

Large number of Americans reported financial anxiety before the pandemic

April 29 2021



Credit: CC0 Public Domain

A substantial number of adults in the United States between the ages of 21 and 62 felt anxiety and stress about their personal finances well before the onset of the COVID-19 pandemic, according to a new report published today.

Researchers at George Washington University's Global Financial Literacy Excellence Center (GFLEC) found that financial [stress](#) and [anxiety](#) are highly linked to low levels of financial literacy, problematic financial behaviors and decreased [financial security](#).

Researchers at GFLEC and the FINRA Investor Education Foundation used data from the foundation's 2018 National Financial Capability Study, as well as focus groups conducted in December 2020, to examine the prevalence of financial anxiety and stress among adults in the United States and the factors that likely contribute to higher levels. They also looked at the long-term consequences of these feelings.

"Our research offers important findings on the newly-explored topic of [financial stress](#) and anxiety," said Annamaria Lusardi, academic director of GFLEC and University Professor of Economics and Accountancy at GW. "Alarming, we find that even prior to the pandemic, more than half of American adults were experiencing financial anxiety. A multifaceted approach will be needed to address this problem, including a systematic increase in financial knowledge, which can happen through policy and programs."

The researchers looked at survey answers from more than 19,000 adults in the United States and analyzed evidence collected during focus groups. Here are the key findings from the report:

- 60% of respondents indicated feeling anxious when thinking about their personal finances, while 50% of respondents indicated feeling stressed when discussing their finances.
- 65% of women indicated feeling anxious about their [personal finances](#) compared to 54% of men.
- Major factors contributing to high levels of financial anxiety and stress include a lack of assets and insufficient income, high debt, money management challenges and low financial literacy.

- Women, young adults, people with financially dependent children and those who are low-income, unmarried and unemployed are most financially anxious.
- People with high financial anxiety were more likely to have past-due bills for the treatment of a health problem.
- Focus group respondents said that having too many expenses and monthly bills, especially medical expenses, were major factors contributing to high anxiety.

"These findings are sobering," said Andrea Hasler, deputy academic director at GFLEC and an assistant research professor of financial literacy at GW. "Over the past year, Americans' financial struggles, anxiety and stress levels have likely worsened. Focus group discussions reveal that for most participants, the pandemic seems to have exacerbated existing financial anxiety, rather than creating new anxiety that was not present pre-pandemic. Thus, it's more important than ever to build financial resilience and make it part of the recovery path."

Gerri Wash, president of the FINRA Foundation, said that what the research reveals about the arc and the extent of financial anxiety and stress in America prior to the global pandemic "is troubling."

"Our qualitative interviews underscore the potential severity of the pandemic's impact on Americans' mental and financial health today, as well as the important role of financial literacy," she said.

Given the connection between low financial literacy and anxiety and stress, the researchers recommend increasing efforts aimed at improving financial knowledge levels especially among high-risk groups. Other recommendations provided by the researchers to help ease financial anxiety and stress include:

- Encouraging adults, particularly those at risk of experiencing

financial anxiety or stress, to set aside emergency savings. Even small savings can help buffer against future financial shocks, potentially providing relief to stressed and anxiety-ridden households.

- Offer employees workplace financial wellness programs that address money management topics and options to automatically save for the future.
- Help employees by offering resources to help individuals cope with the anxiety and stress stemming from their financial situation.
- Take heed of the harmful effects of financial anxiety and stress on clients of personal finance experts such as advisers, counselors and planners.

More information: Financial Anxiety and Stress among U.S. Households: New Evidence from the National Financial Capability Study and Focus Groups. [gflec.org/wp-content/uploads/2 ... NRA-FINAL.pdf?x85507](https://gflec.org/wp-content/uploads/2021/04/NRA-FINAL.pdf?x85507)

Provided by George Washington University

Citation: Large number of Americans reported financial anxiety before the pandemic (2021, April 29) retrieved 25 April 2024 from <https://phys.org/news/2021-04-large-americans-financial-anxiety-pandemic.html>

This document is subject to copyright. Apart from any fair dealing for the purpose of private study or research, no part may be reproduced without the written permission. The content is provided for information purposes only.