

## **MEMORANDUM**

TO: Allstate

FROM: FTI Consulting DATE: 11 / 08 / 13

RE: Allstate/National Journal Heartland Monitor XIX Key Findings

This memorandum outlines key findings from the nationally representative survey conducted November 2-6, 2013 among N=1,000 American adults age 18+ reached via landline and cell phone. The margin of error for the N=1,000 telephone sample is +/- 3.1%. This research investigates Americans' personal financial experiences, their views on the financial system and their opinion of how the federal government's budget situation impacts their personal finances.

## **OVERVIEW**

This nineteenth installment of the Heartland Monitor Poll reveals an American public that is frustrated with the political leadership of the country and uneasy about the health of the economy. In the wake of the government shutdown and in the midst of the troubled Healthcare.gov rollout, the public gives President Obama and Congress their lowest approval ratings to date. Americans believe the economy is struggling and few believe that improvements are on the horizon. They also give a tepid assessment of their personal financial situation and an unenthusiastic assessment of their financial future.

More than three years after the technical end of the recession, a majority of Americans believe we're still in a downturn. This poll indicates that for many Americans in low-income households, perception is reality and their reality is still an economic recession. Americans who think we're still in a recession are less likely to see participating in the financial system as a path to a secure financial future and they are less likely to see investing in the stock market as important for meeting their financial goals. Further, those who think we're still in a recession are considerably more negative about President Obama and the country's elected officials.

Still, most Americans believe that participating in the financial system will provide a reliable path to a secure financial future and they think that contributions to 401(k) and IRA plans play an important role in achieving that. However, Americans also express a low level of confidence in most financial institutions and many are skeptical about the stock market. Instead of riskier investment strategies, Americans are relying on their own understanding of financial planning, are paying off debt, putting away savings, and are seeking out friends or family for advice.

Throughout the Heartland Monitor Poll series, we've learned that Americans believed the economic recession would be a game changer, that Americans felt they were on their own in the economy, and that Americans preferred a more secure financial path to a riskier investment strategy. This latest poll should serve as an important reminder to elected officials and the business community that a great deal of economic malaise and uncertainty remains among a large portion of the American public.



There has been a swoon across all political indicators representing a low-water mark in the Heartland Monitor Poll series for confidence in the Obama presidency.

- Just 23% of Americans believes the country is headed in the right direction and the pessimism stretches across all socioeconomic groups. Only in October and December of 2011 did we measure a lower "right direction" number (20%).
- President Obama's job approval has slipped to 38%, a new low for his presidency. His approval rating is now just 29% among Independents, 29% among Whites, and just 52% among Hispanics. Democrats (76%) and African-Americans (76%) remain supportive, though at reduced levels.
- Just 9% of Americans approve of the job Congress is doing, a 12-point drop from one year ago (21%).
- Nearly half of Americans (47%) believe that the actions being taken by the Obama
  administration will decrease opportunity for people like them to get ahead. Just 23% believe
  the administration's actions will increase opportunity. African-Americans are the only group for
  which a majority (59%) believes the administration's actions will increase opportunity for people
  like them. Fewer than half (43%) of White Democrats believe this to be true and just 15% of
  Whites overall.
- A majority now believes that President Obama's economic policies have "run up a record deficit while failing to significantly improve the economy." Just one-in-three (34%) think Obama's policies have helped "avoid an even worse economic crisis, and are fueling economic recovery." One year ago, after the President's re-election, a plurality supported the idea that Obama's economic policies were working to improve the economy.
- Neither the President nor Republicans in Congress are seen as trusted to develop solutions to the country's economic challenges. Slightly more Americans trust the President (36%) than Republicans in Congress (33%), but 25% say they trust neither.

The economic and personal financial indicators are at or near their low point, though Americans have a better impression of their personal finances than the national economy.

- Just 11% think the economy is in "excellent" or "good" shape, while 45% think it's in "fair" shape and 44% think it is in "poor" shape.
- More Americans (36%) believe the economy will get worse over the next 12 months than those who believe it will improve (29%).
- Americans are more likely to rate their current financial situation as "only fair" or "poor" (56%) than they are to say it is "excellent" or "good" (44%). This split has been largely consistent across 9 polls conducted since April 2009, with a majority always on the negative side.



