

# 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.

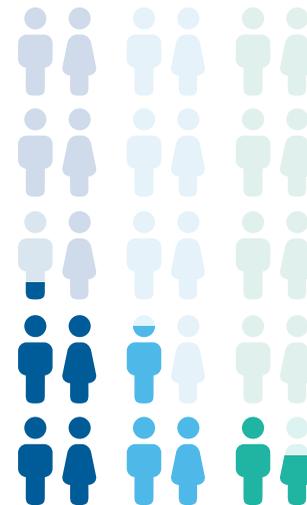
## 1 Financial well-being in the midst of COVID-19

Nine months into the pandemic, the *P-Fin Index* measured how Americans were fairing 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

#### 22% can't make ends meet

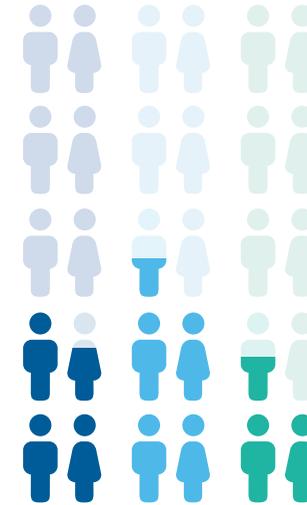
% that cannot pay all bills, including loan payments and credit cards, in full and on time in a typical month



42% 29% 17%

#### 31% are struggling with debt

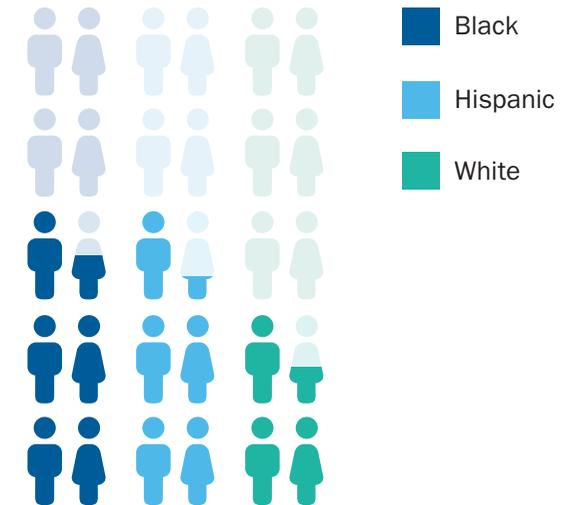
% for whom debt and debt payments prevent them from adequately addressing other financial priorities



38% 45% 26%

#### 40% are not prepared for financial emergencies

% of nonretirees who do not have nonretirement savings sufficient to cover one month of living expenses



56% 53% 35%

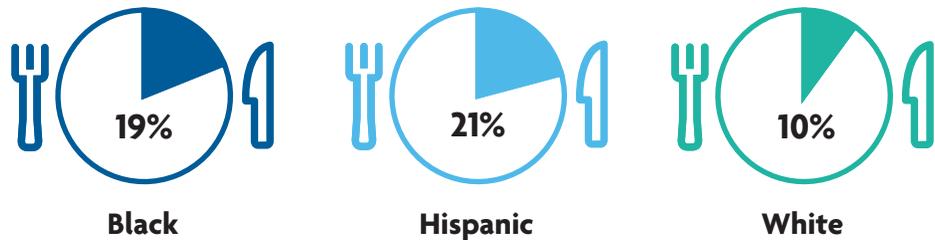
Black  
Hispanic  
White

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...

