credit application rejected or are concerned about credit rejection.	<ul style="list-style-type: none">▪ More than half (55%) have automated deposits into a savings or retirement account.▪ A minority (32%) always pay off credit cards in full.▪ Few (16%) sometimes or often experience food insecurity or hardship.	<ul style="list-style-type: none">▪ The vast majority (81%) are certain they could come up with \$2,000 for an emergency.▪ Just 35% always stay on budget.▪ Very few (6%) have experienced a credit rejection or are concerned about credit rejection.	<ul style="list-style-type: none">▪ Most have high levels of savings; 80% have \$10,000 or more in liquid savings.▪ The majority (69%) make automated deposits into a savings or retirement account.▪ Most (81%) have health insurance.

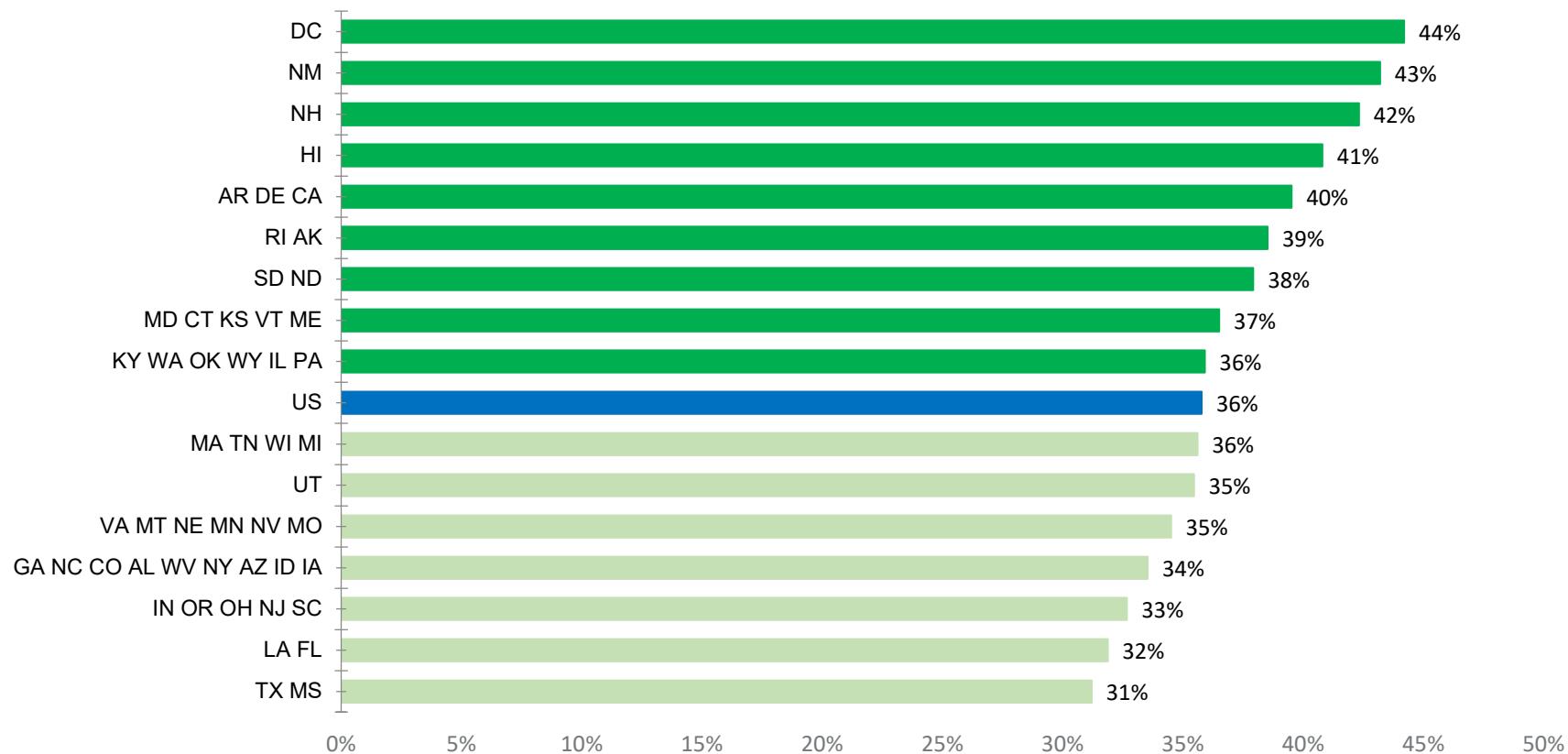
State variation in very low and low financial well-being scores

