BROOKINGS

Report

Measuring the financial health of Americans

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Executive summary

It is often said that what gets measured gets managed. It's no wonder, then, that the federal government has been challenged to improve the financial health of American families. Despite all of the data the government collects and analyzes, the reality is that we do not have an accepted method of assessing financial health nor the right data to do so.

Today, most of what gets measured are macroeconomic indicators of national economic performance such as the gross domestic product (GDP), the consumer price index (CPI), the unemployment rate, or aggregate income, spending and savings levels. Most of these metrics are, at best, only loosely related to how ordinary Americans are faring and obscure at least as much as they reveal about the state of families' financial health, let alone the state of the financial health of those in historically marginalized communities. And while various statistical agencies have put a good deal of effort into measuring annual household or family income, the reality is that treating a family's income as a measure of its financial health is no more valid than treating gross revenue as a measure of corporate health or gross tax receipts as a measure of a state's fiscal health. Rather, families' financial health depends on the interaction of all parts of their financial lives. To measure financial health and make progress in improving it thus requires a more complex set of metrics that captures within individual families not just how much money a family receives over the course of a year but, at a minimum, how it spends, saves, borrows, and plans for the future.

The time has come to establish financial health as the clear North Star for economic and social policy and for the federal government to build an effective system to measure and report on the state of financial health for the country as a whole and for those communities that historically have been discriminated against, marginalized, or otherwise underserved. The key to such a system is a simple and easily-understood way of measuring the financial health of families—one that brings together in a composite index a number of discrete, family-level indicators that together provide a picture of families' financial health —the interrelationships and interactions between spending, saving, borrowing, and planning. With such an index in place, the government could generate regular reports on the state of our financial health and on the gaps between white, Black and Latino families —reports that could receive the same fanfare as typically accompanies, for instance, the release of the quarterly GDP.

Such a system could spotlight the overall trend lines and provide a means of identifying communities whose financial health is poor, deteriorating, or failing to keep pace with overall improvements. It could drive economic policy and public discourse, providing a means for each administration to define its goals for improving financial health and closing financial health gaps and to measure—and be held accountable for—its progress in achieving its goals. Over the longer term, a systematic program of measuring financial health could provide a more precise tool for crafting eligibility criteria and distribution formula for a range of government programs and could provide a set of benchmarks against which private-sector institutions can assess how they are impacting the financial health of their employees, customers, and communities.

To accomplish this with the speed necessary to meet the moment, it is imperative for the president to assign responsibility for building a financial health measurement system to a senior-level official within the White House. That official would be responsible for convening experts from across the government as well as outside experts to:

- Define a set of key indicators of financial health;
- Construct a composite index for measuring the financial health of families and grouping them within financial health tiers; and

- Design a quarterly data collection and reporting system to make the financial health findings salient.

It is not necessary, however, to await the development of a survey instrument and financial health scale to begin making progress in collecting and reporting on data relevant to assessing financial health and on the gaps between white families and communities of color. In the interim, there are more immediate steps that can and should be taken including:

- Expanding the Census Bureau's Annual Social and Economic Supplement to the Current Population Survey(CPS), which already captures data on household income, to also collect information on savings and debts along with responses to some validated questions of subjective well-being.
- Defining financial health segments or profiles through cluster analysis or other statistical techniques based upon the data collected through the expanded CPS.
- Reporting annually on the distribution of families within those segments overall and for discrete demographic groups.

In his landmark Executive Order on Advancing Racial Equity and Support for Underserved Communities President Biden pointedly recognized that, a "first step to promoting equity in government action is to gather the data necessary to inform that effort." The measures we recommend would take that step in order to set the nation on the path towards the executive order's ultimate and compelling goal: "mak[ing] real the promise of America for every American."

