2020 Planning & Progress Study

Debt + Credit Cards

Northwestern Mutual is the marketing name for The Northwestern Mutual Life Insurance Company (NM), Milwaukee, WI and its subsidiaries.
Background

The 2020 Planning & Progress Study, an annual research study from Northwestern Mutual, explores U.S. adults’ attitudes and behaviors toward money, financial decision-making, and the broader issues impacting people’s long-term financial security.

The study was conducted by The Harris Poll on behalf of Northwestern Mutual and included 2,650 American adults aged 18 or older in the general population who participated in an online survey between February 12-25, 2020.

Results were weighted to Census targets for education, age/gender, race/ethnicity, region and household income. Propensity score weighting was also used to adjust for respondents' propensity to be online. No estimates of theoretical sampling error can be calculated; a full methodology is available.
Americans with debt spend one-third of their monthly budget towards paying it off, on average

**Percent of Income to Pay Off Debt**

- 1% to 24%: 27%
- 25% to 49%: 16%
- 50% to 74%: 12%
- 75% to 100%: 5%
- Not sure: 25%
- My mortgage is my only debt: 13%

**Average % of Income:**

*Mean* 2020: 33%

**BASE:** THOSE WITH SOME DEBT – 2020 Gen Pop: (n=1948)

**QDB1:** What percentage of your monthly income goes to paying off debt (excluding your primary home mortgage)?
Those with debt hold an average of $26,621, even before the pandemic.
13% of Americans expect to be in debt the rest of their lives

**BASE: THOSE WITH SOME DEBT – 2020 Gen Pop: (n=1948)**

**QDB4. How many more years do you expect to be in debt?**

- **1 to 5 years**: 47%
- **6 to 10 years**: 19%
- **11 to 20 years**: 9%
- **For the rest of my life**: 13%
- **Don't know**: 11%
Nearly 3 in 5 say debt has a moderate or substantial impact on their ability to achieve long-term financial security

% Substantial/Moderate Impact

- Substantial Impact: 21%
- Moderate Impact: 37%
- Low Impact: 30%
- No Impact: 12%

BASE: THOSE WITH SOME DEBT – 2020 Gen Pop: (n=1948)
QDB5. How much impact is debt having on your ability to achieve long-term financial security?
Debt has also impacted Americans’ ability to reach major financial milestones

N43. Which of the following have you done as a result of your level of debt? Please select all that apply.

- Delayed other significant purchases: 36%
- Delayed saving for retirement: 29%
- Delayed home buying: 18%
- Delayed having children: 8%
- Delayed marriage: 7%
- None of the above: 41%

BASE: THOSE WITH SOME DEBT - Gen Pop: (n=1948)
However, among those with debt, the total average has been slowly declining.
Two-thirds of those with debt have a plan to pay it off

Specific plan in place to pay off debt

Yes: 67%
No: 33%

BASE: THOSE WITH SOME DEBT – Gen Pop: (n=1948)
N9. Do you have a specific plan in place to pay off your debt?
Credit cards bills and mortgages are the leading sources of debt

Main Sources of Debt

- **Credit card bills**: 22% (2020), 22% (2019), 25% (2018)
- **Mortgage**: 21% (2020), 22% (2019), 25% (2018)
- **Car loan**: 8% (2020), 9% (2019), 7% (2018)
- **Personal educational loans**: 8% (2020), 8% (2019), 6% (2018)
- **Educational expenses for children/family members**: 5% (2020), 4% (2019), 4% (2018)
- **Home equity loan/line of credit**: 4% (2020), 3% (2019), 4% (2018)
- **Medical expenses (healthcare, medicines, hospitalizations, etc.)**: 3% (2020), 4% (2019), 2% (2018)
- **I have no debt**: 26% (2020), 27% (2019), 23% (2018)

**BASE:** ALL QUALIFIED RESPONDENTS – 2020 Gen Pop: (n=2650); 2019 Gen Pop: (n=2003); 2018 Gen Pop: (n=2003)

QPAW10. What is your main source of debt? Please select one.
Americans with credit card debt hold balances of $5,400 on average

Average: $5,400

$1 to $5,000: 27%

$5,001 to $25,000: 12%

$25,001 to $50,000: 2%

$50,001 to $100,000

More than $100,000

None: 58%

BASE: ALL QUALIFIED RESPONDENTS – Gen Pop (n=2650)
N17. How much credit card debt do you personally hold?
Over half of the expenses resulting in credit card debt went towards absolute necessities like rent, utilities and groceries.

**% Expense Resulting in Credit Card Debt (Average)**

- **Absolute necessities**: 52%
- **Discretionary expenses**: 36%
- **Educational expenses**: 11%

**BASE: THOSE WITH CREDIT CARD DEBT – Gen Pop: (n=1100)**

N18. In your estimation, out of 100% what percentage of your credit card debt was a result of paying for absolute necessities such as rent, utilities, groceries, etc., educational expenses for yourself or someone else in your household (e.g., tuition, books, supplies, etc.), or discretionary expenses such as entertainment, vacations, dining out, etc.?
1 in 3 Americans with credit card debt always or often only pay the minimum payment on their credit card bills

**Frequency in Paying Minimum**

- **Always**: 12%
- **Often**: 18%
- **Sometimes**: 23%
- **Rarely**: 23%
- **Never**: 25%

**BASE**: THOSE WITH CREDIT CARD DEBT – Gen Pop (n=1100)

QPAW13. How often do you pay only the minimum payment on your credit card bill, just covering the interest without paying down any principal?
One-third of Americans are paying greater than a 15% interest rate on their credit card balances

% Interest Rate

- Less than 5%: 12%
- 5%-10%: 19%
- 10%-15%: 26%
- Greater than 15%: 33%
- Don’t know: 9%

BASE: THOSE WITH CREDIT CARD DEBT – Gen Pop (n=1100)
QPAW12. On average, what interest rate do you pay on your credit card debt?
Nearly two-thirds expect to hold their credit card debt for only 1-5 years

BASE: THOSE WITH CREDIT CARD DEBT – Gen Pop: (n=1100)
N20. How many more years do you expect to be holding credit card debt?

- 1-5 years: 64%
- 6-10 years: 17%
- 11-15 years: 8%
- 16-20 years: 4%
- More than 20 years: 7%
More than six in ten Americans said if given the choice, they would have changed the way they used credit cards in the past.

Would change anything about past credit card usage

- Yes: 61%
- No: 39%

What would be done differently

- Pay down debt quicker: 59%
- Limit use to primarily cover necessities: 56%
- Gain a better understanding about interest rates: 37%
- Wait until I needed a card: 23%
- Use more often to earn additional points/benefits: 16%
- Other: 1%