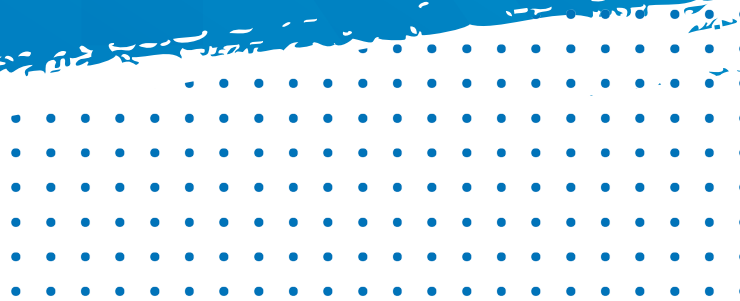


The State of *Personal Finance* 2022



The State of Personal Finance

From pandemic disruptions to stimulus checks and soaring inflation to job changes, Americans faced plenty of highs and lows that impacted their personal finances in 2021. The latest release of The State of Personal Finance from Ramsey Solutions takes a look back at 2021 to see how Americans' attitudes, opinions and behaviors around their money changed as they dealt with these opportunities and challenges.

Executive Summary

- In Q4, **1 in 4 Americans described their personal finances as “struggling,”** up 38% from the start of the year.
- **Eight in 10 Americans said they were hopeful** about their financial situation for the year ahead.
- In Q4, **30% of Americans said they were better off financially** than they were this time the year before, compared to only 18% who report being worse off.
- Among those who said they were better off financially at the end of the year, **31% paid down debt, and 1 in 4 built up emergency savings.**
- Among those who said they were worse off financially at the end of the year, the top reason cited was **reduced income (45%), followed by inflation (43%).**
- **Personal finances and money were the top issues causing stress,** with 1 in 5 saying their money caused them a “significant” amount of stress.
- From Q2 to Q4, those who noticed **higher prices on items** they normally buy rose 11%, and those who felt like their money didn't buy as much rose 8% to a staggering 85%.
- In Q4, **1 in 4 said inflation has had a “significant impact”** on their day-to-day finances.
- **Cost of living is Americans' top financial challenge (38%),** and 1 in 4 said paying off debt was one of their top money challenges.
- In Q4, **only 44% said they were currently investing,** down from 58% at the start of 2021.
- While the total number of people investing trended down throughout the year, among those who continued to invest, cryptocurrency became increasingly popular. **By 2021, 1 in 4 investors had purchased cryptocurrency.**

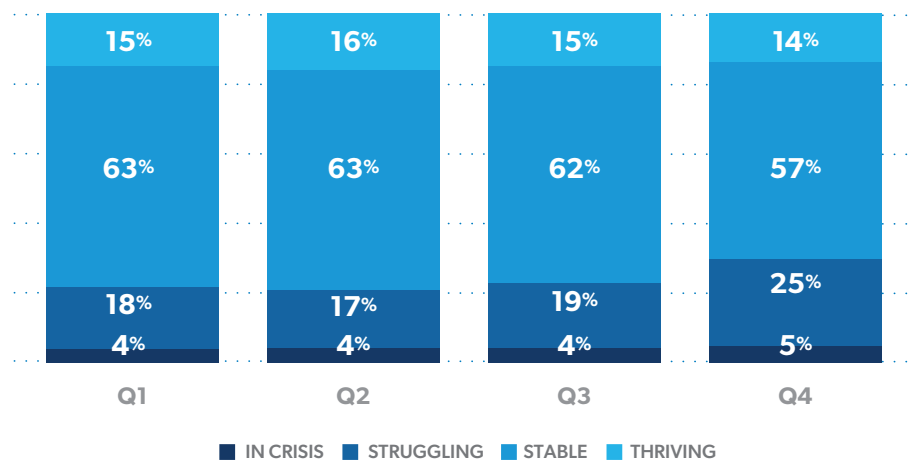
An Overall Look at Americans' Financial Health

Throughout 2021, Americans' overall assessment of the health of their personal finances took a slight downward turn. By Q4 of 2021, 1 in 4 of all Americans said their personal finances were struggling, up from 18% at the beginning of the year, with another 5% admitting their finances were in crisis.

1 IN 4 AMERICANS SAID their personal finances were "struggling."

.....

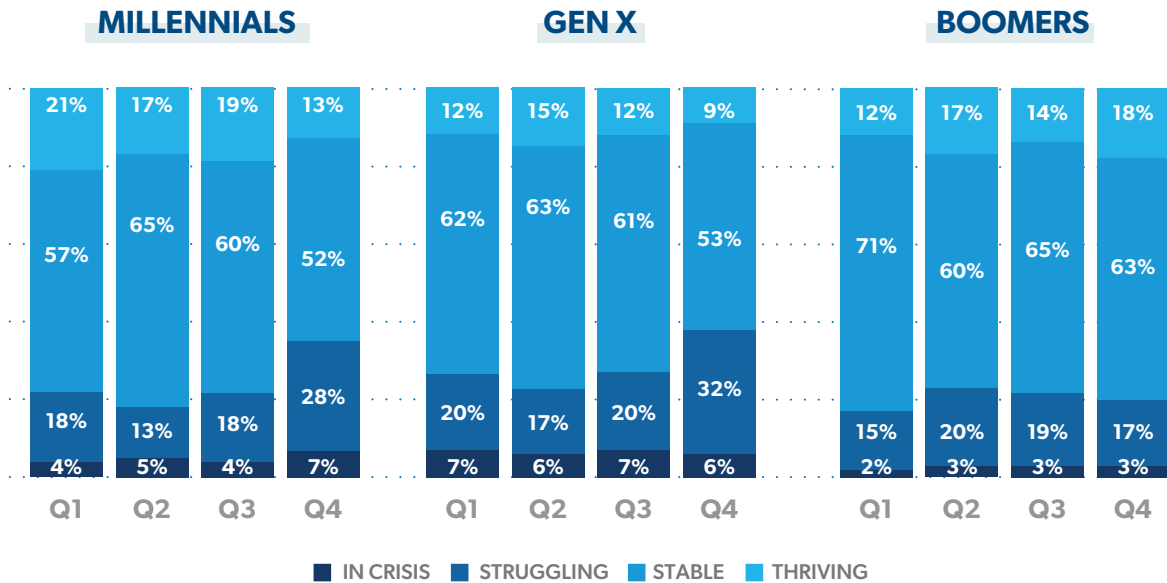
How would you describe the state of your personal finances?



Millennials and Gen X faced an especially challenging year for their finances. At the start of 2021, 1 in 5 millennials (21%) described their finances as thriving, compared to only 13% by Q4. Just 18% of millennials said their finances were struggling at the beginning of the year, compared to 28% in Q4 of 2021.

Q:

How would you describe the state of your personal finances?



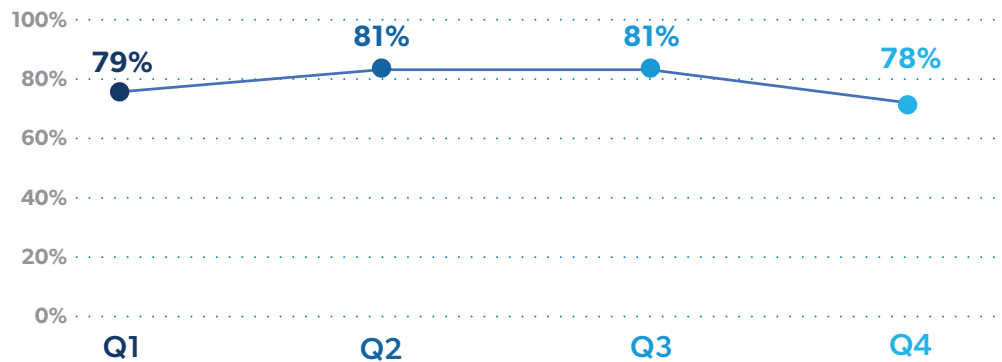
OVERALL OUTLOOK

Hope for Financial Future Remains High

Despite rising numbers of people struggling with money, Americans were consistently optimistic that things would get better. Each quarter, approximately 8 in 10 Americans said they were “hopeful about their financial situation for this year ahead.”

“

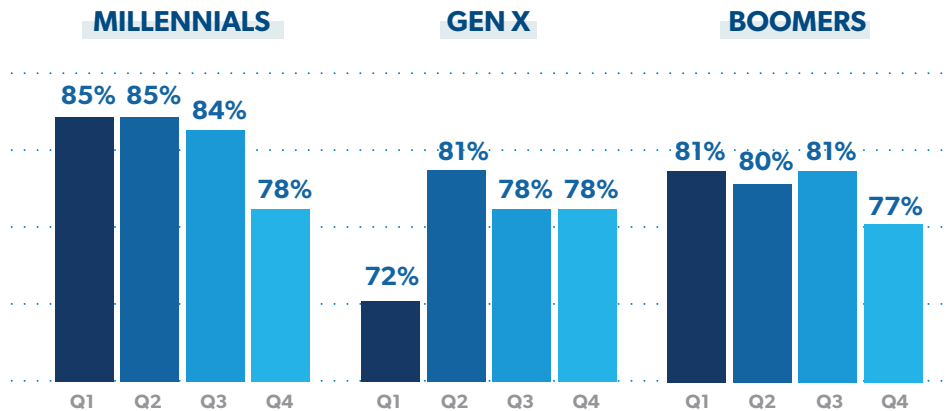
I am hopeful about my financial situation for this year ahead.



At the beginning of the year, millennials were the most hopeful for the future of their finances. But that optimism waned as the year went on, dropping by 7 percentage points from Q1 to Q4.



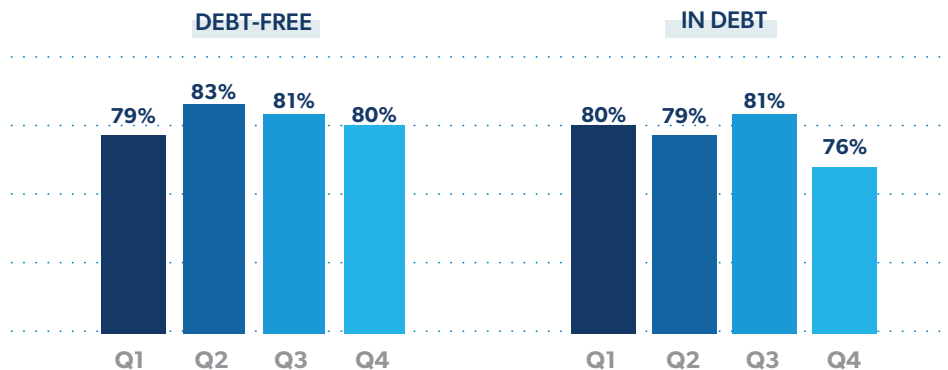
I am hopeful about my financial situation for this year ahead.