Introduction

In a presidential debate forty years ago, Ronald Reagan memorably asked viewers, "Are you better off today than you were four years ago?" After four decades in which economic growth has primarily benefited those at the very top of the economic ladder, it is clear that for tens of millions of families, the answer is a resounding "no." That lack of progress is particularly true for Black and Latino families which is all the more visible in this moment, as the nation reckons with the vast inequities in health and wealth made plain by both the COVID-19 pandemic and the Black Lives Matter movement.

The Biden-Harris administration was elected to "build back better" and has made clear its deep and abiding commitment to "make real the promise of America for every American." The president's historic Executive Order on Advancing Racial Equity and Support for Underserved Communities mandates an "equity agenda" that "matches the scale of the opportunities and challenges that we face" by "advancing equity for all, including people of color and others who have been historically underserved, marginalized, and adversely affected by persistent poverty and inequality."

But how will we know if we've succeeded in building back better for everyone? It is said that what gets measured gets managed. Despite the talk that is rampant during presidential election years about how well families are faring, the reality is that we do not have an accepted method of assessing financial health nor the right data to do so. Instead, policymakers have tended to focus on macroeconomic measures, such as growth in the GDP, or programmatic measures such as the take-up rate among the eligible population of various government programs.

Case in point: Government reporting on the economic impact of the COVID-19 pandemic. Policymakers largely focused on tracking the number of new unemployment claims filed or the number of individuals and small businesses taking advantage of various relief programs such as mortgage forbearance or the Payment Protection Program (PPP). The absence of a definitive measure of financial health meant that policymakers were challenged in their ability to understand the full consequences of the pandemic on families' financial lives and its disproportionate impact on communities of color, and handicapped in their ability to assess reliably the results of the actions taken in an effort to ameliorate those consequences.

The time has come to establish financial health as the clear North Star for economic and social policy. To do so requires building an effective system to measure and report on the state of financial health, one that brings together a number of discrete, family-level indicators that together provide a composite picture of families' financial health. Critically, the system must measure and report on the financial health of those communities that historically have been discriminated against or marginalized and whose lives are not well represented by the average trend line.

In this white paper, we first discuss what we mean by financial health and some of the research the Financial Health Network and others have conducted to study the state of financial health in the United States. We then describe our vision for a financial health measurement system centered on a financial health index and the ways that public- and private-sector decision makers could use it to drive policy and measure the efficacy of their actions. Finally, we lay out a set of concrete recommendations for building the measurement and reporting system we envision as well as interim steps that can be taken to assess and report on the state of the nation's financial health in the near term while work is underway to realize the broader vision we describe.

What is financial health?

Academic literature and policy studies offer a range of definitions for the phrases "financial health" and its cousin "financial well-being."[1] Some are subjective in nature, focusing on levels of financial stress or a sense of financial control. Others focus more on a family's current, objective financial situation.

In our view, financial health at a minimum should address the ability of individuals and families to meet their current obligations and needs, absorb and recover from financial shocks, secure their future, and improve their financial situation over time. Importantly, while income is an important driver of financial health, income is surely not the only driver. Rather, financial health has both a present and future orientation and considers the totality of people's financial lives: not only whether they are able to meet current needs but also whether they are spending, saving, borrowing, and planning in ways that will enable them to be resilient and thrive. Treating household income as a measure of the financial health of a family is thus no more valid than treating gross revenue as a measure of corporate health or gross tax receipts as a measure of a state's fiscal health.

For the past ten years, the Financial Health Network has been studying the financial health of those living in America. This focus was initially inspired by learnings from the U.S. Financial Diaries project, a joint research effort of the Financial Access Initiative of New York University and the Financial Health Network (then the Center for Financial Services Innovation) led by Jonathan Morduch and Rachel Schneider. By tracking 235 low-and moderate-income households over the course of a year to collect highly detailed data on how they managed their finances, we gained insight into hard-to-see aspects of the everyday financial lives of working Americans that are too often obscured by analyses of annual or even average monthly income and expenses.[2] Moreover, monthly interviews with the research subjects helped us understand the complexity of their financial lives, and how financial systems and the quality of their lives were so deeply intertwined.

