Are Americans equipped to make the financial decisions they face?

Financial well-being is tied to decisions people make every day. Without basic financial knowledge, overcoming financial challenges can be that much harder.

Now in its fifth year, the 2021 TIAA Institute-GFLEC Personal Finance Index (P-Fin Index) provides critical insights into Americans’ financial literacy and well-being, this time during the economic turbulence of a global pandemic.

Financial well-being in the midst of COVID-19

Nine months into the pandemic, the P-Fin Index measured how Americans were faring financially before looking at 2021 financial literacy levels. The survey provides unique insights into financial well-being across sociodemographic segments of the population.

Many U.S. adults are in a precarious financial situation

<table>
<thead>
<tr>
<th></th>
<th>Percentages</th>
</tr>
</thead>
<tbody>
<tr>
<td>22% can’t make ends meet</td>
<td>42%</td>
</tr>
<tr>
<td>31% are struggling with debt</td>
<td>38%</td>
</tr>
<tr>
<td>40% are not prepared for financial emergencies</td>
<td>56%</td>
</tr>
</tbody>
</table>

The 2021 P-Fin Index was based on a sample of 3,035 U.S. adults ages 18 and older, weighted to be nationally representative. Black and Hispanic Americans were oversampled for at least 500 respondents each, enabling comparison with whites. The survey was completed online in January 2021.
Financial challenges are more prevalent among Black and Hispanic Americans. Compared to whites, at least twice as many...

Could use more money to feed their families
% that would use an unexpected $1,000 to put food on the table

- Black: 19%
- Hispanic: 21%
- White: 10%

Are behind on payments
% that would use an unexpected $1,000 to pay overdue bills

- Black: 27%
- Hispanic: 19%
- White: 10%

Financial uncertainty takes a toll on personal well-being. The costs include...

Emotional stress
% that feel anxious when thinking about personal finances

- Overall: 47%
- Black: 49%
- Hispanic: 57%
- White: 45%

Lost time and productivity
% that typically spend 10 or more hours per week thinking about and dealing with issues and problems related to personal finances

- Overall: 18%
- Black: 28%
- Hispanic: 27%
- White: 14%
Financial literacy in the midst of COVID-19

The heart of the P-Fin Index is the 28-question financial literacy survey. The survey is unique in the depth and nuance of its findings because of its large number of questions, large sample size and demographic breakdowns. This year’s survey focuses heavily on financial literacy among Blacks and Hispanics to help inform decision making on financial education programs.

Many U.S. adults lack needed financial knowledge. On average, they...

Could only answer half the questions correctly
Score out of all 28 questions (% of financial literacy questions answered correctly)

- Overall: 50%
- Black: 37%
- Hispanic: 41%
- White: 55%

Struggle the most with understanding risk
Score by area (% of financial literacy questions answered correctly)

Borrowing: 61%
Saving: 58%
Consuming: 53%
Earning: 52%
Go-to info sources: 48%
Investing: 47%
Insuring: 45%
Comprehending risk: 37%
Financial literacy among Blacks and Hispanics is relatively low regardless of gender, age, income and education.

Score by education (% of financial literacy questions answered correctly)

- **College degree**
  - Black: 55%
  - Hispanic: 58%
  - White: 68%

- **High school degree**
  - Black: 31%
  - Hispanic: 36%
  - White: 45%

- **Less than high school degree**
  - Black: 19%
  - Hispanic: 33%
  - White: 36%

Men outperform women across race/ethnicity

Nevertheless, white women still outperform both Black and Hispanic men.

Score by gender (% of financial literacy questions answered correctly)

Financial literacy levels remain stagnant

Score by year (% of financial literacy questions answered correctly)

- **Black men/women**: 39% (2017) → 44% (2019) → 51% (2020) → 50% (2021)
- **Hispanic men/women**: 36% (2017) → 39% (2019) → 52% (2020) → 50% (2021)
- **White men/women**: 60% (2017) → 60% (2019) → 50% (2021)
Financial well-being and financial literacy are linked

Financial literacy is knowledge and understanding that enable sound financial decision making and effective management of personal finances. In challenging economic times such as the COVID-19 pandemic, the ability to make appropriate financial decisions—and hence financial literacy—is more important than ever.

Financial trouble is greater among those with less financial knowledge. Blacks and Hispanics struggle disproportionately, even among those with higher financial literacy.

% in financial trouble by financial literacy level (% of financial literacy questions answered correctly)

<table>
<thead>
<tr>
<th></th>
<th>Black (50% or less correct)</th>
<th>Hispanic (50% or less correct)</th>
<th>White (50% or less correct)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cannot pay bills</td>
<td>50%</td>
<td>35%</td>
<td>28%</td>
</tr>
<tr>
<td></td>
<td>23%</td>
<td>17%</td>
<td>10%</td>
</tr>
<tr>
<td>Struggle with debt</td>
<td>40%</td>
<td>49%</td>
<td>32%</td>
</tr>
<tr>
<td></td>
<td>33%</td>
<td>39%</td>
<td>22%</td>
</tr>
<tr>
<td>Lack emergency savings</td>
<td>65%</td>
<td>63%</td>
<td>35%</td>
</tr>
<tr>
<td></td>
<td>32%</td>
<td>32%</td>
<td>23%</td>
</tr>
</tbody>
</table>
Those with more financial knowledge spend less time on financial issues and problems

Average hours per week spent thinking about and dealing with issues and problems related to personal finances by level of knowledge (% of financial literacy questions answered correctly)

Lesser knowledge

Greater knowledge

< 26% correct
26–50% correct
51–75% correct
76–100% correct

11 hours
4 hours
9 hours
5 hours
3 hours
1 hour

While on the job

Overall

Financial education initiatives, especially those targeted to Blacks and Hispanics as well as women, could help close the knowledge gap and improve financial well-being as Americans seek a path out of the pandemic.

39% of Americans want to improve their financial knowledge

% that say the economic uncertainty created by COVID-19 has motivated them to increase their financial literacy

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