It's interesting to note that this spirit of hopefulness was consistent for both those who are in debt and those who are debt-free. However, people who have debt were nearly twice as likely as those who are debt-free to say their finances were struggling or in crisis.

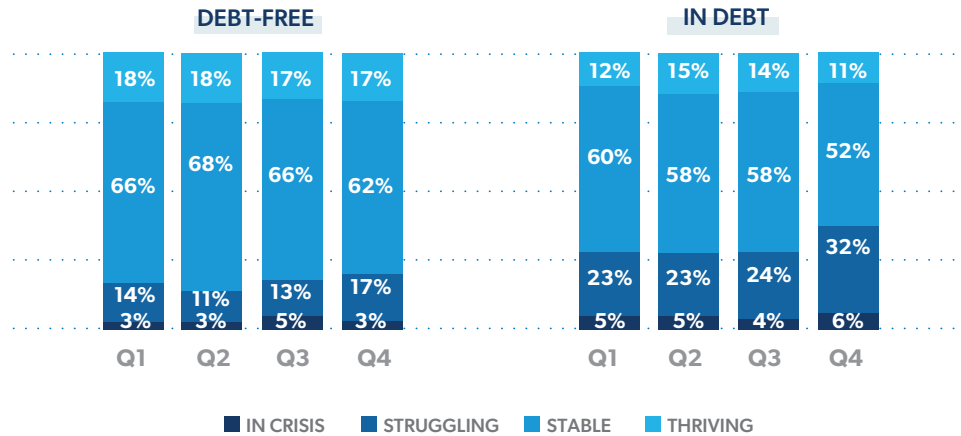


I am hopeful about my financial situation for this year ahead.



Q:

How would you describe the state of your personal finances?



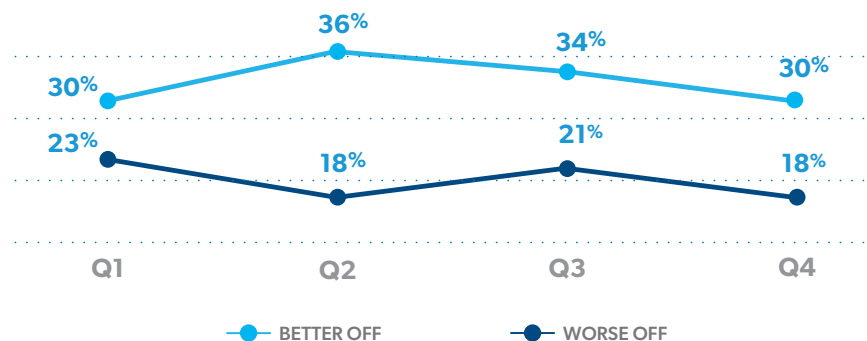
While 3 in 10 Americans had a negative view of their overall financial health, many said they were better off compared to one year ago. In Q4 of 2021, 30% said they were better off financially compared to the prior year, nearly double those who reported being worse off than Q4 of 2020 (18%).

Income Changes Were Top Drivers for Americans Feeling Better or Worse Off Financially

In a year filled with financial and social ups and downs, more people said they made forward progress with their finances than those who felt they'd taken a step backward. Throughout 2021, about one-third of those surveyed said they were doing better financially compared to the same time the year before. Only 1 in 5 reported that their finances were worse off than the year before.

Q:

Compared to this time last year, how would you describe your personal finances?

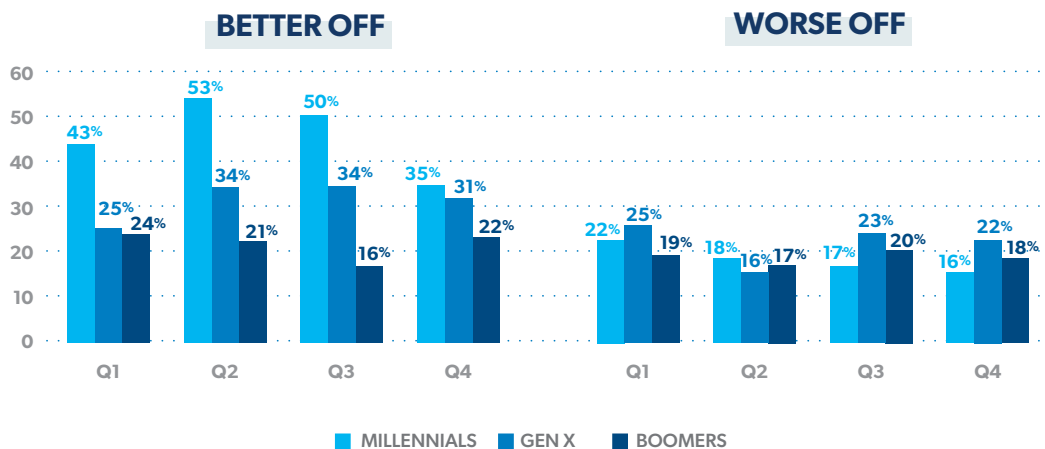


Millennials were more likely to report being better off financially year over year, with Q2 and Q3 being especially positive for both millennials and Gen X. More than half of millennials said they were better off in Q2 and Q3 of 2021 compared to 2020. And for Gen X, one-third said they were better off financially than the same time the year before.

There was a significant dip in the number of people who said they were worse off in Q2 of 2021, especially among Gen X (16%), but that trend reversed in the back half of the year. By Q4, nearly one-quarter of Gen X (22%) said they were worse off compared to the same time the year before.

Q:

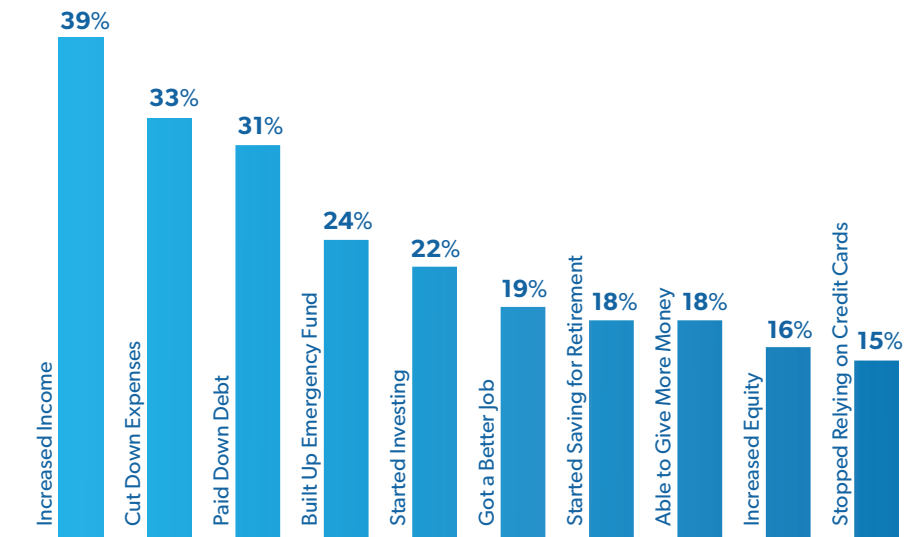
Compared to this time last year, how would you describe your personal finances?



For those who said they were better off financially at the end of 2021, the top reason was an increase in income (39%). Other top drivers for a better financial situation included cutting expenses (33%), paying down debt (31%), building up emergency savings (24%), and a start to investing (22%). In a year where very little was normal, 1 in 4 felt confident in their decision to build up their emergency savings over the past year. Nearly 1 in 5 said getting a better job in 2021 put them in a better place financially. And being better off financially wasn't just beneficial to their own households. Eighteen percent said being better off financially allowed them to be more generous with their money and give more away.

Q:

Which applies to why you said you were better off financially?
(select all that apply)



Base: those who said they were better off financially at the end of 2021

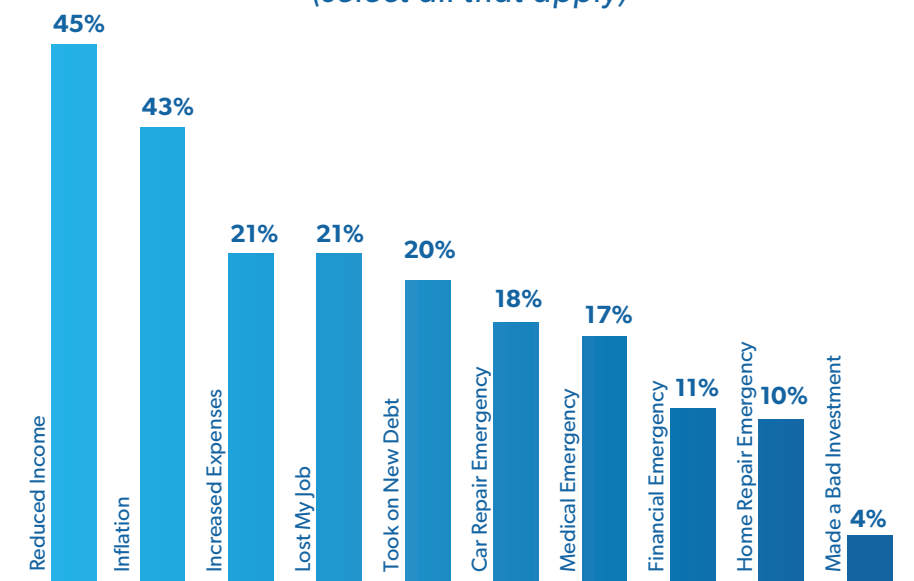
Overall, increased income was the top reason why people said they were better off financially, but Gen X was significantly more likely than younger millennials to say they increased their income in 2021. Just 35% of millennials said they increased their income, compared to nearly 6 in 10 (57%) of Gen X and 38% of baby boomers. Millennials were more focused on paying off debt, with more than one-third saying a lower debt load put them in a better financial position, compared to only 26% of Gen X and baby boomers. Forty-one percent of baby boomers said they cut back expenses in 2021 to put themselves in a better financial position, compared to only 37% of Gen X and 27% of millennials.

