

The Tenuous Segment

29 Million Coping, with Little Buffer for Financial Hurdles

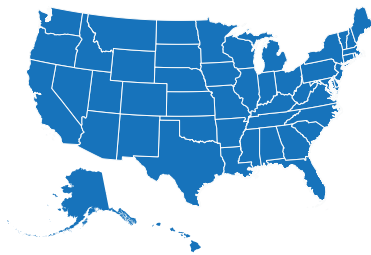
More than half of Americans in the tenuous segment live paycheck to paycheck (53%) and struggle to keep up with bills and credit payments. Yet the majority receive regular wages and predictable income. In many ways, individuals in the tenuous segment resemble those in the striving segment, though they differ significantly in their planning and saving behaviors, and they have less financial confidence. People who fall into this segment span all income levels and represent diverse demographics.

7 US Financial Health Segments

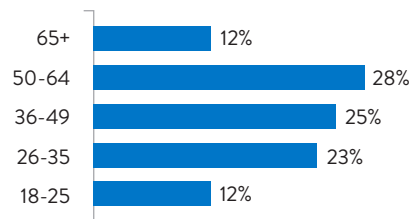


Who Are They?

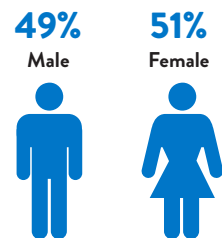
12% of American Adults Are Financially Tenuous



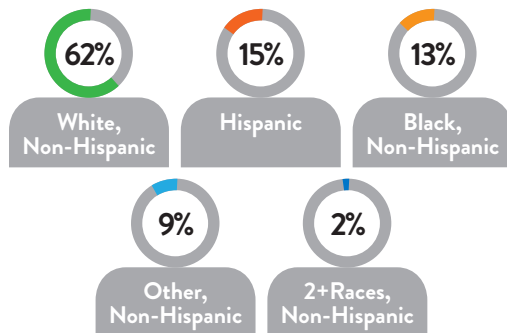
Age



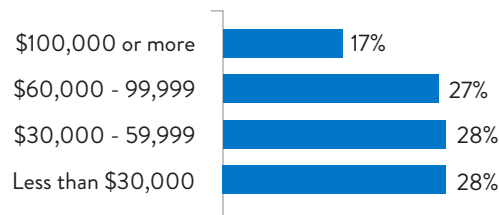
Gender



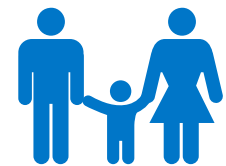
Race/Ethnicity



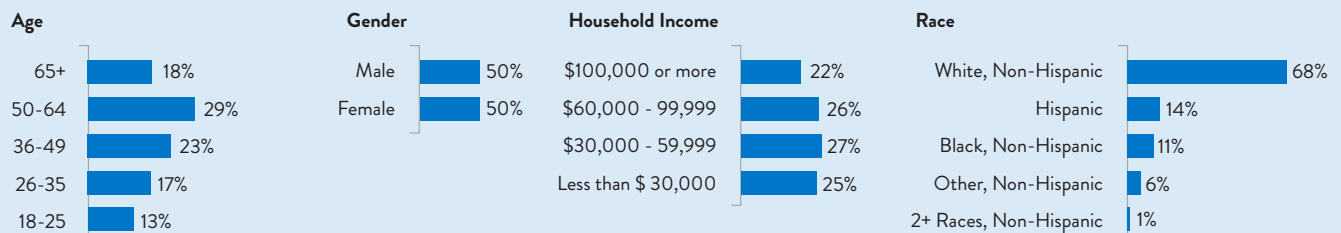
Household Income



35% have children



Total US Population



What Behaviors Does This Segment Exhibit?

Planning



None of the financially tenuous plan for large, irregular expenses.

- » 37% use a budget or monthly spending plan.
- » 50% could only make ends meet for three months or less in the event of a sudden drop in income.

Saving



One third do not save.

- » One in five have a regular saving habit, 46% save whatever money is left over at the end of the month, and 33% do not save.
- » 59% have less than \$5,000 in non-retirement savings, and 53% have less than \$10,000 in retirement savings.

Debt



Many have debt loads that may be difficult to manage.

- » 44% have student loan debt, 25% have medical debt, and 84% have other non-mortgage debt.
- » At least 41% have an unhealthy amount of debt compared to income.*

Attitudes

- ☒ **53%** say “I always find myself living paycheck to paycheck.”
- ☒ **41%** say their finances cause them significant stress.
- ☒ **36%** are confident they can meet their short-term savings goals.
- ☒ **33%** are confident they can meet their long-term goals for becoming financially secure.
- ☒ **45%** believe they have the skills and knowledge to manage their finances well.
- ☒ **51%** are only slightly or not at all confident they could come up with \$2,000 in a month in an emergency.
- ☒ **52%** expect their financial situation to be better in five years than it is today.

“I always find myself living paycheck to paycheck,” more than half of tenuous Americans say.

What Products Are They Using?

Individuals in this segment tend to leverage financial services using a variety of channels, including ATM, phone, online, and mobile. They use a variety of locations to cash checks to receive immediate access to funds, including bank branches, check cashers (also known as currency exchanges), retail locations, mobile apps, employers, and friends and family.



64% use online banking and 42% use mobile financial services regularly.

- » 90% have a checking account, 74% have a savings account, and 76% have a credit card. 59% have all three.
- » 13% have a prepaid card, and 5% have a payroll card.
- » 64% check their checking account balance at least once a week.
- » 64% use online banking and 42% use mobile financial services regularly.**
- » 65% use debit cards always or often to make purchases.
- » 58% use online bill pay always or often, and 30% use automatic bill pay always or often.
- » In the past year, 19% of these consumers borrowed money from friends and family, 15% took out a loan to buy a vehicle, 9% used a line of credit, and 7% used a home equity loan or line of credit.
- » 10% are always on the lookout for new financial services products or providers.

* An ‘unhealthy amount of debt’ is defined as having a financial obligation ratio of 40% or more. The ratio could not be calculated for 17% of this segment because respondents answered “don’t know” to one or more of the questions that provided data for the ratio.

** Mobile financial services includes mobile banking, receiving an SMS alert from a financial services provider, and using mobile remote deposit capture. Regular use = in the last 30 days.

How to Reach 29 Million Financially Tenuous Americans

The tenuous segment has regular income streams, they use technology more than the average consumer, and they are optimistic about the long term.

Providers have an opportunity to serve this segment by further exploring their financial pain points and testing innovative solutions to uncover:

» What are the most effective strategies to help this segment plan ahead? More than half (57%) say they would plan ahead if they could. What is preventing them from planning, and what tools and motivators can help them reap the benefits of thinking and planning ahead financially?

- » Can well-designed, targeted products and services boost the financial confidence of this segment? Does increased financial confidence reduce stress and/or drive positive outcomes across multiple aspects of consumers' financial lives?
- » What tools, features, and incentives are most effective at helping this segment establish and maintain saving habits? Does gamification engage them? Do encouraging texts and alerts motivate them to continue?

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About the Consumer Financial Health Study

The Consumer Financial Health Study benefited from guidance and generous financial support from Ford Foundation and MetLife Foundation. The Consumer Financial Health Study also benefited from generous financial support from American Express.



FORDFOUNDATION

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The Center for Financial Services Innovation launched its Consumer Financial Health Study to better understand the current state of financial health in America and consumer challenges.

For more on the study – including details on the survey instrument, methodology, financial health indicators, and financial health segmentation – download the segmentation whitepaper: <http://bit.ly/ConsumerFinHealth>