

COVID-19 AND FAMILIES' FINANCIAL SECURITY*

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*The analysis and conclusions set forth are those of the authors and do not reflect the views of the Federal Reserve Board of Governors

MOTIVATION

- COVID-19 pandemic has led to widespread job losses
 - 20+ million lost jobs, unemployment rate of 14.7% in April
- How financially prepared are families to deal with income shortfalls?
 - Who can maintain their normal expenses (for how long)?
- Our question: who has the financial resources to cover 3-6 months of their own expenses in...
 - Liquid savings
 - Potential cash assistance provided by CARES Act

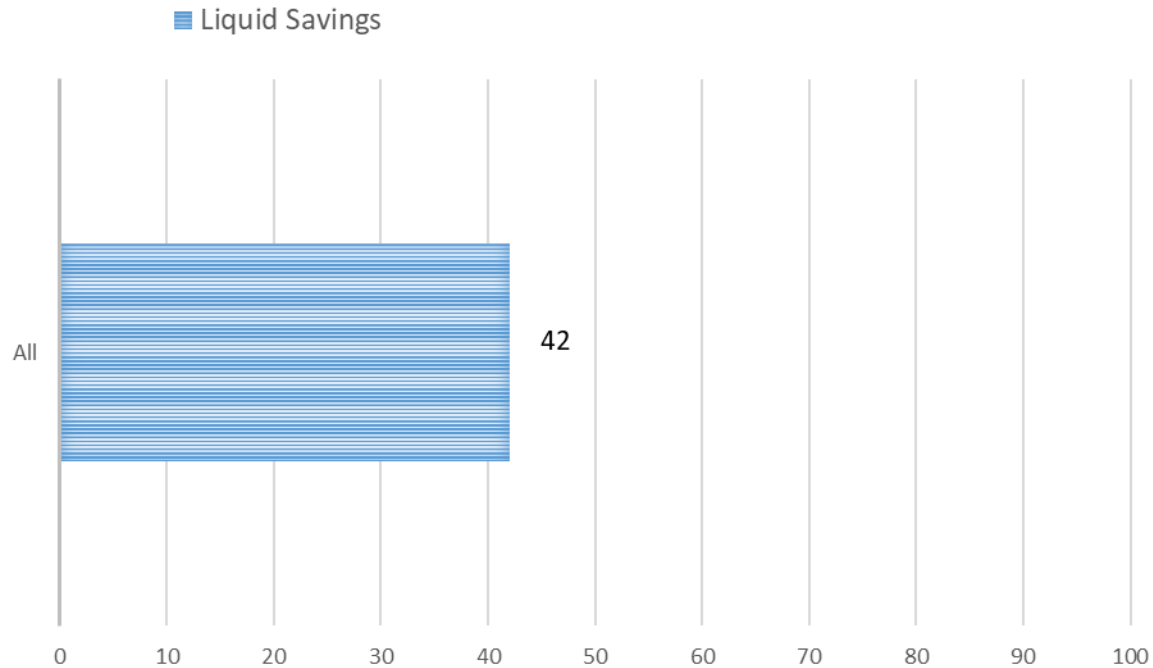
WHAT WE DO

- 2016 Survey of Consumer Finances
 - Nationally representative survey of household wealth
 - Detailed information on household balance sheets, income sources, expenses, employment, and family structure
- Can families cover their normal, recurring **expenses**?
 - Mortgage, rent, car loans/leases, unsecured debt payments, food, etc.
 - Does not include discretionary or durables spending
- Who has sufficient **liquid savings** to cover monthly expenses?
 - Checking, savings, directly held equities, mutual funds, cash, prepaid cards, currently received DC pensions

CASH ASSISTANCE IN THE CARES ACT

- If a family loses their job(s), can expected **unemployment insurance** benefits cover expenses?
 - Use state-level benefit formulas to estimate potential UI benefit
 - CARES Act expands UI benefit levels dramatically for 4 months
 - Adds \$600/week to standard benefits
 - Increases eligibility (e.g., self-employed)
- What if we further add expected **recovery payments**?
 - One-time payment based on income and family size
 - \$1200/adult and \$500/child
 - Phase-out above AGI \$75k (\$150k joint)

