

# Up Close and Personal: Findings from the U.S. Financial Diaries

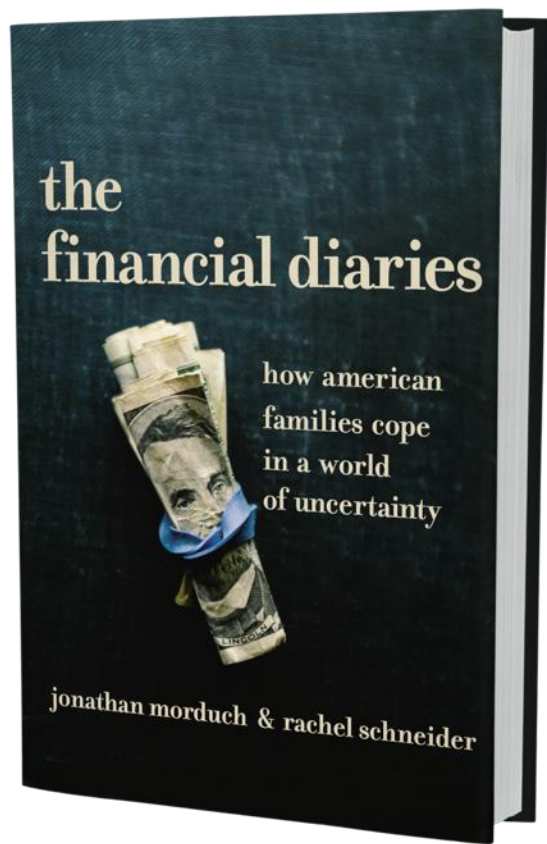
March 9, 2018

Rob Levy, Vice President, Financial Health

Leading the Nation in Consumer Financial Health

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MEMBERSHIP | CONSULTING | RESEARCH | INNOVATION



Jonathan Morduch, NYU

Rachel Schneider, CFSI

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# Principal Investigators



- **Jonathan Morduch**, Professor of Public Policy and Economics, New York University



- **Rachel Schneider**, Center for Financial Services innovation



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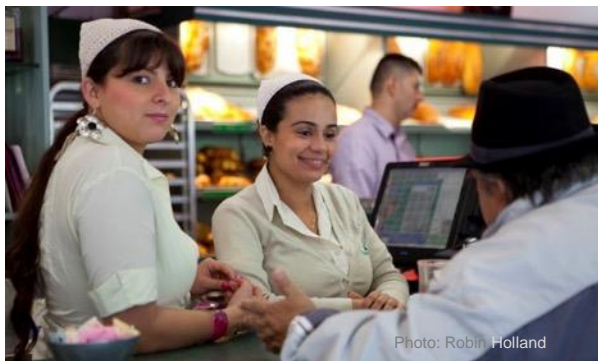


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# Household Diaries

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# 300,000

cash flows collected during the year. About 100 spending categories, 38 income types, 69 financial instruments.

