



Consumer Federation of America

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NATIONAL SURVEY REVEALS EMERGENCY SAVINGS NEEDS AND EFFECTIVE SAVER STRATEGIES

First America Saves Week Focuses on Emergency Savings

Washington, DC -- A national survey conducted earlier this month reveals that only 40% of adult Americans have separate emergency savings funds but that a large majority (81%) of those with these funds think they will be adequate to cover emergency expenditures in the coming year.

This survey is being released, at a press conference today during America Saves Week, in which the Federal Reserve Board, Department of Defense, Internal Revenue Service, USDA's Cooperative State Research, Education, and Extension Service; United Way of America, National Foundation for Credit Counseling, Family, Career and Community Leaders of America; Consumer Federation of America, and many other organizations are participating, with a special focus on meeting emergency savings needs. Participating financial institutions, for example, have set a goal of opening up nearly 10,000 new savings accounts.

All these organizations believe that, in principle, families could benefit from having a separate emergency savings fund that is built and maintained through regular deposits. For most Americans, an appropriate fund would be a savings account at a bank, thrift, or credit union that is funded by automatic monthly transfers from checking or by a portion of directly deposited paychecks.

The national survey was commissioned by the Consumer Federation of America (CFA) and carried out by Opinion Research Corporation, which interviewed a representative sample of more than 1,000 adult Americans during the week of February 5. The margin of error for this survey is plus or minus three percentage points.

Young, Poor, and Minorities Least Likely to Have Emergency Savings

The young, poor, and minorities are least likely to have separate emergency savings funds. Only 19% of those aged 18-24, 23% of those with household incomes under \$25,000, 31% of African-Americans, and 32% of Hispanic-Americans have such a separate fund. By comparison, 58% of those with household incomes of \$75,000 or more have such a fund.

Of the 40% with emergency funds, only 14% say they have less than \$500 in this fund, while a majority of emergency savers (51%) say they have more than \$2,000 in their emergency fund. (Seventeen percent did not answer this question.)

A large majority (81%) of those with a separate emergency fund say that the money in this fund will be adequate to cover emergency expenditures in the coming year. In fact, most of these emergency savers (45%) say their account is "very adequate" and 36% say it is "somewhat adequate," while only 15% say it is "inadequate." Significantly, even a large majority of emergency savers with incomes below \$25,000 (74%) say that their emergency funds are adequate to cover unexpected expenditures in the coming year.

"The ability of Americans to cover unexpected expenses, such as a car repair or emergency dental visit, greatly depends on their having an emergency savings fund," said Stephen Brobeck, CFA's Executive Director. "Those with a fund are highly likely to be able to afford these expenditures. And they will be less dependent on high-cost credit, such as payday loans or even credit cards, to bail themselves out," he added.

Automatic Savings a Successful Emergency Savings Strategy

Savings experts agree that the most successful saving is automatic saving, that is, regular deposits into a savings account, mutual fund, or retirement fund (or even regular mortgage payments that build home equity). Americans with emergency savings funds also understand the value of automatic deposits.

More than half of emergency savers (52%) say they "save automatically through regular transfer of funds from checking to emergency savings." Moreover, despite the lack of availability to many employees, nearly one-third (31%) say they "save automatically through direct payroll deposits into emergency savings."

Half of emergency savers (50%) deposit a portion of their tax refunds, one-third (33%) deposit loose change periodically, and one-quarter (25%) "pay down expensive debt and then deposit the equivalent of monthly debt payments into emergency savings."

There was a striking absence of differences among demographic groups -- by income, education, gender, age, and ethnicity -- in their use of these savings strategies. All demographic groups utilized the different emergency savings strategies with roughly the same frequency.

"The strategies most emergency savers use to make emergency savings deposits are in fact those which savings experts recommend," noted CFA's Brobeck. "Nearly all households can afford to deposit loose change in emergency savings, or automatically transfer modest funds from checking to savings," he added.

First America Saves Week a New Initiative of America Saves

The first America Saves Week is being held the week of February 25 to March 4. It is a new initiative of America Saves whose purpose is to focus greater attention on the need and opportunities for personal savings. Launched in 2001 and managed by CFA, America Saves has now spread to more than 50 localities or regions, where about 1,000 organizations participate, and also involves dozens of national organizations such as those participating in today's press conference. To date, more than 67,000 Americans have enrolled as Savers by committing to implement a detailed plan to achieve a specific savings goal. The most popular goal of these Savers is building emergency savings.

One of the most important goals of America Saves Week is to persuade more low- and moderate-income Americans to open savings accounts. Nationwide, financial institutions have made commitments to open up nearly 10,000 new savings accounts. In Cleveland alone, 11 banks have promised to open 4,500 new accounts. And in Dallas, six banks and one credit union have committed to opening adult and youth savings account and offered incentives including a \$10,000 drawing for adults and a \$5,000 drawing for young people.

This first America Saves Week is supported by hundreds of organizations in 25 states. They have initiated, and will evaluate, an array of savings strategies. The most successful will be incorporated into the 2008 America Saves Week, which should be even more far-reaching.

Those wishing more information about America Saves Week should contact George Barany (gbarany@consumerfed.org). Those wishing more information about America Saves should consult the website (www.AmericaSaves.org) or contact Nancy Register (nregister@consumerfed.org).

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