2018 Planning & Progress Study

Deep Dive into Debt

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

The 2018 Planning & Progress Study seeks to provide unique insights into U.S. adults’ attitudes and behaviors toward money, financial decision-making, and the broader landscape issues impacting people’s long-term financial security.

The study is based on an online survey of 2,003 U.S. adults age 18+ conducted from March 7-19, 2018 (and an oversample of 601 interviews with U.S. Millennials age 18-34 which has been combined with the general population of those age 18-34 when featuring this group).

Data were weighted to be representative of the U.S. population (age 18+) based on Census targets for education, age/gender, race/ethnicity, region and household income.
Personal debt continues to mount

Though the majority of Americans cite debt reduction as their top 2018 financial priority, average personal debt (exclusive of mortgages and among those with some debt) climbed even higher this year.

**Q1810. Which of the following are your top financial priorities for 2018?**

- Reduce debt: 53%
- Establish/revisit your budget: 36%
- Save enough for a milestone: 29%
- Review retire. plan contributions: 20%
- Review insurance coverage: 16%
- Rebalance investment mix: 16%
- Review tax strategies: 14%
- Review your beneficiaries: 11%
- Get an advisor: 7%
- Something else: 6%

**QDB2. How much do you estimate your debt to be?**

- $1 to $5,000: 20%
- $5,001 to $25,000: 33%
- $25,001 to $50,000: 16%
- $50,001 to $100,000: 16%
- More than $100,000: 14%
- Don’t know: 1%

**BASE: ALL QUALIFIED RESPONDENTS - Gen Pop: (n=2003)**

**BASE: THOSE WITH SOME DEBT - Gen Pop: (n=962)**

*Estimated Average*:

- $38,000 (2018)
- $37,000 (2017)

* Rounded to the nearest $000
This year, credit cards jumped to tie mortgages as the leading source of debt.

Credit cards are a key culprit...

<table>
<thead>
<tr>
<th>Source of Debt</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mortgage</td>
<td>25%</td>
<td>29%</td>
</tr>
<tr>
<td>Credit card bills</td>
<td>25%</td>
<td>19%</td>
</tr>
<tr>
<td>Car loan</td>
<td>7%</td>
<td>6%</td>
</tr>
<tr>
<td>Personal educational loans</td>
<td>6%</td>
<td>7%</td>
</tr>
<tr>
<td>Home equity loan/line of credit</td>
<td>4%</td>
<td>3%</td>
</tr>
<tr>
<td>Educational expenses for children/family members</td>
<td>4%</td>
<td>3%</td>
</tr>
<tr>
<td>Other</td>
<td>5%</td>
<td>6%</td>
</tr>
<tr>
<td>I have no debt</td>
<td>23%</td>
<td>27%</td>
</tr>
</tbody>
</table>

**BASE: ALL QUALIFIED RESPONDENTS - Gen Pop: (n=2003)**

QPAW10. What is your main source of debt?
Similar to last year, Americans are spending nearly equal amounts of their monthly income, after basic necessities, on debt repayments and discretionary expenses.

**Average Percent of Total Monthly Income Spent on Expenses (excluding basic necessities)**

<table>
<thead>
<tr>
<th>Category</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Discretionary expenses (e.g., entertainment, leisure, travel,</td>
<td>37%</td>
</tr>
<tr>
<td>hobbies, etc.)</td>
<td></td>
</tr>
<tr>
<td>Paying off debt (e.g., credit cards, personal or educational</td>
<td>36%</td>
</tr>
<tr>
<td>loans; excludes primary mortgages)</td>
<td></td>
</tr>
<tr>
<td>Healthcare expenses</td>
<td>19%</td>
</tr>
<tr>
<td>Childcare</td>
<td>5%</td>
</tr>
<tr>
<td>Eldercare (i.e., care for an elderly loved one)</td>
<td>3%</td>
</tr>
</tbody>
</table>

**Average Percent of Total Monthly Income Spent on Discretionary Expenses**

<table>
<thead>
<tr>
<th>Category</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dining and nightlife</td>
<td>15%</td>
</tr>
<tr>
<td>Personal passions/hobbies</td>
<td>13%</td>
</tr>
<tr>
<td>Personal care (e.g., fitness, grooming, hair, nails, etc.)</td>
<td>13%</td>
</tr>
<tr>
<td>Clothing</td>
<td>13%</td>
</tr>
<tr>
<td>Leisure travel</td>
<td>10%</td>
</tr>
<tr>
<td>Arts and entertainment (e.g., concerts, performances,</td>
<td>8%</td>
</tr>
<tr>
<td>museums, cultural...</td>
<td></td>
</tr>
<tr>
<td>Career related expenses (e.g., continuing education,</td>
<td>5%</td>
</tr>
<tr>
<td>certifications)</td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td>24%</td>
</tr>
</tbody>
</table>

**BASE: ALL QUALIFIED RESPONDENTS - Gen Pop: (n=2003)**

**QNW6.** Outside of basic necessities (housing, food, transportation), approximately what percentage of your total monthly income goes to each of the following categories? (Percentages must sum to 100%.)

**BASE: THOSE WITH DISCRETIONARY EXPENSES - Gen Pop: (n=1831)**

**Q1814.** Please indicate approximately what percentage of your total monthly income goes to each of the following categories of discretionary expenses? (Percentages must sum to 100%).
Some Americans are spending more than saving...

The percentage of people carrying $5,000 - $25,000 in debt is higher than the percentage of Americans who have accumulated this same amount in personal savings.

**BASE: THOSE WITH SOME DEBT - Gen Pop: (n=962)**

QDB2. How much do you estimate your debt to be?

- $1 to $5,000: 20%
- $5,001 to $25,000: 33%
- $25,001 to $50,000: 16%
- $50,001 to $100,000: 16%
- More than $100,000: 14%
- Don't know: 1%

**BASE: ALL QUALIFIED RESPONDENTS - Gen Pop: (n=2002)**

Q1824. How much do you have in personal savings (excluding any funds specifically earmarked for retirement 401(k), IRA, etc.)?

- $0: 15%
- $1-$4,999: 22%
- $5,000-$24,999: 17%
- $25,000-$74,999: 12%
- $75,000-$124,999: 7%
- $125,000-$199,999: 5%
- $200,000 or more: 12%
- Don't know: 9%
Two in 10 Americans allocate 50% to 100% of their monthly income to debt repayment, while 1 in 10 Americans expect to be in debt for the rest of their lives.

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

- 1 to 5 years: 43%
- 6 to 10 years: 19%
- 11 to 20 years: 15%
- For the rest of my life: 13%
- Don't know: 11%

QDB1. What percentage of your monthly income goes to paying off debt (excluding your primary home mortgage)?

- 1% to 24%: 25%
- 25% to 49%: 18%
- 50% to 74%: 13%
- 75% to 100%: 7%
- Mortgage is my only debt: 15%
- Not sure: 22%

Mean 35%
Yet, Americans may be underplaying the implications of debt

The majority of Americans (56%) said debt has low or no impact on their ability to achieve financial security.