Financial information needs of California households

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Inability to save money and the use of savings for everyday expenses were the financial problems most often cited by respondents to a survey of California households. The preferred delivery method for receiving financial information was in-home study packets. The study findings have implications for future Cooperative Extension outreach programs.

Two questions were the focus of a California household finance survey: What types of financial problems are households facing, and how do they cope with these problems? The survey was conducted in six counties throughout the state in 1985 to obtain information on financial problems and coping strategies. We also wanted to learn what types of financial information the respondents would find helpful and preferred delivery methods. The ultimate objective was to use the results in developing financial information for the outreach programs conducted by the University of California Cooperative Extension.

The survey

A total of 5,089 surveys were mailed to randomly selected households in Alameda, Fresno, Humboldt, Kern, Riverside, and Ventura counties. The cover letter requested that the person who handled the household's finances complete the survey. One follow-up postcard was also mailed. Completed surveys were received from 934 households, giving a return rate of 18.3%.

As is usual for responses to a randomly mailed questionnaire, the respondents were older, were better educated, and had higher incomes than the average Californian. The respondents were split 50-50 for male-female; their average age was 51 years; and 40% had a college or graduate degree with an additional 34% having had some college. Over half the households (54%) had annual gross incomes of $30,000 or more. One-fourth of the respondents were retired. The majority were (or had been, if retired) employed in managerial or professional positions.

Although the results of the survey apply, on the average, to an older, better educated, higher income group of people, there were younger respondents and respondents from lower income households. An examination of responses tabulated by income and by age provides information on the under-represented low-income group and the younger households. The results that follow are based on the data presented by income and age. Income and age differences discussed were generally statistically significant (to at least the 5% level using the chi-square test of independence in two-way frequency tables).

Financial events

The households were asked what major events that often result in financial changes had affected them during the past 5 years; which of those events, if any, had caused the biggest financial difficulty; what types of financial problems they had experienced during the past year; if they had had any major unexpected expenses during the past year, and, if so, how they had dealt with the expense(s).

TABLE 1. Effect of major events occurring in preceding 5 years

	Percent of households affected by major events (n=934)						Event causing biggest financial difficulty as % of affected households					
	Household income*		Age of respondent				Household income*		Age of respondent			
Event	<20	>20	<40	40-59	60+	All	<20	>20	<40	40-59	60+	All
	%						%					
Job-related:												
Retirement	30	19	—	12	51	22	44	34	—	34	35	35
Loss of job	22	12	25	15	6	15	67	69	66	73	61	68
Changed jobs	18	23	43	20	4	21	18	26	23	29	8	24
Health-related:												
Heart attack/stroke	9	5	1	5	11	6	32	31	—	33	33	27
Disabling disease	13	7	5	6	15	9	52	44	31	48	51	47
Disabling injury	9	6	9	6	6	7	32	36	35	25	47	35
Death of wage earner	7	2	2	3	5	3	73	62	50	100	53	69
Family-related:												
Divorce	10	7	13	8	3	7	59	43	45	60	25	48
Birth of a child	13	15	41	6	—	14	18	33	31	26	—	30
Child to college	2	13	1	21	5	10	40	44	50	41	56	44
Other	18	18	22	20	12	18	54	63	68	61	54	62
No major event	19	29	19	32	30	27						

* In thousands of dollars.

Job-related events occurred most frequently (table 1). Higher percentages of the lower income group had experienced retirements and loss of job than the higher income households had in the previous 5 years. The higher income group was more likely to have a child go to college (13% vs. 2%). None of these major events occurred to 29% of the higher income group compared with 19% of the lower income households.

As would be expected, older households experienced a higher rate of retirement, heart attacks and strokes, and disabling disease. The youngest group had a higher frequency of job loss, changing jobs, divorce, and birth of a child. The 40- to 59-year-olds had the highest frequency of sending a child to college.

The right side of table 1 shows, for households experiencing an event, the percentage who said this event caused the biggest financial difficulty. Overall, loss of job and death of wage earner caused the biggest financial difficulty for families experiencing these events (68% and 69%, respectively). The impact of these two events was similar by income and age group. The exception was that all of the families in the 40-59 year old group that had experienced the death of a wage earner reported that that event caused the biggest financial difficulty, but only 50% and 53% of the younger and older households reported death of wage earner as causing the greatest problem.