That led us to begin efforts to define and measure financial health. We published our first empirical research on the concept in 2015, and over the ensuing several years, through a process of iterative research, we developed a scale for measuring financial health. This FinHealth Score(R) captures in a single metric a set of eight indicators designed to examine behaviors involving spending, saving, borrowing and planning. Applying a series of statistical techniques, we use these scores to place individuals into one of three financial health tiers: Financially Healthy, Financially Coping, and Financially Vulnerable.

Most recently, we have developed the Financial Health Pulse, a research platform for tracking over time individuals' financial health and how that changes from one year to the next. The foundation of the Pulse platform is an annual, longitudinal survey administered to the members of USC's Understanding America Study, a nationally representative online panel that now numbers approximately 9,000 participants. That survey includes the eight scored indicators, along with detailed questions about a range of topics including life events and financial hardships experienced over the preceding year; sources of income and benefits; and the size and the nature of savings, assets, debts, and insurance. The Understanding America Study supplies a robust set of respondent demographics that we analyze for our annual trend reports. In addition, roughly 10% of the sample has authorized us to obtain daily access to transactional data from various of their financial accounts and products, which adds to the picture painted by the survey data.

The state of financial health today

In the Financial Health Pulse 2020 Trends Report, which was based on a survey administered in July 2020, we found that only one-third of individuals were financially healthy; half were financially coping, meaning that they are struggling with some aspects of their financial lives; and almost one in five were financially vulnerable, meaning that they were struggling with all, or nearly all, aspects of their financial lives. Encouragingly, the share of those who were financially healthy, which had held roughly constant between 2018 and 2019, increased by four percentage points in 2020, likely as a result of the confluence of stimulus policies, debt relief measures, and consumer behavior changes resulting from the pandemic.

The Pulse reports also underscores the importance of viewing financial health as more than a snapshot of families' current financial situation and looking at financial behaviors that build resilience. For example, although the 2019 Trends Report found that between 2018 and 2019 there was essentially no change in the share of individuals in each financial health tier, among those participating in both surveys over one in ten fell to a lower tier. Similarly, although as noted above there was some overall improvement in the picture in 2020 relative to 2019, still over one in ten respondents moved to a lower tier in 2020.

The disparities between the financial health of white respondents and people of color also emerge clearly from the Pulse data. In the 2020 Trends Report, for example, the percentage of white respondents who rated as financially healthy was more than double that for Black respondents and more than 1.6 times that for Latino respondents. The results were the exact inverse with respect to the financially vulnerable: Black and Latino respondents were twice and over 1.6 times more likely to be financially vulnerable than white respondents. The Black-white disparities actually have widened over the three years since we launched the Financial Health Pulse. Further, the percentage of financially healthy white individuals increased by five percentage points between 2018 and 2020, whereas the percentage of financially healthy Black individuals was essentially unchanged.

Earlier this year we conducted a supplemental Pulse survey that found additional evidence of growing disparities. For example, 50% of the financially vulnerable—a group disproportionately composed of people of color—reported that their financial situation had worsened during the course of the pandemic, as opposed to just 6% of the financially healthy. Similarly, Black and Latino respondents were roughly twice as likely as white respondents to report that since the start of the pandemic they had worried about running out of food or being unable to pay their rent or mortgage.

Other studies tell a similar story about the state of American's financial health and the racial and ethnic disparities in financial resilience. For example, in a recent report on the Financial Resilience of Americans, the FINRA Education Foundation found that only 15% of people are what the report termed "Standing Strong" while 37% are "Living on the Edge" and another 14% are in the group labeled "Paycheck to Paycheck." Among Black and Latino individuals, one in two are "Living on the Edge" and just over 5% are "Standing Strong," one-fourth the figure for white individuals. Similarly, a recent report from the Pew Research Center finds that while almost half of all Americans report that their financial situation is only fair or poor, among Black individuals it is two-thirds. And in its most recent Making Ends Meet survey, the CFPB found that 30% of white individuals and 67% of Black individuals reported having had difficulty paying for a bill or expense in the previous year; for white respondents this represented almost a 20% decline over the prior year whereas for Black respondents this represented a slight increase year over year.

