A White Paper

Tracking Financial Health of American Households

July 2023

AMERICAN CONSUMER CREDIT COUNSELING, INC.
The Credit Counseling Professionals

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INTRODUCTION

Founded in 1991, American Consumer Credit Counseling, Inc. (ACCC) is a nonprofit (501) (c)(3) organization, offering confidential consumer credit counseling services, debt management, budget counseling, bankruptcy counseling, housing counseling, student loan counseling and financial education to consumers nationwide. ACCC is a leader in the credit counseling industry and is dedicated to helping people regain control of their finances and plan for a debt-free future.

Our professionally trained and certified counselors assist individuals in all of their financial needs and provide a plan of action to address their financial situation. ACCC is a member of the National Foundation for Credit Counseling (NFCC), is accredited by the Council on Accreditation (COA)and is accredited by the Better Business Bureau with an A+ rating.

The ACCC Financial Health Index was created to measure how Americans feel about their household finances and the overall U.S. economy. The Financial Health Index debuted in the First Quarter of 2020 – as the COVID-19 pandemic was just beginning a period of public health crisis and economic disruption that continues on some level to this day. The intent of the Financial Health Index is to understand and measure – on a quarterly basis in any given year - Americans' circumstances around income security, financial stability, and household debt levels.

The Financial Health Index allowed us to better understand the financial priorities of Americans and the most critical financial challenges they faced as our nation endured rising inflation and interest rates amidst global uncertainties resulting from the war in Ukraine during 2022. Our quarterly Financial Health Index survey reports were delivered to more than 400 media outlets and other sources of financial news and information, with stories appearing on CNBC.com, MarketWatch, Yahoo Finance and others.

The findings, analysis, conclusions, and recommendations contained here in are based on five quarterly Financial Health Index surveys from Q1 2022 through Q1 2023.

EXECUTIVE SUMMARY

The Financial Health Index provides insights into Americans' income security, financial stability, and household debt levels on a quarterly basis. The surveys, conducted among individuals aged 25-65 with incomes up to $100,000, represent the median of the working population in the U.S.

The fallout from COVID-19 and new challenges arising from the war in Ukraine exacerbated the primary issues leading people to seek assistance from ACCC. Rising inflation and gas prices significantly impacted household budgets, resulting in higher levels of consumer debt.

In response, the Federal Reserve increased interest rates to curb inflation. This prompted Americans to cut back on non-essential spending, leading to a slow recovery in consumer confidence. By the end of the first quarter in 2023, more individuals felt confident about reducing their debt load by at least 10%.

The importance of strong household budgeting, financial readiness, debt management, and emergency savings became evident in 2022. Consumers who had adhered to these principles were better prepared for economic shocks. Those who adopted these practices during the year will be better equipped to handle future unexpected crises.

Despite some improvements, Americans must remain prepared for worst-case financial scenarios. The lasting effects of the COVID-19 pandemic and the crisis in Ukraine continue to test the resilience of the U.S. economy. To mitigate potential challenges, individuals and households should develop a sound financial plan, practice good budgeting, and maintain a combination of emergency savings and responsible debt management.

THE ACCC FINANCIAL HEALTH INDEX

The Financial Health Index was created to measure how Americans feel about their household finances and the overall U.S. economy. To understand respondents' circumstances, financial priorities and challenges, respondents were surveyed on questions regarding income security, financial stability, and household debt levels -- all pressing issues on Americans' minds.

Each poll had an average of 419 participants aged 25-65 with an income of $100,000 or less, representing the median of the working population in the U.S. These demographics also broadly reflect the segment of American consumers from which ACCC clients and referrals typically come. The ACCC Financial Health Index poll typically has a margin of error of plus-or-minus 5 percent – consistent with statistical standards for the sample size.

In 2022, the median gross income of ACCC clients was $58,536. Among survey participants, about half earn $50,000-$99,000. During 2022, the top 5 reasons why clients and referrals sought counseling from ACCC were unexpected expenses (30.2%), reduced income (27.4%), financial mismanagement (12.9%), medical disability (7.5%), and collection problems (7.1%)

ACCC was able to use the responses collected to create valuable internal data points from which to draw unique insights. External data points were also gathered to provide context around the economic conditions faced by all Americans. For example, the survey noted that confidence in the economy, and in the ability to reduce debt by at least 10 percent, took a downwards turn in the second quarter of 2022; during that same period, federal data released showed that consumer spending fell for the first time that year and several major U.S. companies announced job cuts and freezes.