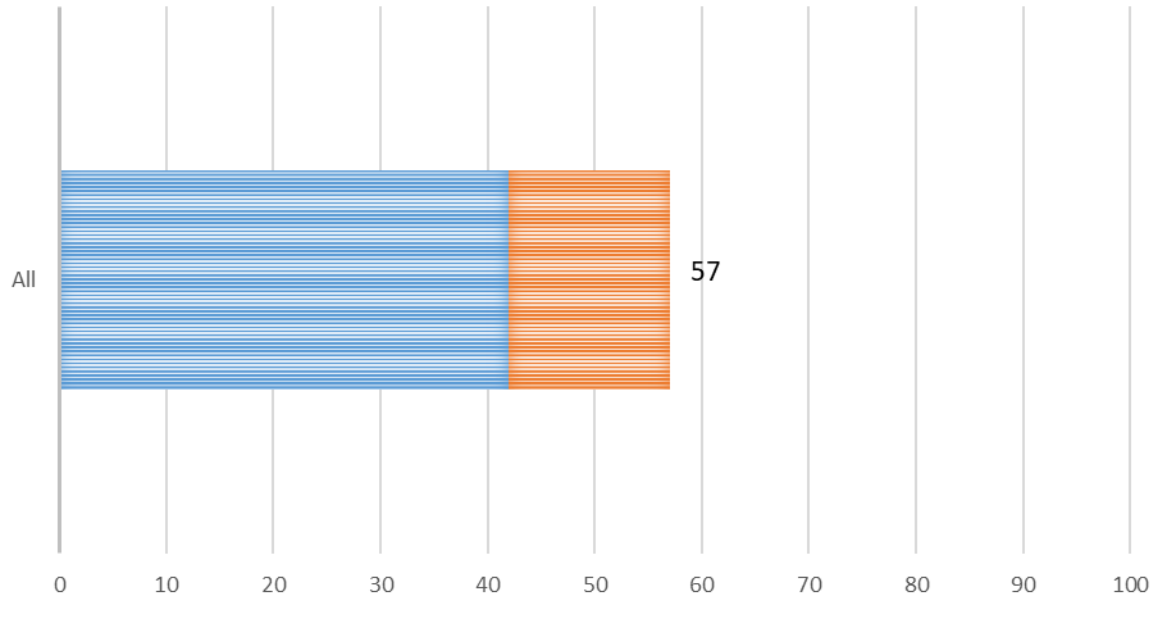
PERCENT OF FAMILIES WITH THREE MONTHS OF EXPENSES IN.....



Without cash assistance, 42 percent of families could cover three months' expenses using liquid savings if they were to lose their job ...

PERCENT OF FAMILIES WITH THREE MONTHS OF EXPENSES IN.....

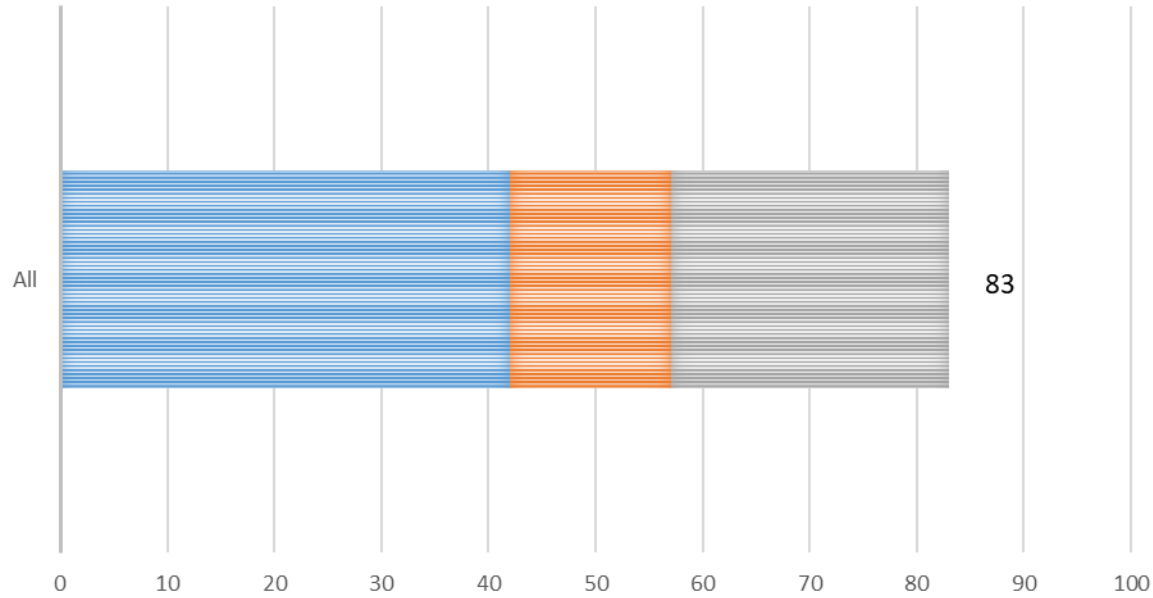
■ Liquid Savings ■ + Standard UI



Standard UI benefit formulas allow another 15 percent of families could cover three months' expenses...

PERCENT OF FAMILIES WITH THREE MONTHS OF EXPENSES IN.....

