U.S. Consumers Unprepared For Rainy Day Expenses

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Half of all US consumers would struggle to meet an unexpected expense according to the TNS Personal Risk Assessment and Risk Literacy Survey.

The report shows that many consumers, particularly in the UK, US, Germany and Mexico, currently lack the resources to meet an unexpected financial crisis like sudden car or home repairs or minor health related expenditures.

The TNS Finance Personal Risk Assessment and Risk Literacy Survey is a consumer survey developed by TNS in association with professors from Harvard Business School and Dartmouth College.

The survey analyzes nationally representative consumers across eleven countries with respect to their risk literacy, household financial fragility, and financial experience and behavior during the economic crisis of 2008-2009.

According to Peter Tufano of Harvard Business School,
"These figures include more than just the unemployed or lowest income households. In many countries, there is widespread financial fragility with a significant number of seemingly middle-class consumers extremely vulnerable to sudden financial emergencies."

No Financial Safety Net
To measure capacity for risk bearing, the survey probed if consumers could come up with enough money for a major car repair in a month.

Around half of American, British and German respondents reported that they would not be able to come up with $2,000 in 30 days from savings, borrowing, friends or family: at 46% in the US, 49% in the UK, 47% in Germany. Mexico fared worst of the results analyzed with 58 % unlikely be able to find the funds.

Luxembourg consumers surveyed however were extremely confident of weathering a short-term financial emergency with 9 in 10 surveyed able to come up with funds.

In Italy The Netherlands and Canada around 7 in 10 respondents were also confident of meeting an emergency.

It is no surprise that Luxembourg, The Netherlands and Canada also showed the highest incidence of consumer savings accounts across all countries polled.

Q: How confident are you that you could come up with (Argentina, Canada, Luxembourg, US: $2,000, UK: Â£1,500; France, Germany, Italy Netherlands, Portugal: â‚¬1.500, Mexico: Mex$30,000) if an unexpected need arose within the next month?

Where to turn for help? Savings, credit or social networks?
Savings would be the primary source of emergency funds in most of the countries polled; savings being the most likely course in Luxembourg (86%) and the Netherlands (89%), and used by around half of respondents from US (49%), Germany (52%), UK (50%) and Canada (52%).

Informal social networks are the predominant sources for funds in some countries.

Mexican and Argentinean respondents were least likely of the countries polled to be able to access savings and most likely to look to family for help.

Over half the respondents from Mexico (53%) and Argentina (43%) would seek help from family.

Yet, around 30 percent of respondents from the US, Germany, the UK, and France thought they would ask for help from their family. In general women are significantly more likely to ask family for help than men.

In the US 32% of woman compared to 24% of men would borrow or ask for help from family.

In all countries, the younger the consumers, the more frequently they mention borrowing from family as source to fund an unexpected expense.

According to Trish Dorsey, SVP TNS Finance,
"While it is not necessarily unexpected that younger consumers would rely more on family than older consumers, it does hint at a potential area of concern. That is, older consumers have seen their savings and retirement nest eggs decrease as a result of this crisis; increased reliance on them from their younger family members may put an additional burden on their funds."

While credit cards are ubiquitous, households don't expect to turn to credit for emergencies.

Credit cards were surprisingly low on the list of emergency options.

After savings, credit cards are cited as an emergency option in Canada (28%) and Luxembourg (27%).

Only 20% of the US and UK respondents would use plastic and fewer than 1 in 10 of respondents from the other countries surveyed would reach for their cards in an emergency.

About the Survey
TNS Finance Personal Risk Assessment and Risk Literacy Survey is a consumer survey developed by TNS in association with Harvard Business School and Dartmouth College.

The survey analyzes nationally representative samples of consumers across fifteen countries and regions with respect to their risk literacy, household financial fragility, and financial experience and behavior during the economic crisis of 2008-2009.

Survey Methodology:
Fielded between June and September 2009. Countries and sample size: US (2148), UK (1001), Germany (1107), France (1097), Canada (1132), Italy (935), The Netherlands (1001), Mexico (904), Argentina (1000), Portugal (1011), Luxembourg (504), Hong Kong (1000), Singapore (1000), Saudi Arabia (453) and United Arab Emirates (400). Total sample size: 14693.

Samples are nationally representative of the general population in all countries but Mexico (main cities), United Arab Emirates (main cities, working population having a banking relationship) and Saudi Arabia (main cities, working males having a banking relationship). Methodology was online but for Argentina, Saudi Arabia and United Arab Emirates (face to face); and Mexico (telephone).

United States - 6th November 2009