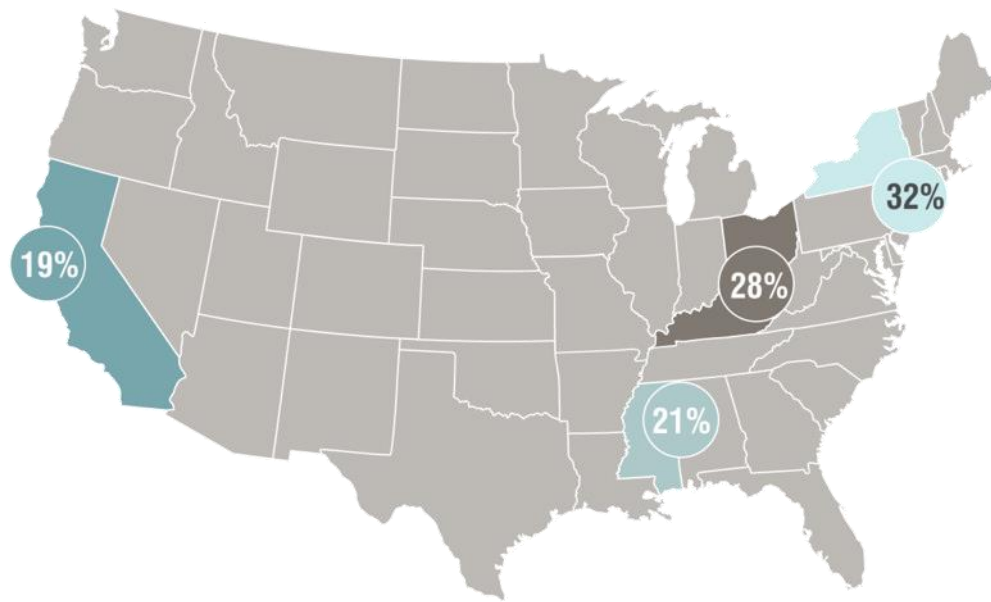
# 460,000

answers to survey questions on health, financial literacy, time preference, organization, tax refunds, financial instruments, aspirations, income patterns.



## U.S. Financial Diaries

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#### CALIFORNIA

San Jose & environs  
Urban & rural  
46 hh; 78 adults

#### EASTERN MISSISSIPPI

Rural  
50 hh; 87 adults

#### OHIO/KENTUCKY

Cincinnati & environs  
Small town & rural  
69 hh; 130 adults

#### NEW YORK CITY

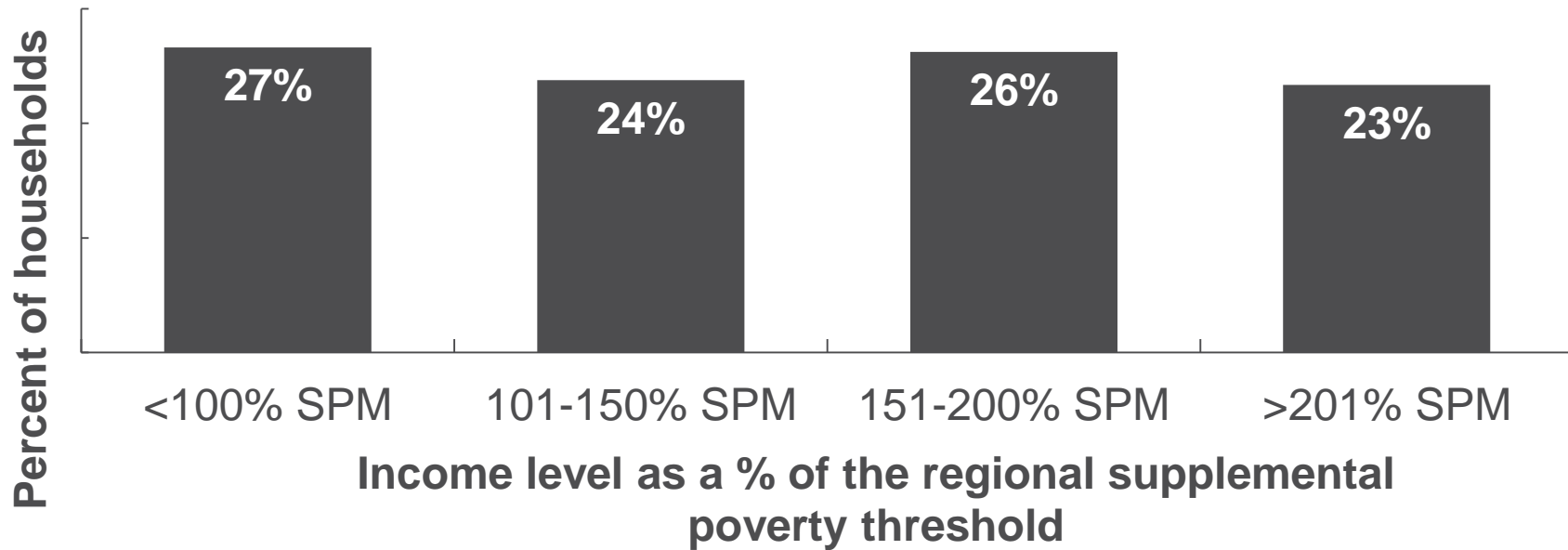
Brooklyn & Queens  
Urban  
79 hh; 158 adults



# Location of Households

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## Observed income



N=244 households. SPM is the threshold of the supplemental poverty measure.