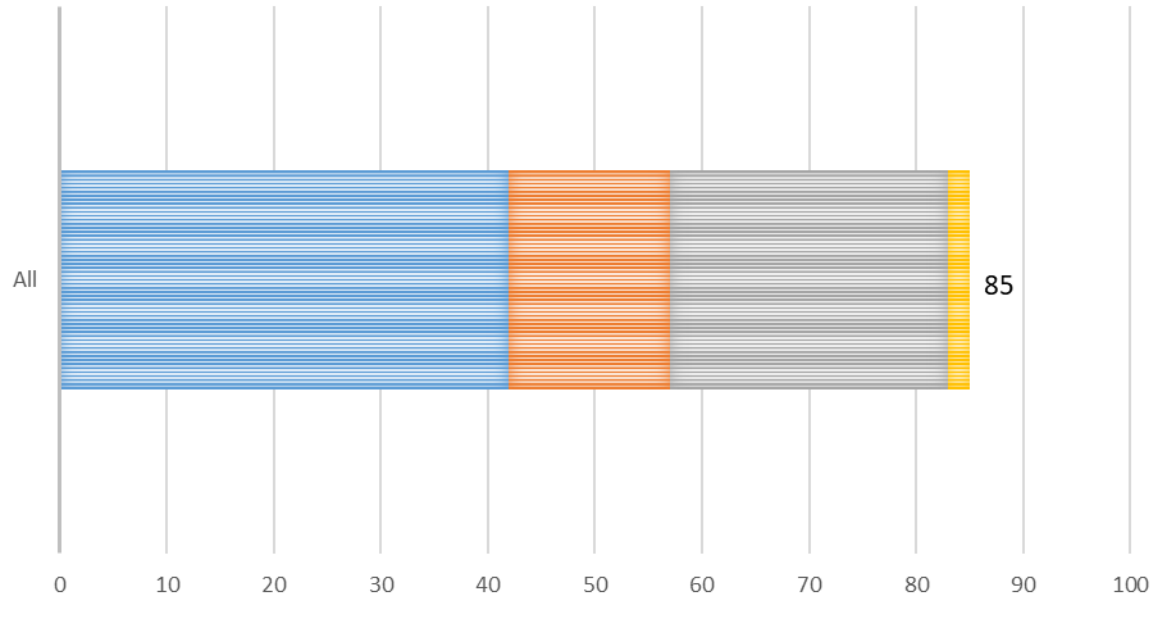
■ Liquid Savings ■ + Standard UI ■ +CARES UI



CARES Act UI expansions allow another 26 percent of families to cover three months' expenses...

PERCENT OF FAMILIES WITH THREE MONTHS OF EXPENSES IN.....

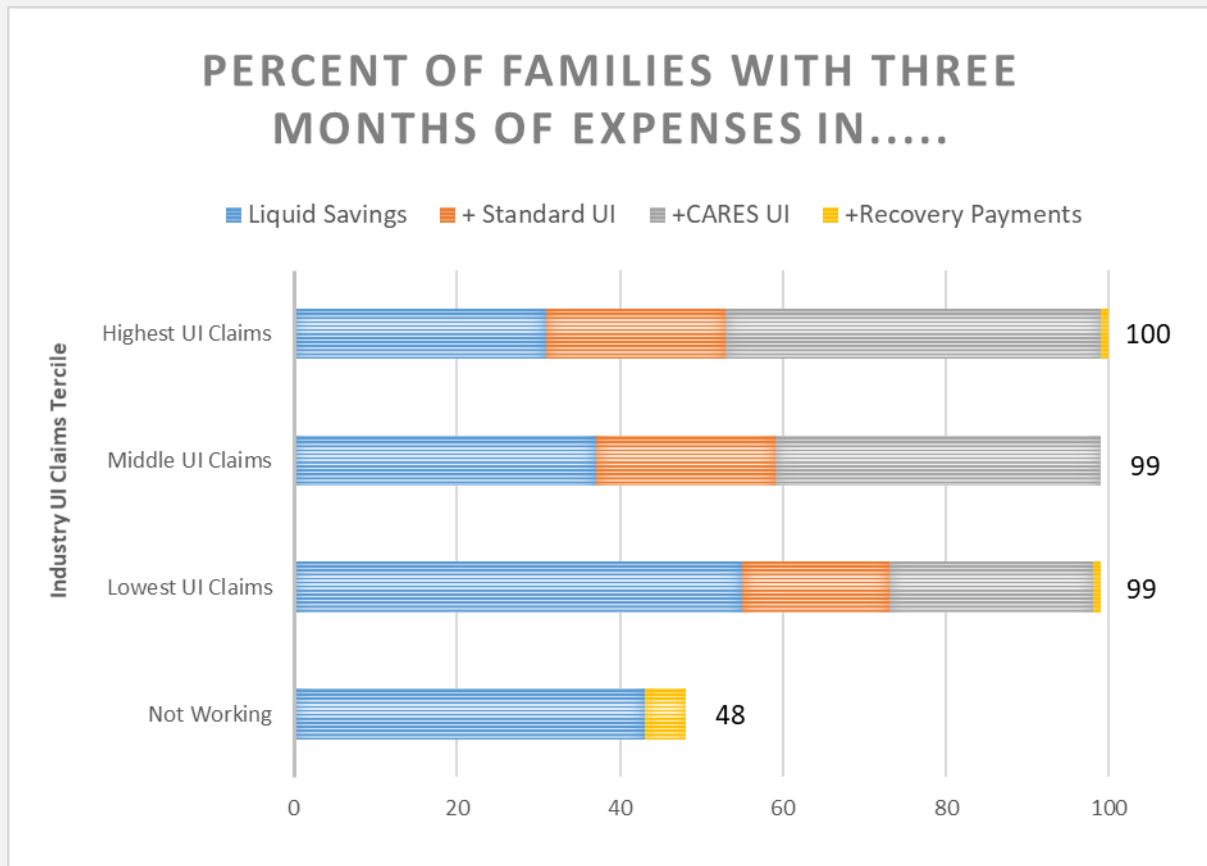
■ Liquid Savings ■ + Standard UI ■ +CARES UI ■ +Recovery Payments



