September 2015

THE STATE OF AMERICAN FINANCES

STATS, FACTS, AND TRENDS SHAPING AMERICAN FINANCES

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★ TABLE OF CONTENTS ★

★ OVERVIEW ★

Before the global financial crisis of 2008, economists were shocked by the lack of savings set aside by American families. The typical consumer was spending more money than they actually earned. Not only were they not setting aside anything for a rainy day, but they were going into debt month after month. It was clearly a departure from how earlier generations managed money.

The proliferation of credit card use, rising education costs, and the housing bubble, have caused the average American's debt to rise by an astounding amount compared to older generations.

Most people who endured that difficult time learned some hard financial lessons, forcing Americans to search for alternative career paths and sparking an increase in the number of start-ups and small businesses.

Consumer behavior indicates that saving and spending money remains a chief concern among most American families. In April of 2015, CompareCards and evolve24 partnered to analyze more than 3.6 million conversations about personal finance in the United States from various online mediums.

The data revealed that of the 3.6 million conversations analyzed, more than 1.9 million (53%) centered around concerns with saving money.

So what does that mean for today's average American family? What is the financial outlook for a teenager or a college student? What challenges are American small businesses currently facing?

The State of American Finances is a compilation of demographics and financial data about the average American family, young Americans, and American small businesses. This data highlights the challenges that each group is facing, in addition to the financial areas where things are improving.

★ A LOOK BACK ★

HOW THE AVERAGE AMERICAN HAS CHANGED FROM 1940-2010

	★ 1940	2010 ★
FAMILY SIZE	average family size **3.76 members**	average family size **2.59 members**
FAMILY INCOME	average income for a man **$956**; average income for a woman **$592**	average income for a man **$33,276**; average income for a woman **$24,157**
HOUSING	average monthly rent **$30.83** in urban locations; **$18.35** in rural locations	average monthly rent **$855**; average monthly mortgage **$1,496**
DEBT	personal debt of average American **less than $2,000**	personal debt of average American **$10,168** *(not including real estate debt)*
EDUCATION	those 25 and over with a high school degree **24.5%**; those 25 and over with a college degree **4.6%**	those 25 and over with a high school degree **85.6%**; those 25 and over with a college degree **28.2%**

SOURCE: *U.S. Census Bureau*

THE AMERICAN FAMILY

THE FACTS

In 2014, average family size:

3.13 members

In May 2015, median household income:

$55,192

In 2013

43% of families

included children (sons, daughters, step-children, or adopted children) under age 18.

In 2013

59.1%

of married-couple families with children had two working parents.

CURRENT FINANCIAL STATE

- Family income is on the rise, with the mean (overall average) family income rising 4 percent from 2010 and 2013.
- In 2013, 9.6 percent of families included an unemployed person.
- Married couples with children under the age of 18 had a median household income of $85,087 in 2013.
- In 2014, 64 percent of Americans owned their homes (not renting or leasing).
- Only 59 percent of Americans have savings of more than $500.
- In recent years debt obligations have begun to fall. Between 2010 and 2013, median debt declined 20 percent, and mean debt decreased 13 percent for families with debt.
- 35 percent of Americans currently have a debt in collections.
- At the end of 2014, the total outstanding consumer debt in America was $3.3 trillion.
- Of that $3.3 trillion, $889 billion was revolving debt (i.e. credit card debt) and $2.4 trillion was non-revolving (i.e. mortgage loan, auto loan, etc.).

The following chart shows a 12-month snapshot of consumer revolving debt.

12-MONTH SNAPSHOT OF CONSUMER REVOLVING DEBT

	Total Debt	Revolving Debt	Non-Revolving Debt
May 2014	**$3,193,191.84**	**$873,135.07**	**$2,320,056.77**
June 2014	**$3,211,754.93**	**$875,772.80**	**$2,335,982.12**
July 2014	**$3,233,162.27**	**$880,332.42**	**$2,352,829.85**
August 2014	**$3,249,336.09**	**$881,418.61**	**$2,367,917.48**
September 2014	**$3,267,454.41**	**$883,433.21**	**$2,384,021.20**
October 2014	**$3,284,100.23**	**$884,818.76**	**$2,399,281.47**
November 2014	**$3,300,523,94**	**$886,063.63**	**$2,414,460.31**
December 2014	**$3,317,215.08**	**$889,976.12**	**$2,427,238.97**
January 2015	**$3,327,518.82**	**$888,328.56**	**$2,439,190.26**
February 2015	**$3,342,399.54**	**$885,972.59**	**$2,456,426.96**
March 2015	**$3,363,479.22**	**$890,879.39**	**$2,472,599.84**
April 2015	**$3,384,876.28**	**$899,422.65**	**$2,485,453.63**
May 2015	**$3,400,962.65**	**$901,007.55**	**$2,499,955.10**