Source: U.S. Financial Diaries, "83 Charts to Describe the Hidden Financial Lives of Working Americans," December 2014



# Income Distribution of Households

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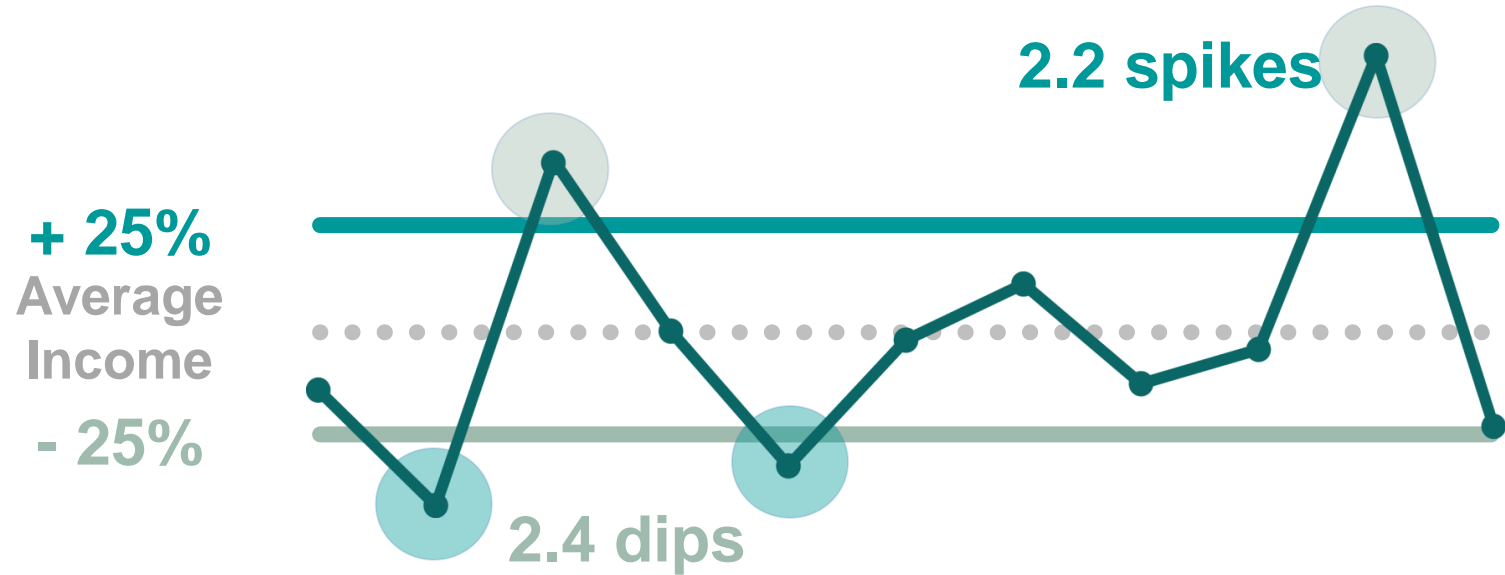
# Volatility and Uncertainty in Income and Spending