PERCENT OF ADULTS AGES 18 AND OLDER IN THE LOW AND VERY LOW FINANCIAL WELL-BEING SCORE RANGES



State variation in high and very high financial well-being scores

PERCENT OF ADULTS AGES 18 AND OLDER IN THE HIGH AND VERY HIGH FINANCIAL WELL-BEING SCORE RANGES

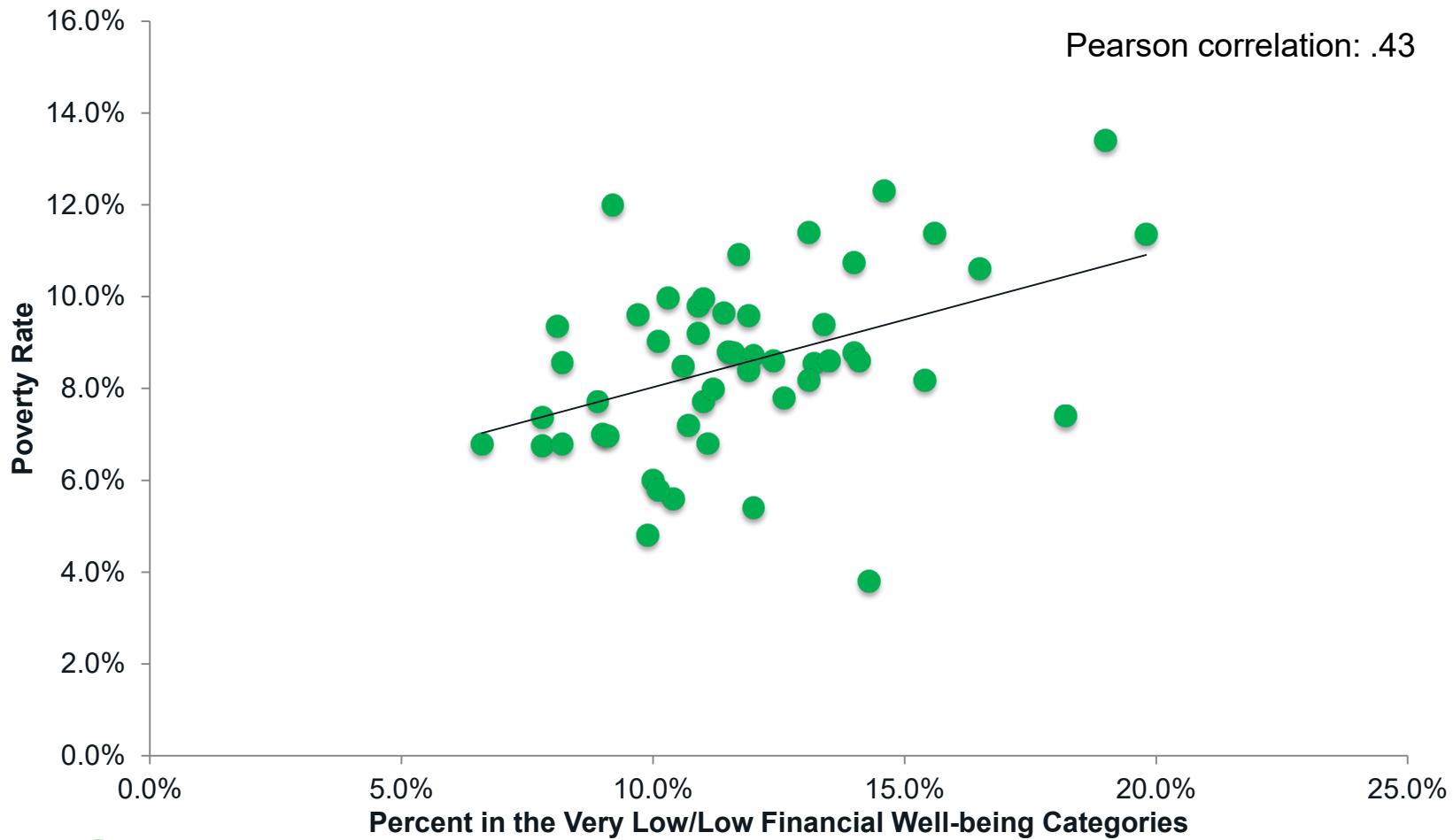


Consumer Financial
Protection Bureau

Source: CFPB analysis of 2018 NFCS State-by-State Survey data