The need for improved government measurement

As the foregoing indicates, there is no dearth of data with respect to the financial health of those living in the United States. What is lacking, however, is a single, authoritative measure that is regularly reported on and that can drive a national conversation about how well families are doing and about the extent of our progress, if any, in improving financial health and reducing inequities that divide us on racial, ethnic, and other lines.

Today, most of what gets measured by the government, at least on a frequent cadence, are macroeconomic indicators of national economic performance such as the GDP, the CPI, the unemployment rate, or aggregate income, spending, savings, or debt levels (with savings being a derivative estimate.) Some of these raise complex methodological issues, as exemplified by the current debate about the true rate of unemployment. More importantly, most of these aggregate metrics are, at best, only loosely related to how ordinary Americans are faring, and those metrics obscure at least as much as they reveal about the state of families' financial health. Yet because of the prominence of the monthly and quarterly reports of the traditional indicators, they are the ones on which policymakers are too often focused and that tend to drive public policy discussions.

To be sure, various statistical agencies have put a good deal of effort into measuring individual, household or family income on an annual or more frequent basis. Indeed, at least five separate government agencies issue periodic income reports, each with its own approach to measurement. That has allowed an important conversation about the growth of income inequality between those at the very top of the income ladder and the rest of Americans and between white families and families of color. But as already noted, family financial health is the product of the complex interaction among all parts of a family's financial life. A family's ability to effectively spend, save, borrow, and plan both influences and is influenced by physical health, emotional health, and the health of its community, among other factors. Thus, to measure financial health and make progress in improving it requires more than a measurement of income, however robust that measure may be; rather, it requires a more complex set of metrics that captures within individual families not just income but, at a minimum, spending, saving, and borrowing as well.

Until recently, the closest the government has come to such multi-dimensional reporting has been through the triennial Survey of Consumer Finances conducted by the Federal Reserve Board, the results of which are reported with a one-year lag after the data is collected. But as useful as those data are for researchers, the infrequency of those surveys and the delay in their release means that they are insufficient for establishing policy priorities and measuring progress in achieving well-defined goals.

Nascent efforts at improvement

In the wake of the 2008 financial crisis and the realization that traditional sources of government data were insufficient to understand the reality of Americans' financial lives, the Federal Reserve Board began conducting an annual Survey of Household Economics and Decisionmaking (SHED) and producing annual reports on the Economic Well-Being of U.S. Households. The SHED uses a commercially available panel to explore individuals' general economic well-being, with sections on income and consumption, employment, housing, education, health, banking, credit, and retirement planning. The 120-question survey and the resulting reports contain a wealth of valuable data including, for example, the finding in the 2020 report that one in five white Americans and one in three Black and Latino Americans report that they are "just getting by" or "finding it difficult to get by."

However, in producing these reports, the Board has not endeavored to synthesize the disparate pieces of data collected through the SHED into an overall metric to inform public understanding of the state of families' financial health. As a result, bits and pieces of the survey tend to be given outsized importance, such as the often-misunderstood statistic with respect to the percentage of people who would borrow or sell something to cover a $400 emergency expense.

The COVID-19 pandemic of 2020 provided another wake-up call about the need for more timely and relevant data on how households are faring financially. In April of 2020, the Census Bureau introduced the Household Pulse Survey to fill the gap; this survey initially was done on a weekly basis and is now being conducted biweekly. This novel research illustrates the importance of going beyond aggregate numbers to collect data about individuals' actual experiences and perceptions—asking, for example, about whether respondents' have been able to procure sufficient food for their family and pay their mortgage or rent. As a stunning example, while the Commerce Department's report on Personal Income and Outlays for March 2021 provided a rosy report on national income, spending, and savings in the aggregate, the Household Pulse Survey for the last two weeks of March found that almost three in ten households—and over four in ten Black and Latino households—were experiencing difficulty in paying for their usual household expenses. (Even those numbers were an improvement from the first two weeks of March when over a third of all households and almost half of Black and Latino households found it difficult to pay their usual household expenses.)