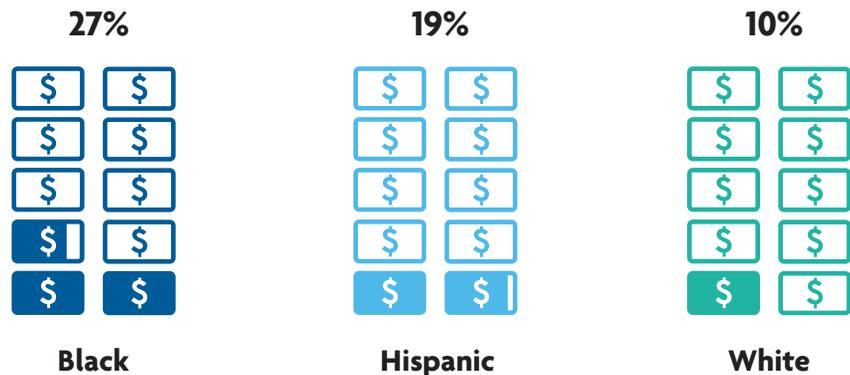
### Could use more money to feed their families

% that would use an unexpected \$1,000 to put food on the table



### Are behind on payments

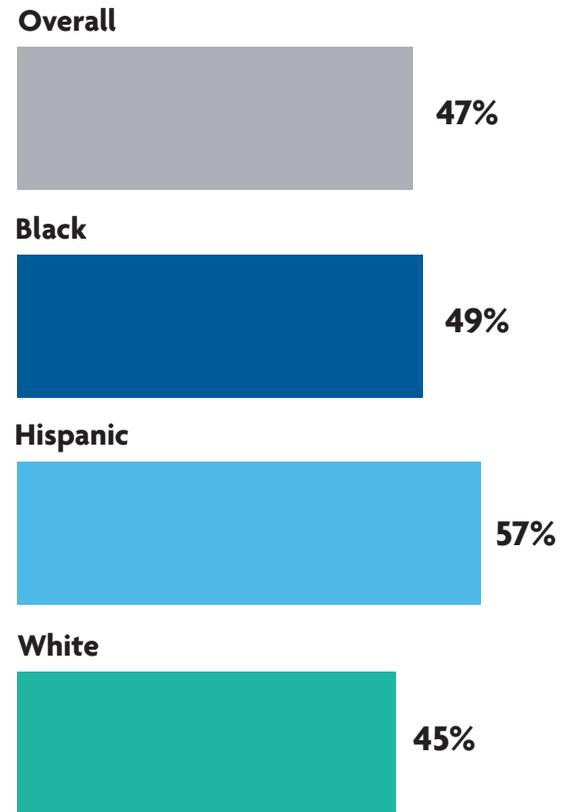
% that would use an unexpected \$1,000 to pay overdue bills



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

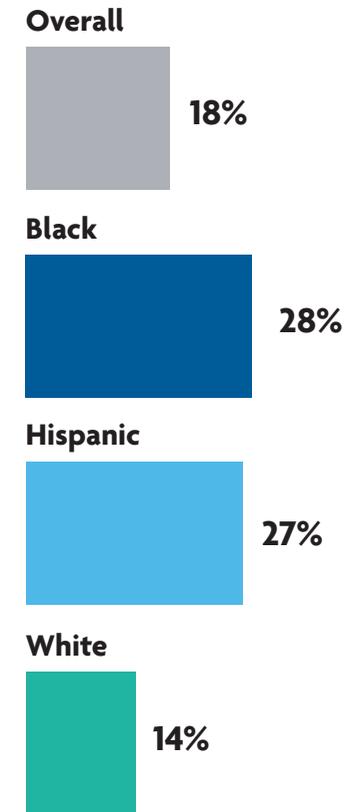
### Emotional stress

% that feel anxious when thinking about personal finances



### 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



## About the P-Fin Index

The survey includes 28 questions that test knowledge required for everyday financial situations, providing an annual barometer of financial literacy among the U.S. public.