SOURCE: *United States Federal Reserve*

Revolving Debt (credit card debt)

- In 2015, the average household credit card balance was about $7,200.
- In 2015, the average household credit card debt was $15,609 .
- As of March 2015, the average annual percentage rate, or APR, for fixed-rate credit cards was 13.02 percent.
- In July 2015, the APR for variable-rate credit cards was 15.75 percent.

Non-Revolving (i.e. mortgage loan, auto loan, etc.)

- The average mortgage debt in 2013 was $147,591.
- The average auto loan debt in 2013 was $30,738.
- The average student loan in 2015 is projected to be about $35,000.

THE CHALLENGES

American families are facing the challenges that come with starting a family and raising children. However, they are also trying to figure out how to pay off their student loans, improve their credit, and deal with unforeseen dangers such as data breaches and new technology leaving them vulnerable to possible identity theft.

Education Debt

Education debt increased substantially between 2010 and 2015. Paying for college continues to be a top concern among adults already in the workforce as they attempt to pay off large student loans and also pay for their children's education.

38.8% ← **2013**

families with education debt

22.4% ← **2001**

40 million

Americans have at least one outstanding student loan

In 2014

11.3%

student loan debt was 90 or more days delinquent or in default

28%

On average, parents plan to cover about 64 percent of their children's college costs, but are only on track to save about 28 percent.

Nearly three-fourths of education debt is held by families in which one member has a Bachelor's degree or higher.

Only 48 percent of parents are saving for college.

Credit Scores

Credit scores are an important part of our financial health and directly affect our ability to secure financing for personal or business purposes. A large number of consumers don't understand their credit score or the factors that determine it.

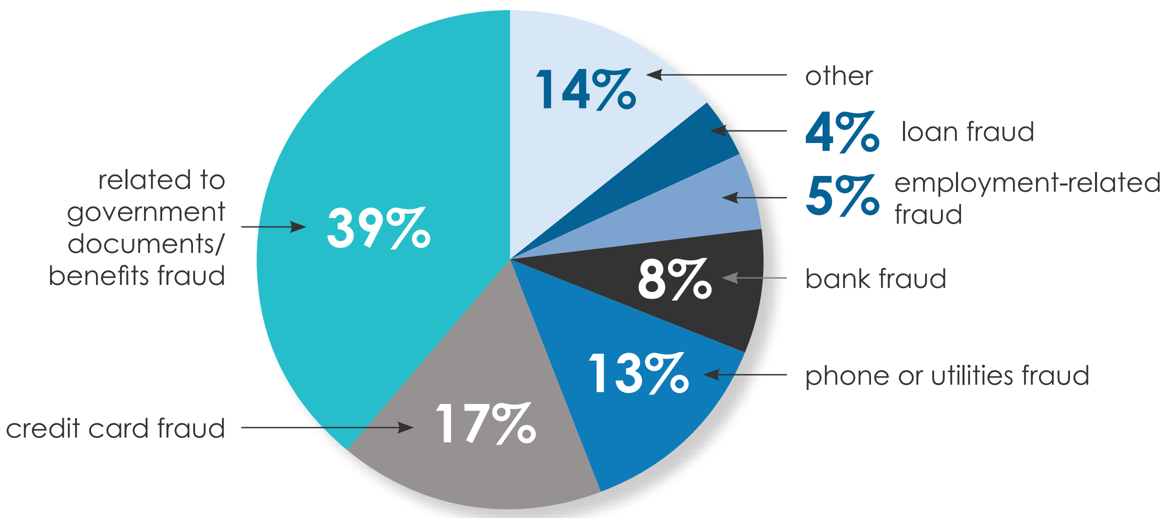
- Two-fifths are unaware that credit card issuers and mortgage lenders use credit scores to make a decision about their credit availability and pricing.
- Two-fifths incorrectly believe that demographic information such as age and marital status are used to calculate credit scores.
- Between one-quarter and one-third don't know that lenders are required to tell borrowers the credit score used to determine whether or not they qualify for a loan.