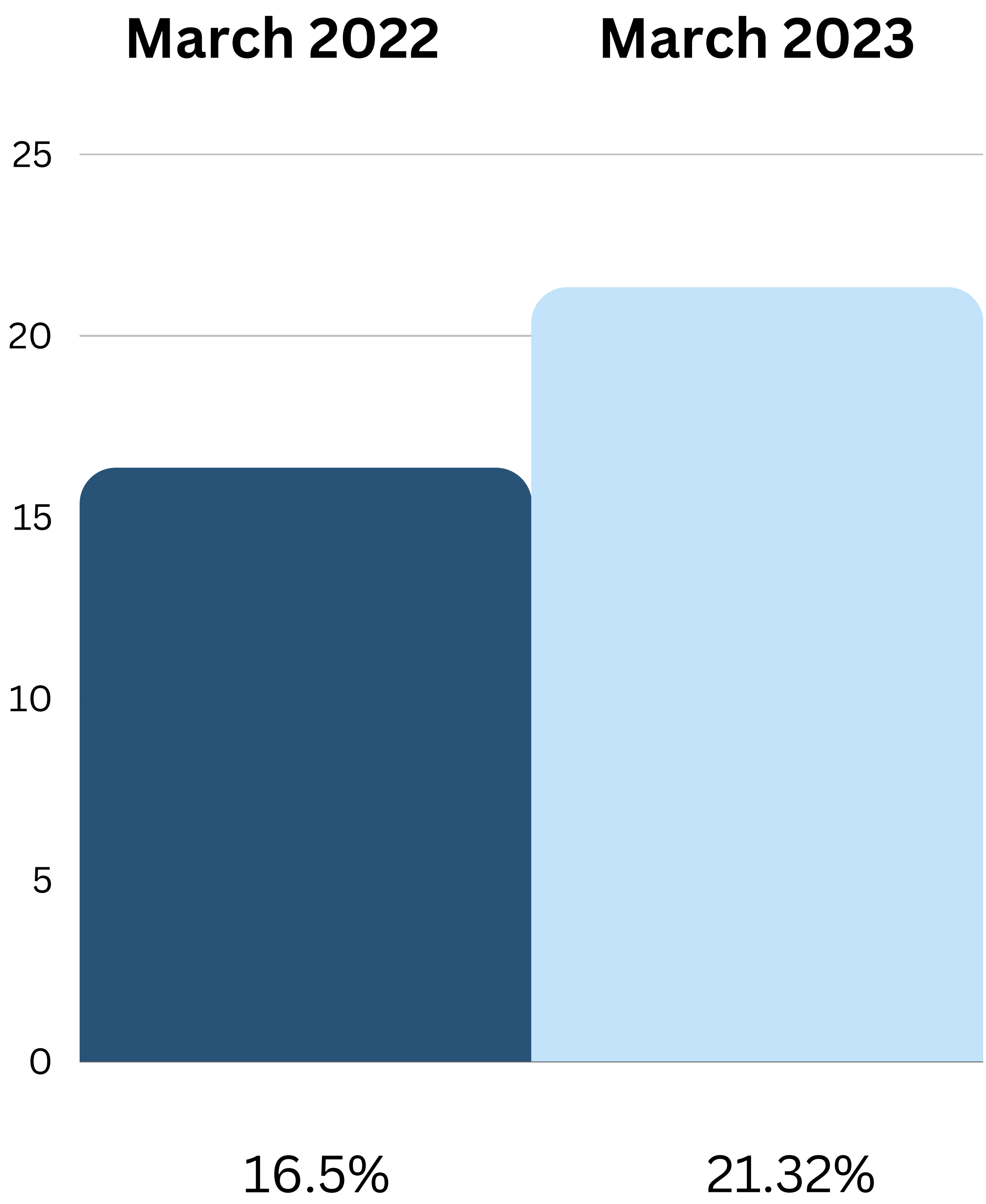
The external points also touched on efforts to curb escalating prices amidst spiraling inflation and gas prices. This included seven increases in interest rates by the Federal Reserve in 2022 – including a 0.75 percent hike in June, the biggest since 1994. The Fed is expected to continue to raise interest rates in 2023.

Critical Observations, Recommendations and Solutions

The financial lessons of 2022 –while largely reflective of the most common household budget and financial challenges Americans face – were exacerbated by the continuing impact of the unprecedented financial stress that COVID-19 placed on tens of millions of Americans and the heightening global instability that arose from the conflict in Ukraine. The recommendations and proposed solutions below address several of the most illuminating findings gathered through five quarters of the Financial Health Index:

Household Debt

We learned that over the course of 2022, many consumers in the U.S. became increasingly concerned about their ability to reduce their total debt by even 10 percent over six months. In just one year, the percentage of those who said they felt “very confident” in their ability to reduce total debt by 10 percent over the next six months dropped to 26.98 percent in the first quarter ended in March 2023 from 39.9 percent in the same period a year earlier. And those who were not confident in their ability to cut debt by 10 percent rose to 21.32 percent in March 2023 compared with 16.35 percent in March 2022. This is a major challenge and a significant threat to household financial health.



Percentage of those who are not confident in their ability to cut debt by 10%

There are two major strategies that consumers can use to pay down debt: the debt avalanche method and the debt snowball.

With the debt avalanche method, consumers should pay down debt in order of interest, starting with the highest interest rate. With this method it is important to focus on paying off one balance at a time in order of interest rate while still paying the minimum on others. The benefit of this method is that debt can be paid off faster with less interest.

With the snowball method, consumers will pay debt in order of balance amount, starting with the smallest balance. If debts have the same balance, consumers should start by paying the one with the higher interest rate. It is important to focus on paying off one balance at a time in order of smallest to largest while making minimum payments to the others.

Emergency Preparedness and Reserve Funds

ACCC found that by the end of 2022 and into the first quarter of 2023, more consumers were falling behind on their credit card, car, personal loan and mortgage payments. More than half of respondents had less than $1,000 in available cash to access for an emergency, and less than a third had more than $5,000 available to access for an emergency.

An emergency fund is the best defense and readiness tool for unforeseen circumstances, such as a sudden job loss or health crisis. When starting and building an emergency fund, consumers should aim to put five to 10 percent of each paycheck into a separate emergency account. Cut back on unnecessary expenses, such as eating out or buying coffee, and put that money towards an emergency fund. Any extra cash a consumer may find themselves with should go directly towards their emergency fund.