The survey's financial literacy questions are divided among eight functional areas of knowledge, including:

- Borrowing/managing debt
- Saving
- Consuming (budgets/spending)
- Earning
- Go-to info sources
- Investing
- Insuring
- Comprehending risk

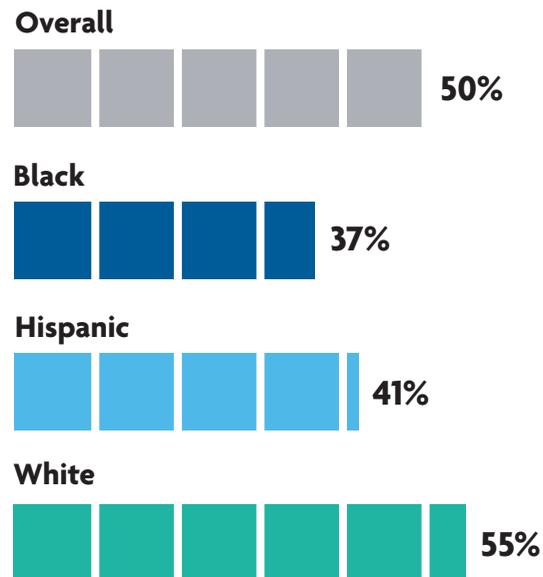
## 2 Financial literacy in the midst of COVID-19

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...

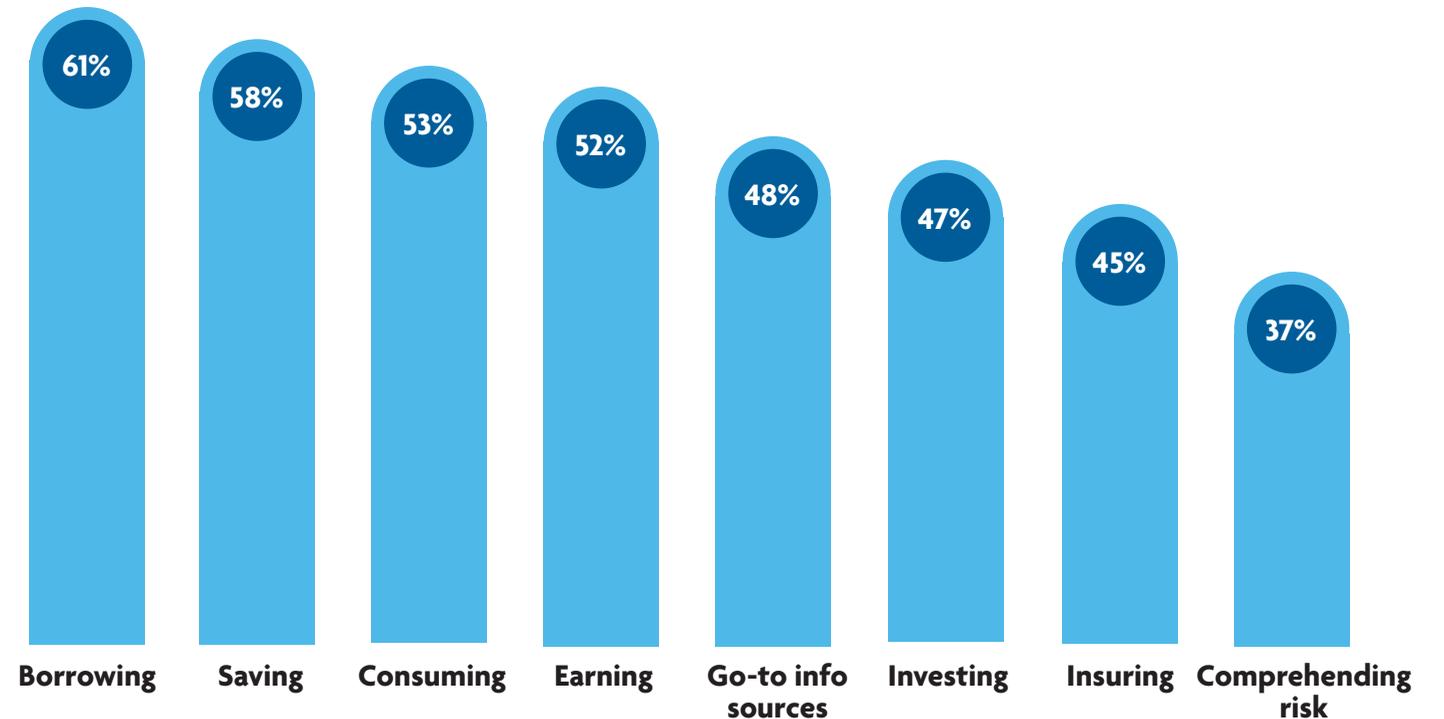
#### Could only answer half the questions correctly