Relationship with poverty rates

Correlation between poverty rates and percent with low/very low financial well-being scores

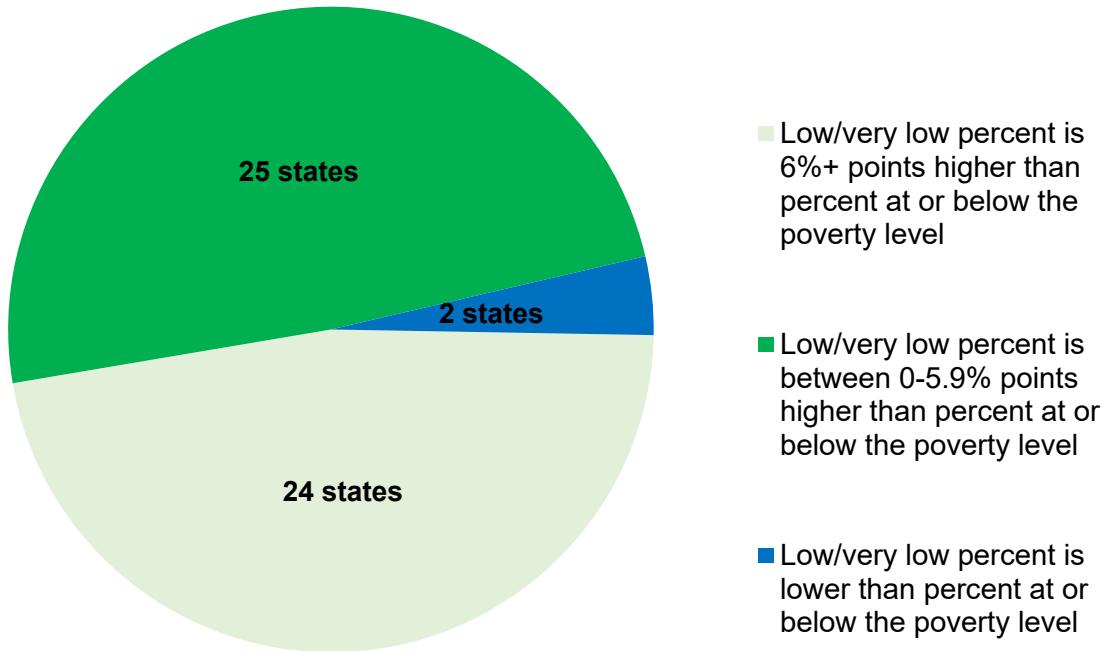


Consumer Financial
Protection Bureau

Source: CFPB analysis of 2018 NFCS State-by-State Survey data

Difference between poverty rates and percent with low/very low financial well-being scores