But as useful as the Census Pulse is in understanding aspects of the current economic situation, it is not intended to be a tool for assessing overall financial health. Its stated purpose is to understand the "ways in which people's lives have been impacted by the pandemic." Thus, it asks primarily about the respondents' experiences over the preceding seven days and their expectations for the ensuing month or two. Furthermore, even as a means of measuring the pandemic's effects, the roughly 40 separate tables that the Census releases every two weeks are overwhelming in their detail and lack clear conclusions.

The vision

If financial health is to be placed at the very center of economic policy, there needs to be a simple and easily-understood way of measuring and talking about financial health and a data gathering and reporting system that puts that measure at least on a part with more conventional economic measures such as the GDP or the rate of inflation. That in turn requires three key steps:

- Defining a set of key indicators of financial health;
- Constructing a straightforward and reliable composite index for measuring the financial health of families and grouping them within financial health tiers; and
- Designing and implementing a data collection and reporting system that makes the state of financial health and inequities in financial health salient for the public, policymakers, and thought leaders.

We discuss each of these steps in turn.

Defining financial health indicators. To create an index to measure financial health first requires defining a set of robust indicators of financial health in much the same way as physicians have developed indicators of physical health such as blood pressure, cholesterol level, heart rate, and the like. These indicators could include what accountants and economists term stock and flow data points—that is, point-in-time and changes-over-time data points. For each indicator, it would be necessary to define a healthy and unhealthy range and a gray or borderline area, much as we do for physical health indicators.

Constructing a composite index. Each of these indicators, standing alone, would reveal a piece of the mosaic that makes up a family's and, in the aggregate, the nation's financial health. Reporting that uncovered, e.g., the share of families without a sufficient savings buffer or with an excessive debt burden would represent a significant improvement over the current, aggregate-level reporting of national savings and debt levels or the reporting of the average savings rate and debt burden. But to measure families' financial health and the disparities that exist requires bringing these pieces of the mosaic together at the level of the individual or family through a composite index—that is, a single number which could be calculated for each family—which could then be used to place individual families into financial health groupings or tiers. That in turn would make it possible to measure the state of the financial health of the various communities that together make up the nation's financial health.

Data collection and reporting. Once the indicators of financial health have been determined, a scale constructed and validated, and financial health tiers defined, the Census Bureau could begin conducting quarterly surveys, either as a supplement to the Current Population Survey or as a stand-alone data collection along the lines of its current Household Pulse survey, to obtain the data needed for financial health reporting. Administrative data collected by the IRS or the Social Security Administration could be merged with the survey data as appropriate to generate financial health scores. Census could then create quarterly releases with respect to both the indicators and the composite scores, reporting, at a minimum, the distribution of families by financial health tier in the aggregate and for discrete populations, especially historically discriminated-against or otherwise marginalized communities. The ultimate objective would be to generate regular reports on the state of our financial health that receive the same fanfare as typically accompanies, for instance, the release of the quarterly GDP, so that economic progress would be evaluated in terms of improvements in the ability of families to build resilience and thrive, especially among historically disadvantaged communities.

The benefits of financial health measurement

We see four principal benefits of developing a systematic effort to measure financial health along the lines outlined above.

