

States Ranked Most and Least Likely to Engage in Key Measures of Financial Capability

Making Ends Meet

Individuals who report spending more than their household income (not including the purchase of a new home, car or other big investment) are not saving. In addition, individuals who spend about the same as their income are breaking even. Only those who spend less than their household income are able to save. Individuals who are not balancing monthly income and expenses may find themselves struggling to make ends meet.

Spending vs. Saving

Spend less than income		
1	District of Columbia	52.7%
2	Maryland	50.5%
3	Washington	50.0%
4	Connecticut	48.8%
5	Iowa	48.3%
US Average		43.2%

Spend less than income		
1	West Virginia	36.0%
2	Oklahoma	37.0%
3	Tennessee	37.3%
4	Mississippi	37.7%
5	Arkansas	38.3%
US Average		43.2%

With the high costs of medical care many Americans face significant medical bills in addition to their typical monthly expenses, even for some of those with health insurance. Medical bills that become past due can also hurt one's credit score. The piling up of medical debt can make it even harder for Americans to make ends meet today and to plan their financial future.

Medical Debt

Have overdue medical bills		
1	California	12.9%
2	Hawaii	13.0%
3	Connecticut	13.7%
4	Massachusetts	14.4%
4	Washington	14.4%
US Average		22.0%

Have overdue medical bills		
1	Mississippi	35.3%
2	Wyoming	32.2%
3	Alabama	31.5%
4	Oklahoma	30.8%
5	Arkansas	30.4%
US Average		22.0%

Planning Ahead

Individuals who have a “rainy day” fund demonstrate that they are planning ahead for their financial future. Those who lack a “rainy day” fund, however, do not have money set aside to cover expenses for three months, in case of emergencies such as sickness, job loss or economic downturn. Individuals without this emergency savings lack a buffer against unexpected financial shocks, threatening their personal financial stability, as well as decreasing the stability of the economy as a whole.

Rainy Day Funds

Have emergency funds		
1	Connecticut	61.0%
2	Hawaii	60.5%
3	Massachusetts	59.6%
4	Washington	59.4%
5	Colorado	58.5%
5	District of Columbia	58.5%
US Average		52.7%

Do not have emergency funds		
1	West Virginia	54.5%
2	Arkansas	52.0%
3	Oklahoma	51.2%
4	Mississippi	49.8%
5	New Mexico	49.2%
US Average		42.6%

Managing Financial Products

Numerous Americans have engaged in non-bank borrowing within the past five years, such as taking out an auto title loan or a payday loan, getting an advance on a tax refund or using a pawn shop or rent-to-own store. Non-bank borrowing methods are likely to come with high interest rates, and often attract individuals with poor credit histories, lack of access to more traditional sources of credit, or both. Sound borrowing practices and management of financial products are crucial to financial capability.

Non-Bank Borrowing

Have used one or more non-bank borrowing methods		
1	New Hampshire	21.1%
2	Vermont	22.9%
3	Massachusetts	23.5%
4	Michigan	24.6%
5	Rhode Island	24.7%
US Average		31.9%

Have used one or more non-bank borrowing methods		
1	Oklahoma	46.4%
2	Mississippi	44.7%
3	Louisiana	43.4%
4	Alabama	42.8%
5	Arkansas	41.7%
US Average		31.9%

By only paying the minimum amount due each month on a credit card, consumers are increasing their borrowing costs. This practice can also negatively impact one's credit score. Consumers must understand how to manage credit and that paying only the minimum on credit cards can result in a long-term drain on their finances and borrowing ability.

Credit Card Behaviors

Paid minimum on credit cards		
1	Hawaii	28.0%
2	Connecticut	29.2%
3	Minnesota	30.5%
4	Wisconsin	30.7%
4	Massachusetts	30.7%
US Average		35.4%

Paid minimum on credit cards		
1	Oklahoma	43.8%
2	Louisiana	42.8%
3	Mississippi	42.5%
4	North Carolina	41.2%
5	Texas	40.9%
US Average		35.4%

Home & Mortgages

Having an underwater mortgage, meaning the balance on a mortgage is higher than the value of a home, can keep many Americans away from the key financial benefits of owning a home. If an individual has an underwater mortgage, they will have to pay the difference if they sell their home, and may find refinancing their mortgage difficult. When one enters into a mortgage contract, it is critical to realistically consider both mortgage payments relative to income and to understand the impact that volatility in the housing market can have on the value of one's home.

Home "underwater" (negative equity)		
1	North Dakota	0.9%
2	South Dakota	2.6%
3	New Hampshire	2.7%
4	Idaho	3.6%
5	Vermont	3.7%
US Average		6.9%

Home "underwater" (negative equity)		
1	District of Columbia	13.8%
2	Florida	12.1%
3	Texas	11.9%
4	New York	11.0%
5	Louisiana	10.6%
US Average		6.9%

Financial Knowledge

Study participants were asked seven questions covering aspects of economics and finance encountered in everyday life, such as compound interest, inflation, principles relating to risk and diversification, the relationship between bond prices and interest rates, and the impact that a shorter term can have on total interest payments over the life of a mortgage. Individuals need at least a fundamental level of financial knowledge. This knowledge, paired with financial decision-making skills, can best ensure an individual's financial capability.

Financial Literacy

Average number of correct answers		
1	Minnesota	3.72
2	Washington	3.67
3	North Dakota	3.66
3	South Dakota	3.66
4	Wyoming	3.64
US Average		3.23

Average number of correct answers		
1	Mississippi	2.79
2	Louisiana	2.81
3	Arkansas	2.94
4	Georgia	2.96
5	Florida	2.97
US Average		3.23