**FINRA Foundation releases study on ‘financial capability’ for Americans**

As America struggles to find its footing on a recovering economic landscape, personal financial behaviors and capability have become front and center for not only individual American families but also policy makers. The FINRA Investor Education Foundation recently released the results of its National Financial Capability Study as an outcome of a partnership with the U.S. Department of Treasury and the President’s Advisory Council on Financial Literacy.

The results, released as a follow-up to an initial study done in 2009, reflect the study’s goals — to identify the critical characteristics of “financial capability” and demonstrated trends among various demographics based upon these characteristics. For purposes of this study, financial capability was defined as “the ability to manage and maintain financial resources, as well as the ability to make strong financial decisions”. The survey highlighted trends and behaviors among the 25,000 surveyed individuals.

According to the study, younger Americans are more likely to show signs of financial stress, which, based on FINRA’s criteria, indicate a lack of financial capability. Geographically, the study labeled residents of Massachusetts, California, and New Jersey as among the most capable, and identified residents of Mississippi as some of the least.

The FIINRA Foundation included a financial knowledge and skills assessment in the survey to determine participants’ fundamental financial knowledge and their ability to make basic financial decisions. The survey asked participants five questions regarding simple economic concepts such as inflation and interest. Of those surveyed, 61% had three or fewer questions correct. FINRA concluded that this information indicates a severe lack of fundamental financial knowledge and skill. The average number of correct answers was only 2.88 out of a total of 5. This particular finding suggests potential opportunities to refurbish educational curriculums with general personal finance-oriented units and generate more community and workplace based financial education workshops, both of which FINRA supports.

The findings also reported interesting information regarding medical expenses; according to the study, 26% of those surveyed have medical debt. Of those with medical debt, 31% were between the ages of 18 and34. In Mississippi, 41% of respondents reported having unpaid health care and medical bills, while only 14% of residents in Hawaii reported similar unpaid bills. Residents in Kentucky and Arkansas also reported high medical bills, while residents in California and Pennsylvania reported lower medical bills.

The study also focused on personal financial savings in an attempt to evaluate individuals’ ability to plan ahead. Of those surveyed, 56% reported that they do not have a “rainy day fund” (i.e., an emergency fund), and, therefore, do not have resources set aside for emergencies, unexpected instability, or a sudden financial downturn. Similarly, 61% of those surveyed do not compare credit card offers or perform research when shopping for credit cards. Residents of Mississippi, Nevada, and the District of Columbia had the highest reported incidents of charges for an over-the-limit fee for exceeding their credit line on a credit card. The FINRA Foundation claims that credit card abuse not only diminishes the national economy, but also encourages financial apathy.

The FINRA Foundation study underscored the lack of financial competency in the U.S. As a result, FINRA hopes to emphasize the importance of financial knowledge needed to increase basic financial education in America. The study also highlighted the true necessity of good financial habits and made evident the danger of avoiding financial responsibility. FINRA has acknowledged the fact that Americans face tough financial decisions and ever increasing financial responsibilities in today’s environment, and uses its results to underscore the personal financial pitfalls and risks that Americans encounter.

Government entities and policy makers should be aware of the personal financial challenges Americans face as a whole and especially in their jurisdiction. The FINRA Foundation has set up an interactive map that allows for state-by-state comparisons. It hopes that these results can be used to determine upcoming strategic priorities of both individuals and communities in order to guarantee better personal financial footing for all Americans.

For more information on the study, go to: The National Financial Capability Study, <http://www.usfinancialcapability.org/>