- Between one-third and two-fifths do not know that a co-signer's credit score can be affected by that loan. A co-signer's score can improve if payments are made on time, or decline due to late payments.
- More than one quarter do not understand the basics on how to raise a credit score.
- 26 million consumers are credit invisible.
- 19 million consumers have unscored credit records (consumers who don't have enough credit history to generate a score or whose credit information is too old).

Identity Theft and Data Security

In 2014, identity theft topped the list of consumer complaints, totaling 332,646 complaints.

Of the identify theft complaints, 70 percent of fraud complaints were from consumers between the ages of 20-59.



According to data from 2015 Identity Fraud: Protecting Vulnerable Populations Report, 12.7 million people experienced identity theft in 2014. Financial losses due to personal identity theft totaled $16 billion, a decline of $2 billion from the previous year.

Recent data breaches in some large corporations have Americans wondering how safe it is to shop with credit or debit cards and how secure their personal information is in the hands of any outside entities. 2014 and the first half of 2015 saw some major data breaches. Below is a snapshot of some of the largest data breaches from September 2014-February 2015.

Between September 2014 and February 2015, 273,210,000 consumers were the victims of some of the largest data breaches in the United States.

Anthem
In February 2015, almost 80 million consumer records were stolen containing Social Security numbers, birth dates, email addresses, mailing addresses, and other personal information.

IRS Tax Scams
As American citizens began filing their 2014 tax returns in early 2015, it was discovered that thousands of false tax returns had been filed. In addition, hackers conned more than 3,000 people into giving up a total of $15.5 million in a telephone scam.

Staples
A credit card breach in December 2014 resulted in the theft of credit and debit card information from more than 1.16 million consumers.

Sony
In November 2014, Sony's data was compromised. Hackers leaked five unreleased movies, and exposed more than 47,000 social security numbers of current or former employees.

JP Morgan Chase
A data breach in October 2014 compromised the names, addresses, phone numbers, and email addresses of 76 million households and 7 million small businesses.

Home Depot
In September 2014, a data breach compromised the credit and debit card information of 56 million customers. In November, the company revealed that in addition to the stolen card data, 53 million email addresses were also stolen.

COMMENTARY & CONCLUSIONS

The loss of asset value during the prolonged recession made it much more difficult for Americans to save and to set aside a nest egg to accumulate wealth and/or save college tuition for their children. This has fueled increased credit card use and more debt. Additional issues such as identity theft, data security and credit scores add to some financial concerns for consumers.

Many Americans are financially unprepared for an emergency, but still have trouble saving and believe a higher salary would solve their financial troubles. One of the keys to higher earnings through better jobs in today's competitive economy is advanced education.

The good news is that there are a number of great opportunities for graduates. There are more high-tech jobs available that require specialized skill sets, and employers are offering lucrative salaries to those who qualify for these positions. Luckily our younger generation – which is also the most educated in our history – is responsible for starting a record number of entrepreneurial businesses that are creating many employment opportunities in the small business sector.

★ There is a powerful need for: ★

1. Job creation with cost of living wages;
2. More affordable higher education, and;
3. An increase in initiatives that promote widespread, comprehensive financial literacy for people of all ages.

★ THE AMERICAN TEENAGER AND COLLEGE STUDENT ★

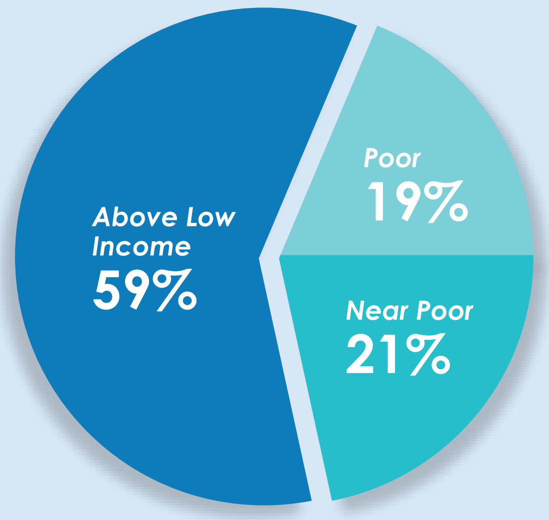
THE FACTS

- In 2012, there were 41,844,000 youth between the ages of 10-19, making up 14 percent of the total population.
- 68.4 percent of students who graduated high school in 2014 were enrolled in colleges or universities.