Still, more Americans think their situation will improve over the next year (39%) than believe it
will become worse (15%). This holds true among all socioeconomic situations, demonstrating
some continued optimism among the American public in the face of an uncertain economy and
mixed economic experiences.

More than half of Americans believe the country is still in a recession and their attitudes and opinions differ significantly from those who recognize the recession is over.

- More than four years after the official end of the recession, a majority of Americans (53%) still say the US is currently in a recession while 41% say it is not.
- The data indicate that Americans' personal economic experiences play a key role in their perception of a recession. Among those in households making less than \$30k a year, 61% think we're in a recession, compared to 41% of those in \$100k+ households. Nearly two-thirds (64%) of unemployed Americans think we're in a recession along with even a slight majority (52%) of those employed full-time.
  - When looking at employed households by income and education, only those individuals
    with a college degree in a household making \$50k plus are likely to know the recession
    has ended. The rest employed households making under \$50k and those without a
    degree in \$50k+ households believe we are still in a recession.
- Perceptions of a recession also appear to be political in nature. More than half of Republicans (56%) and Independents (58%) think we're in a recession compared to less than half of Democrats (44%).
- Views of the economy have clear implications for President Obama. Among those who
  recognize the US economy is not in recession, 51% approve of the job he is doing. Those who
  think we're still in a recession give him a 28% approval rating.
- The President's job approval is 20 points lower among Democrats who think we're in a recession (66% approve) compared to Democrats who know we're not (86%). The same is true among Independents those who say we're not in recession are split on his performance (45%-46%) while Independents who think we're in a recession give Obama a lowly 22% approval rating.

Most Americans generally believe they can handle their day-to-day financial obligations. And, they recognize the importance of long-term investing and financial planning. But, they worry about their financial progress and their ability to achieve long-term milestones. And, many are still focused on personal financial austerity and "safe" financial activities.

 Solid majorities of Americans believe it is realistic for them to be able to pay day-to-day bills (90%), pay medical bills (71%), pay off debt (68%) and make mortgage payment (74% among homeowners with a mortgage).



- Still, that leaves approximately one-in-four to one-in-three Americans who believe that continuing to make these payments is unrealistic. Notably, there is a spike in financial uncertainty among those near-retirement age (50-59) who, on nearly every measure, are more likely to say that meeting payments is unrealistic.
- Americans are less likely to see future and long-term financial goals as realistic.
  - Just half (50%) believe that being able to afford six months of expenses in case of a job loss or health emergency is realistic;
  - o 58% believe that investing money for the future is realistic;
  - o 59% believe that maintaining a comfortable standard of living during retirement is realistic (including just 55% of those who aren't currently retired);
  - Only 48% of parents with kids under 18 believe that paying for college education is realistic.
- Americans appear to be even more cautious when asked if each goal is "very realistic" or just "somewhat" realistic. Only 57% say that paying day-to-day bills is "very realistic" and just 24% say that investing for the future is "very realistic."
- One-in-three (32%) Americans say they rarely have any money left over each month after paying their bills. More than half (58%) of those in households earning under \$30k/year find themselves in this situation along with 41% of those without a college degree (compared to just 19% of those with a degree).
- Of the nearly two-in-three (64%) Americans who have money left over at the end of the month
  after paying their bills, 21% think the most financially responsible use is paying off debt (21%),
  saving it in a bank for the future (15%), adding it to an emergency fund (11%), or saving for a
  house (10%). Just 7% think the most responsible decision is to invest that money in the stock
  market.
- Of those with money left over at the end of the month, 57% say they almost always put the
  extra money towards paying off debt, saving, or investing before spending it on other things.
  Another 33% say they "sometimes" do this and just 9% say they hardly ever or never do.
- By a wide margin, 69% Americans say it is worth making sacrifices in day-to-day spending for long-term saving, even if it means a lower quality of life. Just 20% believe that convenience purchases make life more enjoyable and it is worth spending more on them, even if it means less money for the future.
- Americans see a long list of financial activities as important for them to meet their personal financial goals. They are nearly unanimous about the importance of paying off and avoiding new debt (94%), sticking to a monthly budget (94%) and the vast majority recognize the importance of an emergency savings fund (88%), saving for retirement (84%), estate planning (83%), and purchasing life insurance (78%).