Score out of all 28 questions (% of financial literacy questions answered correctly)



#### Struggle the most with understanding risk

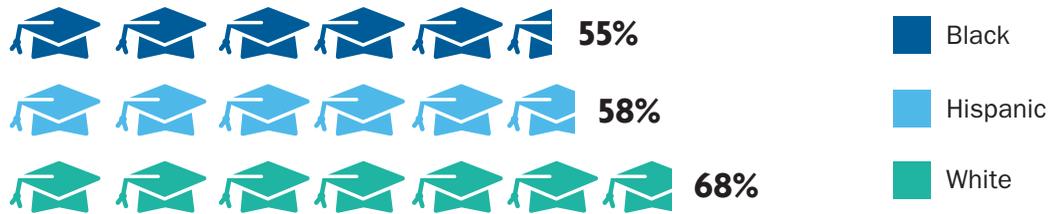
Score by area (% of financial literacy questions answered correctly)



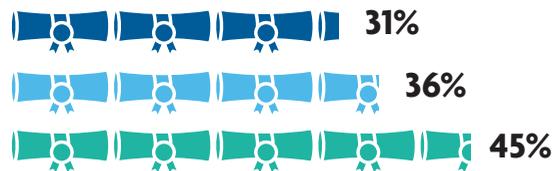
## Financial literacy among Blacks and Hispanics is relatively low regardless of gender, age, income and education