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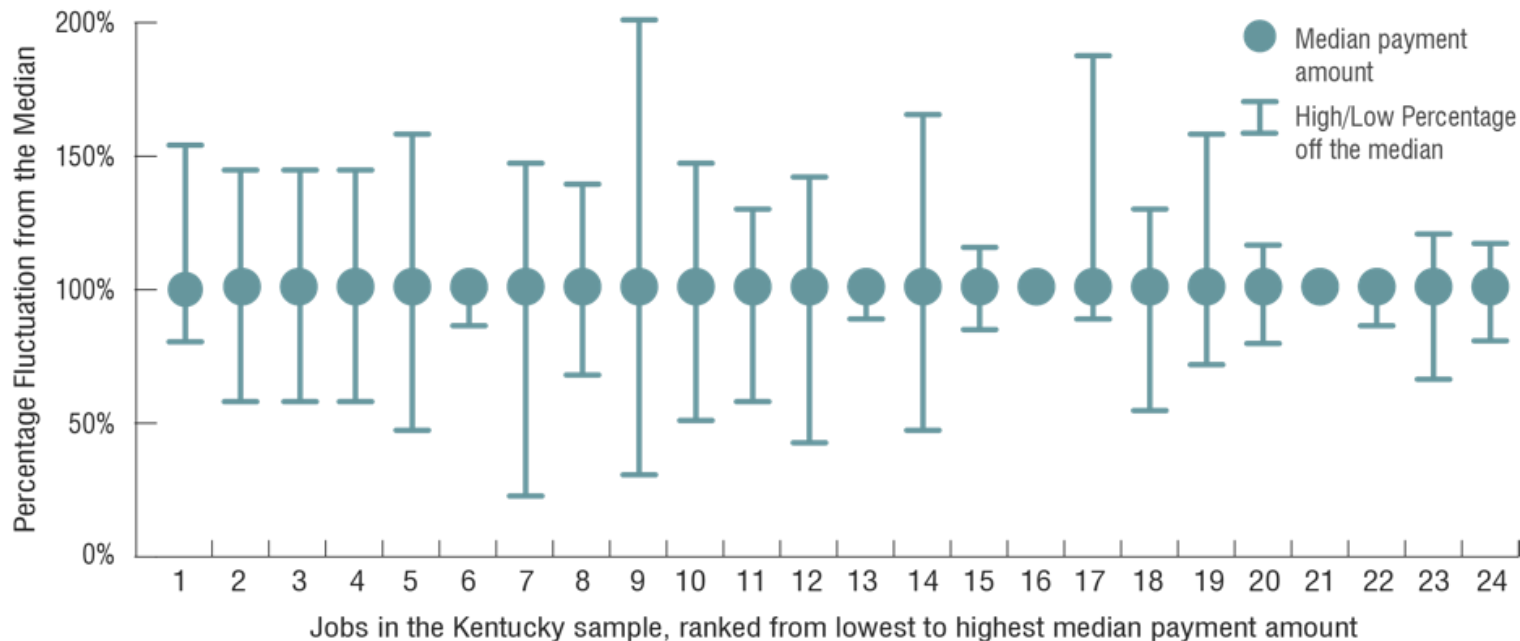


## Income is Uneven Month by Month



# Steady Jobs without Steady Pay

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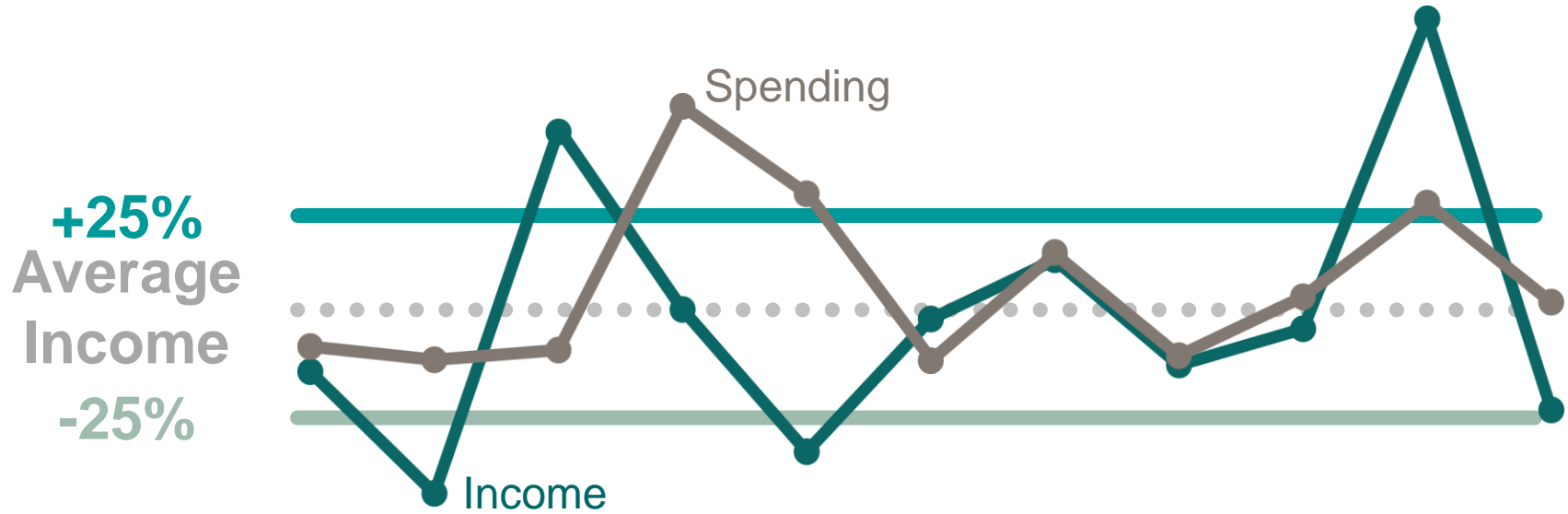
Source: J. Morduch and R. Schneider, "Spikes and Dips: How Income Uncertainty Affects Households," US Financial Diaries Issue Brief, December 2013



