

## Only 10% of Americans 'very satisfied' with financial situation

By Jenna Gottlieb      Wed, Jun 3, 2015

*If you add up the people who have a retirement plan but don't participate with the unemployed and the people who have no workplace plan, 68% of adults aged 25-64 did not participate in a plan. So says a new study from the Center for Retirement Research.*

Americans of all ages and income levels have trouble with long-term financial planning and instead focus on day-to-day needs, according to a new research brief from the Center for Retirement Research at Boston College.

Not surprising, you might say. But the authors of the study, in exploring the psychological roots of financial myopia, also found evidence that:

- Day-to-day financial problems (difficulty paying expenses, unemployment, having no savings, and carrying too much debt) have much more bearing on a person's level of satisfaction with their financial situation than do long-dated challenges, like a lack of retirement savings.
- Wealth doesn't change the dynamic. The impact of day-to-day problems on financial satisfaction remains strong even in working households where expenses are consistently met.
- Financial literacy doesn't matter much either. The correlation between satisfaction with one's financial situation and one's day-to-day problems remains strong even among individuals who are relatively financially literate.

The study, "Dog Bites Man: Americans Are Shortsighted About Their Finances," incorporates data from the FINRA Investor Education Foundation's 2012 State-by-State Financial Capability Survey, which gathered information from 25,500 Americans. Researchers Steven Sass and Jorge Ramos-Mercado wrote the report.

The authors defined immediate financial problems as heavy debt, unemployment, trouble covering expenses, and an inability to access \$2,000 on short notice. They defined long-term problems as having no retirement plan, no medical coverage or life insurance.

This news helps explain why so many surveys show that Americans are poorly prepared for retirement. One recent report, "Are U.S. Workers Ready for Retirement?" from the Schwartz Center for Economic Policy Analysis at the New School, showed that 68% of adults aged 25-64 do *not* participate in an employer-sponsored plan. The report arrived at that figure by combining the number of unemployed with the number of people who do not

participate in plans offered to them and the number of workers without access to a workplace plan.

In CRR's study, immediate problems had *10 times* as much impact on the variation in levels of financial satisfaction than challenges that lay far off in the future. People with adequate cash flow were just as sensitive to short-term financial problems, and as insensitive to long-term problems, as people without adequate cash flow.

How can these findings be applied in the real world? The authors concluded that the lack of attention given to long-term needs, such as retirement planning, suggests that people need behavioral "nudges," like automatic enrollment in 401(k) plans.

"With the shift in financial responsibility to households, it is important to make saving easy and automatic for households at all ages and income levels, so that they can set aside enough to secure a basic level of financial well-being in retirement," the authors wrote in the study.

Financial satisfaction doesn't exhibit a normal distribution curve, the authors found. About 10% of Americans are evidently very satisfied, almost 40% are more satisfied than not, 10% are sort of satisfied, 25% are less satisfied than not, and 15% are very dissatisfied, the study showed.

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