- **Holistic measurement of macro and micro trends:** The first and most obvious benefit is that, like any good diagnostic tool, financial health measurement could shed a spotlight on overall trend lines—providing a robust and reliable means of answering Ronald Reagan's penetrating question—and, moreover, a means of identifying communities whose financial health is poor, deteriorating, or failing to keep pace with overall For example, at scale a well-designed program of financial health measurement, in addition to measuring financial health across racial and ethnic lines, could provide insights into how those living in rural areas or inner cities or areas of persistent poverty are faring and whether their financial health is improving in tandem with other parts of the country. Such a program likewise could provide insights into particularly vulnerable populations such as renters, the elderly, those caught up in the criminal justice system, those with disabilities, or those with limited English proficiency.

- **Improved assessment of economic policy:** Second, and relatedly, a robust system of financial health measurement could drive economic policy, and public discourse regarding such policy, for years to come. Each administration could define—indeed should be called upon to define—its goals with respect to improving financial health and closing financial health gaps. Each administration would be able to measure its progress in achieving its goals and to make mid-course corrections as needed. Perhaps most important, each administration could be held publicly accountable for what has, or has not, been accomplished to improve financial health for all on its watch based upon clear and objective measures.
- **Greater precision in policy design and execution:** Third, over the longer term, a systematic program of measuring financial health could potentially alter the way in which a range of government programs are designed by providing a more effective tool for crafting eligibility criteria and distribution formulas, for instance. Quite commonly, new programs designed to reduce inequities target assistance to families based upon their income relative to a state or area median. For example, the recently-enacted American Rescue Plan creates a homeowners assistance program to provide support for needy homeowners in making mortgage, utilities, or insurance payments with a requirement that at least 60% of the funds go to homeowners with incomes at or below 100% of the area or national median income. A metric that measures financial health could provide a more nuanced and ultimately more precise method for targeting those families in greatest need.
- **Private sector accountability:** Fourth and finally, a government program of the scale we are envisioning could provide a set of benchmarks against which private-sector institutions and nonprofit organizations would be able to compare the financial health of their employees, customers, and clients. Such measurement, conducted in a manner that safeguards individual privacy, is a necessary first step to enable these organizations to develop effective financial wellness programs of their

own—within their own workplaces or across, e.g., a financial institution's customer base, a health care system's patients, or a college or university's student body. Over the longer term, an authoritative means of measuring financial health could lead to well-defined expectations of these and other institutions in terms of their impact on the financial health of their key stakeholders. The Financial Health Network has worked with dozens of companies and organizations over the past five years in efforts to conduct firm-specific measurements of financial health. Our experiences suggest that a government-backed measurement program with national benchmarks would catalyze more private sector activity.

Making it happen

The vision we have proposed cannot be achieved overnight. But we do believe that it can be realized within the next four years with the right level of intensity and focus.

The research that the Consumer Financial Protection Bureau conducted in constructing a financial well-being scale, along with that of the Financial Health Network and other researchers and private parties who have built similar indices, can provide a solid foundation for defining the indicators and building the kind of index we propose. At the same time, for a financial health index to gain the credibility and acceptance that we envision, more work—and a more inclusive process—will be needed to define the indicators that should go into the composite index and the weight to be attached to the indicators in order to create and validate a financial health scale and associated financial health tiers.

For this to happen with the speed necessary to meet the moment, it is imperative for the president to assign responsibility for building a system of financial health measurement to a senior-level official within the White House such as the Chair of the Council of Economic Advisors, the Director of the National Economic Council or the Director of the Domestic Policy Council. That official would in turn be responsible for engaging experts from across the government, along with a group of outside advisors, to provide technical expertise in developing the indicators, the index and tiers, and the data collection and reporting system and to do so within an agreed-upon time frame, recognizing that the perfect can be the enemy of the good and that once launched there will be opportunities to improve the methodology over time. The National Academies of Sciences, Engineering, and Medicine could play a key role in supporting this work.

At the same, it is not necessary to await the development and validation of indicators and a scale along the lines discussed above to begin making progress in collecting and reporting on data relevant to assessing financial health and on the gaps—indeed chasms—that exist across racial and ethnic lines. Rather, there are five steps that could be implemented in the near term to improve public understanding of financial health.

