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EBRI Finds Most American Families Are Unprepared for Unexpected Emergency Expenses

Fewer than a quarter of working families had liquid savings of more than three months of their income in 2019, regardless of the family head's age, race, or family income

WASHINGTON – August 12, 2021 – The Employee Benefit Research Institute (EBRI) has released a study that finds that among families with working family heads under age 65, fewer than one quarter had more than three months of their family income in liquid—or emergency-type—savings in 2019. Indeed, even when the liquid savings threshold was reduced to 75 percent of 3 months of family income, the picture did not much improve: just over a quarter of families with working family heads under age 65 had liquid savings in excess of this amount.

"Emergency Savings: What Do Workers Have Available in Liquid Savings? How Long Can They Afford a Loss of Income?" finds that the median family with a working head had less than one month of income in liquid savings available. Further, even families with incomes in the highest quartile aren't in much better shape: their liquid savings stands at one and three-quarters months of income. And the presence of a defined contribution plan did little to improve the situation, with just over one-quarter (25.3 percent) of families with a DC plan participant head in 2019 having more than the equivalent of three months of their income in liquid savings, compared with 20.3 percent of the families whose head was not a DC plan participant.

The relatively low percentage of families who had liquid savings held regardless of the family head's age or race/ethnicity. As such, the need for emergency savings help is *not* limited to just families with low incomes or with younger heads.

The ability to cover short-term financial needs can have long-term financial consequences, so establishing an emergency savings fund to protect against financial emergencies is important to overall financial health. However, when looking at what families have in liquid savings that are immediately accessible, the results appear troubling. "Given the low percentage of families with sufficient savings to cover a loss of income for any extended period, it is understandable that more employers are seeking to address the overall financial wellness of American workers. Employer interest in emergency savings programs lies both in the direct potential benefit to workers, as well as a benefit to employers in the form of higher employee satisfaction," said Craig Copeland, EBRI Senior Research Associate and author of the report. "From a public policy perspective, addressing short-term savings needs as a separate financial issue could lead to better long-term results, as emergency savings—distinct from retirement savings—could help preserve assets in DC plans that otherwise might be tapped for emergencies."

This paper relied on an analysis of the Federal Reserve's triennial survey of wealth—the Survey of Consumer Finances (SCF)— to determine the amount of liquid assets held by families with working family heads under age 65. The SCF has the specific reported assets, debts, and incomes of American families. The assets most readily available in an event of an emergency are liquid savings, which in SCF includes checking accounts, savings accounts, money market funds, call accounts, and prepaid accounts.

"Emergency Savings: What Do Workers Have Available in Liquid Savings? How Long Can They Afford a Loss of Income?" can be downloaded from https://www.ebri.org/emergency-savings.

About EBRI

The Employee Benefit Research Institute (EBRI) is a nonpartisan membership organization committed to contributing to, encouraging, and enhancing the development of sound employee benefit programs and public policy through objective research and education. Founded in 1978, EBRI is the only private, nonprofit, nonpartisan, Washington, DC-based organization committed exclusively to public policy research and education on economic security and employee benefit issues.