CURRENT FINANCIAL STATE

- In 2014, 11.4 million jobs (or 8 percent of the U.S. work force) were held by youth, ages 14-21.
- This number rises sharply from April to July each year, as teens look for summer employment. In 2014, 51.9 percent of young people aged 16-24 were employed in July, up from 50.7 percent in 2013.
- National student loan debt is $1.3 trillion.
- 2015 graduates with student loan debt have an average of $35,000 in debt.
- In 2013, college students had an average credit card balance of $506.

ADOLESCENTS BY FAMILY INCOME, 2013



Percentages may not add to 100 due to rounding.

SOURCE: *National Center for Children in Poverty, Basic Facts about Low-Income Children: Children 12 through 17 Years, 2013*

THE CHALLENGES

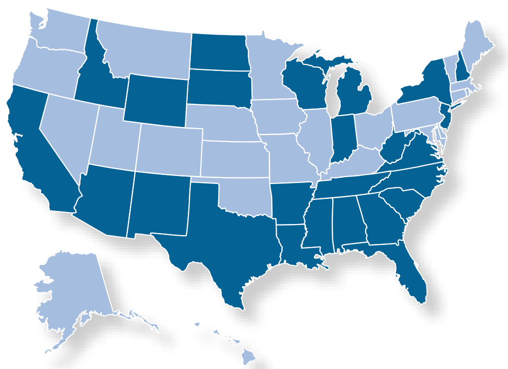
Young Americans are facing the challenges that come along with increased responsibility as they move into adulthood, but they are also learning how to juggle managing their money, paying for college, and building good credit.

Financial Literacy

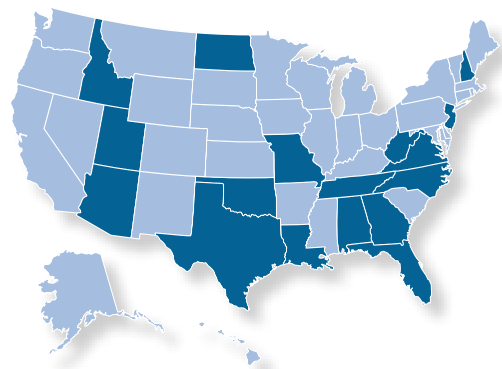
Research shows that America's youth has a deep lack of understanding when it comes to their finances and how to properly manage money. Financial literacy is not required in the majority of U.S. schools, in spite of evidence that shows financial literacy is directly related to healthier finances.

2014

22 states require a high school course **in Economics**



17 states require a high school course **in Personal Finance**



SOURCE: *Council for Economic Education, 2014 Survey of the States*

84% teens report looking to their parents for information on how to manage money

32% teens think their parents don't spend enough time discussing topics about managing money

Paying for College

While the costs of a college education continue to rise, post-graduation earnings remain stagnant. Obtaining a college degree is a huge financial burden to many students and their families, and finding a way to pay for college is a primary concern.

- The cost of college doubles every nine years.
- Parents plan to cover, on average, 64 percent of their children's total college costs.
- 48 percent of teens think their parents will help pay for college, but only 16 percent of parents (of teens) report plans to pay for post-secondary education.

- In 2015, 29 percent of teens considered community college, compared to 22 percent in 2014.
- In 2015, parents have saved an average of $10,040 for college.
- Parents expect their children to pay for one-third of their college expenses.

Credit Cards

Credit card use among young adults has declined precipitously due largely in part to the CARD (Credit Accountability Responsibility & Disclosure) Act of 2009, which put restrictions on issuing credit cards to anyone under the age of 21.

Since the CARD Act's implementation, college credit card agreements fell by roughly 60 percent between 2009-2013.