Financial problems

Higher income and older families reported having no financial problems more frequently than did lower income and younger people (table 2). About two-thirds of those having problems were using savings for everyday expenses. Income and age groups were similar in the frequency of this problem.

Saving money was a problem for over 69% of households with younger households having more difficulty than the older ones. Difficulty getting credit was the least mentioned problem.

Unexpected major expenses

Almost a quarter of the respondents had no unexpected expenses, but, for those who did, car repairs were the most common (table 3). Older households had unexpected car repair expenses less frequently than did younger households. Uninsured losses were reported by only 9%.

To cope with unexpected major expenses, the majority (58%) reported using regular savings (table 4). Higher income and older families were able to use regular savings more often than lower income and younger people. Doing without, the next most frequently used coping strategy, was used more often by younger and lower income households.

Information type and delivery

The respondents were asked how helpful different types of financial information would be for their households. Retirement planning and investment information had the highest frequency of "very helpful" responses (most in the 40%'s) for both income groups and all three age groups, although the oldest group was somewhat less interested in this type of information than the younger groups (table 5). The next highest level of helpfulness was indicated for information about record-keeping and keeping important papers.

The items considered the least helpful were paying bills when due, balancing a checkbook, and purchasing food and clothes. The youngest age group had a higher frequency of "very helpful's" than the older groups for information about getting out of debt and budgeting.

Respondents rated the "helpfulness" of different sources of money management

TABLE 2. Percent of households with financial problems during previous year (n = 934)

	Household income*		Age of respondent			
Problem	<20	>20	<40	40-59	60+	All
	%					
No financial problems	27	44	19	39	59	40
Use savings for everyday expenses◊	65	66	63	67	69	66
Too far in debt	30	29	40	28	17	30
Difficulty getting credit	18	8	16	11	2	11
Can't save money	71	69	80	67	55	69
Can't make ends meet	33	20	32	22	16	25
Can't pay bills on time	29	21	35	24	4	24
Other	11	10	9	12	8	10

* In thousands of $.
◊ Percentages from here down based on number of households with one or more financial problems.

TABLE 3. Percent of households with unexpected major expenses during the previous year (n = 934)

	Household income*		Age of respondent			
Expense	<20	>20	<40	40-59	60+	All
	%					
No unexpected major expenses	16	26	21	22	29	24
Uninsured major dental costs◊	34	28	28	32	29	30
Uninsured major medical costs	20	19	25	18	17	20
Uninsured losses	6	10	12	9	5	9
Additional taxes	19	23	25	24	17	22
Replace major appliance	31	30	27	31	32	30
House repairs	27	32	25	32	35	31
Car repairs	65	57	69	64	42	59
Other	15	12	16	11	12	13

* In thousands of $.
◊ Percentages from here down based on number of households with one or more major expenses.

TABLE 4. How households paid for unexpected major expenses (n = 934)

	Household income*		Age of respondent			
Method	<20	>20	<40	40-59	60+	All
	%					
Used emergency savings	33	28	21	32	35	29
Used regular savings	49	62	51	61	62	58
Borrowed money from financial institution	16	19	22	19	13	18
Borrowed money from friends or family	20	8	22	10	2	11
Put off paying other bills	18	13	28	13	2	14
Did without new clothes, entertainment, etc.	49	31	43	35	23	35
Other	12	12	15	13	8	12

NOTE: Percentages based on number of households with one or more major expenses.
* In thousands of $.

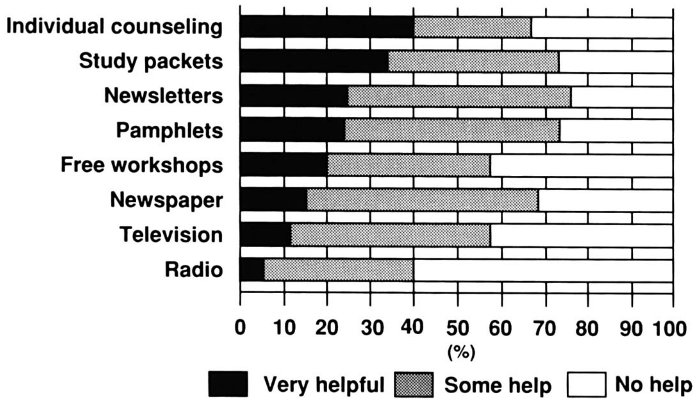

Fig. 1. Respondents rated individual counseling and study packets highest in helpfulness as money management information.

