

For Immediate Release

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The Need for Emergency Savings: Half of American Workers Report Having a Rainy Day Fund Covering Three Months of Expenses, While Only 20 Percent of Families Report Having Three Months of Income Saved

Employer programs addressing employees' short-term financial issues could lead to better retirement readiness

Washington, D.C. – August 29, 2019 — A new study from the Employee Benefit Research Institute (EBRI) finds half of American workers report having a rainy day fund that could cover three months of expenses, but only 20.1 percent of American families had liquid savings of more than three months of their family income. The ability to cover short-term financial needs can have long-term financial consequences, and the establishment of an emergency savings fund to protect against financial emergencies is considered to be critical to overall financial health.

The *EBRI Issue Brief*, “Emergency Savings: The Reality of Workers’ Liquid Savings — Evidence from the Survey of Consumer Finances,” examines trends from two Federal Reserve studies — the 2017 Survey of Household Economics and Decisionmaking (SHED), which measures the economic well-being of U.S. households and identifies potential risks to their finances, and the 2016 Survey of Consumer Finances, which is used to determine the amount of liquid assets held by families whose working heads are under age 65.

The study also finds that families whose heads are eligible to participate in a defined contribution (DC) plan — but who don’t — may be least likely to have sufficient savings for an emergency. While a quarter of families with working heads who were DC plan participants had more than three months of income in liquid savings, only 13.4 percent of eligible nonparticipants did. That is even lower than the 17.7 percent of families with working heads who were not offered a DC plan. This lack of savings is not limited to just families with low incomes or younger heads — it spans both age and income spectrums.

“Given the low percentage of workers and families who have sufficient savings to cover a loss of income for any extended period, emergency savings programs could be directly beneficial to workers and indirectly beneficial to employers through higher employee satisfaction,” said Craig Copeland, Senior

Research Associate, EBRI. “Despite some employees preparing for retirement through participation in a DC plan, help is needed by a sizable share of these employees for short-term financial issues. The potential need is even more pressing for those who are eligible for the plan but do not participate. Consequently, addressing short-term financial issues could lead to even better long-term results through a reduced need for early withdrawals and accompanying tax penalties along with potentially higher contributions to a DC plan after an account for short-term financial issues is funded.”

The study, “Emergency Savings: The Reality of Workers’ Liquid Savings — *Evidence from the Survey of Consumer Finances*,” is available at www.ebri.org.

About EBRI

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