# Variable Paychecks: Northern Kentucky

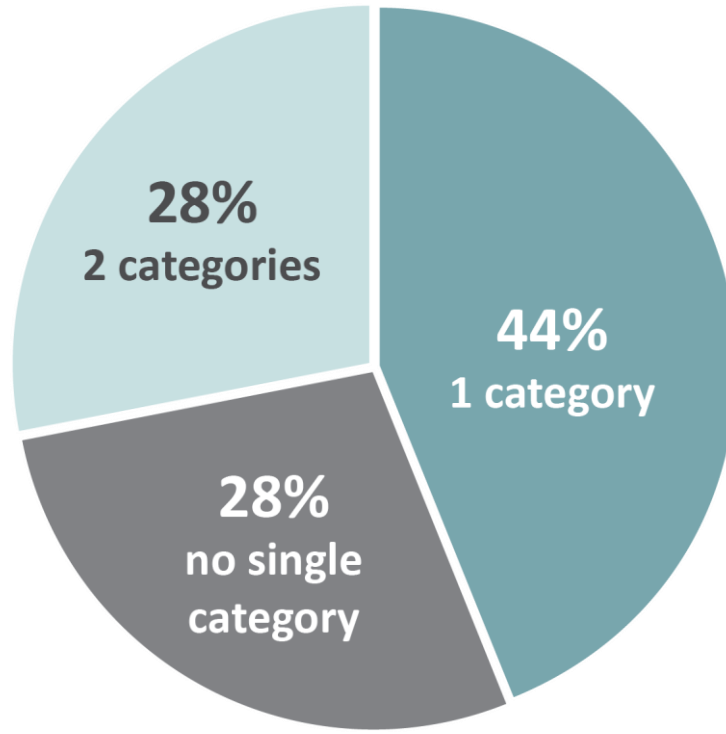
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## Spending Patterns Also Exhibit Monthly Spikes and Dips



# Mismatch

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# Spending Spikes vs Emergencies

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- **Work hours** rising and falling
- Lumpy **payments (tax refunds, etc.)**
- **Health problems** and **emergencies**
- **Predictable childcare** and **transportation** needs (with uncertain timing and size)
- **Shifting household membership**

Source: J. Morduch and R. Schneider, "Spikes and Dips: How Income Uncertainty Affects Households," US Financial Diaries Issue Brief, December 2013

## Typical Causes



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- Hardworking couple in their 30's and 40's
- Three dependent children
- Regular full-time and part-time jobs and volatile income
- Homeowners struggling to make ends meet

Source: J. Morduch, R. Schneider, et al, "Working Hard but Still Struggling", US Financial Diaries Household Profile, June 2013

# The Johnsons



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- Difficulty planning
- Use a variety of financial services
- No savings
- High debt