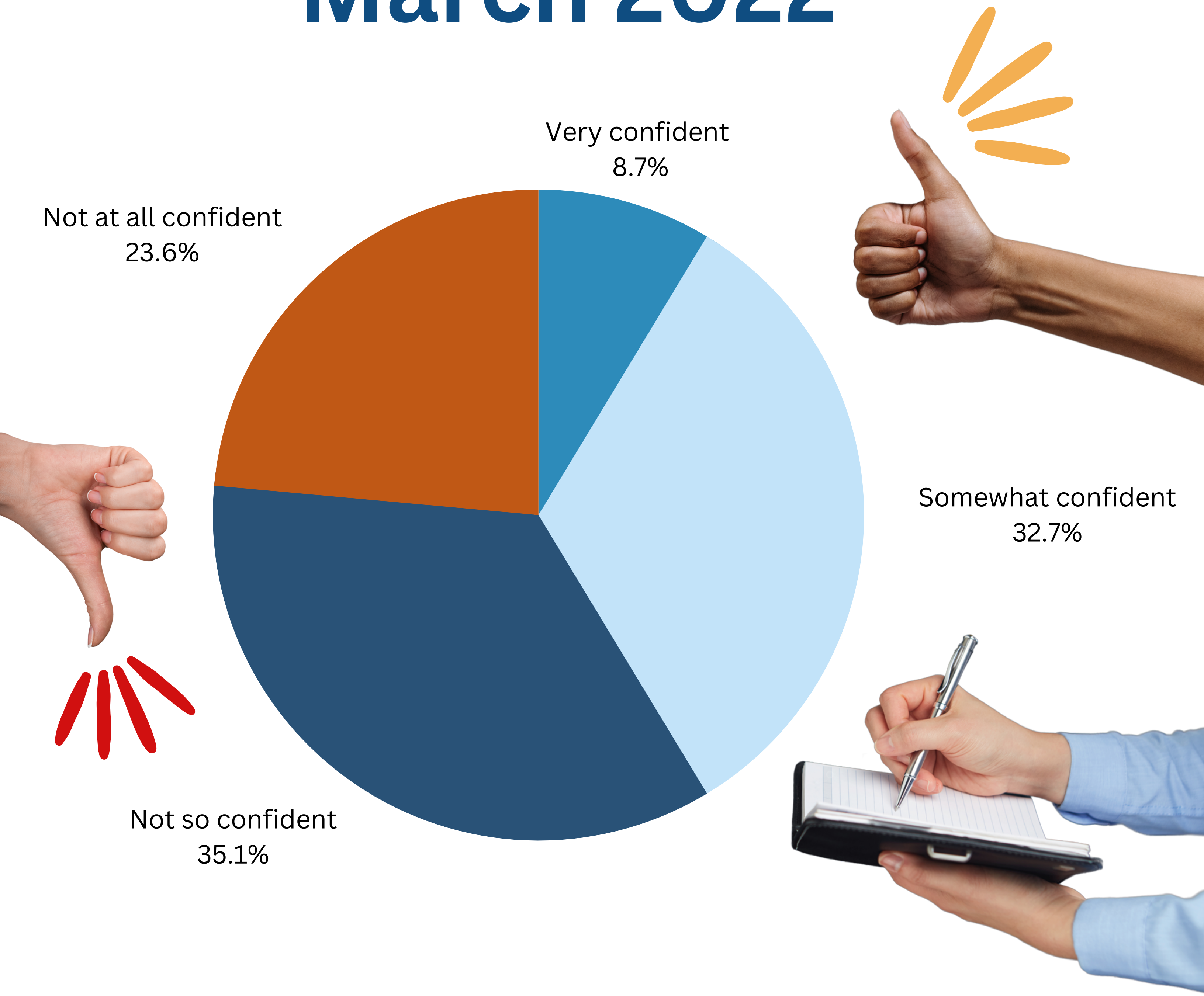
It is important to be patient, as sometimes these funds take time to build - many months even. An emergency fund should ideally be able to cover three to six months of household expenses. It provides peace of mind and enough financial breathing room to navigate and adapt to unforeseen events.

Debt To Income Ratio

The increasing levels of debt among Americans have raised concerns regarding the financial well-being of households, particularly regarding the deterioration of their debt-to-income ratios. This ratio holds significance as it is utilized by lenders to assess an individual's creditworthiness. It is considered ideal for consumers to maintain a debt-to-income ratio of no more than 43 percent. To improve this ratio, consumers have two primary options: reducing their debt or increasing their income.

In order to effectively manage credit card debt, consumers should undertake the following steps. Firstly, it is essential to determine the total amount of credit card debt owed and calculate monthly income figures on a month-by-month basis. Next, subtracting monthly expenses from the average monthly income will yield the remaining amount, which can be allocated towards debt repayment. As discussed previously, both the debt avalanche method and the debt snowball method can be effective approaches for improving or maintaining a good debt to income ratio. The choice between the two methods ultimately depends on individual preferences and financial circumstances.

March 2022



How would you describe your confidence in the U.S. economy?*

*based on a survey of 416 participants

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Income and Overall Consumer Confidence

We observed over the course of 2022 that many consumers did not have a high level of comfort based on their total household income. Mid-year, some major companies announced layoffs, raising uncertainty among Americans and concern about the stability of household finances.

In this situation, it is important that consumers prioritize their expenses. Look at your budget and adjust as necessary. Cut down on expenses that fall under the “want” category, such as takeout or entertainment, and place a priority on the necessities, such as food and housing. If necessary, contact lenders and creditors to see if they can help with a payment plan or deferment.

Protecting Retirement Savings

ACCC found that almost a quarter of consumers started tapping into their 401(k) or other retirement funds to help get through economic shutdowns and cope with the uncertainty the COVID-19 pandemic caused. This may have been the most alarming and stark reality that we encountered in our collection of data for the Financial Health Index.

Consumers have three years to pay back the money they withdrew in 2020. If they do not pay that money back, it is then considered an early withdrawal meaning the consumer will have to pay income tax on the sum. This option may seem cheaper for the time being given the high interest rates credit card companies offer, but this is just the beginning of the financial uncertainty for some consumers, which could make it nearly impossible to pay back the sum.

Withdrawing from a 401(k) should be a last resort for consumers. It is important that consumers consider other options such as personal loans, dipping into an emergency fund or a home equity loan.

