EBRI Fast Facts
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The Great Leveler: Families Lack Emergency Savings Regardless of Income

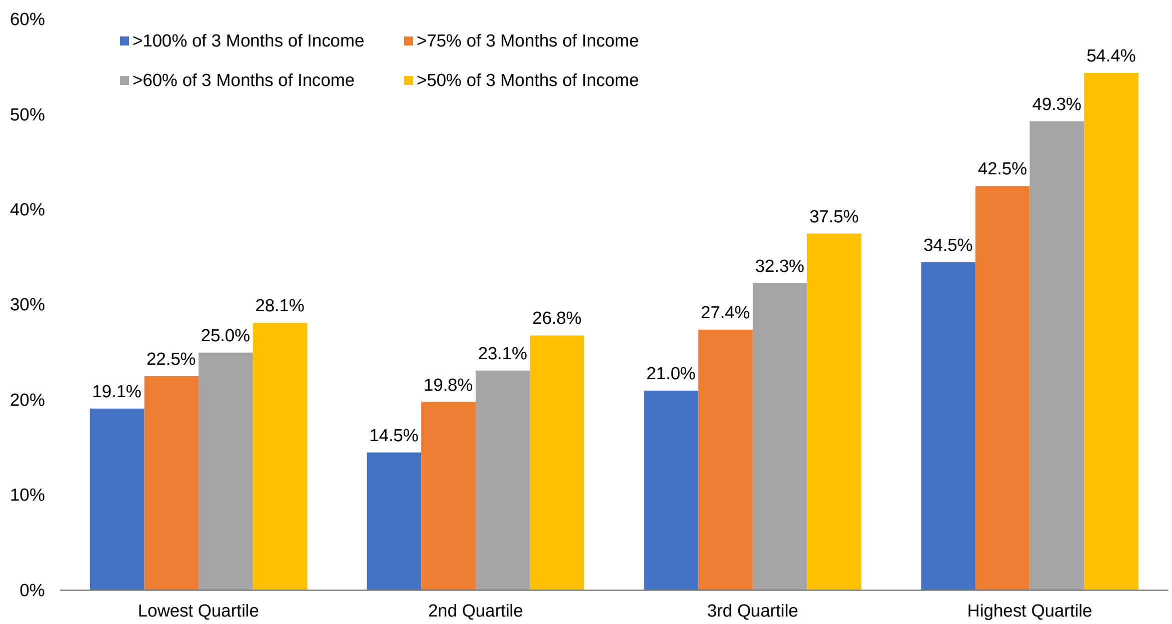
In the *EBRI Issue Brief* "Emergency Savings: What Do Workers Have Available in Liquid Savings? How Long Can They Afford a Loss of Income?," the liquid savings of American families was explored using the Federal Reserve's Survey of Consumer Finances (SCF). The results were troubling: Only 22.3 percent of families with working family heads under age 65 were found to have liquid savings of more than three months of their family income in 2019.[1] In this *Fast Fact*, the impact of income on the amount of liquid savings held by families is examined.

Family Income and Emergency Savings

While families with the highest incomes were the most likely to have liquid savings greater than three months of their income, only 34.5 percent had more than three months of income in liquid savings available for emergencies. However, higher-income families are likely to not need a full three months of income saved for emergencies, as their monthly expenses would be expected to be lower than their monthly incomes. As a result, other thresholds — 50, 60, and 75 percent of three months of income — are investigated.

When these thresholds are used, the families in the highest income quartile were more likely to surpass them (Figure 1). However, even among those in the highest income quartile, just 54.4 percent of these families with a working head under age 65 had liquid savings of greater than 50 percent of three months of their income.

Figure 1
Percentage of Families With Working Heads With Various Amounts of Liquid Savings, by Family Income Quartile, 2019



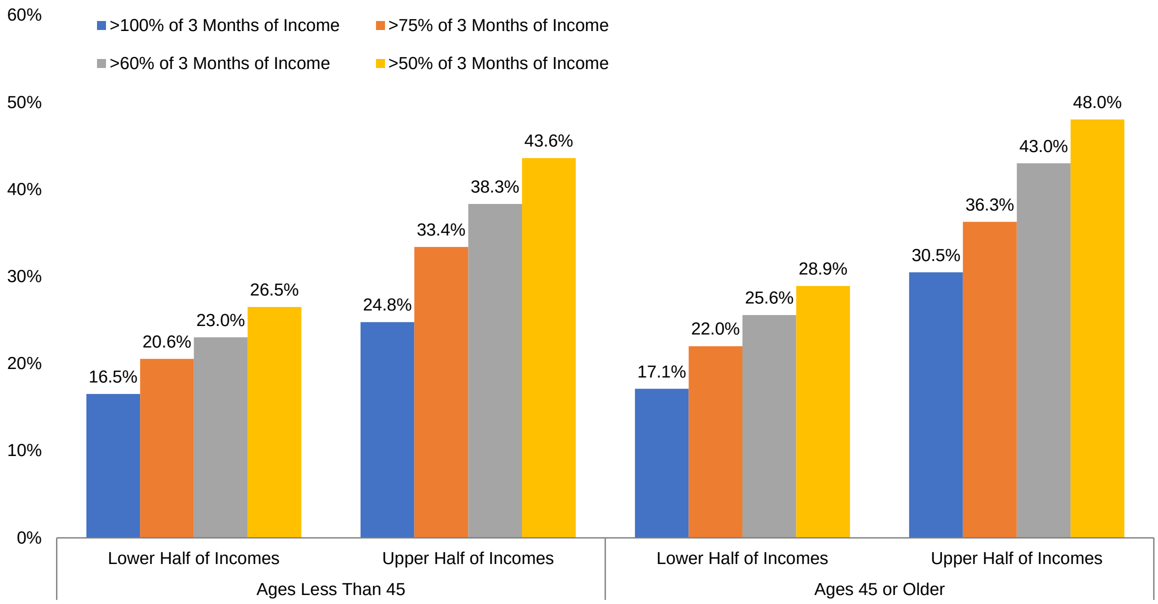
Source: Employee Benefit Research Institute estimates of the 2019 Survey of Consumer Finances.