Adding in the CARES Act recovery payments, 85 percent of families could cover three months' expenses

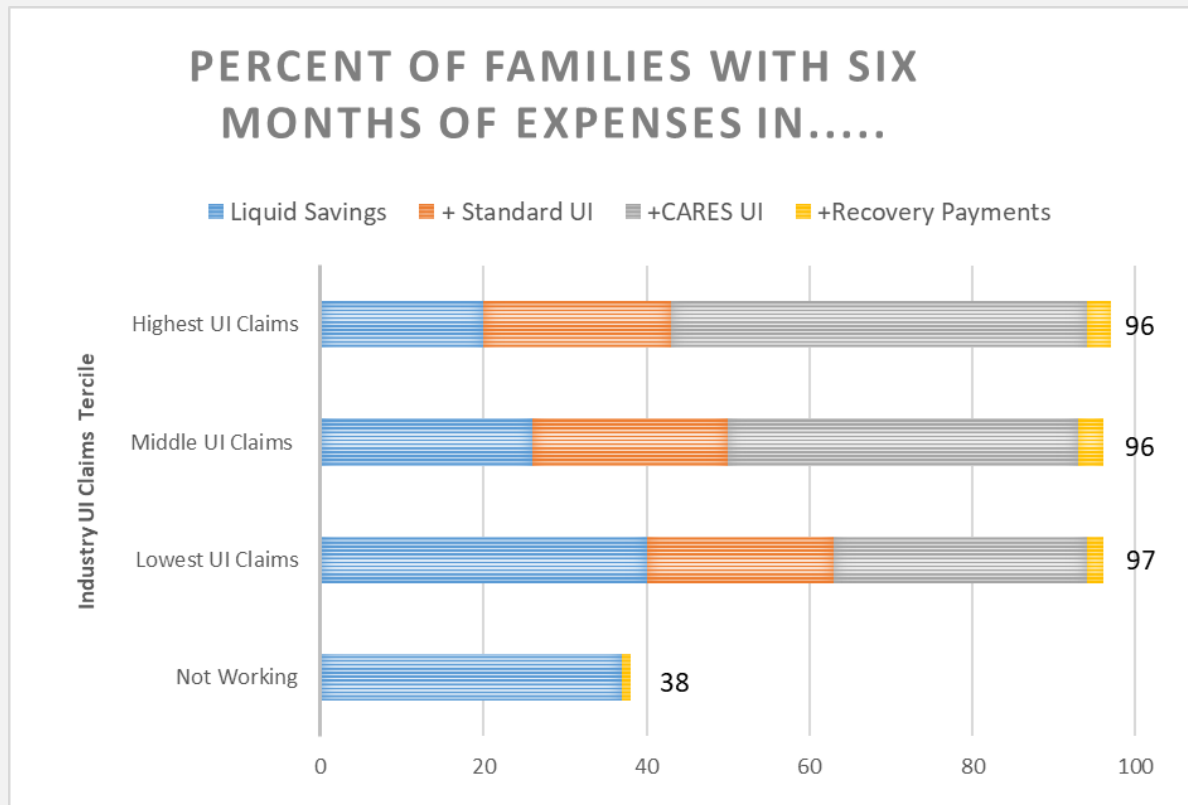
NOT ALL FAMILIES FACE THE SAME RISK OF JOB LOSS

- Matched data on industry-specific UI claims as a share of employment through 4/11/20