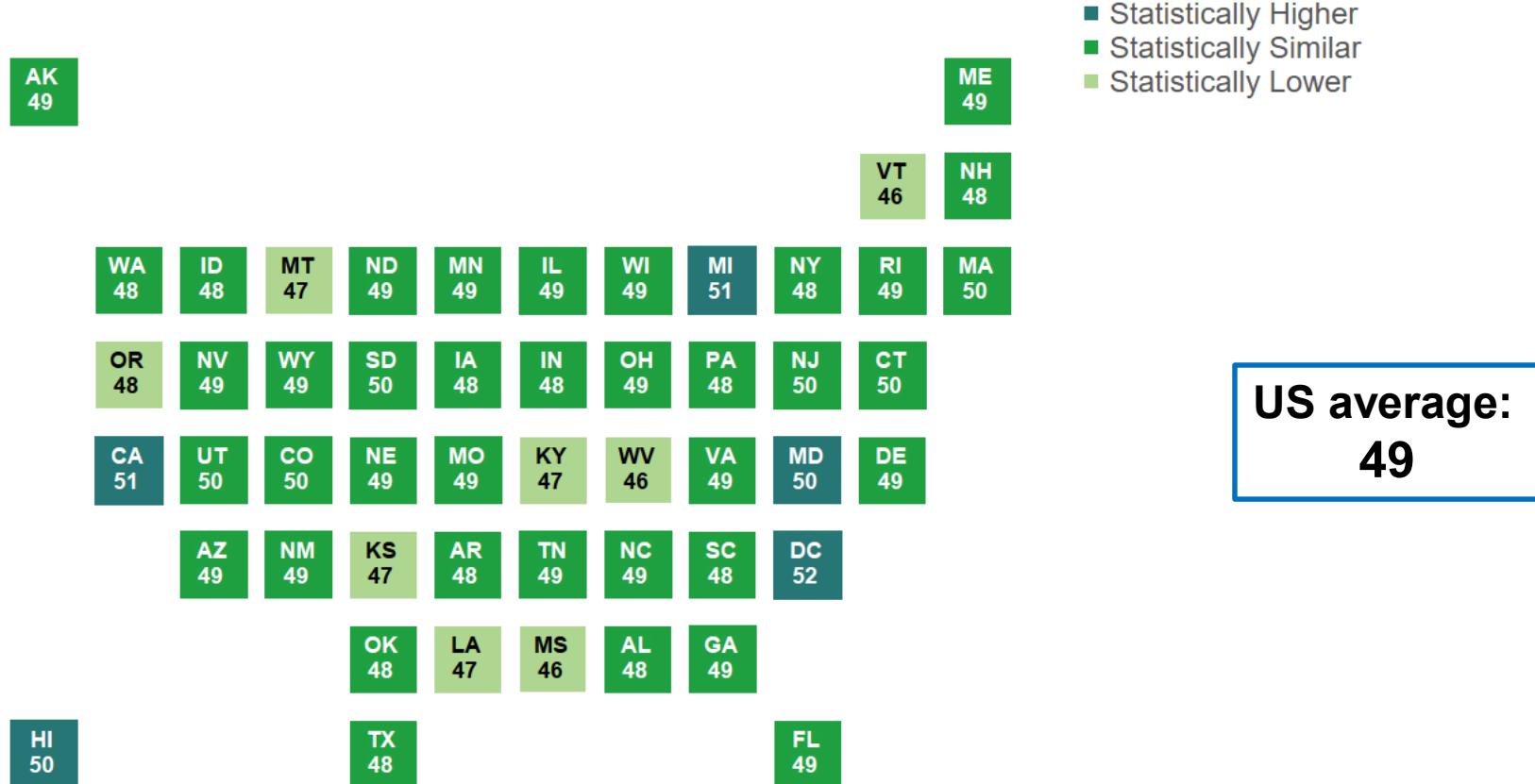
US: 5.8% more people with low/very low scores than 100% of the FPL