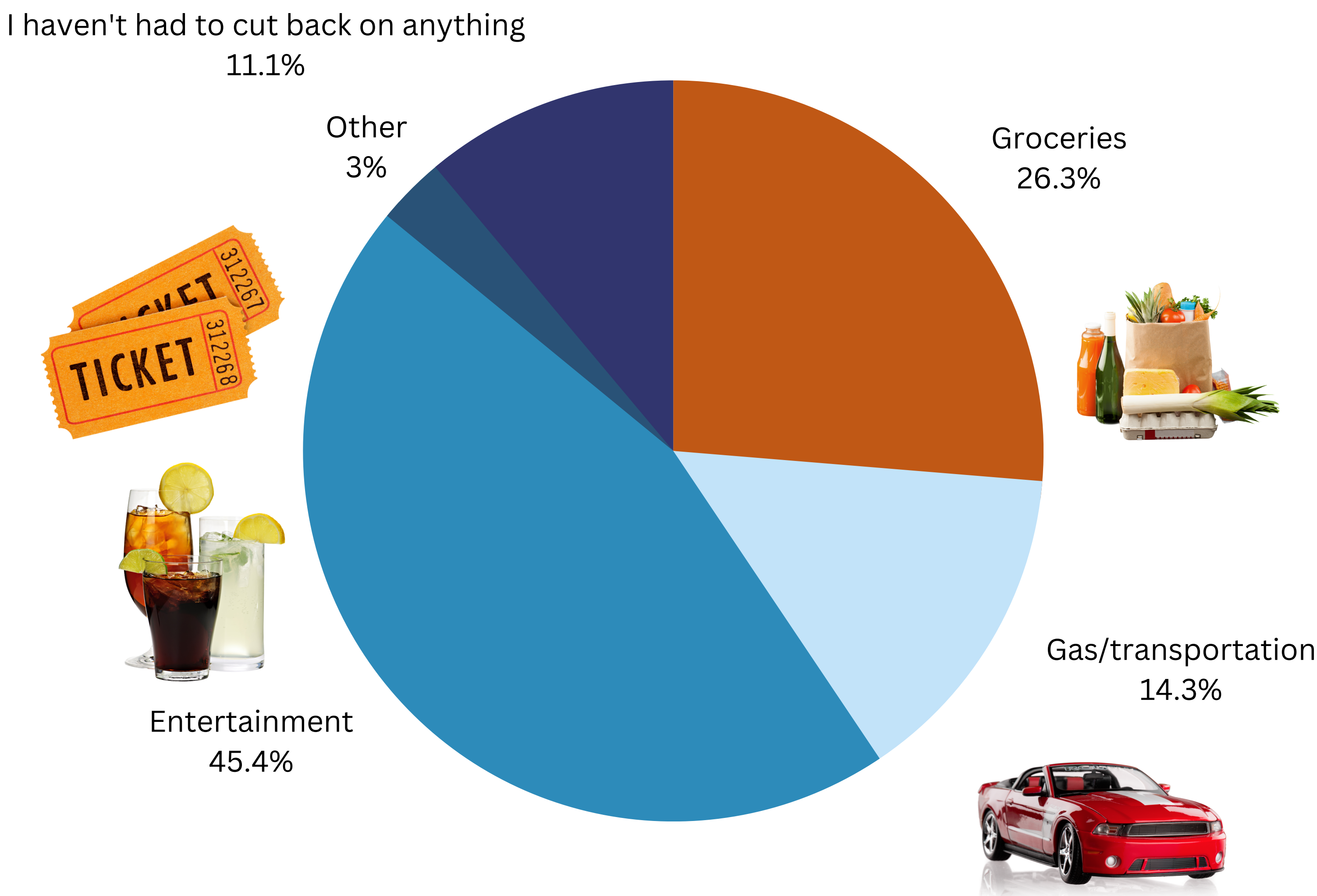
Overcoming a Worst-Case Scenario

We learned that most consumers' confidence in their financial health was badly shaken by the impact of rising prices for gas and other necessities, peaking in June 2022, when 36 percent of those polled said they weren't confident at all in the U.S. economy – far higher than the 24 percent with that response just three months earlier.

These conditions will cause many consumers to experience financial anxieties, and they may not know what actions they should be taking to improve their financial health. However, it is also an opportunity to recognize that households can overcome even the direst circumstances with proper action.

Consumers should take a moment to re-evaluate their finances, first by looking at their budget, so they can get themselves back on track. This is especially useful for consumers who are finding themselves running out of money before the end of the month. It is important that consumers check their credit score and credit report to ensure there are no errors. Consumers should address any issues regarding debt, so they don't dig a deeper hole themselves. Lastly, consumers should routinely look at their overall expenses over several months to see where they can afford to scale back.

March 2023



What Have You Had to Cut Back on As a Result of Rising Costs?*

*based off a survey of 410 participants

Relief from credit card issuers and other lenders

ACCC found that concerns about mounting debt weren't limited to those earning $100,000 or less. By the first quarter of 2023, data showed that more people across the U.S. with higher incomes and advanced degrees were enrolling in debt management programs to help relieve financial stress on their households. This trend reflected the record levels in revolving credit card debt, with total balances reaching almost $1 trillion, according to the Federal Reserve.

In a world filled with credit cards, it is easy for consumers to accumulate debt. The best way for an individual or household to avoid credit card debt is to have a budget and to be aware of how much they can afford to spend. Paying with cash whenever possible is another way consumers can avoid overspending. Additionally, limiting the number of credit cards a consumer has can reduce the credit available to them, which will help to decrease their chance of falling into debt.

If necessary, consumers may need to consider calling a credit counseling agency to get help evaluating the situation to help determine a realistic payment plan, which may involve enrolling in a debt management plan.

Building wealth in challenging times

At the end of 2022, ACCC learned that while more consumers were starting to rebuild their confidence in the economy, the high cost of groceries and even the most basic necessities were still significantly impacting their lifestyle, forcing cutbacks in spending, savings and the ability to pay off debt. Building back wealth in this kind of scenario takes time and perseverance.

The most important way to build wealth is to create and stick to a realistic budget and know how to save. Figure out how much money is coming in each month and where it is being allocated. Consider putting a percentage of each paycheck into a savings account. Debt is seen as the biggest obstacle in this process. Consumers should focus on eliminating their debt so they can focus on saving. They may also want to consider finding more ways to build income, such as getting a second job or accessing opportunities made available by the rapidly expanding gig economy and freelance marketplace.

Goal setting

Our research revealed a significant shift in financial goals among a considerable number of Americans in 2022. As individuals sought to prioritize their financial well-being, cutting back on indulgences such as entertainment and travel emerged as the primary focus, alongside a growing emphasis on controlling or reducing debt.

Before embarking on the process of setting financial goals, it is crucial for consumers to conduct a comprehensive review of their finances from the previous year. This evaluation should encompass an examination of any changes in income or expenses, enabling individuals to make informed decisions regarding their financial priorities.