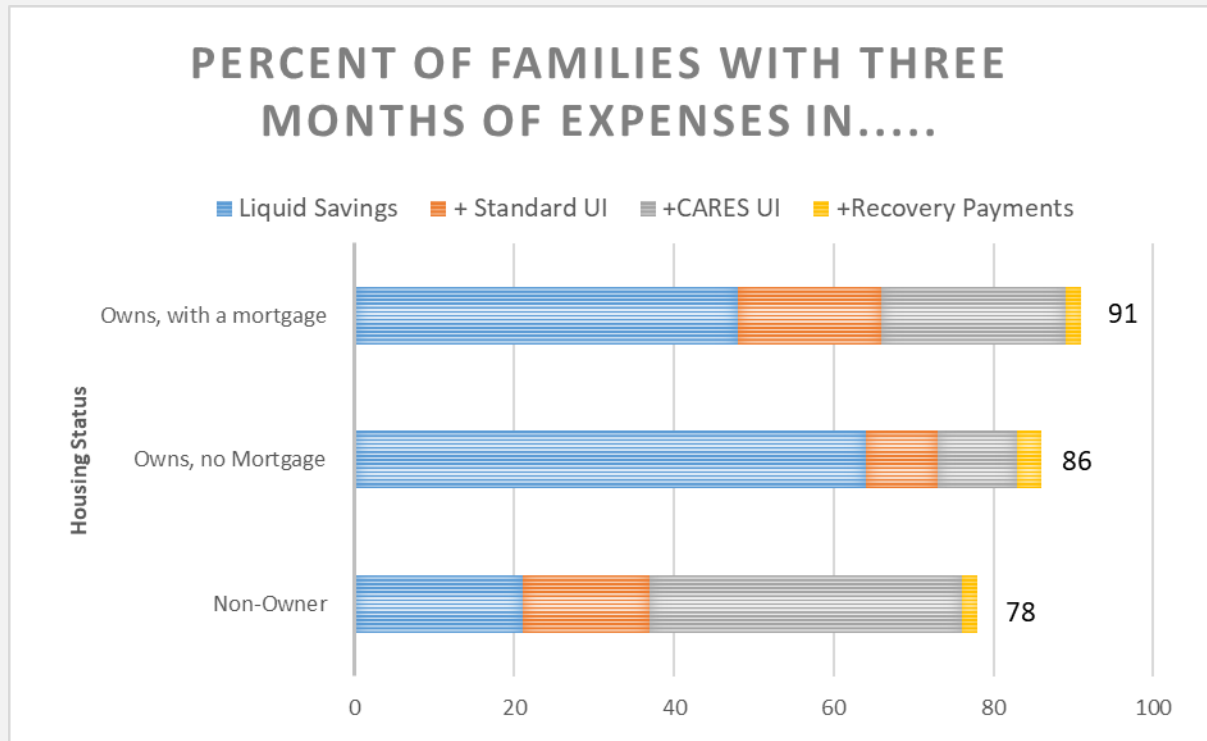


PATTERNS HOLD FOR SIX MONTHS AS WELL

- CARES UI expansions expires after 4 months



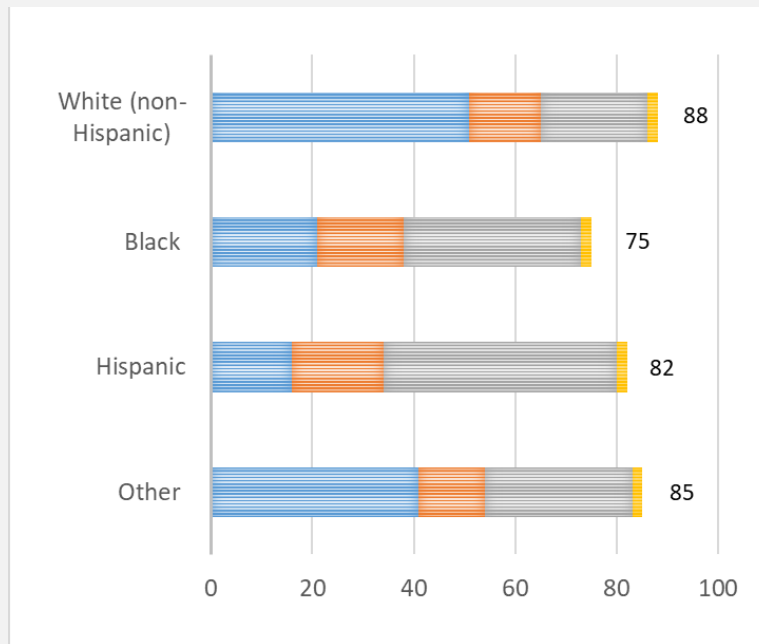
HOUSING STATUS



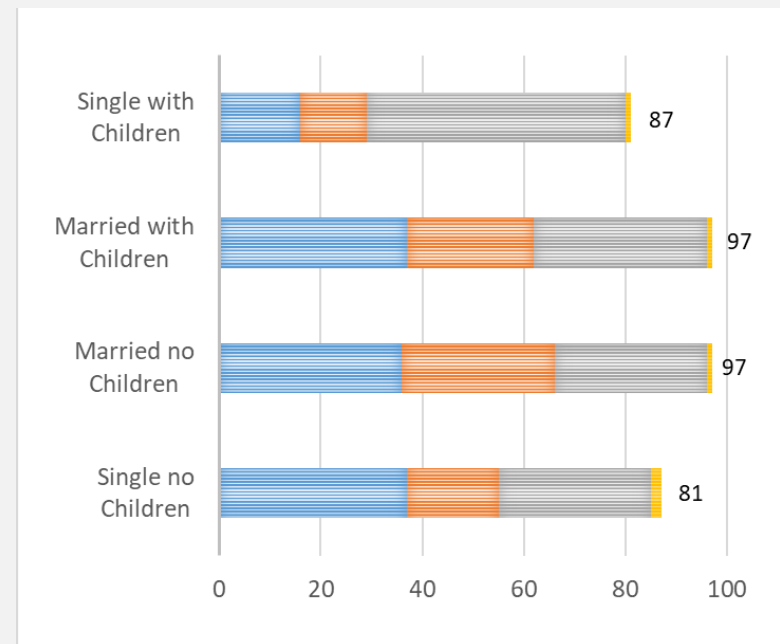
- Home-owners with a mortgage might also choose to use forbearance