The problem is that today's youth are more inclined to carry prepaid cards instead – which typically charge higher fees and offer few, if any, fringe benefits or opportunities to build credit history as a borrower.

COMMENTARY & CONCLUSIONS

Although millennials are highly educated and entrepreneurial, the vast majority of young people have virtually no practical knowledge of how to manage household finances and budgets. Many teens use prepaid cards that prevent them from incurring debt, but also offer no benefits in terms of building credit or other rewards. In addition, they are faced with the costs of higher education that is exponentially increasing.

★ There is a powerful need for: ★

1. Possible solutions that would create affordable and more appropriate types of credit cards for young adults with built-in safeguards that help prevent unmanageable levels of debt;
2. Making financial literacy a top priority and incorporate it into every level of the public education system, and;
3. Provide more affordable higher education.

★ THE AMERICAN SMALL BUSINESS ★

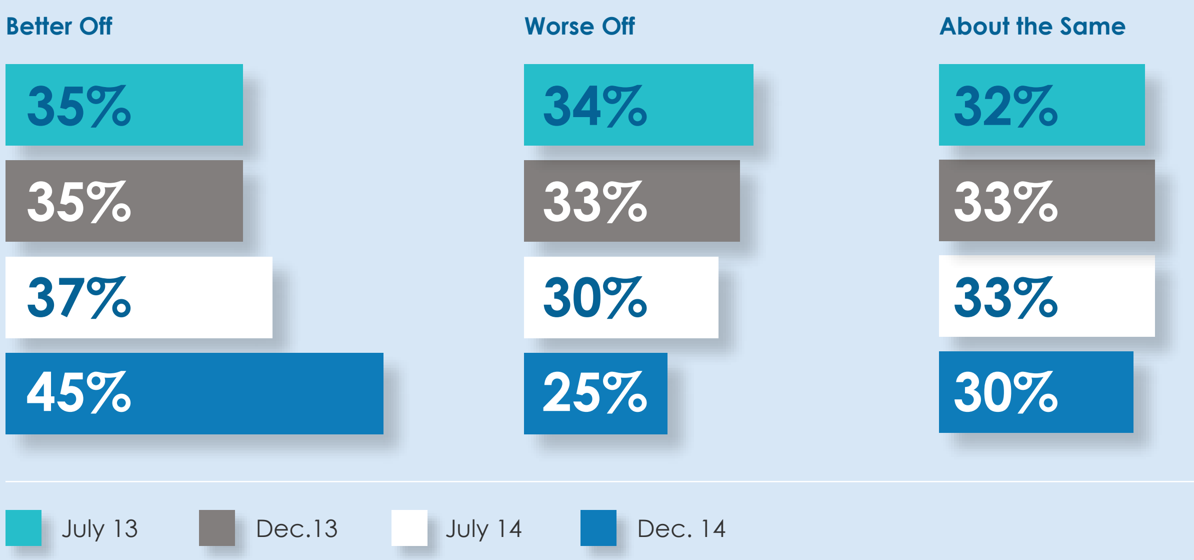
THE FACTS

- There are almost 28 million small businesses in the United States.
- Of that 28 million, about 22 million of them are self-employed, with no additional employees.
- 120 million U.S. citizens (more than 50 percent of the working population) work for a small business.
- Of all net new jobs since 1995, small businesses have created 65 percent of those jobs.

CURRENT FINANCIAL STATE

- As of 2014, more small-business owners are anticipating economic expansion in the coming year than at any point in the last seven years.
- 45 percent of small businesses reported an increase in revenue in 2014.

WHEN COMPARED WITH ONE YEAR AGO, WOULD YOU SAY TODAY'S NATIONAL ECONOMY IS:



SOURCE: *National Small Business Administration 2014 Year-End Economic Report*

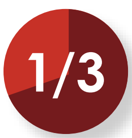
THE CHALLENGES

While small business owners have a more positive outlook on the economy than they have in many years, and are anticipating growth and increased staff, small businesses are facing a number of challenges.

Small business owners attribute their most significant challenge to economic uncertainty. Additionally, they are concerned about the cost of health insurance, regulatory burdens and a decline in consumer spending. Small business owners continue to struggle with securing necessary financing to keep their company running, in addition to investing time and money in an effort to prevent cyber attacks.