By age group

Average financial well-being score by state, 18-61

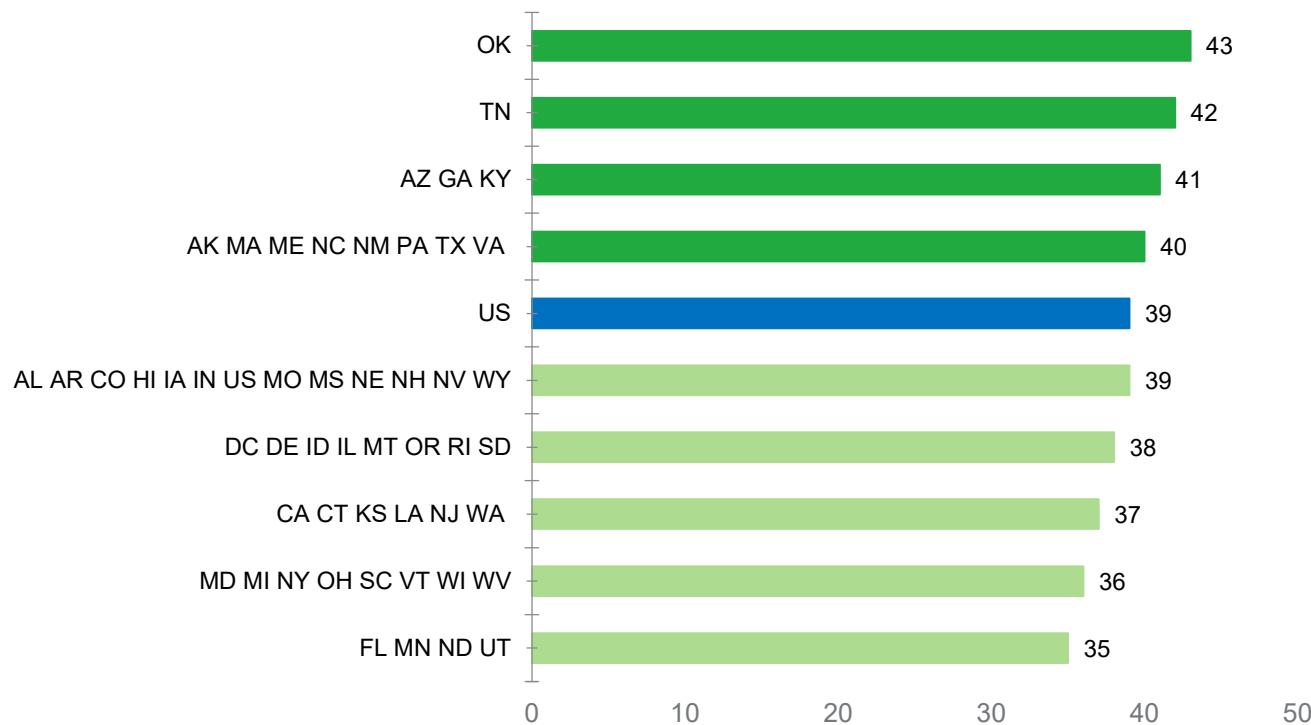
AVERAGE FINANCIAL WELL-BEING SCORES BY STATE, ADULTS AGES 18 TO 61