DEMOGRAPHIC GROUPS

RACE/ETHNICITY



FAMILY STRUCTURE

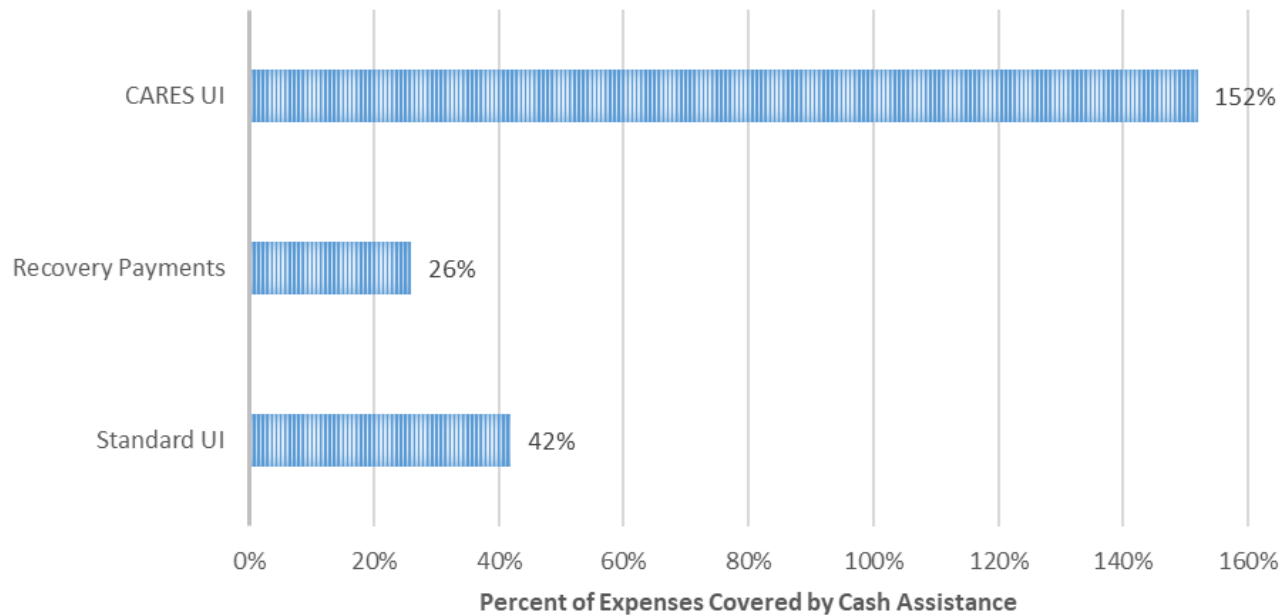


Percent of families with three months of expenses in...