Business Financing

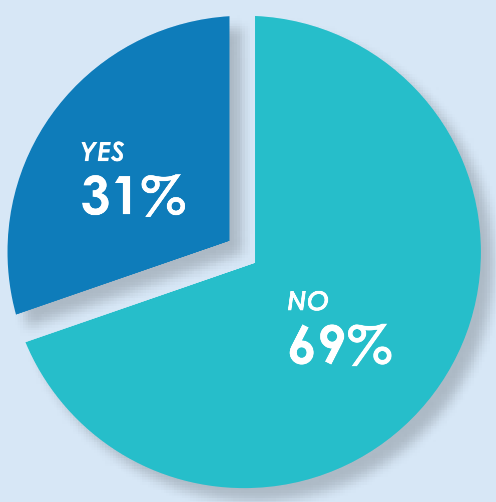
Data shows there is a clear correlation to a small business owner's ability to hire and his/her ability to get financing.



One-third of small businesses have trouble getting the financing they need for their business.

Nearly one in five small businesses can't meet sales demand because they cannot secure financing.

IS YOUR BUSINESS ABLE TO OBTAIN ADEQUATE FINANCING?



December 2014

SOURCE: *National Small Business Administration 2014 Year-End Economic Report*

IF CAPITAL AVAILABILITY IS A PROBLEM FOR YOUR BUSINESS, WHAT IS THE EFFECT ON YOUR OPERATIONS?

	December 2014
Unable to grow business or expand operations	34%
Unable to finance increased sales	18%
Reduced the number of employees	16%
Unable to increase inventory to meet demand	13%
Reduced benefits to employees	11%
Other	3%
Closed stores or branches	1%
Not a problem/No effects	56%

SOURCE: *National Small Business Administration 2014 Year-End Economic Report*

61% of small businesses report being impacted by the credit-crunch

36% of small businesses report using credit cards as a means to meet capital needs

76% of small business owners have debt

among small businesses who carry debt, the average amount of debt is **$933,985**

approximate interest on primary business-related credit cards **13%**

THE ESTIMATED TOTAL OF SMALL BUSINESS DEBT, INCLUDING LOANS, CREDIT CARDS, PROPERTY MORTGAGE, INVOICES OWED, ETC.

	December 2014
Debt 1 to 50k	33%
Debt 51k to 100k	13%
Debt 101k to 500k	30%
Debt 501k to 1mil	9%
Debt more than 1mil	14%

SOURCE: *National Small Business Administration 2014 Year-End Economic Report*

Cyber Security

As cyber-attacks become more sophisticated and frequent, online security is becoming a growing concern for small businesses. Security threats can mean lost income and additional expenses for small businesses.

50%
of small businesses reported being a victim of a cyber-attack

61%
of those attacks occurred in 2014

36%
of small business owners reported that it took three days or more to resolve issues related to a cyber-attack.

In 2013, cyber-attacks cost small businesses, on average, **$8,699** per attack. In 2014 that number skyrocketed to **$20,752** per attack.

COMMENTARY & CONCLUSIONS

America's small business sector has always been the most important engine of the U.S. economy. That is definitely true in the wake of the recession as the economic outlook improves and economic expansion increases. Small businesses do face a number of challenges, however, including financing, available credit, and the increasingly troublesome and expensive problem of cyber attacks and identity theft.

★ There is a powerful need for: ★

1. Infrastructure upgrades in credit card and banking security technology;
2. Access to reasonably priced working capital, and;
3. An increase in financial support of small businesses.

In spite of the challenges, small business owners are expecting economic expansion in 2015:

35% of small businesses expect to increase the number of employees

55% expect employee compensation to increase

Today small businesses are continuing to create the majority of jobs in the USA. Small business owners are also making plans to hire more people and offer them higher, more competitive wages.

RESOURCES & METHODOLOGY

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We used the most recent, trustworthy data to compile the data and statistics contained in this report. However, many reliable sets of data are compiled and released at different times. For example, the U.S. Census is conducted by the federal government every 10 years and the Survey of Consumer Finances is conducted by the Federal Reserve every 3-5 years. As such, not all of the data in this report comes from the same year.