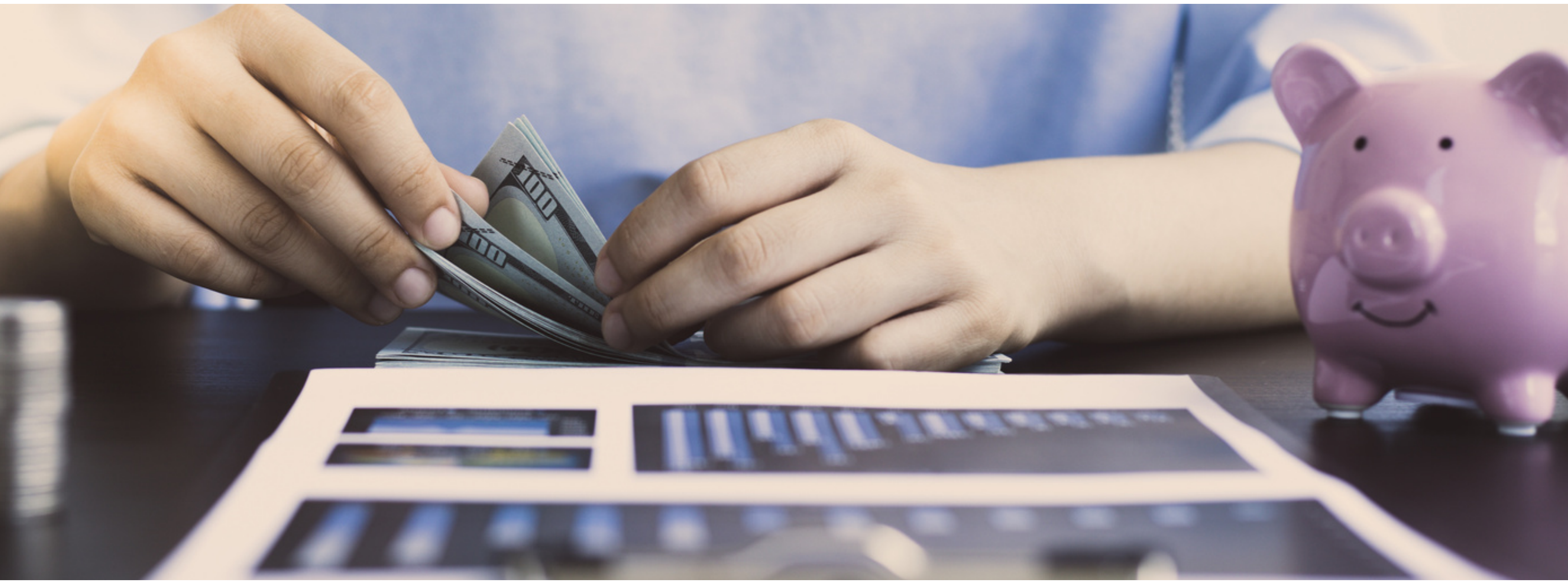
In order to maximize their chances of success, consumers are encouraged to establish both short-term and long-term goals. Moreover, it is vital for individuals to diligently track all their expenditures and other financial behaviors to ensure alignment with their designated budget and goals, fostering accountability and progress. By setting realistic and attainable goals, individuals can forge a path towards financial stability and fulfillment.

Conclusion

The ACCC Financial Health Index serves as a valuable tool in monitoring and understanding the financial well-being and budgetary priorities of a demographic that is highly relevant to ACCC's client base. This demographic represents a significant portion, accounting for at least 40 percent, of all U.S. income earners.

The extensive data and information gathered from five quarters of the Financial Health Index provide compelling evidence that adhering to sound budgeting principles, financial preparedness, and planning can greatly benefit American households during times of immense challenges or crises. These principles encompass crucial aspects such as effectively managing overall debt, establishing an emergency or reserve fund, maintaining a disciplined household budget, safeguarding retirement savings, and setting clear financial goals.

Given the nation's recent exposure to some of the most severe economic shocks in decades, it is imperative for Americans to fully comprehend the importance of being financially prepared for worst-case scenarios. This understanding is crucial in light of the lessons learned from these adverse experiences, emphasizing the necessity of proactive measures to ensure financial stability and resilience.



6. Appendices

Appendix A – Q1 2022 Financial Health Index Data

March 2022 Financial Health Index – 416 Participants

1. Has the cost of basic necessities such as groceries and gas had an impact on your family's lifestyle?

a. Yes, a significant impact: 38.7%
b. Yes, a moderate impact: 32.45%
c. Yes, a small impact: 21.88%
d. No real impact: 6.97%

2. Have you cut back on any of the following as a result of rising costs?

a. Groceries: 19.23%
b. Gas/transportation: 31.49%
c. Entertainment: 33.41%
d. Other: 4.09%
e. I haven't had to cut back on anything: 11.78%

3. What is your total household income?

a. Less than $15,000: 13.94%
b. $15,000 to $29,999: 15.87%
c. $30,000 to $49,999: 22.12%
d. $50,000 to $74,999: 25.48%
e. $75,000 to $100,000: 22.60%

4. How much credit card debt do you currently have?

a. $0 to $999: 48.56%
b. $1,000 to $4,999: 22.36%
c. $5,000 to $9,999: 16.83%
d. $10,000 to $15,000: 6.25%
e. More than $15,000: 6.01%

5. How confident are you in your ability to reduce your debt by at least 10 percent over the next six months?

a. Very confident: 39.90%
b. Somewhat confident: 35.82%
c. Not so confident: 16.35%
d. Not at all confident: 7.93%

6. How would you describe your confidence in the U.S. economy?

a. Very confident: 8.65%
b. Somewhat confident: 32.69%
c. Not so confident: 35.10%
d. Not at all confident: 23.56%

7. Are your plans for vacation or summer travel changing or being postponed as a result of rising costs?

a. Yes, I have postponed travel or vacation plans for this year: 24.04%
b. Yes, I have modified travel or vacation plans to reduce costs: 26.44%
c. No, my plans have stayed the same: 28.37%
d. No, I had not planned on any travel or vacation in 2022: 21.15%

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Internal Data Points:

- Data based on 416 respondents with incomes of $100,000 or less.
- The rising cost of basic necessities such as gas and groceries has had an impact on 93% of respondents, with nearly 40% stating that it has had a significant impact. As a result, 33% have cut back on their entertainment spending, 31% have cut back on gas and transportation, and 19% have cut their grocery spending.
- In spite of inflation, 40% of respondents are very confident they can pay down their debt by at least 10% in the next six months.
- Only 9% of respondents are “very confident” in the U.S. economy. Nearly 60% are either “not so confident” or “not confident at all” in the U.S. economy.
- Due to rising costs, 50% of respondents have either postponed or modified their travel and vacation plans for this summer.