1. **Expand the Current Population Survey's Annual Social and Economic Supplement to collect information on savings and debts relative to income.** Although the CPS ASEC has been criticized for undercounting households at both ends of the income spectrum,[3] it nonetheless remains the premier instrument for collecting information with respect to household income and certain categories of expenses. It creates a natural vehicle for also collecting information on households' liquid savings, retirement savings, debt levels, and debt payments, all of which can then be related to household income. These data elements would provide a more complete picture of families' financial health than income reporting alone.

2. **Incorporate validated questions of subjective well-being into, or linked to, the CPS** Many of the tools that have been developed to measure financial well-being use questions that inquire about families' perceptions and subjective experiences. In addition to collecting data on savings and debt, Census also could, in the near term, incorporate into the CPS ASEC (or potentially a separate data collection that could be linked to it) questions taken from the SHED, the CFPB's financial well-being scale, or some other existing instrument for measuring financial health such as the Financial Health Network's Financial Health Score or the instrument that the Commonwealth Bank of Australia (in collaboration with the Melbourne Institute) has developed. This could inform understanding of the relationship between these subjective indicators and more objective measures.
3. **Conduct statistical analyses to develop and report on composite** It would not be sufficient to report separately on income, savings, debt, or subjective well-being. As

discussed above, what matters in the lives of families is the combination of these (and other)variables. Even before developing its FinHealth Score, the Financial Health Network used survey data to define three financial health tiers (Healthy, Coping, and Vulnerable) and sub-segments within each tier. The FINRA Investor Education Foundation has likewise developed a four-tier topology (Standing Strong, Holding Steady, Paycheck-to- Paycheck, Living on the Edge) using data from its triennial Financial Capability Study. That topology in turn parallels one the Commonwealth Bank of Australia-Melbourne Institute developed (Doing Great, Getting By, Just Coping, Having Trouble) in conjunction with its Financial Wellbeing Scale. We similarly recommend that, through cluster analysis or other statistical techniques, Census use the data collected through the CPS ASEC to define three to five groupings and report on the distribution of families within those groups and on changes in those distributions over time.

4. **Report and highlight results by race, national origin, and other key demographic groups.** The CPS routinely collects demographic data and reports disaggregated results by racial, ethnic, and other key demographic variables. But it is not enough for these results to be buried in tables accompanying data releases while the headline speaks in terms of national averages. Rather, each report needs to highlight findings with respect to the equity gap, including, e.g., what percentage of Black, Latino, and white families as well as families from other racial and ethnic minorities are found in each tier or group and year-over-year changes in the gaps between those groups.

5. **Publish the microdata for use by outside experts.** Academics and other researchers can play an important role in expanding our understanding of financial health by mining the data collected by the government. They can, for example, explore alternative means of defining financial health and of grouping households; examine trends not apparent from simple comparisons; and identify subpopulations missed by the government's periodic reports. And they may find ways to combine these data with other data sources to further refine the understanding of the state of our financial health.

Conclusion

As President Biden's executive order on equity states, "A first step in promoting equity in Government action is to gather the data necessary to inform that effort." If financial health is a national goal, we need to be able to measure the share of families who are financially unhealthy or struggling. If we are committed to reducing the equity gaps between whites and historically marginalized communities, we need to be able to measure disparities among these different groups. Measurement will not, in and of itself, achieve equity, but robust measurement is essential if we are to know where we stand, where we are heading, and how to get closer to our desired destination.

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Footnotes

1. 1 See Insight2Impact et al., *Measuring financial health: What policymakers need to know* (2020).
2. 2 See J. Morduch & R. Schneider, *The Financial Diaries: How American Families Cope in a World of Uncertainty* (2017).
3. 3 E.g., Bollinger et al., "Trouble in the Tails? What We Know About Earnings Nonresponse Thirty Years after Lillard, Smith and Welch," vol. 127 Journal of Political Economy (Oct. 2019).

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