Top contributing factors to why you're BETTER OFF financially at the end of 2021

MILLENNIALS		GEN X		BOOMERS	
1. Increased income	35%	1. Increased income	57%	1. Cut down expenses	41%
2. Paid off debt	34%	2. Cut down expenses	37%	2. Increased income	38%
3. Got a better job	28%	3. Paid off debt	26%	3. Built up an emergency fund	26%
4. Cut down expenses	27%	4. Able to give more money	26%	4. Paid off debt	26%
5. Built up an emergency fund	26%	5. Started investing	23%	5. Increased home equity	15%
6. Started investing	26%				

Swings in income were also a top reason people reported being worse off financially at the end of the year. Nearly half (45%) of those who said they were worse off said they were dealing with reduced income in 2021, while 43% said inflation and their money not going as far put them in a worse financial situation. An increase in expenses (21%), a lost job (21%) and new debt (20%) rounded out the top five reasons people said they were worse off financially at the end of 2021.

Q:
Which applies to why you said you were worse off financially?
(select all that apply)



Base: those who said they were worse off financially at the end of 2021

Reduced income was the most common reason for millennials (46%) and Gen X (53%) to have a worse financial situation at the end of the year, but it was the number two reason for baby boomers (40%). Instead, baby boomers said inflation (65%) was the top reason why they were worse off financially, compared to only 41% of Gen X and 36% of millennials. Millennials were also significantly more likely to point to new debt as a reason for their worsening financial situation. Nearly one-third (32%) said new debt made them feel like they were worse off financially, compared to 18% of Gen X. More than a quarter (27%) of millennials said a job loss made them worse off financially, compared to 1 in 5 among Gen X.

Top contributing factors to why you're WORSE OFF financially at the end of 2021

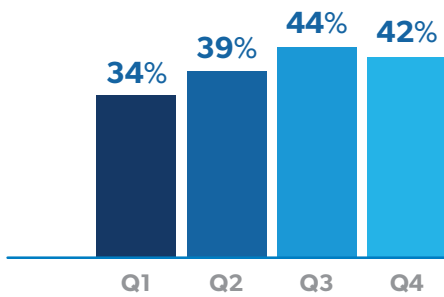
MILLENNIALS		GEN X		BOOMERS	
1. Reduced income	46%	1. Reduced income	53%	1. Inflation (money doesn't go as far)	65%
2. Inflation (money doesn't go as far)	36%	2. Inflation (money doesn't go as far)	41%	2. Reduced income	40%
3. Took on new debt	32%	3. Lost my job	20%	3. Increased expenses	27%
4. Lost my job	27%	4. Increased expenses	20%	4. Car repair/ replacement emergency	18%
5. Car repair/ replacement emergency	25%	5. Took on new debt	18%	5. Home repair emergency	17%
6. Increased expenses	25%				

And money problems weren't limited to people's budgets. Worry and sleeplessness also increased as a result of personal financial strain. In Q4, 42% said their personal financial strain caused them to lose sleep in the previous three months. And more than half (52%) said they worried about their personal finances daily, up from 43% in Q1 of 2021. Millennials were much more likely to admit that their finances had caused them to lose sleep and that they worried daily about their finances. But sleeplessness and worry affected all generational cohorts throughout 2021.

Personal Finances Impacting Sleep, Stress and Worry

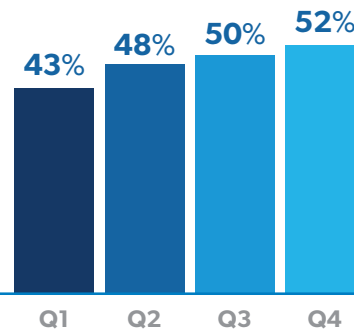
“

My personal finances have caused me to lose sleep in the last three months.



“

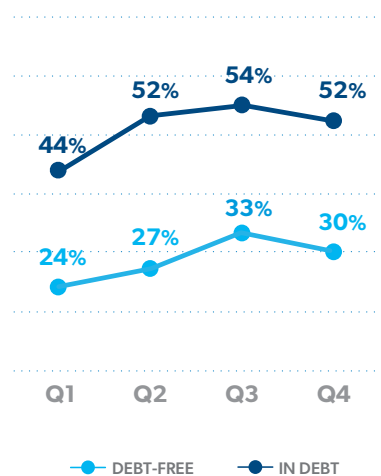
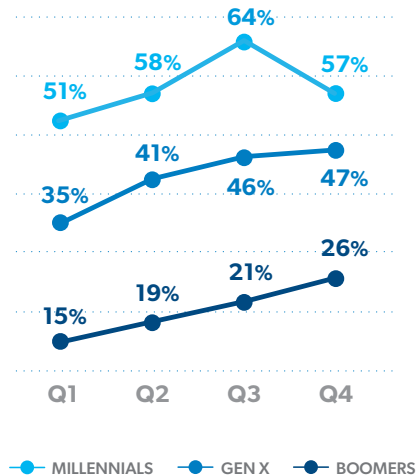
I worry daily about my personal finances.



.....

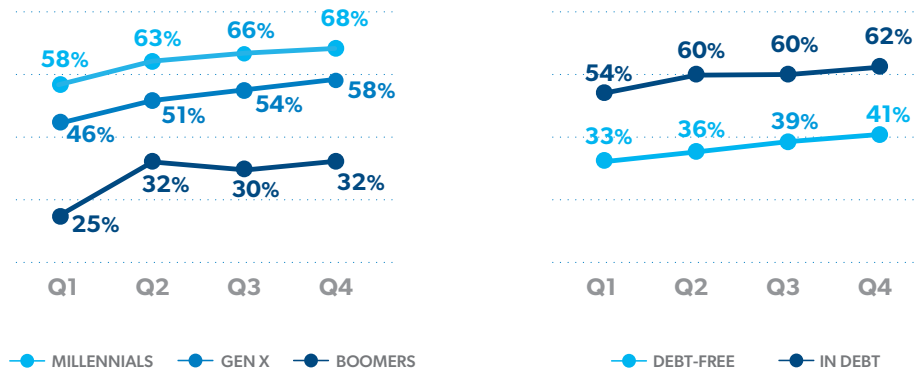
“

My personal finances have caused me to lose sleep.





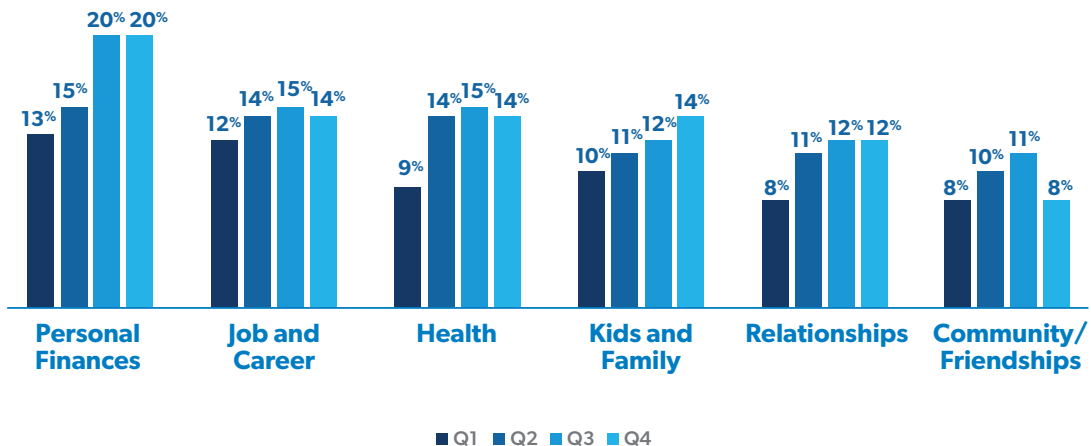
I worry about my personal finances daily.



It's no wonder so many people are dealing with the negative impacts of their personal finances on their lives. Quarter over quarter throughout the year, personal finances and money were consistently the number one issue that caused people "a significant amount of stress"—more than relationships, friends, health and career. In addition to money and personal finances holding the top spot on this list, the number of people who said their personal finances caused them a significant amount of stress also crept up throughout the year.

Q:

In the last month, how much anxiety or stress did you have from each of the following areas of your life?



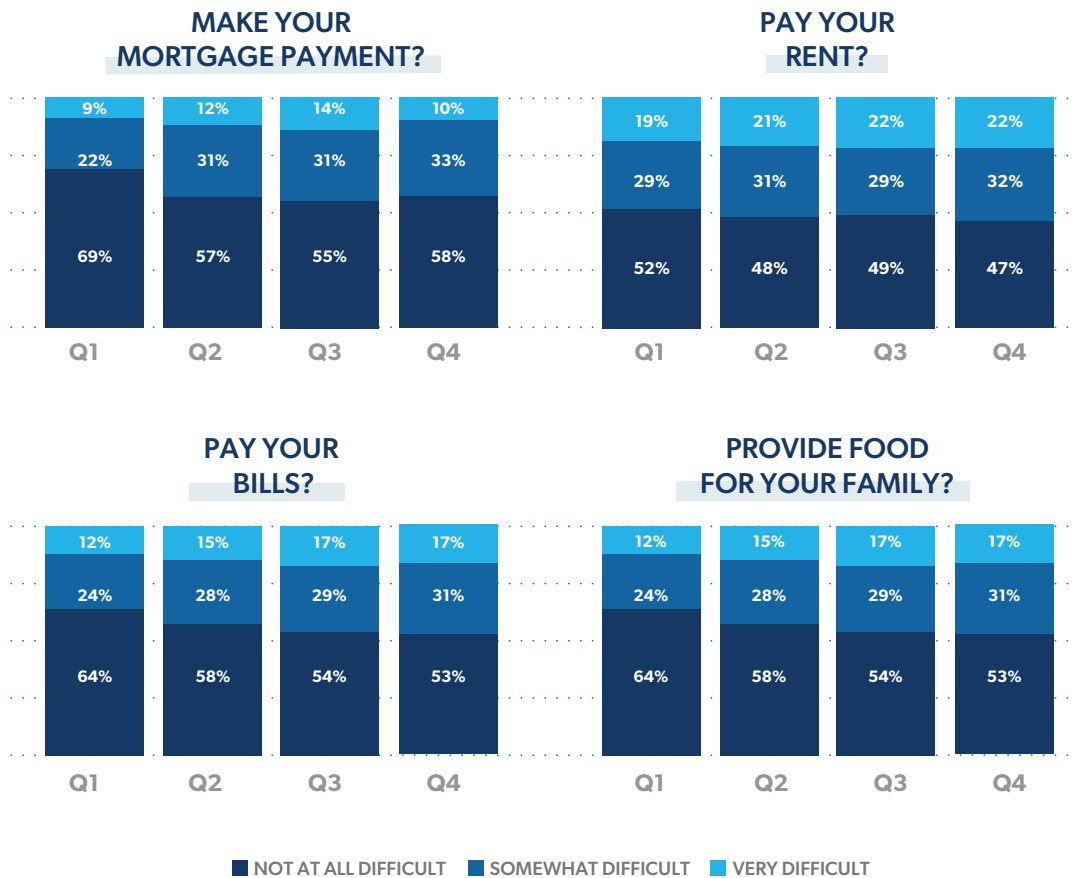
Increasing Number of Americans Struggling to Cover Bills

The State of Personal Finance also tracked the difficulty that Americans had in covering basic living expenses like their mortgage, rent, bills and food during 2021.