■ Liquid Savings
 ■ + Standard UI
 ■ +CARES UI
 ■ +Recovery Payments

VALUE OF CARES ACT CASH ASSISTANCE

CASH ASSISTANCE RELATIVE TO THREE MONTHS EXPENSES

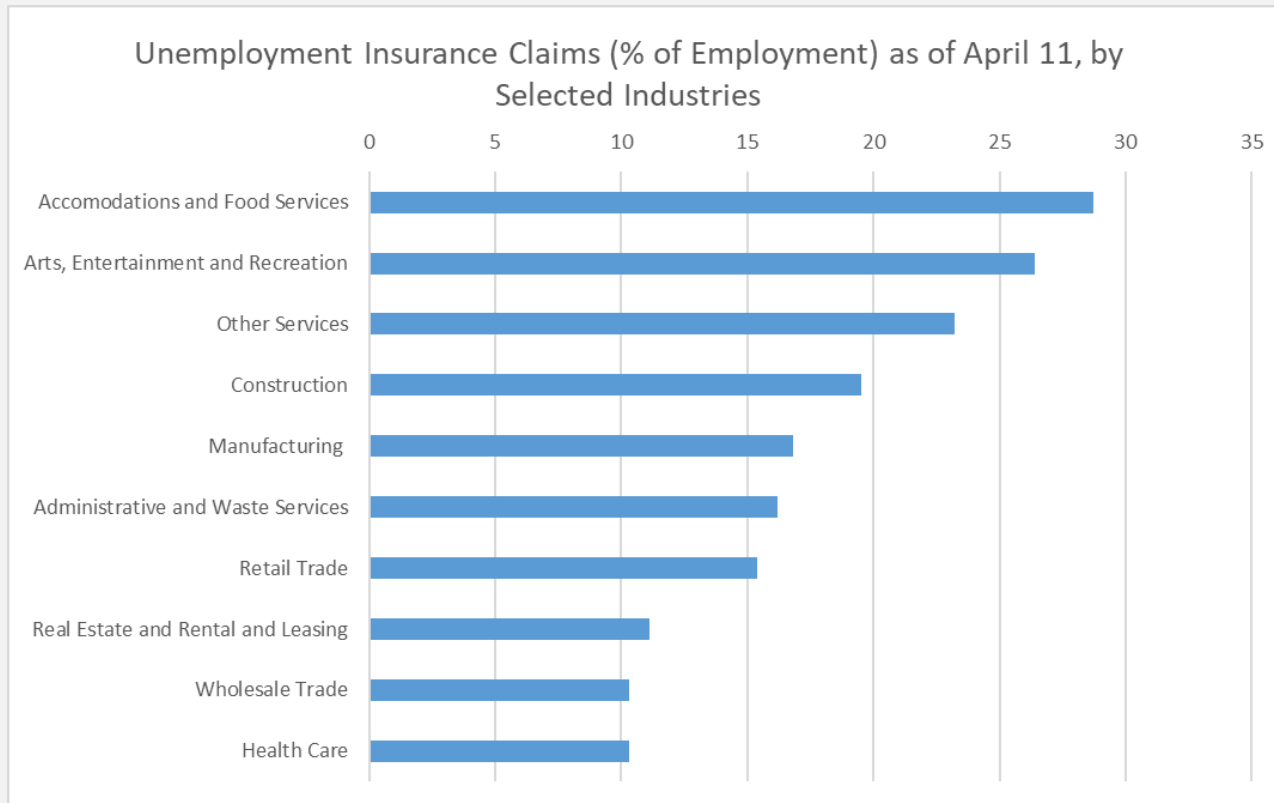


CONCLUDING THOUGHTS

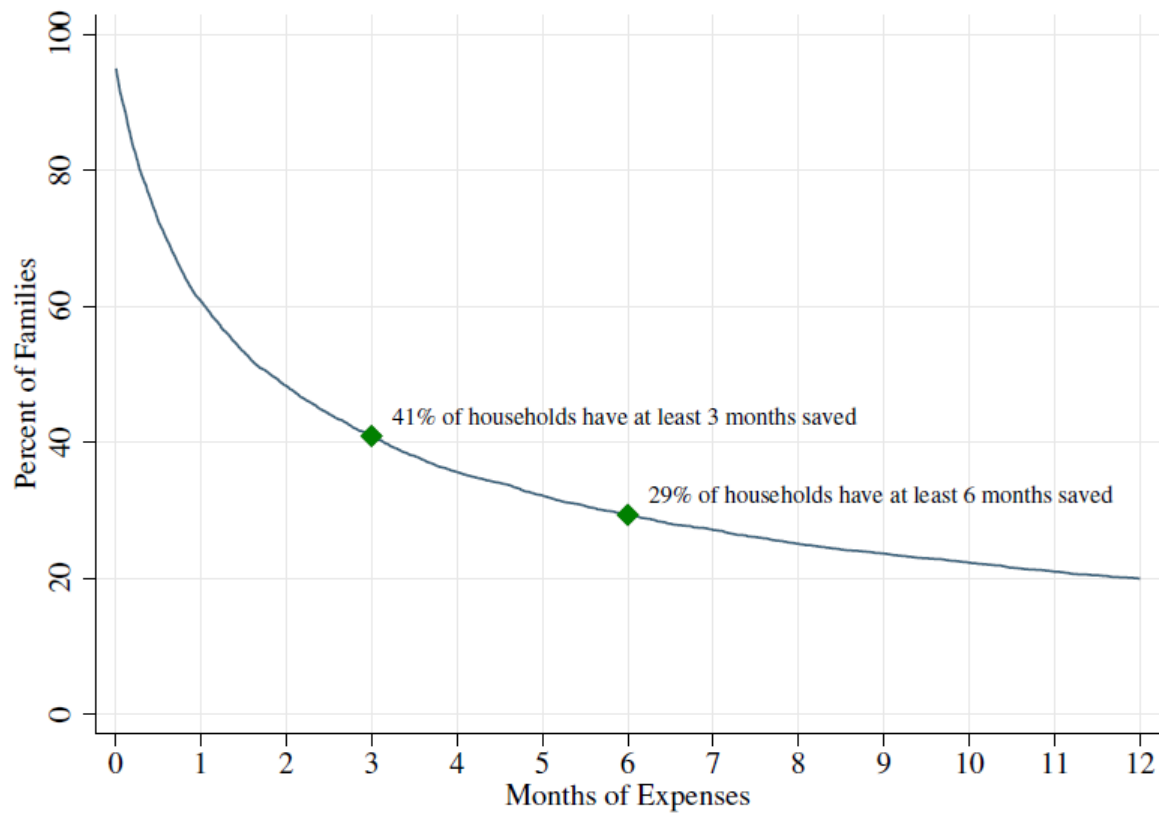
- CARES Act should allow most families to cover their own normal, recurring expenses in the near term (3-6 months)
 - Expanded UI benefits are most valuable aspect of CARES Act, and are temporary
 - Expanded benefits will expire in 4 months
 - Max duration for UI was extended to 9 months
- We do not study other aspects of CARES Act which could reduce expenses or increase liquidity:
 - Mortgage forbearance, student loan deferment, easier access to DC retirement account savings, PPP loan program