Source: CFPB analysis of 2018 NFCS State-by-State Survey data

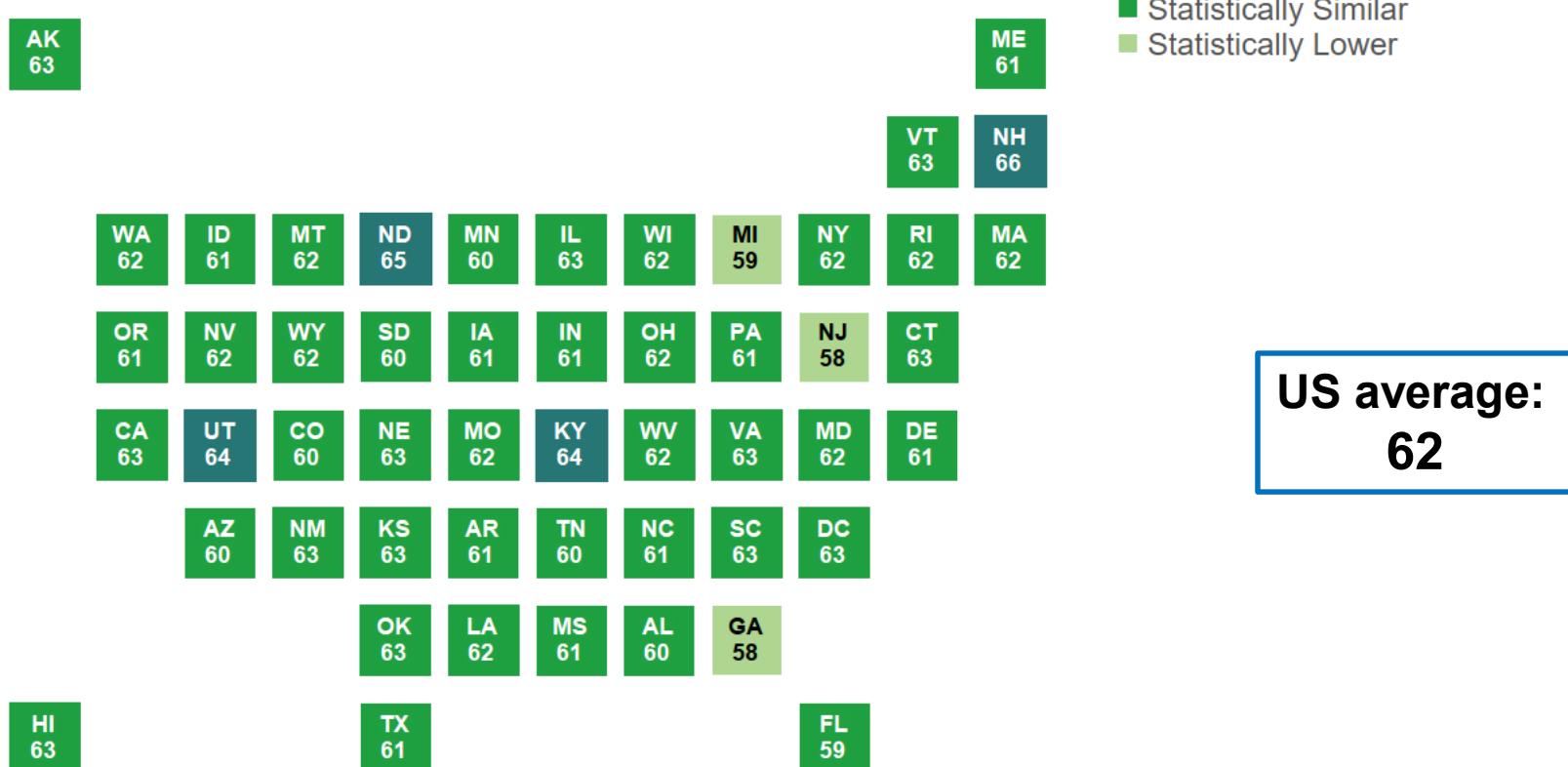
Spread in financial well-being scores, 18-61