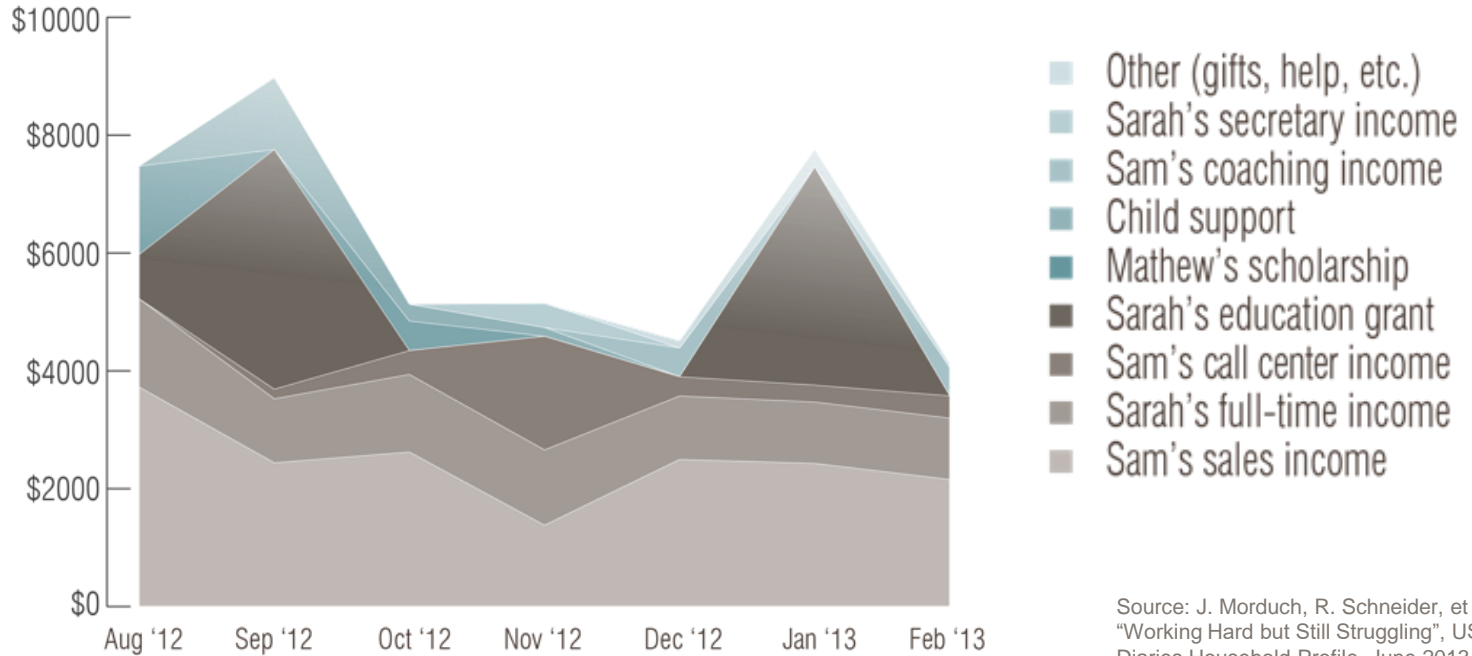
Source: J. Morduch, R. Schneider, et al, "Working Hard but Still Struggling", US Financial Diaries Household Profile, June 2013

# The Johnsons



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## Many income sources, but amounts vary