Throughout the year, those who said they had difficulty paying their bills increased from 36% to 48%. People also had a harder time making their mortgage payments in 2021. Those who said they had trouble paying their mortgage went up from 31% in Q1 to 43% by the end of the year. And renters struggled even more. In Q4, renters were more than twice as likely to say it was “very difficult” to pay rent (22%) compared to those who said it was very difficult to pay their mortgage (10%).

Q:

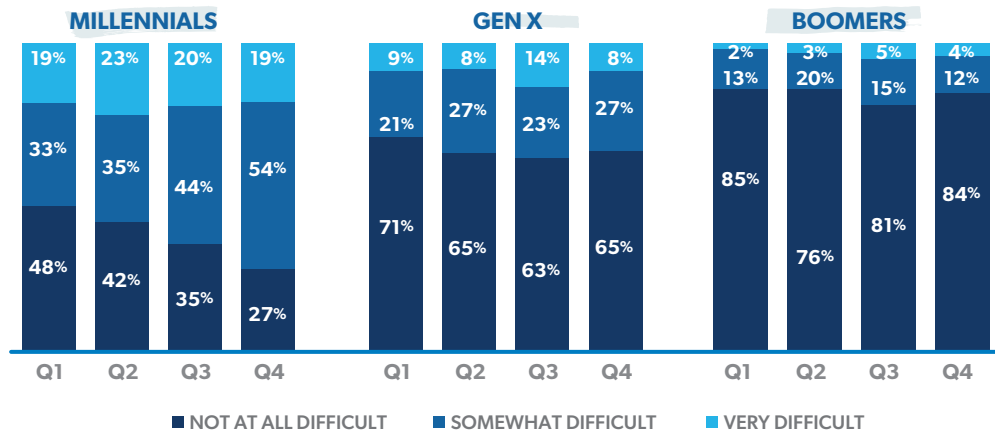
In the last three months, how difficult has it been to...



A much higher percentage of millennials said they had trouble paying their mortgage in 2021 compared to older generations. Throughout the year, approximately 1 in 5 millennials with a mortgage said it had been very difficult to pay their mortgage at some point in the last three months, compared to 1 in 10 among Gen X and even fewer baby boomers.

Q:

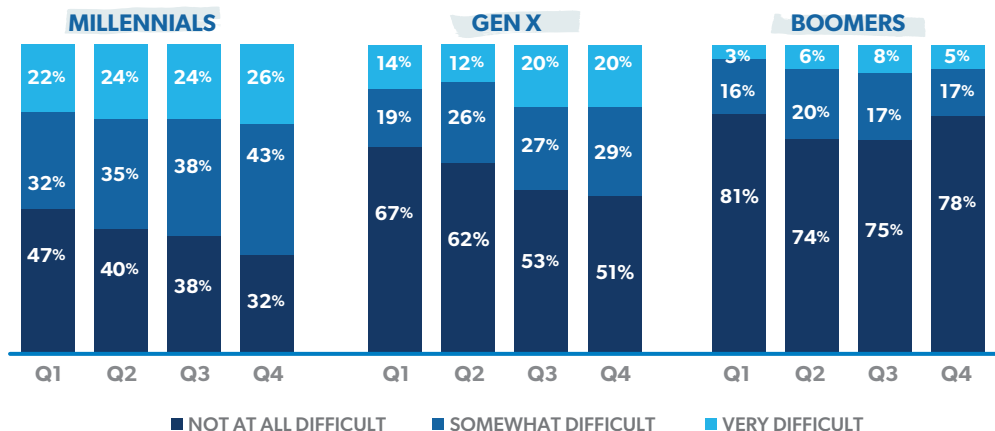
How difficult was it to make your mortgage payment in the past three months?



At the start of the year, nearly half of millennials said they had no difficulty paying their bills, but by Q4, that number had dropped to less than one-third (32%). And more than a quarter said it had been very difficult to pay their bills in the last three months. Gen X was better off, but half still said it was very or somewhat difficult to pay their bills in the last three months, up from approximately one-third in Q1.

Q:

How difficult has it been to pay your bills in the past three months?



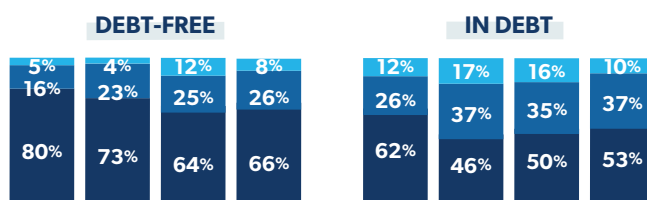
The data show that debt also affected people's ability to pay bills. People with consumer debt were significantly more likely to report difficulty paying their mortgage, rent and other bills than those who were consumer debt-free. Renters especially struggled among those saddled with debt. In Q4 of 2021, 1 in 4 renters with consumer debt said it was "very difficult" to pay their rent in the prior three months, compared to 16% of renters who are consumer debt-free. People who are in debt were also more than twice as likely to say it was "very difficult" to pay their bills (24% vs. 9%). Throughout the year, the number of people who said they didn't have any difficulty paying their bills remained fairly consistent quarter over quarter among those who are debt-free. However, those with consumer debt had an increasing level of difficulty paying their bills. For those with debt, more than half (54%) said they had no difficulty paying bills in Q1, but that number had dropped to 38% by Q4.

COVERING BASIC LIVING EXPENSES

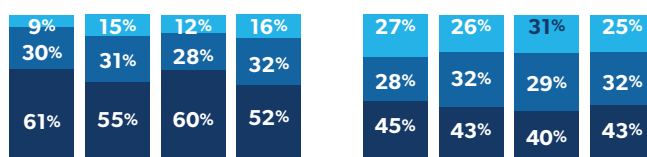
People with consumer debt were significantly more likely to report difficulty paying their mortgage, rent and other bills.

*In the last three months,
how difficult has it been to . . .*

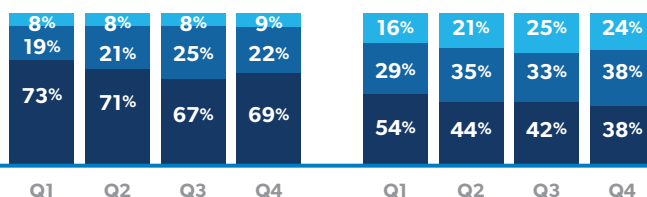
**Make your
mortgage payment?**



**Make your
rent payment?**



Pay your bills?