DIFFERENCE IN FINANCIAL WELL-BEING SCORE BETWEEN 10TH AND 90TH PERCENTILE
BY STATE, ADULTS AGES 18 TO 61



Average financial well-being score by state, 62+

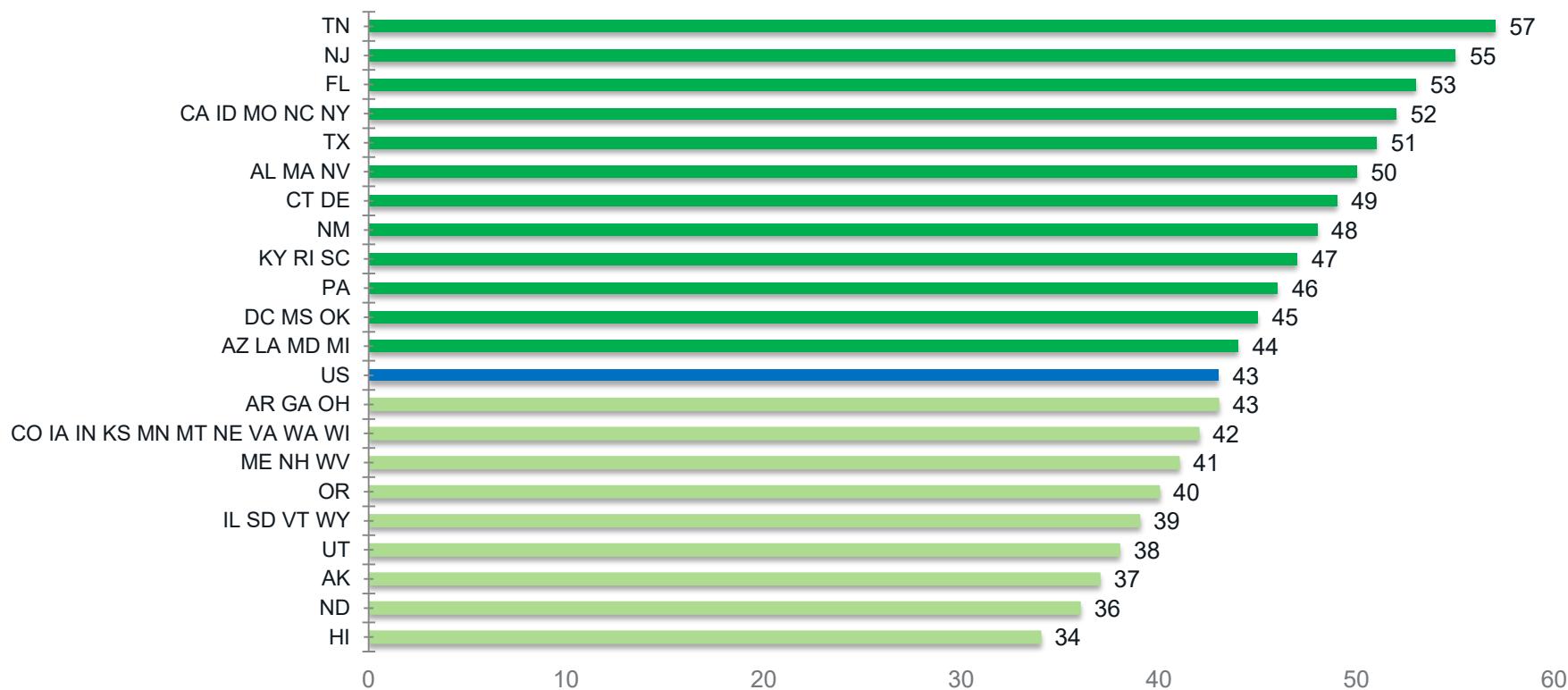
AVERAGE FINANCIAL WELL-BEING SCORES BY STATE, ADULTS AGES 62 AND OLDER



Source: CFPB analysis of 2018 NFCS State-by-State Survey data

Spread in financial well-being scores, 62+

DIFFERENCE IN FINANCIAL WELL-BEING SCORE BETWEEN 10TH AND 90TH PERCENTILE
BY STATE, ADULTS AGES 62 AND OLDER



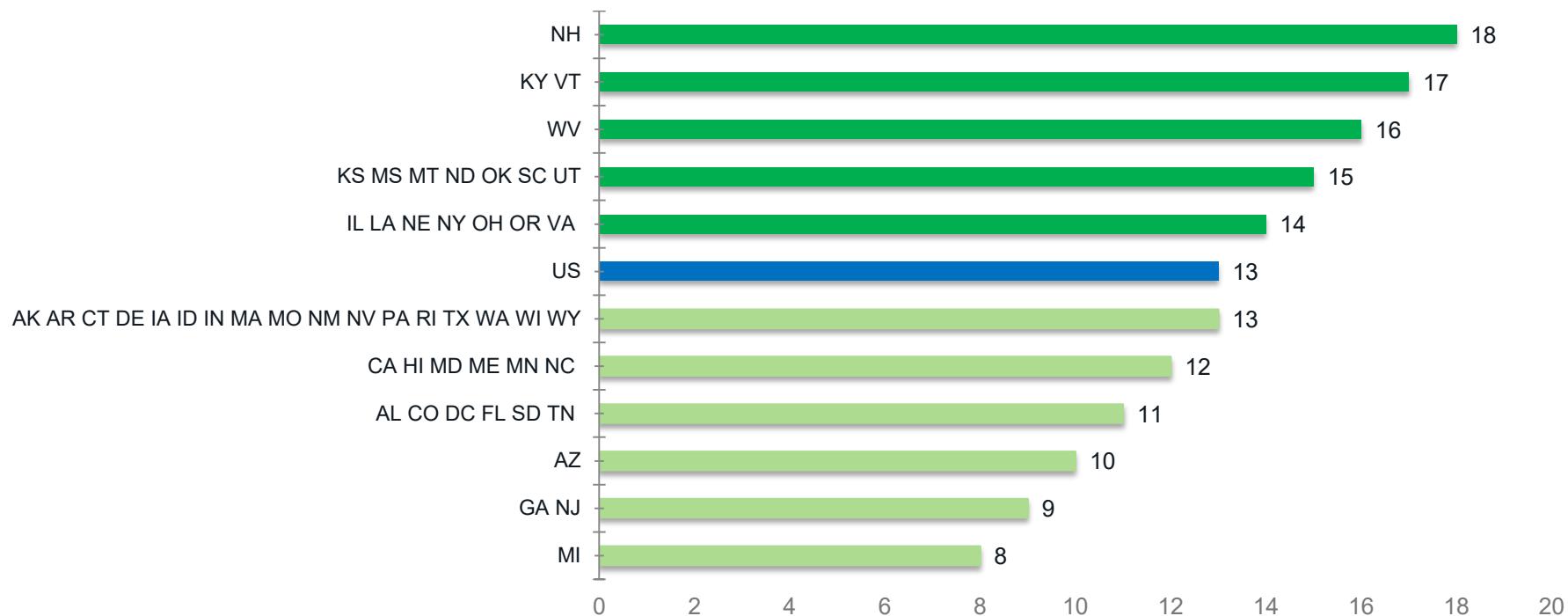
Consumer Financial
Protection Bureau

Source: CFPB analysis of 2018 NFCS State-by-State Survey data

Differences between age groups

Differences in the average financial well-being scores by age group

DIFFERENCE IN AVERAGE FINANCIAL WELL-BEING SCORE BETWEEN OLDER ADULTS AND YOUNGER ADULTS BY STATE



Summary of findings

Differences by state

- Average financial well-being score for all adults is generally similar across states.
- However, the percent of adults with scores in the low and very low category varies significantly by state.
- The financial well-being scores may also reveal that a larger percent of most states' population is struggling financially than indicated by the traditional poverty measure.

Differences by state and age group

- Score patterns differ by age group in some ways. The average scores for adults ages 18 to 61 vary more by state than the average scores for adults ages 62 and older. On the other hand, the spread of scores (difference between the scores of the lowest decile and the highest decile) vary more by state for adults 62 and older than for their younger counterparts (ages 18 to 61).
- Furthermore, the states with the highest average financial well-being scores for older adults are different from those with the highest average financial well-being scores for younger adults.