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

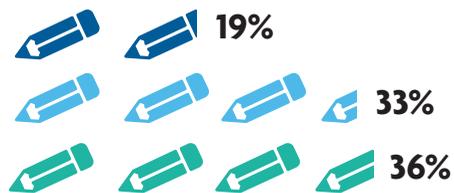
### College degree



### High school degree



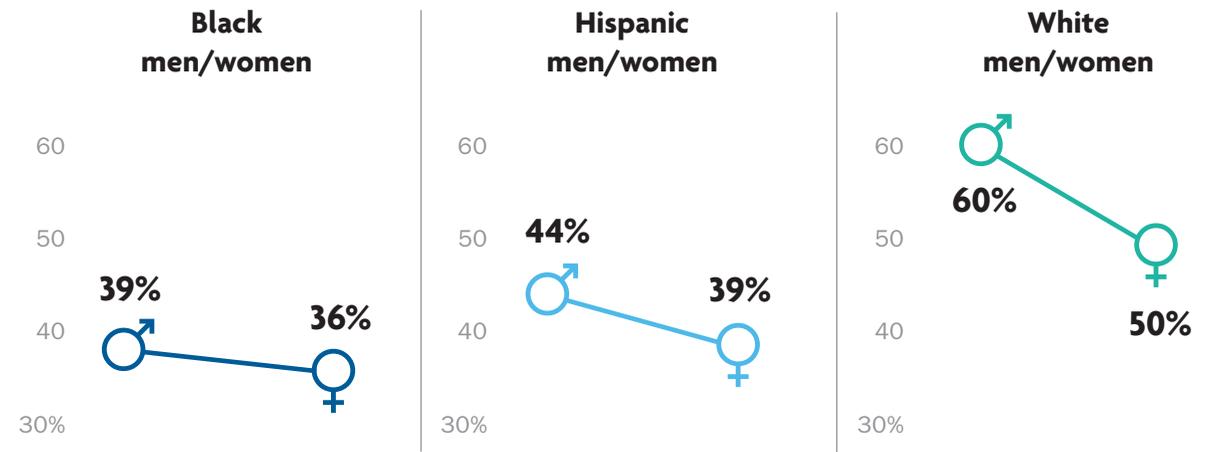
### Less than high school degree



## Men outperform women across race/ethnicity

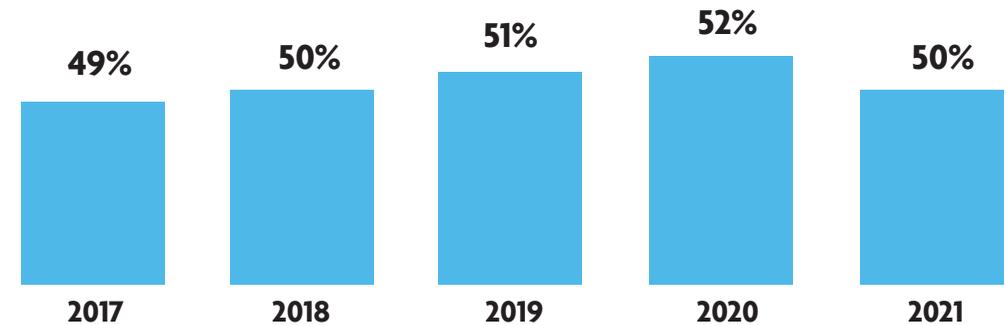
Nevertheless, white women still outperform both Black and Hispanic men.

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



## Financial literacy levels remain stagnant

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

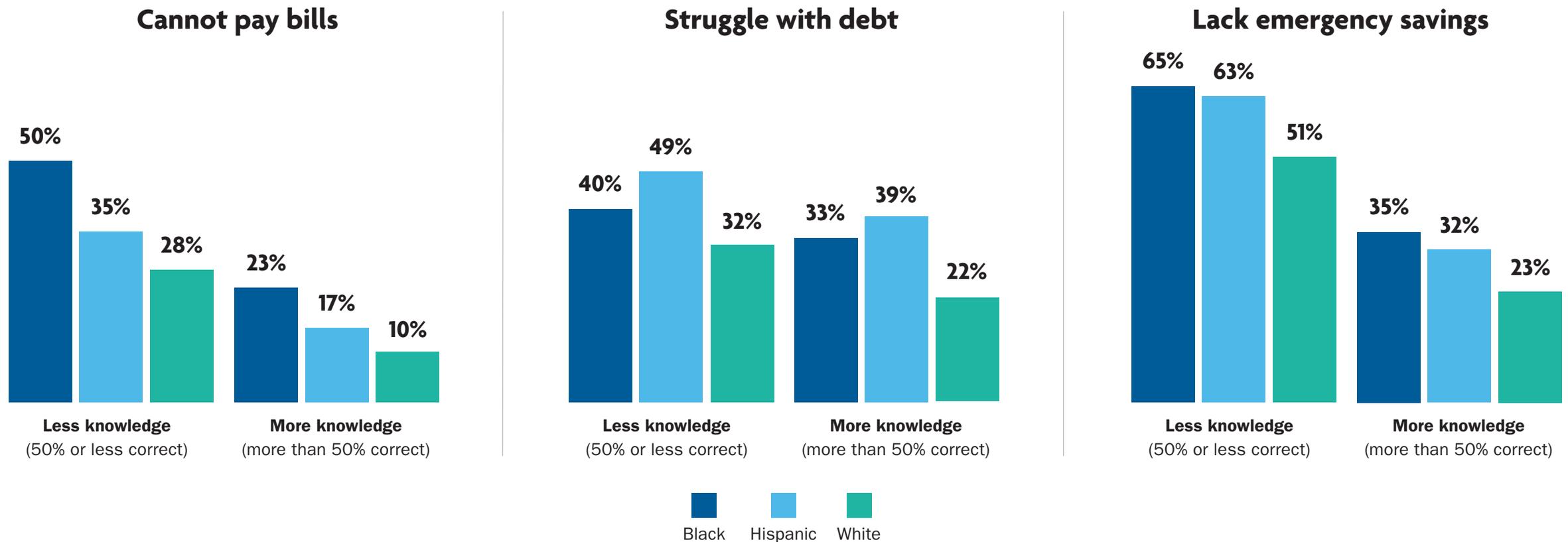


### 3 Financial well-being and financial literacy are linked

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.