External Data Points:

- In February, inflation rose drastically as the crisis in Ukraine escalated. Energy costs were up 3.5%, while gas prices increased by 24% in February. Core inflation rose 6.4%, the highest since 1982.
- The U.S. banned imports of Russian energy, and oil prices surged to $130 a barrel in February. By the end of March, global oil prices stood at $108 a barrel. The Biden administration announced that it would release up to 180 million barrels of oil from its strategic petroleum reserve in the coming months.
- The rising cost of fuel is also affecting the airline industry, forcing airlines to raise fares for customers. Domestic flights in the U.S. are averaging around $300 (as of March), up 36% from the beginning of the year. Some airlines are also cutting planned flights entirely, with Alaska Air reducing trips by 5% in the first half of 2022.
- Grocery costs have increased significantly in Q1, with dairy staples like eggs, milk, and cheese up 6% in February. Meat is also becoming more expensive, with beef having increased 16.2% over the last year, bacon increased 18.8%, and chicken increased 13.2%.

Appendix B – Q2 2022 Financial Health Index

June 2022 Financial Health Index – 410 Participants

Has the cost of basic necessities such as groceries and gas had an impact on your family's lifestyle?

a. Yes, a significant impact: 47.56%
b. Yes, a moderate impact: 33.17%
c. Yes, a small impact: 14.63%
d. No real impact: 4.63%

Have you cut back on any of the following as a result of rising costs?

a. Groceries: 20.73%
b. Gas/transportation: 31.71%
c. Entertainment: 35.61%
d. Other: 3.17%
e. I haven't had to cut back on anything: 8.78%

What is your total household income?

a. Less than $15,000: 11.71%
b. $15,000 to $29,999: 16.59%
c. $30,000 to $49,999: 23.17%
d. $50,000 to $74,999: 25.12%
e. $75,000 to $100,000: 23.41%

How much credit card debt do you currently have?

a. $0 to $999: 45.85%
b. $1,000 to $4,999: 22.93%
c. $5,000 to $9,999: 15.61%
d. $10,000 to $15,000: 7.80%
e. More than $15,000: 7.80%

How confident are you in your ability to reduce your debt by at least 10 percent over the next six months?

a. Very confident: 33.90%
b. Somewhat confident: 31.95%
c. Not so confident: 20.98%
d. Not at all confident: 13.17%

How would you describe your confidence in the U.S. economy?

a. Very confident: 8.78%
b. Somewhat confident: 19.27%
c. Not so confident: 36.34%
d. Not at all confident: 35.61%

How much money are you placing into household or emergency savings each month?

a. The same amount I was 3 months ago: 26.34%
b. More than I was 3 months ago: 16.59%
c. Less than I was 3 months ago: 18.54%
d. I am not able to place any money in savings: 38.54%

Internal Data Points:

- Confidence in the U.S. economy has fallen drastically since the last Financial Health Index in March. In March, 24% of respondents said that they were not confident at all in the U.S. economy. In June, it rose to 36%.
- Nearly 40% of respondents are not able to place any money at all into savings, and 19% say that they are saving less than they were three months ago, which could be a problem for those who face a financial emergency in the near future, such as an unexpected medical bill or car trouble.
- In March, 40% of respondents were very confident that they would be able to reduce their debt by at least 10% over the next six months. That number fell to 34% in June.
- In March, 39% of respondents said that the rising cost of basic necessities had an impact on their family's lifestyle. In June, it rose to 48%.

External Data Points:

- Consumer spending in the U.S. fell in May for the first time this year. Purchases of goods and services decreased 0.4%, suggesting a weakening economy due to inflation.
- In an effort to curb inflation, the Federal Reserve raised interest rates 0.75% in June, which was the biggest interest rate hike since 1994. When borrowing is more expensive, consumers tend to spend less, leading to less inflation.
- Several major companies, including Tesla, Netflix, and JP Morgan, announced job cuts or hiring freezes in June. Though these job cuts are currently only happening in a few industries, economists are concerned that it does not bode well for the rest of the economy.
- Given the ongoing issues with inflation, supply chain disruptions, and geopolitical concerns surrounding the war in Ukraine, most experts believe that the U.S. will be heading towards a recession in 2023.

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Appendix C – Q3 2022 Financial Health Index Data

September 2022 Financial Health Index – 427 Participants

Has the cost of basic necessities such as groceries and gas had an impact on your family's lifestyle?

a. Yes, a significant impact: 42.39%
b. Yes, a moderate impact: 33.96%
c. Yes, a small impact: 16.63%
d. No real impact: 7.03%

Have you cut back on any of the following as a result of rising costs?

a. Groceries: 26.23%
b. Gas/transportation: 22.48%
c. Entertainment: 36.53%
d. Other: 3.51%
e. I haven't had to cut back on anything: 11.24%

What is your total household income?

a. Less than $15,000: 8.43%
b. $15,000 to $29,999: 20.37%
c. $30,000 to $49,999: 19.91%
d. $50,000 to $74,999: 27.63%
e. $75,000 to $100,000: 23.65%

How much credit card debt do you currently have?

a. $0 to $999: 44.50%
b. $1,000 to $4,999: 25.76%
c. $5,000 to $9,999: 14.05%
d. $10,000 to $15,000: 7.49%
e. More than $15,000: 8.20%

How confident are you in your ability to reduce your debt by at least 10 percent over the next six months?