Q1 Q2 Q3 Q4 Q1 Q2 Q3 Q4

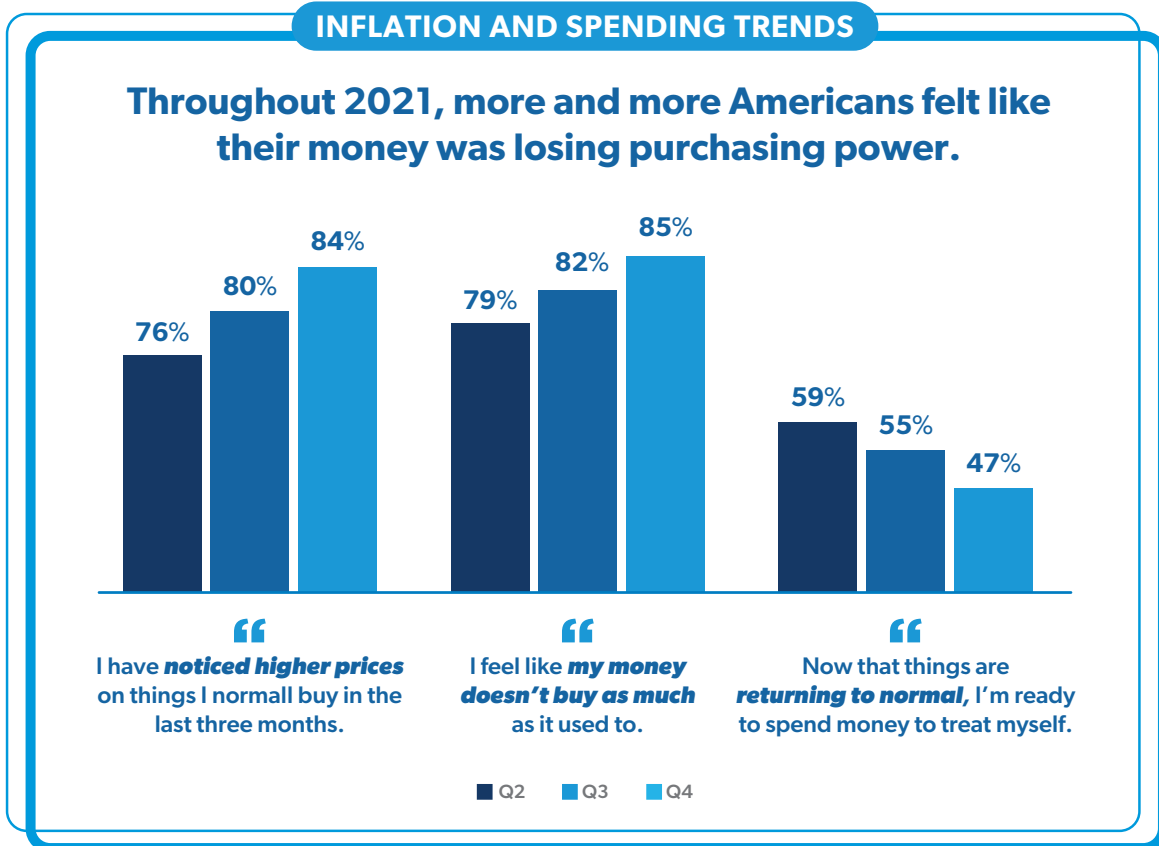
■ NOT AT ALL DIFFICULT ■ SOMEWHAT DIFFICULT ■ VERY DIFFICULT

INFLATION

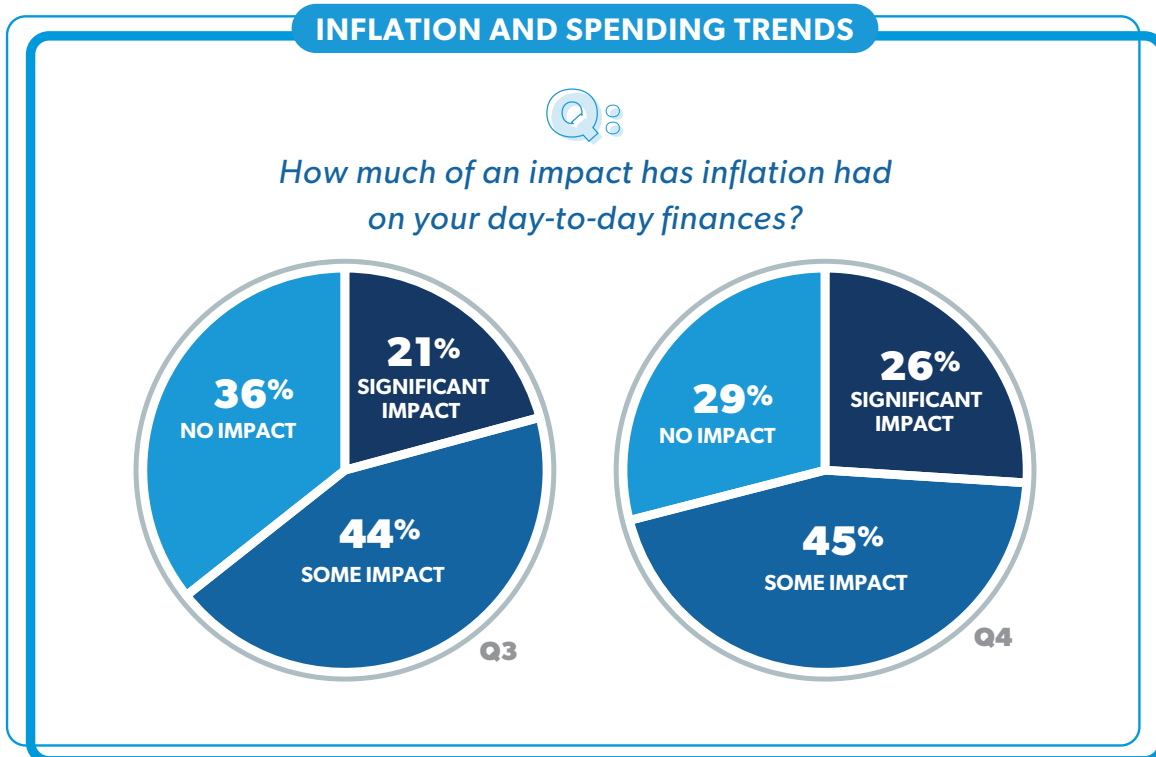
Americans Feeling the Impact of Inflation on Their Everyday Spending Power

Inflation also took a toll on Americans' personal finances and added to their struggle to pay their bills by the end of 2021. In Q2, many parts of the country celebrated summer and the improving economy by returning to pre-pandemic activity levels. At that time, nearly 6 in 10 consumers were ready to treat themselves financially. However, as the year wound down, confidence began to waver as inflation impacted household budgets and another wave of COVID-19 hit. By Q4, less than half were willing to spend money treating themselves.

By the end of the year, more than half (51%) said they felt like they couldn't get ahead with their finances. Inflation again played a big role with more than 8 in 10 Americans saying they'd noticed higher prices on items they normally buy in the last three months. By Q2, 3 in 4 (76%) had noticed inflated prices, and that number increased to 80% in Q3 and 84% in Q4 as more and more consumers felt as though their money didn't stretch as far as it used to.



By the end of the year, the pressure on consumers' pocketbooks expanded to everyday expenses as well. In Q3, 1 in 5 said inflation had a significant impact on their day-to-day finances, and another 44% said it had somewhat of an impact. By Q4, 1 in 4 (26%) said inflation had a significant impact on their daily finances, and 45% said it had a somewhat of an impact.

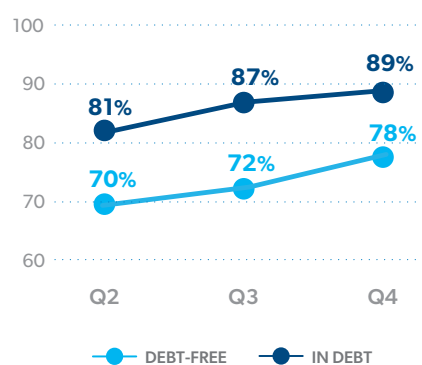
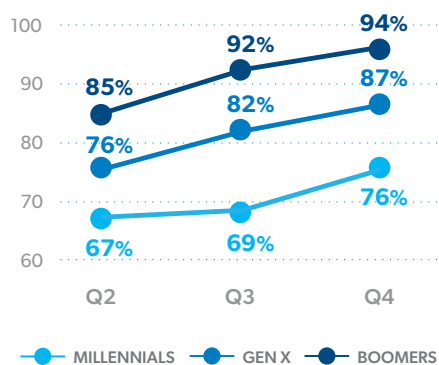


Millennials were the least likely to notice inflated prices, but those who did felt the impact more severely. In the fourth quarter, three-fourths of millennials (76%), compared to 87% of Gen X and 94% of baby boomers, noticed higher prices on the things they normally buy. However, when it came to the level of impact that inflation has on their finances, millennials (31%) and Gen X (33%) felt it more than baby boomers (20%), saying inflation had had a “significant” impact on their day-to-day finances.

INFLATION AND SPENDING TRENDS



I have noticed higher prices on things I've bought in the last three months.



BY GENERATION

	MILLENNIALS		GEN X		BOOMERS	
	Q3	Q4	Q3	Q4	Q3	Q4
Significant Impact	28%	31%	23%	33%	15%	20%
Some Impact	38%	43%	49%	43%	45%	49%
No Impact	34%	27%	28%	24%	40%	32%

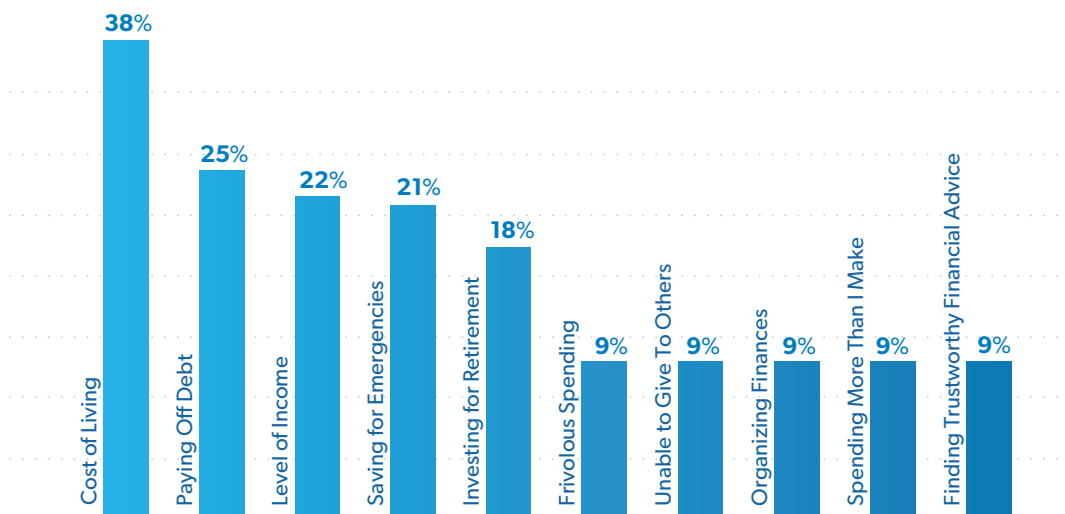
BY DEBT LEVEL

	DEBT-FREE		IN DEBT	
	Q3	Q4	Q3	Q4
Significant Impact	13%	17%	28%	34%
Some Impact	42%	46%	45%	45%
No Impact	45%	38%	27%	21%

Inflation's impact on cost of living caused it to be the top financial challenge for Americans in the fourth quarter of 2021, with more than a third of people (38%) saying cost of living was their top money challenge.

Q:

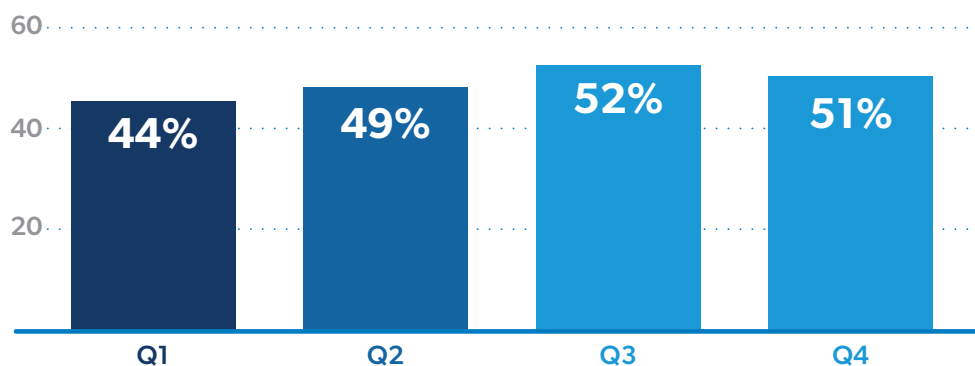
When it comes to your personal finances and money, what are your top two challenges?