- Most Americans (68%, including 77% of those who are employed) believe it is important for them to contribute to a 401(k) plan or IRA. However, just 38% believe that investing in the stock market is important. Investing in the stock market is much more likely to be seen as important by high income, higher educated individuals and those approaching retirement age.
- Substantial percentages of Americans say they're behind where they think they should be on these financial activities. One-in-three working Americans (33%) say they're behind where they should be on contributing to a 401(k) or IRA, and 42% of working Americans say they're behind on saving for retirement. More than half (57%) of parents with young children say they're behind on saving for their kids' college education. Regarding estate planning, 50% of married people are joined by 50% of those who plan on leaving an inheritance and also 67% of parents with young children in saying they're behind on this. Nearly half (47%) of Americans believe they're behind on maintaining an emergency savings fund.
- Just 25% of Americans have received an inheritance in their life and 27% expect to receive one at some point in the future. Interestingly, nearly three-in-four expect to be in a position to leave an inheritance for their loved ones, including majorities of all income, age, and employment categories.

Americans generally believe that investing and participating in the financial system is the most reliable path to a secure financial future. Additionally, American's confidence in their own abilities remains unwavering, supported by the belief they're well prepared to make significant financial decisions when the time comes.

- Most (58%) Americans believe that participating in the financial system is the safest and most reliable way for people like them to provide a secure financial future for their family. However, a substantial percentage (35%) worry that the system is too volatile, complicated, and unreliable to provide a secure future.
- There is considerably more faith in the financial system among whites (61%) as opposed to African-Americans (49%) and Hispanics (51%). Those age 18-29 (52%) have the least confidence in the system. Less than half (43%) of those in the lowest income bracket (<\$30k/year) and exactly half of those without a college degree believe that the financial system is the best path for a financial future. Politically, both Republicans (62%) and Democrats (62%) express confidence in the system while Independents (53%) are notably less convinced.</p>
- Americans express high confidence in their own understanding of the information needed to
  make important financial decisions. Nearly nine-in-ten (89%) say they're confident that they
  understand the information about financial decisions writ large, they're also highly confident in
  understanding the information they need to buy a home (77%), planning their retirement (75%),
  and setting up an inheritance (64%). On all of these measures, the percentage of Americans
  who say they're "very confident" in their understanding is considerably lower, revealing the
  potential need for additional financial advice.



- A related result shows that 55% of Americans believe they have a solid plan for their finances, while another 29% have some questions about their plan and another 14% don't have a plan and could use some guidance.
- Americans are most likely to turn to friends or family members for information on managing their personal finances. Nearly half (47%) say they seek this "informal" advice while just one-in-three (33%) turns to a professional financial advisor, one-in-four (24%) seeks advice from a banker at a branch location, and about one-in-six (17%) turn to a credit union.
- Among the 67% of Americans who don't use a professional financial advisor, 43% say it's
  because they handle their finances themselves or through a family member, 26% say they don't
  have enough money to invest, and another 20% are concerned about paying fees or trusting the
  advisor to make decisions on their behalf.
- Americans do not support federal requirements for more information disclosure from financial service providers. Just 31% believe the most effective way to increase available information for consumers is through federal requirements. About the same percentage (32%) prefer consumer and public pressure for more information, and 28% think that financial services companies should compete to provide the most information.

Americans believe the federal budget situation has had a negative impact on their personal financial situation and they have little confidence in the Washington's ability to avoid another shutdown.

- In the wake of the government shutdown, nearly three-in-four (73%) Americans believe that the debt and deficit has at least some impact on their personal financial situation. Among those who believe they're personally impacted, more than three-in-five (62%) believe the effect is negative. This works out to a majority (55%) of all Americans believing that the debt and deficit has a negative impact on their personal finances, including most (58%) Republicans and Independents, and 46% of Democrats.
- Americans believe the most likely impact of a large federal budget deficit is paying higher taxes (33%), following by fewer opportunities for jobs or pay increases (26%), fewer government programs that they use (12%), higher interest rates (10%), and a harder experience getting a loan (7%).
- Nearly three-in-four (73%) Americans are not confident in the ability of the President and Congress to reach an agreement about the budget and avoid another government shutdown before the January deadline. This pessimism reaches across Americans of all political leanings, including 77% of Republicans and Independents and 67% of Democrats.