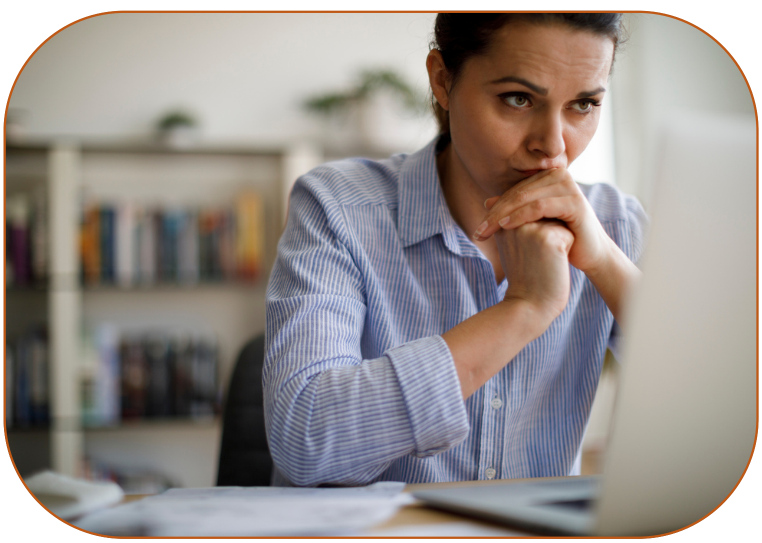
a. Very confident: 37.24%
b. Somewhat confident: 33.72%
c. Not so confident: 19.67%
d. Not at all confident: 9.37%

How would you describe your confidence in the U.S. economy?

a. Very confident: 11.01%
b. Somewhat confident: 28.10%
c. Not so confident: 33.02%
d. Not at all confident: 27.87%

Have you completely eliminated any of the following expenditures from your household budget as a result of inflation or other financial pressures?

a. Dining out regularly: 26.46%
b. Having drinks or food after work with colleagues: 12.18%
c. Travel requiring airline or passenger rail tickets: 14.99%
d. Subscription services like streaming or premium cable TV channels: 6.32%
e. Certain high priced grocery items such as fine cuts of meat, premium seafood, or organic produce: 24.12%
f. Other: 4.22%
g. I have not had to cut back on any expenses: 11.71%



Internal Data Points:

- Confidence in the U.S. economy has gone up slightly since June, with 28% of respondents in September reporting that they are “somewhat confident” in the economy, compared to only 19% who were “somewhat confident” in June.
- As gas prices started to fall in September, fewer respondents report that they have cut back their spending on gas/transportation. In June, 32% of respondents said that they had cut back on gas/transportation costs, and in September, only 22% had.
- Inflation seems to have impacted people the most when it comes to dining out and buying premium groceries – 26% of respondents say that they have stopped dining out regularly, and 24% say that they have stopped buying high priced grocery items such as fine cuts of meat, premium seafood, and organic produce as a result of inflation.
- Fewer respondents in September reported that the cost of basic necessities have had a significant impact on their family’s lifestyle than in June. In June, 48% of respondents said that the rising cost of basic necessities has a significant impact on their family finances compared to only 42% in September.

External Data Points:

- According to a new Monmouth poll, 82% of Americans ranked inflation as an extremely or very important issue in the next election, compared to only 32% who ranked the COVID-19 pandemic as their top concern.
- In June 2023, the Supreme Court struck down President Biden’s original plan to discharge $430 billion in student loan debt. Now, the Biden administration has produced a new, separate student debt forgiveness plan. Under this plan, $39 billion in student debt will be eliminated for more than 800,000 borrowers. Depending on what one’s income is, or what kind of loan they have, they may qualify for this new relief plan.
- At the end of September, the Federal Reserve raised interest rates by three-quarters of a percentage in an attempt to bring down inflation levels. Some projections indicate that the Fed expects to raise interest rates by at least 1.25 percentage points later this year.
- Though gas prices were starting to decrease in Q3, at the end of September and beginning of October, gas prices are rebounding, and have jumped in recent days by as much as 60 cents per gallon in some regions.

Appendix D – Q4 2022 Financial Health Index Data

December 2022 Financial Health Index - 402 Participants

Has the cost of basic necessities such as groceries and gas had an impact on your family's lifestyle?

a. Yes, a significant impact: 42.54%
b. Yes, a moderate impact: 35.07%
c. Yes, a small impact: 16.17%
d. No real impact: 6.22%

Have you cut back on any of the following as a result of rising costs?

a. Groceries: 29.85%
b. Gas/transportation: 14.68%
c. Entertainment: 45.02%
d. Other: 1.74%
e. I haven't had to cut back on anything: 8.71%

What is your total household income?

a. Less than $15,000: 12.94%
b. $15,000 to $29,999: 12.44%
c. $30,000 to $49,999: 22.89%
d. $50,000 to $74,999: 27.11%
e. $75,000 to $100,000: 24.63%

How much credit card debt do you currently have?

a. $0 to $999: 43.03%
b. $1,000 to $4,999: 23.88%
c. $5,000 to $9,999: 16.67%
d. $10,000 to $15,000: 10.20%
e. More than $15,000: 6.22%

How confident are you in your ability to reduce your debt by at least 10 percent over the next six months?

a. Very confident: 40.05%
b. Somewhat confident: 33.83%
c. Not so confident: 16.67%
d. Not at all confident: 9.45%

How would you describe your confidence in the U.S. economy?

a. Very confident: 11.19%
b. Somewhat confident: 28.36%
c. Not so confident: 42.29%
d. Not at all confident: 18.16%

Did you spend more on the holidays (gifts, travel, etc.) in 2022 than you did in 2021?

a. Yes, I spent more in 2022 because I purchased more gifts/traveled more: 20.65%
b. Yes, I spent more in 2022 because the prices were higher: 23.38%
c. No, I spent less this year: 38.81%
d. My holiday spending was the same in both 2021 and 2022: 17.16%