Inflated prices for many everyday items and the rising cost of living overall left many feeling like they couldn't get traction with their financial goals or get ahead financially. At the start of 2021, 44% said they felt like they couldn't get ahead with their finances, and that number had risen to more than half by Q3 and Q4.

“

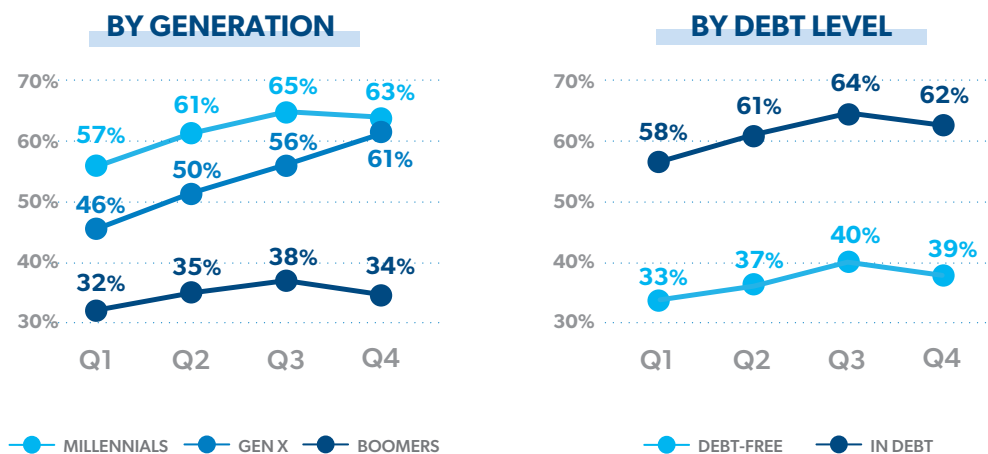
I feel like I can't get ahead with my finances.



This sentiment was even stronger among millennials and those who have consumer debt. In Q4, 63% of millennials said they felt like they couldn't get ahead with their finances, up from 57% at the start of the year. And in Q4—illustrating the impact debt can have in tough times—62% of those with debt agreed they couldn't get ahead with their finances, compared to only 39% of those who are consumer debt-free.



I feel like I can't get ahead with my finances.

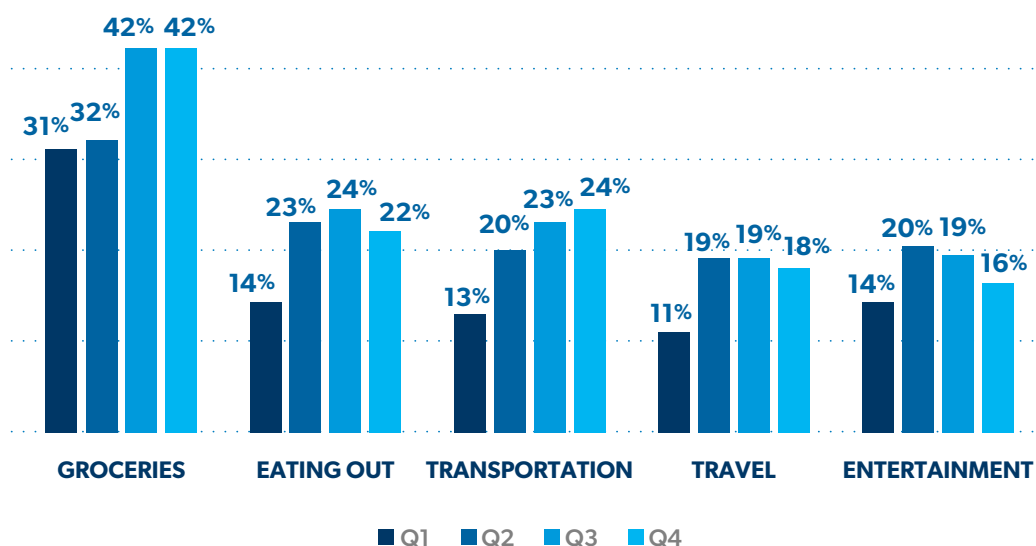


SPENDING

Spending Trends Throughout 2021

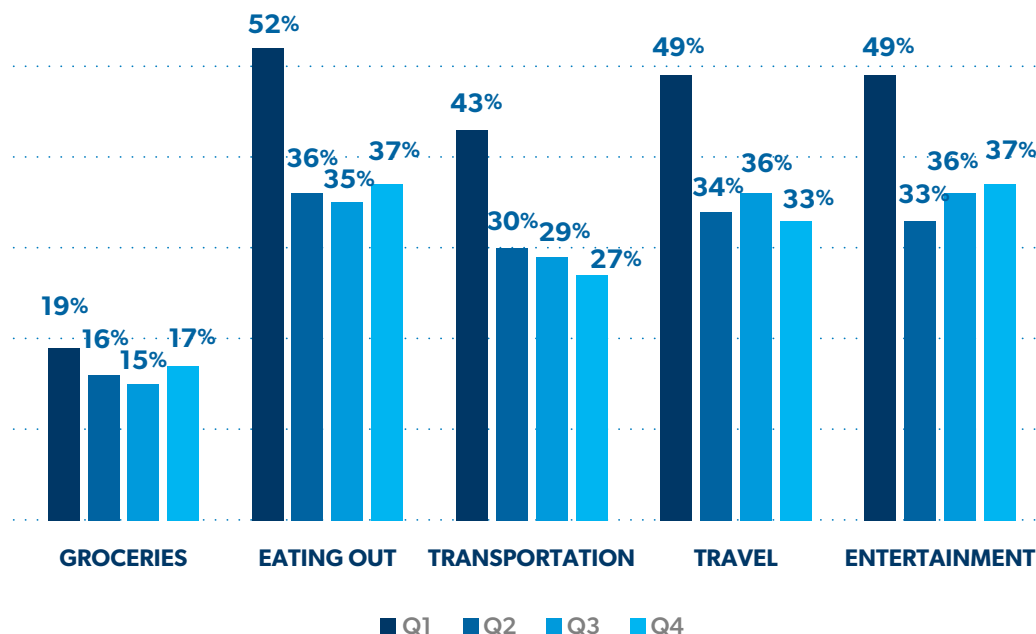
Factors like the pandemic, seasonality and inflation were reflected in how much American consumers spent in different categories throughout the year. At the start of the year, nearly one-third (31%) said they were spending more on groceries year over year. By the end of the year, 42% said they were spending more on groceries than the same time the year before. Transportation spending also rose throughout 2021. In Q1, 13% said that they were spending more year over year on transportation, and by Q4, that number had nearly doubled to 24%.

SPENDING MORE COMPARED TO THIS TIME LAST YEAR



Overall, more people reported spending less year over year on categories like eating out, travel and entertainment in 2021—all categories that were hit especially hard during the COVID-19 pandemic. Still, spending in those categories has begun to shift. While more people spent less, the number of people spending more on eating out rose as the year went on. Entertainment spending spiked over the summer, in Q2 (20%) and Q3 (19%), then dipped again toward the end of the year (16%).

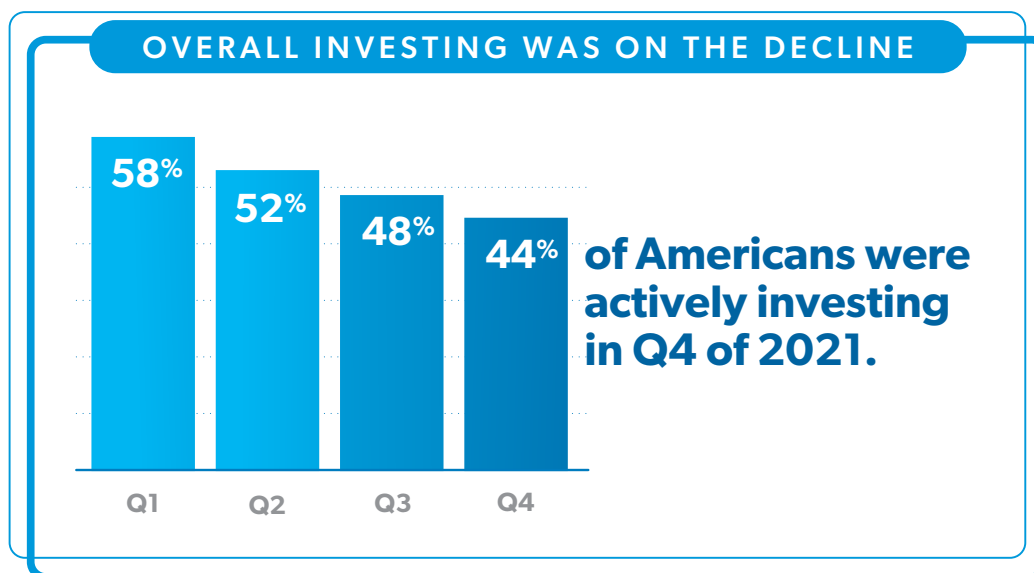
SPENDING LESS COMPARED TO THIS TIME LAST YEAR



INVESTING

Overall Investing Was Down, but Engagement With Cryptocurrency Increased in 2021

Throughout 2021, the percentage of Americans who were actively investing declined. At the start of the year, nearly 6 in 10 (58%) were investing for retirement, but by Q4, that number had dropped to 44%



This decline showed up across all generations and all income levels. And while millennials, Gen X and baby boomers all started the year at a similar rate of investing, younger generations were more likely to stop investing as the year went on.

CURRENTLY INVESTING

BY GENERATION

	Q1	Q2	Q3	Q4
Millennials	60%	59%	53%	43%
Gen X	61%	51%	44%	43%
Boomers	59%	49%	48%	48%

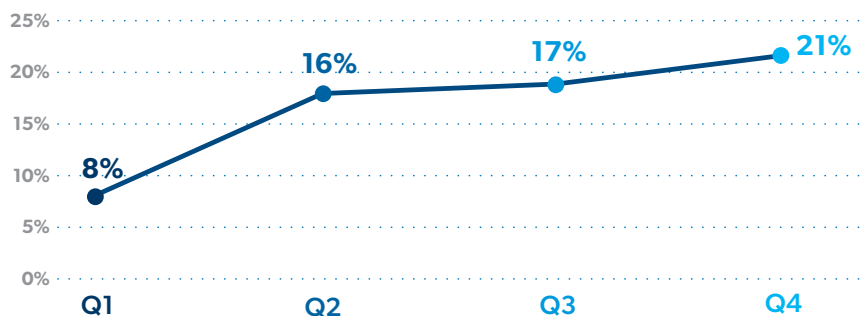
BY DEBT LEVEL

	Q1	Q2	Q3	Q4
Under \$50K	33%	28%	23%	23%
\$50k–99K	64%	54%	51%	48%
\$100K+	80%	80%	76%	72%

While the number of investors trended downward, those who continued to invest were more likely to try newer investment options like cryptocurrency and digital app-based investing platforms like Robinhood. Cryptocurrency especially saw an explosion of growth as it gained acceptance in the financial industry. In Q1, fewer than 1 in 10 investors had put any money in cryptocurrency, but by Q4, that number had more than doubled to 1 in 5.