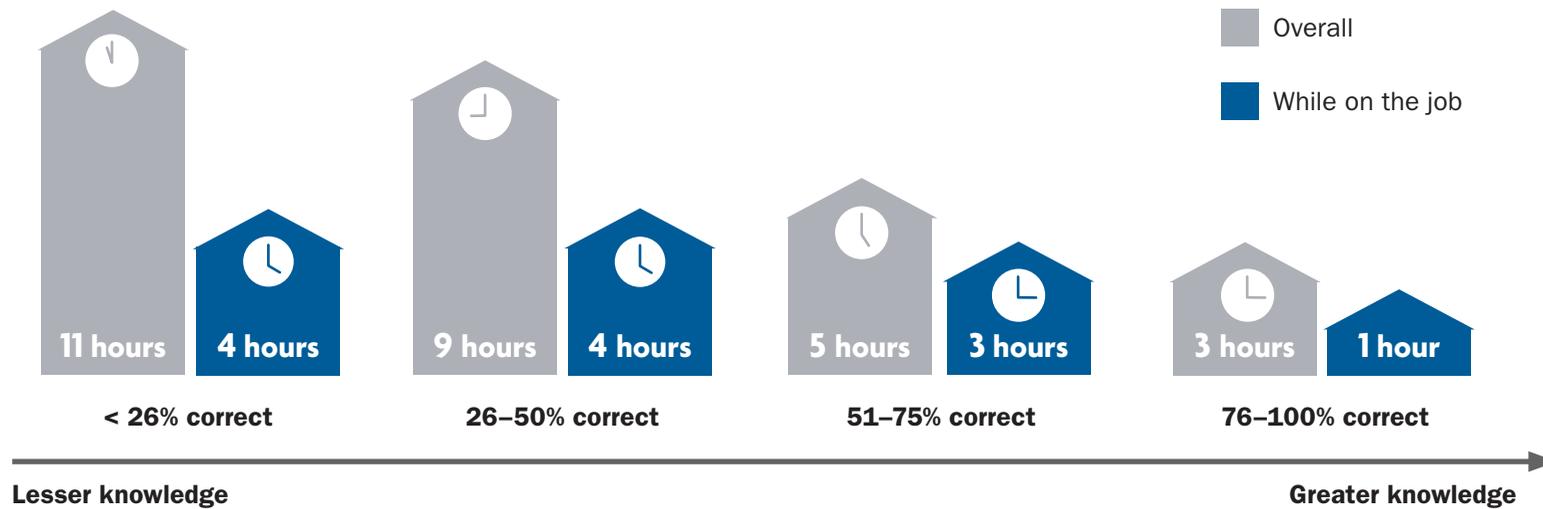
## Financial trouble is greater among those with less financial knowledge. Blacks and Hispanics struggle disproportionately, even among those with higher financial literacy.

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



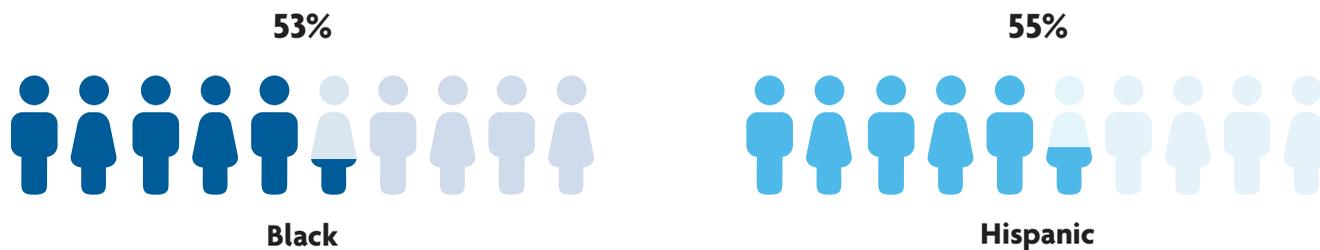
## Those with more financial knowledge spend less time on financial issues and problems

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)



## 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



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.

### Read the full report

Learn more. Do more. Download the report now from the TIAA Institute.

[DOWNLOAD REPORT](#)