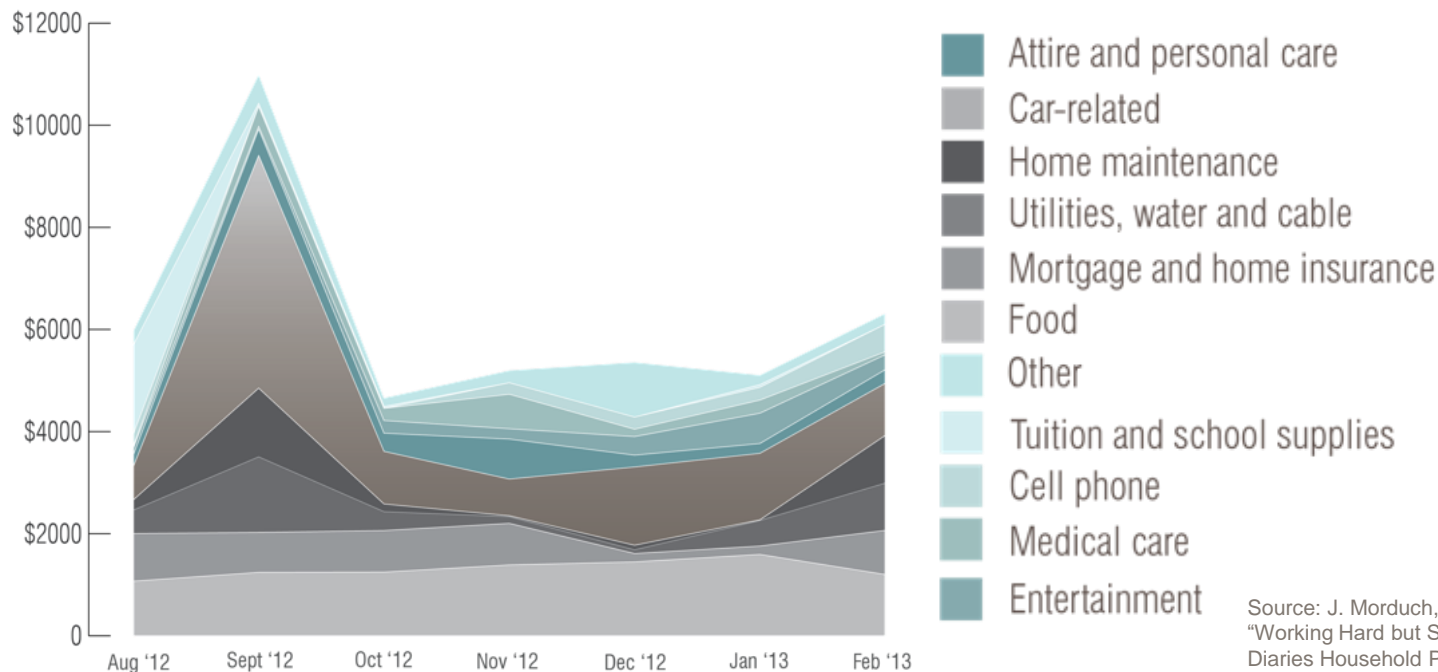


# The Johnson's Income

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## Even more volatile than their income



Source: J. Morduch, R. Schneider, et al, "Working Hard but Still Struggling", US Financial Diaries Household Profile, June 2013



## The Johnson's Expenses

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When asked about her main financial goal:

*"I just want to be able to pay the full electric and phone bills that come in, not in bits and pieces."*

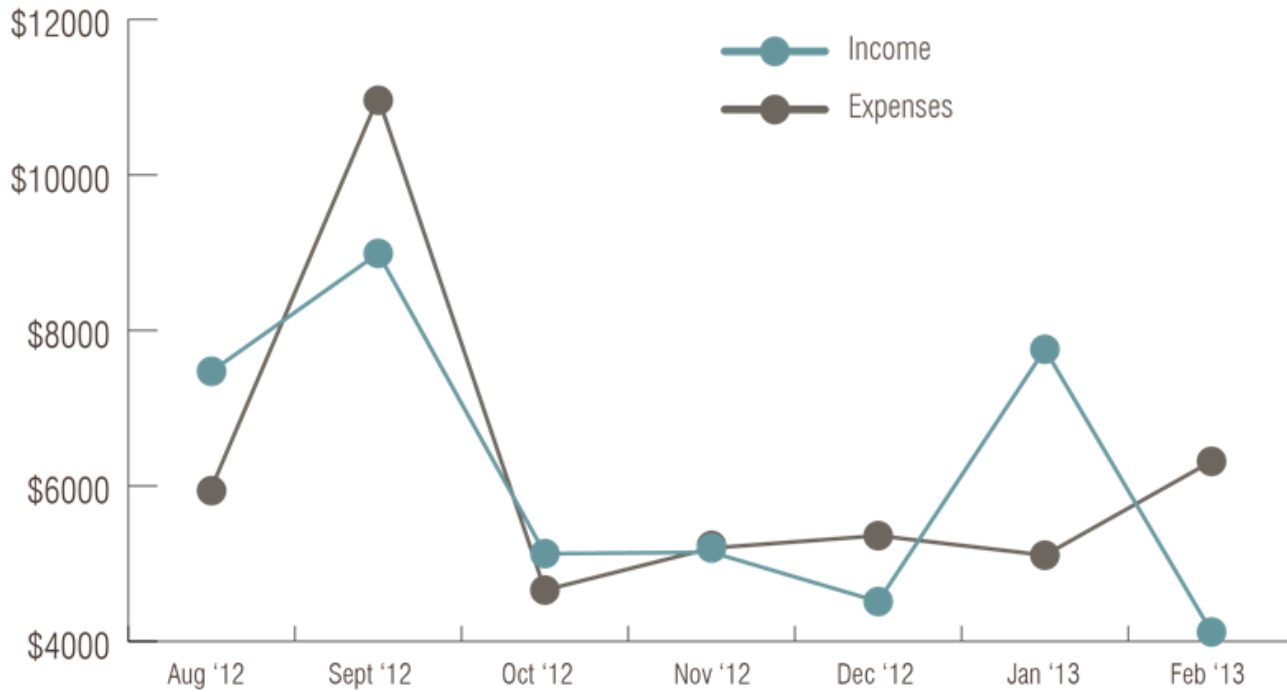
Sarah Johnson, age 38, Ohio

Source: J. Morduch, R. Schneider, et al, "Working Hard but Still Struggling", US Financial Diaries Household Profile, June 2013