INVESTED IN CRYPTOCURRENCY

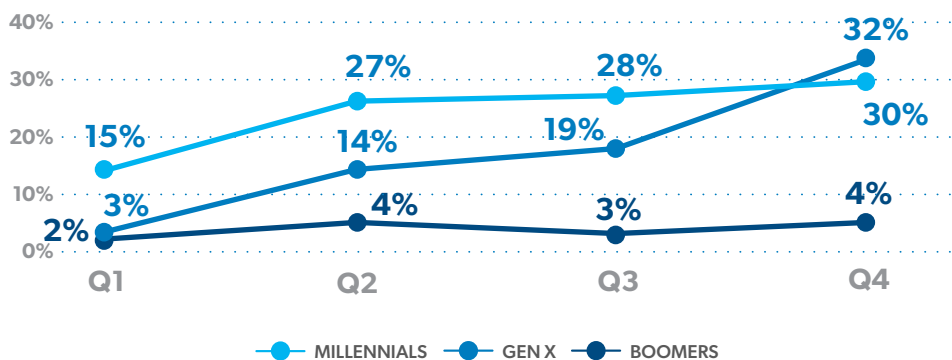
Base: people who are currently investing



And not surprisingly, younger investors were quicker to jump into the cryptocurrency market.

INVESTED IN CRYPTOCURRENCY

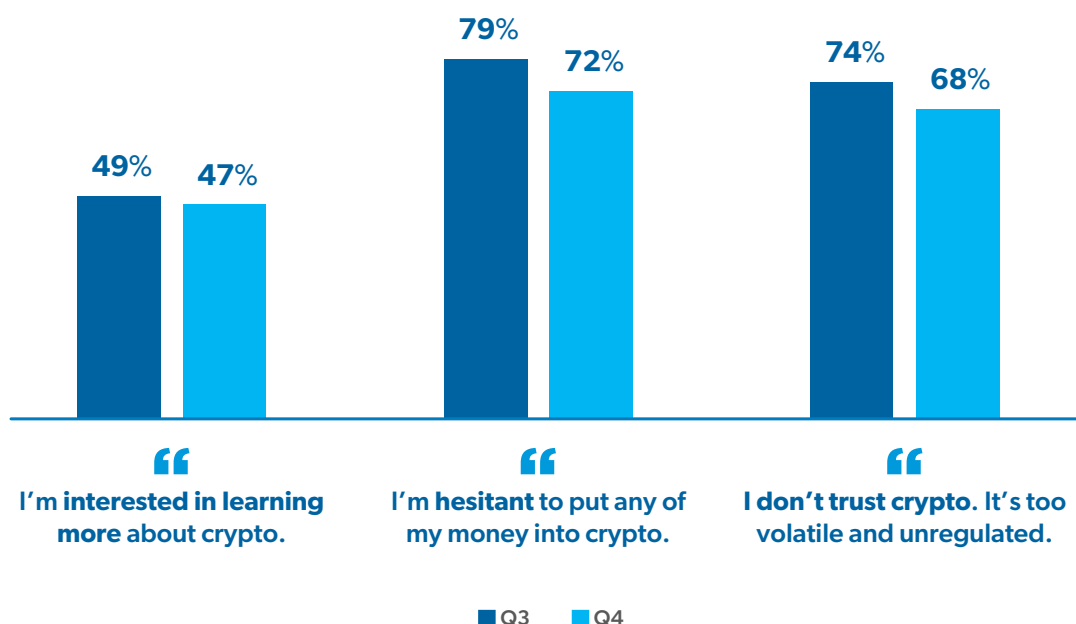
Breakdown by Generation



While cryptocurrency is gaining ground as an investment, overall engagement with this trendy market is still relatively small compared to other types of investments. Investors are interested but hesitant to participate. In Q4, just shy of half of Americans (47%) said they were interested in learning

more about cryptocurrency. At the same time, nearly 3 in 4 said they were hesitant to put any money into cryptocurrency, and 68% said they don't trust cryptocurrency because it's too volatile and unregulated. But while interest in cryptocurrency remained pretty consistent from Q3 to Q4, fewer people remained hesitant about it (72% vs. 79%) or expressed a lack of trust (68% vs. 74%), suggesting that more and more people are getting on board with cryptocurrency.

ATTITUDES TOWARD CRYPTOCURRENCY

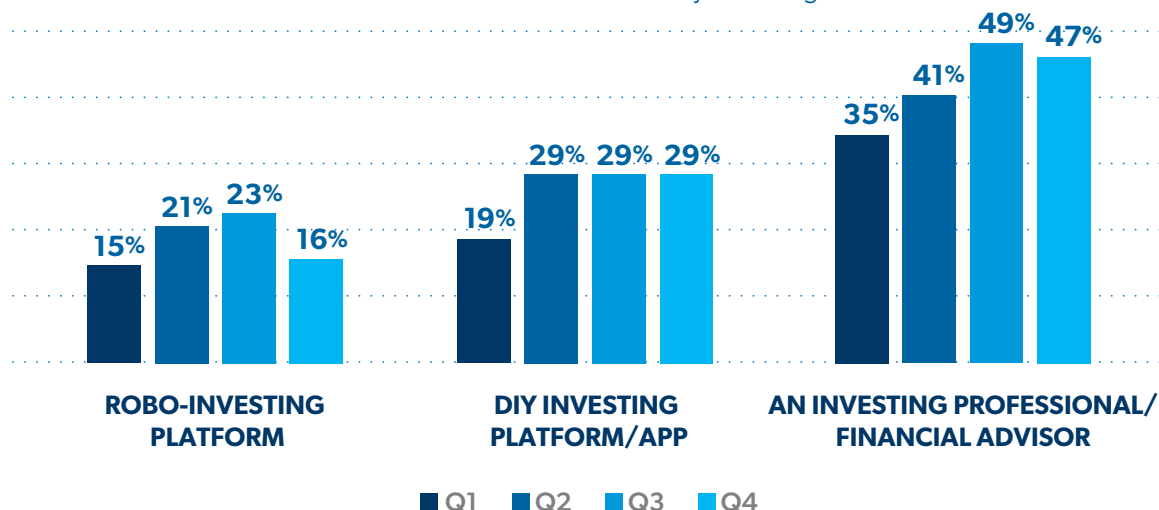


While interest in cryptocurrency has gone up, so has engagement in other newer investment methods and platforms over the last year. Among those who continued to invest in 2021, most chose to work with a traditional investing professional or financial advisor. But many also tried robo-advising and investing apps. By the end of 2021, 3 in 10 investors had some money invested with a do-it-yourself investing platform or app like Robinhood, while 16% had used a robo-investing platform.

Q:

Which of the following have you used in the last year to invest money?

Base: those who are currently investing

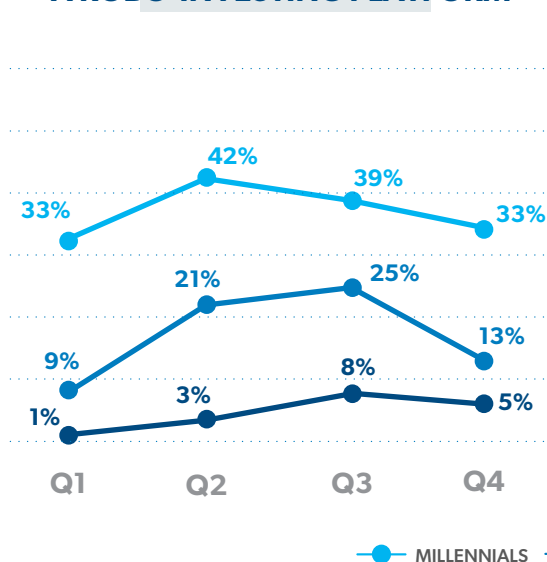


Millennial investors were more likely to use a DIY investing app or robo-investing platform to invest some of their money in 2021. Among millennial investors in Q4, one-third used a robo-investing platform to invest money compared to only 13% of Gen X investors and only 5% of baby boomer investors. And when it comes to DIY app-based investing platforms, in Q4 of 2021, nearly half (46%) of millennial investors had tried them, compared to only 30% of Gen X investors and 14% of baby boomers who were investing.

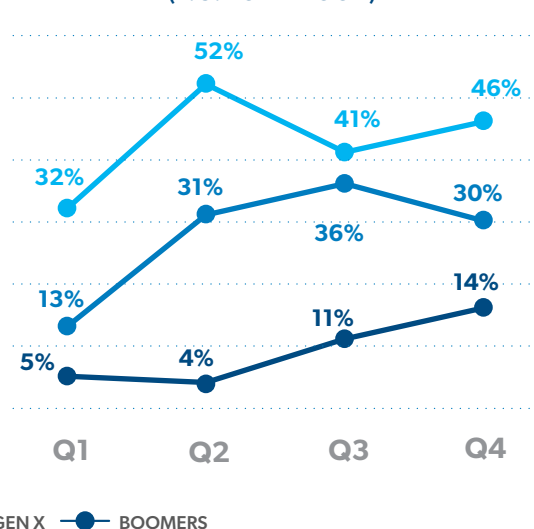
Q:

Which of the following have you used in the last year to invest money?