EXTRAS

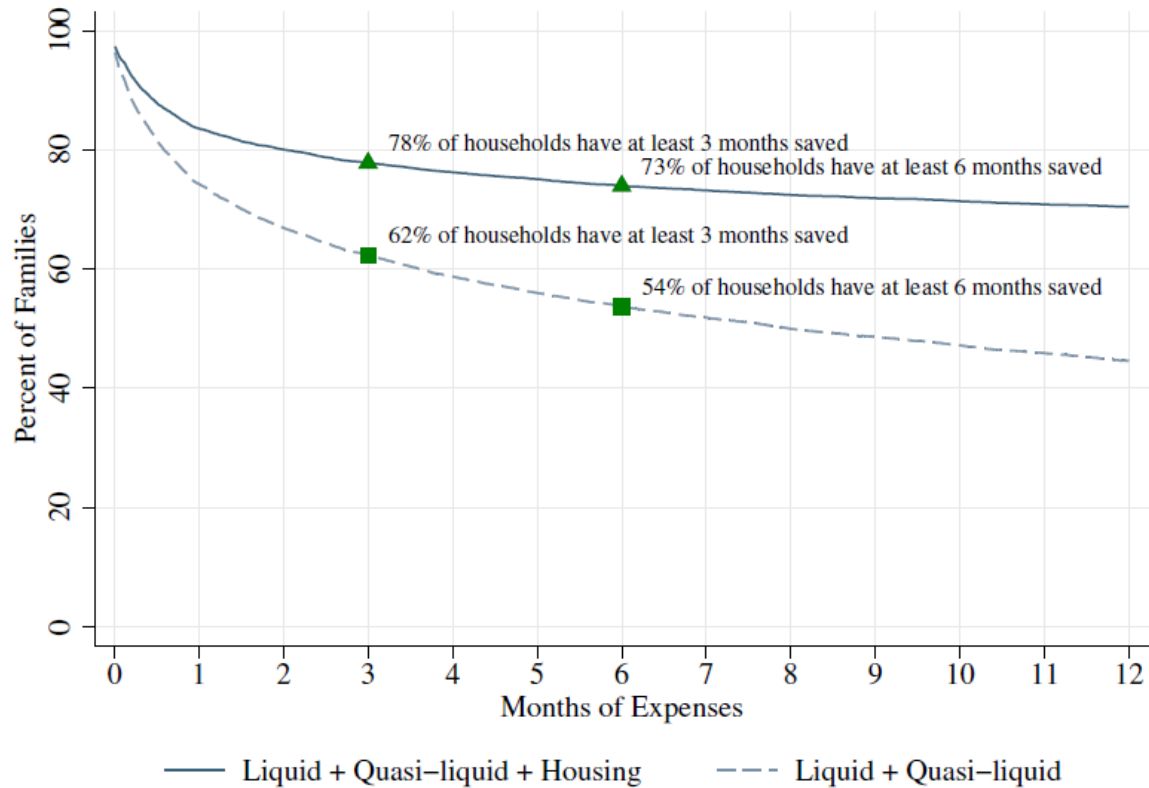
UI CLAIMS AS OF APRIL 11



FULL DISTRIBUTION OF SAVINGS BY MONTHS OF EXPENSES



OTHER SAVINGS: QUASI-LIQUID SAVINGS AND HOUSING



ASSET CATEGORIZATION

Liquid	Quasi-Liquid	Illiquid
<ol style="list-style-type: none"> 1. Checking accounts 2. Savings accounts 3. Money market accounts 4. Cash 5. Prepaid cards 6. Directly held stocks 7. Directly held bonds 8. Directly held mutual funds 	<ol style="list-style-type: none"> 1. Account-type retirement plans (401k and IRAs) 2. Certificates of deposit 3. Savings bonds 4. Cash-value life insurance 	<ol style="list-style-type: none"> 1. Residential real estate 2. Non-residential real estate 3. Thrift plans 4. Pensions 5. Account-type retirement plans (401k and IRAs) 6. Certificates of deposit 7. Savings bonds 8. Cash-value life insurance