In the lower two income quartiles, only slightly over one-quarter had liquid savings surpassing 50 percent of three months of their income. Thus, the savings held for most does not even cover half of three months of income, and the issue of insufficient savings among those with higher incomes does not go away when the threshold is reduced.

Age and Income

A possible reason for families with higher incomes not meeting these emergency savings thresholds is that those with younger heads have too many competing financial demands, such as paying off debt, funding a defined contribution plan, etc. Consequently, families are split into two age cohorts based on the family head's age: below age 45 and age 45 or older. Very similar results are found between the age cohorts when breaking the families into upper- and lower-income groups (Figure 2).

Figure 2
Percentage of Families With Working Heads With Various Amounts of Liquid Savings, by Family Income and Age of Family Head, 2019

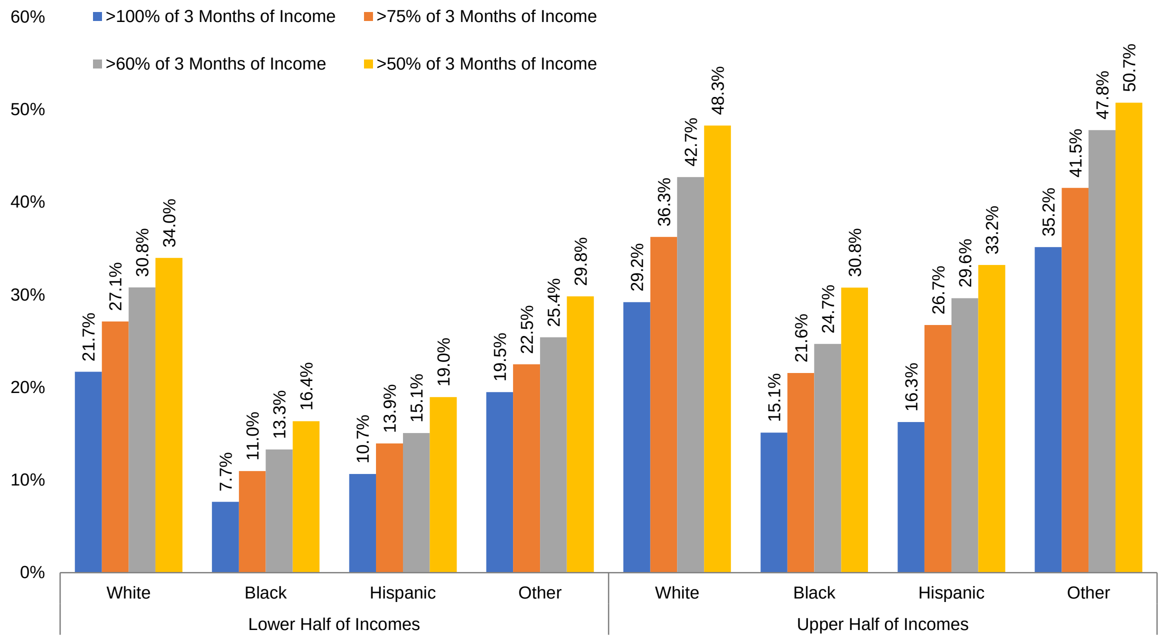


Source: Employee Benefit Research Institute estimates of the 2019 Survey of Consumer Finances.

Race/Ethnicity[2] and Income

The issue of lack of emergency savings is more acute among families with heads who are either Black/African American or Hispanic (Figure 3). Even when controlling for income (lower and upper halves), these families were still far less likely to surpass each threshold of three months of income than families with White or Other heads. For example, 48.3 percent of the families with heads who are White and have incomes in the upper half had liquid savings of more than 50 percent of three months of their income. This compares with 30.8 percent of families with Black/African American heads and 33.2 percent of families with Hispanic heads at this income level.

Figure 3
Percentage of Families With Working Heads With Various Amounts of Liquid Savings, by Family Income and Race/Ethnicity of Family Head, 2019



Source: Employee Benefit Research Institute estimates of the 2019 Survey of Consumer Finances.

Conclusion

Having resources to cover short-term financial needs is not just a problem for the families with lower incomes, but for most families. This financial issue predates the COVID-19 pandemic, especially among those faced with student loan debt. As a consequence, more and more employers are seeking to address the overall financial wellness of American workers by implementing emergency savings initiatives. Employer interest in emergency savings programs lies both in the direct potential benefit to workers and in the benefit to them in the form of higher employee satisfaction.

About EBRI: The Employee Benefit Research Institute is a private, nonpartisan, nonprofit research institute based in Washington, DC, that focuses on health, savings, retirement, and economic security issues. EBRI does not lobby and does not take policy positions. The work of EBRI is made possible by funding from its members and sponsors, which include a broad range of public, private, for-profit and nonprofit organizations. For more information go to www.ebri.org or connect with us on Twitter or LinkedIn.

[1] In the SCF, checking accounts, savings accounts, money market funds, call accounts, and prepaid accounts are considered liquid savings.

[2] The race/ethnicity categories from SCF are self-identified and include White, non-Hispanic; Black/African American; Hispanic; and Other, which consists of those races/ethnicities not defined in the three prior categories, such as Asian Americans and those who identify as multiracial. SCF is at the family level, so the characteristics of the family head (or the reference person) are used to categorize the families.

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