A ROBO-INVESTING PLATFORM



A DIY INVESTING PLATFORM (E.G. ROBINHOOD)

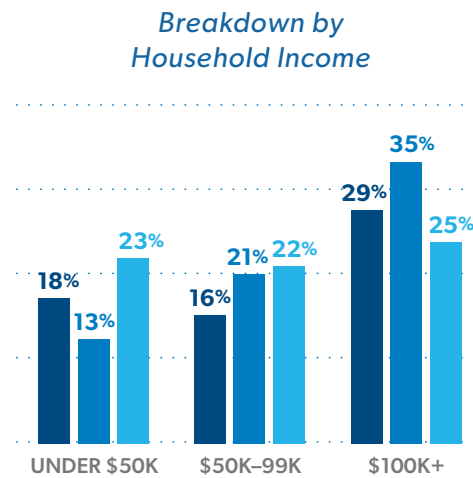
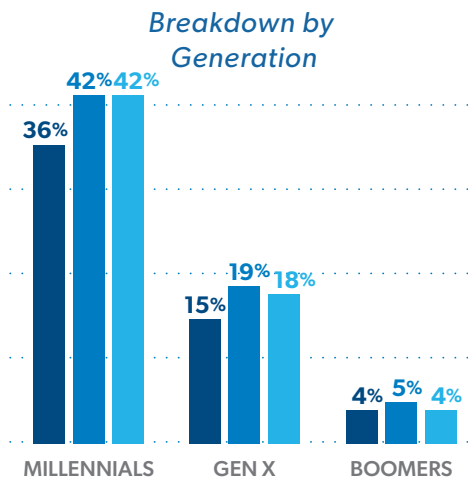
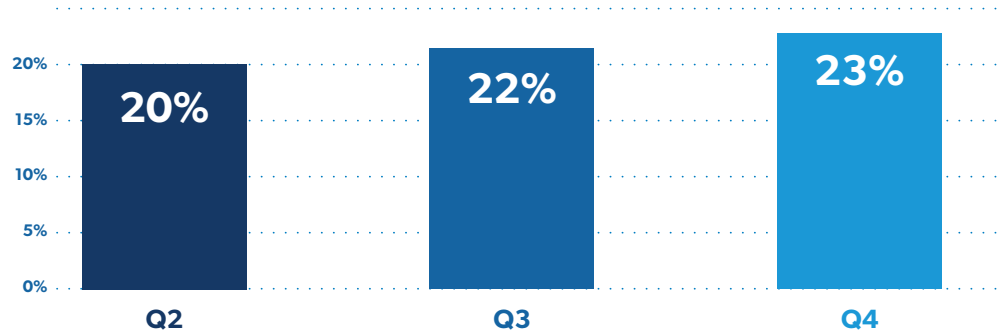


BUY NOW, PAY LATER

Millennials Most Likely to Try Out Buy Now, Pay Later Purchasing Options

Investing wasn't the only area that saw new services in the market become more mainstream. In 2021, more shoppers continued to adopt buy now, pay later (BNPL) services to make everyday purchases online. In 2021, nearly 1 in 4 people made a purchase using BNPL. Millennials especially took advantage of this payment option to break bigger purchases into multiple payment installments. In Q4, more than 4 in 10 millennials (42%) made an online purchase with BNPL, compared to only 18% of Gen X and 4% of baby boomers. Wealthier shoppers were also more likely to try this type of payment solution, with more households making \$100,000 saying they used BNPL services in the last three months.

PURCHASED SOMETHING USING BUY NOW, PAY LATER IN THE LAST THREE MONTHS



■ Q2 ■ Q3 ■ Q4

MENTAL HEALTH

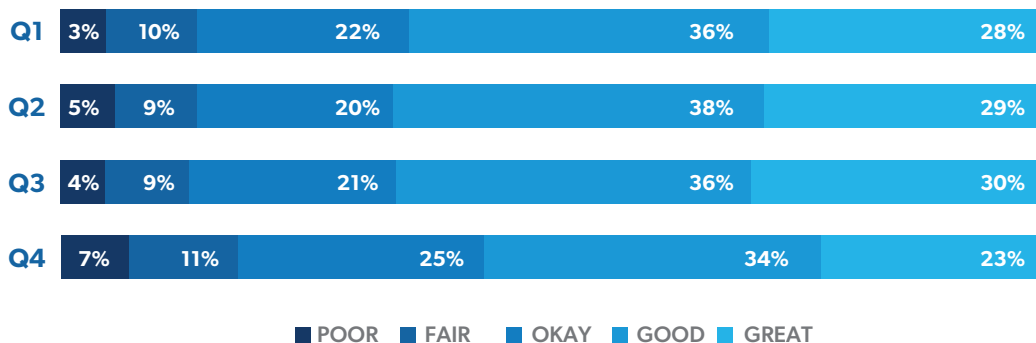
Rising Levels of Loneliness, Lack of Satisfaction, and Stress Contribute to Mental Health Challenges

In addition to measuring key metrics around financial attitudes, behaviors and overall personal financial health, The State of Personal Finance also collected metrics related to mental and emotional well-being. And like much of the financial data tracked, troubling trends emerged among the self-reported mental health of the respondents.

We've already seen the connection between personal finances and mental health in this report and covered the increasing numbers of Americans whose personal finances are their main source of worry, anxiety and sleeplessness. In line with those findings, fewer people rated their overall mental health as "great" in Q4, while those who rated themselves "poor" inched up throughout the year. At the start of the year, nearly two-thirds (64%) rated their overall mental health as "good" or "great" while only 13% described it as "poor" or "fair." By Q4, only 57% rated their overall mental health as "good" or "great" while those rating it as "poor" or "fair" had increased to 18%.

Q:

How would you rate your mental health?

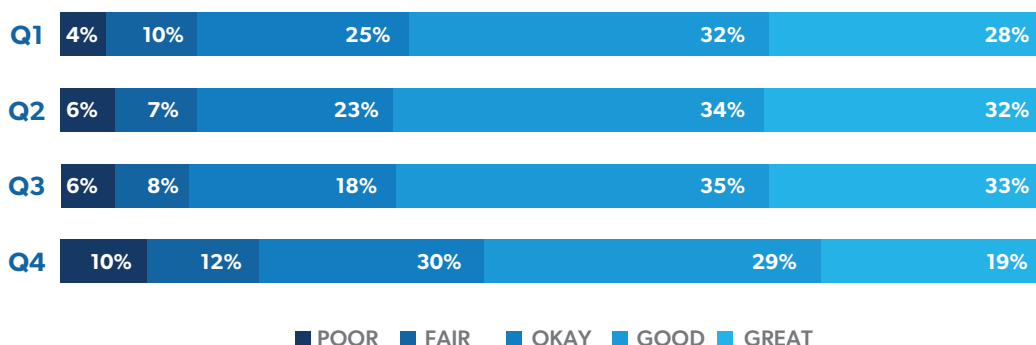


Millennials especially seemed to report lower quality of mental health throughout 2021. At the start of 2021, 6 in 10 millennials rated their mental health as “good” or “great,” and 14% rated it as “poor” or “fair.” That continued to decline quarter over quarter, and by Q4 of 2021, less than half (48%) of millennials rated their mental health as “good” or “great” while those rating it “poor” or “fair” had risen to 22%.



Overall, how would you rate your mental health?

Base: millennials

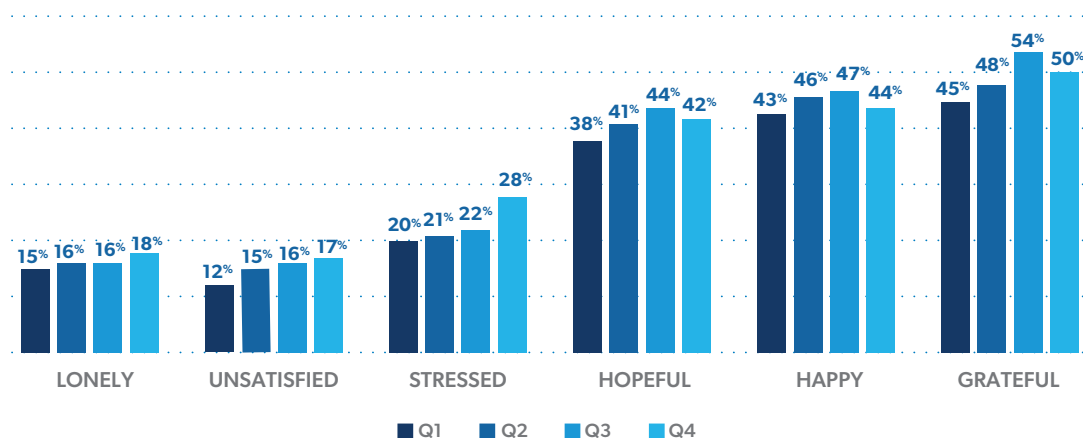


Americans not only reported a decline in their overall mental health but also were more likely to say they “often” felt lonely, unsatisfied and stressed as the year progressed. But despite rising levels of stress, lack of satisfaction, and loneliness, more people also reported often feeling grateful, happy and hopeful.



In the last month, how often have you felt the following?

Base: those who answered “often”



While it's alarming to see an increase in those who reported feeling lonely, unsatisfied and stressed, it's encouraging that, overall, Americans are much more likely to say they often feel grateful, happy and hopeful.

Conclusion

2021 brought both challenges and opportunities for Americans and their personal finances. Cost of living and rising inflation plagued Americans, leaving half feeling stuck and like they couldn't get ahead with their finances by the end of the year. But the situation isn't hopeless. In fact, the overwhelming majority are facing the year ahead with a hopeful mindset about their money. More Americans said they were better off compared to a year ago than those who said they were worse off. And many changes around income, jobs and debt are setting Americans up for financial success as we head into 2022. As the year continues, what changes will Americans make to combat the challenges in their personal finances or continue the positive progress they made in 2021?

ABOUT THIS STUDY

The State of Personal Finance is a quarterly research study conducted by Ramsey Solutions. The Q4 wave was conducted with 1,003 U.S. adults to gain an understanding of the personal finance behaviors and attitudes of Americans. The nationally representative sample was fielded December 13, 2021, to December 21, 2021, using a third-party research panel.

Wave	Field Dates	Sample Size
Quarter 1	03.25.21 – 03.30.21	1,023
Quarter 2	06.22.21 – 06.29.21	1,004
Quarter 3	09.29.21 – 10.6.21	1,004
Quarter 4	12.13.21 – 12.21.21	1,003

ABOUT RAMSEY SOLUTIONS

Ramsey Solutions has been committed to helping people take control of their money, build wealth, grow their leadership skills, and enhance their lives through personal development since 1992. Millions of people have used our financial advice through 22 books (including 12 national bestsellers) published by Ramsey Press, as well as two syndicated radio shows and nine podcasts, which have over 20 million weekly listeners.