# Bill Payments

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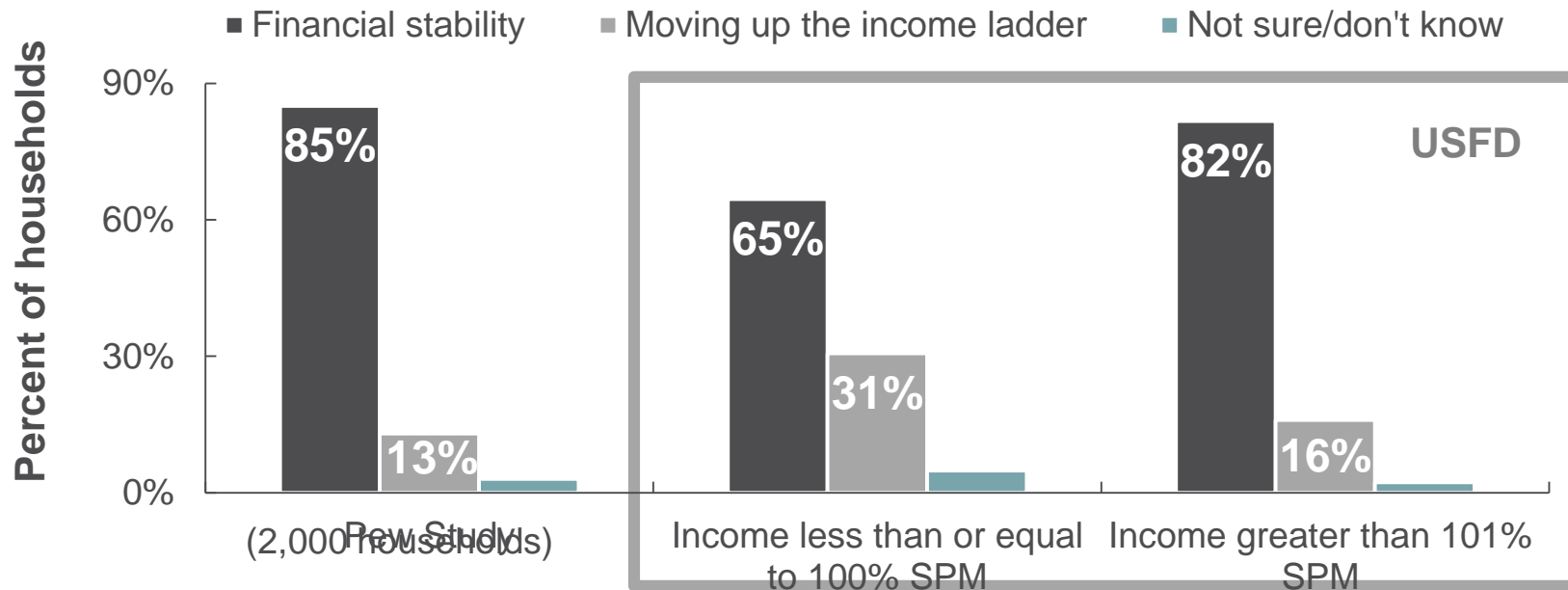
Source: J. Morduch, R. Schneider, et al, "Working Hard but Still Struggling", US Financial Diaries Household Profile, June 2013



# Mismatch of Income and Expenses

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## Q: Which is more important to you?



N=237 households. SPM is the threshold of the supplemental poverty measure.

Source: U.S. Financial Diaries, "83 Charts to Describe the Hidden Financial Lives of Working Americans," December 2014



# Income Stability vs. Higher Income

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# The Right Money at the Right Time

Smooth and Spike

Align Inflows and Outflows

Balance Structure and Flexibility

Enhance Control



## Diaries Take-Aways

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Website:

<http://www.usfinancialdiaries.org>

Stanford Social Innovation Review Series:

[http://ssir.org/the\\_hidden\\_lives\\_of\\_americas\\_poor\\_and\\_middle\\_class](http://ssir.org/the_hidden_lives_of_americas_poor_and_middle_class)

USFD Medium Discussion Page:

<https://medium.com/@USFDstudy>

Planet Money Podcast:

<http://www.npr.org/sections/money/2016/02/12/466602146/episode-683-we-3-u>



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# Q&A

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**Thank You**