Internal Data Points:

- In September 2022, 28% of respondents said that they were “not confident at all” in the U.S. economy. In December 2022, only 18% said that they were “not confident at all,” so consumers are beginning to regain confidence in the economy.
- Nearly a quarter of respondents spent more money on the holidays in 2022 due to higher prices this year, while 39% spent less money than they did last year.
- In September 2022, 37% of respondents said that they reduced their spending on entertainment as a result of rising costs. In December 2022, this rose to 45%. Additionally, in September, 26% of respondents said that they reduced their grocery costs, which increased to 30% in December.
- From September to December, the impact of the rising costs of basic necessities on consumers’ finances has remained unchanged. In September, 42% of respondents stated that the rising costs has a significant impact on their family’s lifestyle. In December, 43% of respondents answered the same.

External Data Points:

- According to Mastercard SpendingPulse , American retail sales rose 7.6% this holiday season from November 1 to December 24 . Restaurants and clothing stores saw a rise in consumer spending, but jewelry and electronics sales were down 5% from 2021.
- In December, the unemployment rate dipped to 3.5%, back to pre-pandemic levels. Though the tech industry experienced large layoffs, overall in December, the U.S. added 223,000 jobs.
- In the U.S., the average cost of a gallon of gas was $3.19 in December, down from the record $5 a gallon in June 2022. However, even with the cost of gas decreasing, the cost of other consumer goods is still high due to inflation.
- Grocery costs increased significantly in Q4 2022 – in November, grocery prices rose 12%. The cost of eggs increased by 49.1%, butter increased by 27%, milk increased by 14.7%, and fruits/vegetables increased by 9.7%.

Appendix E - Q1 2023 Financial Health Index Data

March 2023 Financial Health Index - 410 Participants

Has the cost of basic necessities such as groceries and gas had an impact on your family's lifestyle?

a. Yes, a significant impact: 40.36%
b. Yes, a moderate impact: 32.43%
c. Yes, a small impact: 19.73%
d. No real impact: 7.48%

Have you cut back on any of the following as a result of rising costs?

a. Groceries: 26.30%
b. Gas/transportation: 14.29%
c. Entertainment: 45.35%
d. Other: 2.95%
e. I haven't had to cut back on anything: 11.11%

What is your total household income?

a. Less than $29,000: 13.61%
b. $30,000 to $49,999: 19.50%
c. $50,000 to $74,999: 22.68%
d. $75,000 to $149,999: 32.30%
e. Over $149,000: 12.02%

Have you fallen behind at least 30 days on any of the following:

a. Car payment: 5.90%
b. Credit card: 19.50%
c. Personal loan: 4.31%
d. Second mortgage or HELOC: 2.72%
e. Primary home mortgage: 4.31%
f. I have not fallen behind on any payments: 62.27%

How confident are you in your ability to reduce your debt by at least 10 percent over the next six months?

a. Very confident: 26.98%
b. Somewhat confident: 37.19%
c. Not so confident: 21.32%
d. Not at all confident: 14.51%

Have you done any of the following in the past 12 months?

a. Searched for or used budgeting or personal finance resources online: 19.73%
b. Downloaded a budgeting or personal financial management app: 13.38%
c. Consulted a non-profit consumer credit agency for budget or debt counseling: 5.90%
d. Entered a debt management plan: 1.81%
e. Sought assistance in reaching a debt settlement with one or more creditors: 1.81%
f. None of the above: 57.37%

How much available cash do you have right now that you could access for an emergency?

a. Less than $100: 18.82%
b. $100 to $499: 20.18%
c. $500 to $999: 14.29%
d. $1,000 to $4,999: 18.82%
e. Over $5,000: 27.89%

Internal Data Points:

- The high cost of basic necessities such as groceries and gas is still impacting families. From December 2022 to March 2023, there has been no significant change in the percentage of respondents who say that they are being significantly impacted. In December, 43% of respondents said that the cost of basic necessities was having a high impact on their family's lifestyle, and in March 2023, it was 40%, which shows that families have had little to no financial relief.
- Debt appears to be a growing problem for consumers. Fewer respondents in March than in December say that they are very confident that they can reduce their debt by at least 10% in the next six months. In December 2022, 40% of respondents said that they were very confident they could reduce their debt, but in March, only 27% said the same. In December 2022, only 9% of respondents said that they were "not confident at all" that they could reduce their debt by 10% in the next six months, and in March 2023, it rose to 15%.
- Though most respondents (62%) are not behind on any payments yet, 20% are behind on credit card payments, 6% are behind on car payments, 4% are behind on mortgage payments, and another 4% are behind on personal loan payments.
- Over half (53%) of respondents have less than $1,000 in available cash that they could access for an emergency. Only 28% have over $5,000 that they could access for an emergency. Most personal finance experts recommend having 3-6 months' worth of expenses saved in an emergency fund.

External Data Points:

- Credit card debt is on the rise in 2023 as more consumers are leaning on credit cards to afford necessities like food and rent. According to TransUnion, total credit card debt has increased by 18.5% from 2022 to 2023.
- Prices in February and March are still rising faster than the Fed wants, but economists predict rental cost increases to slow in the coming months as more apartment buildings are constructed and new leases are signed at lower price levels. This would help to slow inflation.
- According to a survey by Wealth Watch, Gen Z adults have an average of $5,833.17 in savings and Millennials have an average of $6,042.67 in savings. However, Millennials also report having significant credit card debt with an average balance of $5,927.75. Gen X and Boomers have lower savings on average, and data indicates that Gen X may be struggling with challenges such as financially taking care of elderly relatives while also trying to save for their own retirement.
- According to the Census Bureau's Household Pulse survey, 36% of consumers say it has been "somewhat" to "very difficult" for them to keep up with their household bills. The states where consumers seem to be struggling the most are Mississippi, Alabama, Louisiana, and West Virginia, where more than half of residents report difficulty in meeting their typical financial obligations.