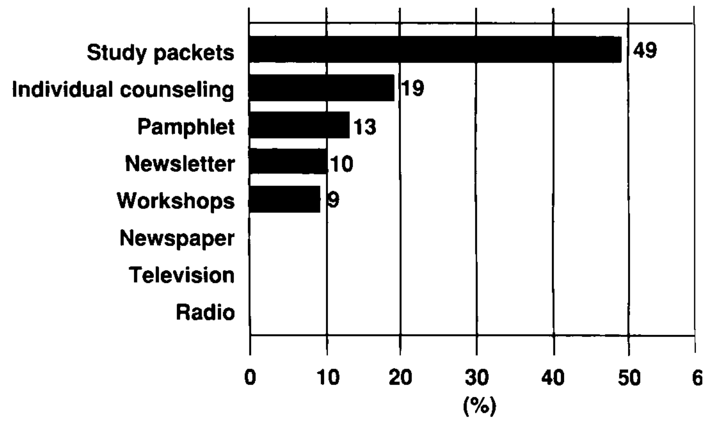

Fig. 2. The preferred method of financial information delivery was study packets. Respondents ranked mass media lowest.

information (fig. 1). Individual counseling and in-home study packets ranked first as "very helpful," while radio received 60% "not helpful." As the first choice of delivery methods, in-home study packets were selected most frequently, followed by individual counseling (fig. 2). Mass media (newspapers, radio, and TV) were the first choice of less than 1% of the householders.

Conclusions

The survey results indicate several items that should be considered in developing outreach programs to provide financial management education.

The inability to save money was a problem for the majority of households who had financial problems. Also, many who had savings used them to meet everyday expenses. These findings point to a need to help households develop savings and financial plans that allow them to meet their expenses while saving money. This problem was especially important for younger households and those with lower incomes.

Many of the respondents indicated a desire for information on investments, estates, wills, and retirement planning. Since many households were also having difficulty saving money, it would be important to emphasize the building of a savings plan within programs on investment or retirement planning.

As might be expected, loss of job and death of a wage earner caused the biggest financial difficulty when either occurred in the household. The impact of job loss was similar by age and income group. For death of a wage earner, the greatest financial difficulty was for families in the 40 to 59 age range. Younger and older households found this event to be less financially disruptive. Possibly younger households feel they have time to recuperate financially, while older households have had time to plan financially for the death of a wage earner. By contrast, households in the middle years may have heavy financial commitments for children's education, housing, and the like, that make the loss of income from a wage earner especially disruptive. Since over two-thirds of the households experiencing either job loss or death of a wage earner reported that event as causing the most financial difficulty, programs need to emphasize planning for these possibilities.

It is clear from the findings that methodologies used to teach financial information need to be geared toward learning at home. Learn-at-home packets were the most popular choice of method regardless of age or income level. The findings of this survey reinforce the need for Cooperative Extension's efforts in the financial area and suggest that methodologies other than group meetings be adopted to better meet the needs of the clientele. These methodologies might include video tapes loaned by county offices and publications, or the use of volunteer financial counselors who could work with clientele on a one-to-one basis.

TABLE 5. Percent of households that would find money management information "very helpful" (n = 934)

Information	Household income*		Age of respondent			All
	<20	>20	<40	40-59	60+	
	%					
Household cash flow—planning & management:						
Credit	24	16	23	15	13	17
Record keeping	31	38	44	32	34	36
Keeping important papers	34	33	39	28	35	34
Getting out of debt	30	23	37	21	15	25
Paying bills when due	17	10	14	11	10	12
Balancing a checkbook	16	10	11	9	12	11
Budgeting	29	29	43	26	14	29
Figuring net worth	29	27	28	29	26	28
Teaching children	20	23	27	25	12	22
Purchasing:						
Food	22	14	19	14	13	16
Clothes	19	11	15	13	9	13
House	24	24	34	22	13	24
Long range:						
Investments	41	51	58	48	39	49
Retirement	36	45	46	51	26	43
Estate planning	40	48	43	52	42	46
Insurance:						
Health	31	28	25	30	30	28
Life	21	19	22	22	13	20
Car	31	22	21	23	24	24
Homeowner/renter	23	21	23	21	20	21

* In thousands of $.

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