

**Fact Sheet****Liquid Savings of  
Working Households  
Ages 50–64**

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Financial assets, not just income, are essential to economic security. Liquid assets, such as money in a bank account that is readily accessible, can keep households from falling into a harmful cycle of debt when they encounter unexpected events like car trouble or a job loss. Financial shocks like these are very common: in one study, 60 percent of households faced an expense or loss of income in the past 12 months for which they did not budget.<sup>1</sup>

Among those in the labor force, older households are more likely than younger households to have some minimal level of liquid savings in a formal account, such as a checking or savings account.<sup>2</sup> However, more than a third of pre-retirees—defined as households with members in the workforce who are between the ages of 50 and 64—have less than \$2,000 in liquid savings. Low-income households are not the only ones that struggle to save; significant shares of middle-income pre-retirees also lack liquid savings. Black and Latino pre-retirees typically have lower liquid savings levels than White pre-retirees with similar incomes.

**“Enough” Liquid Savings: Is There a Magic Number?**

Households differ by size, location, and budget, making it impossible to say how much liquid savings is enough to be financially secure.<sup>3</sup> Recent research shows that many families, especially lower-income households, regularly build, deplete, and replenish their liquid savings.<sup>4</sup> Therefore, a point-in-time estimate of liquid savings is an imperfect measure of a household’s ability to weather a financial disruption. Nevertheless, two surveys of American households have established benchmarks that provide a useful basis for making comparisons across demographic groups.

The Federal Reserve’s 2015 Survey of Household Economics and Decisionmaking asks respondents about their ability to cover an unexpected expense of \$400. Meanwhile, the 2014 Pew Survey of American Family Finances found that the median cost of a household’s most expensive shock was \$2,000.<sup>5</sup> Those two benchmarks represent a typical modest disruption and a typical worst-case shock. The following analysis gauged the adequacy of households’ liquid savings against the \$400 and \$2,000 benchmarks, using the 2013 Survey of Consumer Finances from the Federal Reserve.

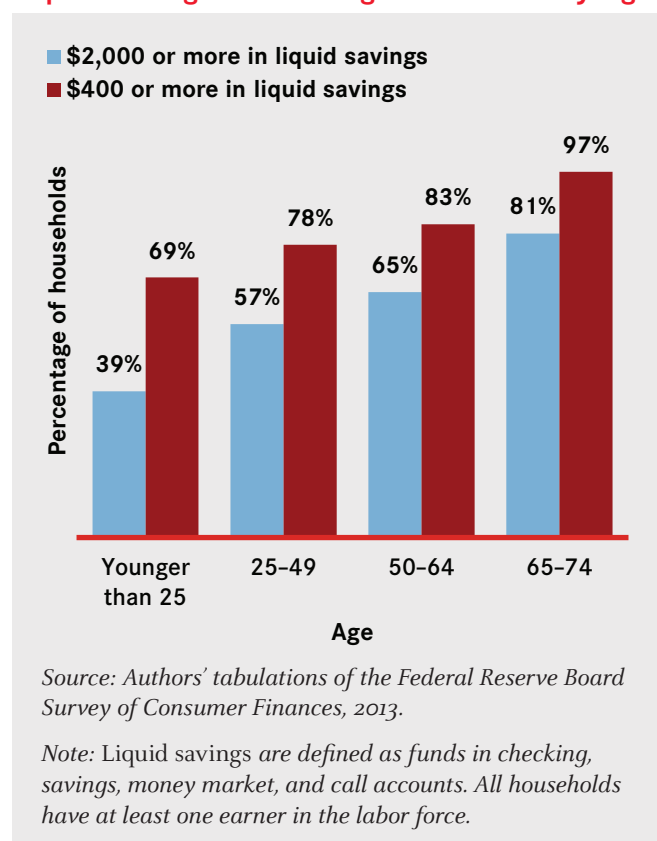


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## Older Households Are More Likely than Younger Households to Have Liquid Savings

The majority of all working households have at least \$400 in liquid savings. With the exception of households headed by people younger than 25 years old, most households also have at least \$2,000 in liquid accounts.<sup>6</sup> Older households are more likely than younger households to have liquid savings at or above these benchmarks (see figure 1).

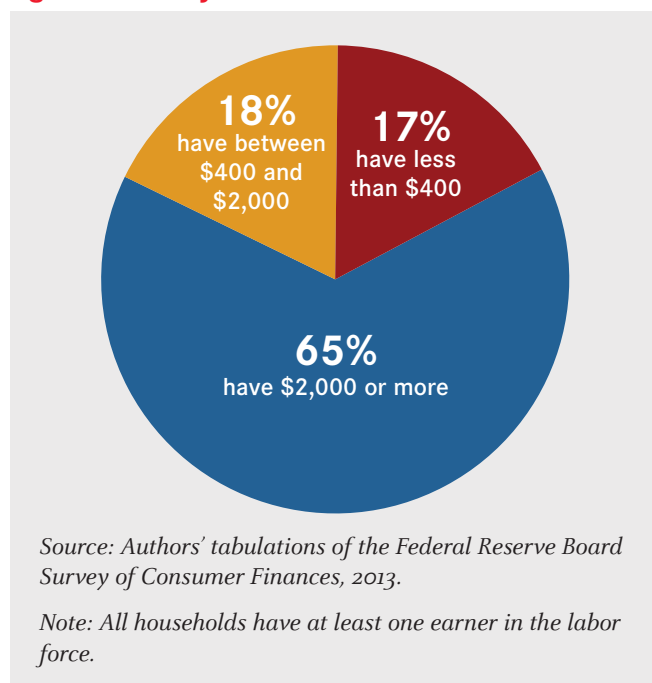
FIGURE 1  
Liquid Savings of Working Households by Age



## More Than a Third of Pre-Retirees Have Less than \$2,000 in Liquid Savings

A significant share of working households ages 50–64 have a relatively small savings cushion. More than one-third of these pre-retiree households (or 9.4 million) have less than \$2,000 in liquid savings, which suggests that they are unprepared to cover the cost of a typical worst-case financial shock. About half of these vulnerable households, nearly 5 million, have less than \$400 in liquid savings (see figure 2).

FIGURE 2  
Liquid Savings of Working Households Ages 50–64 by Amount Saved



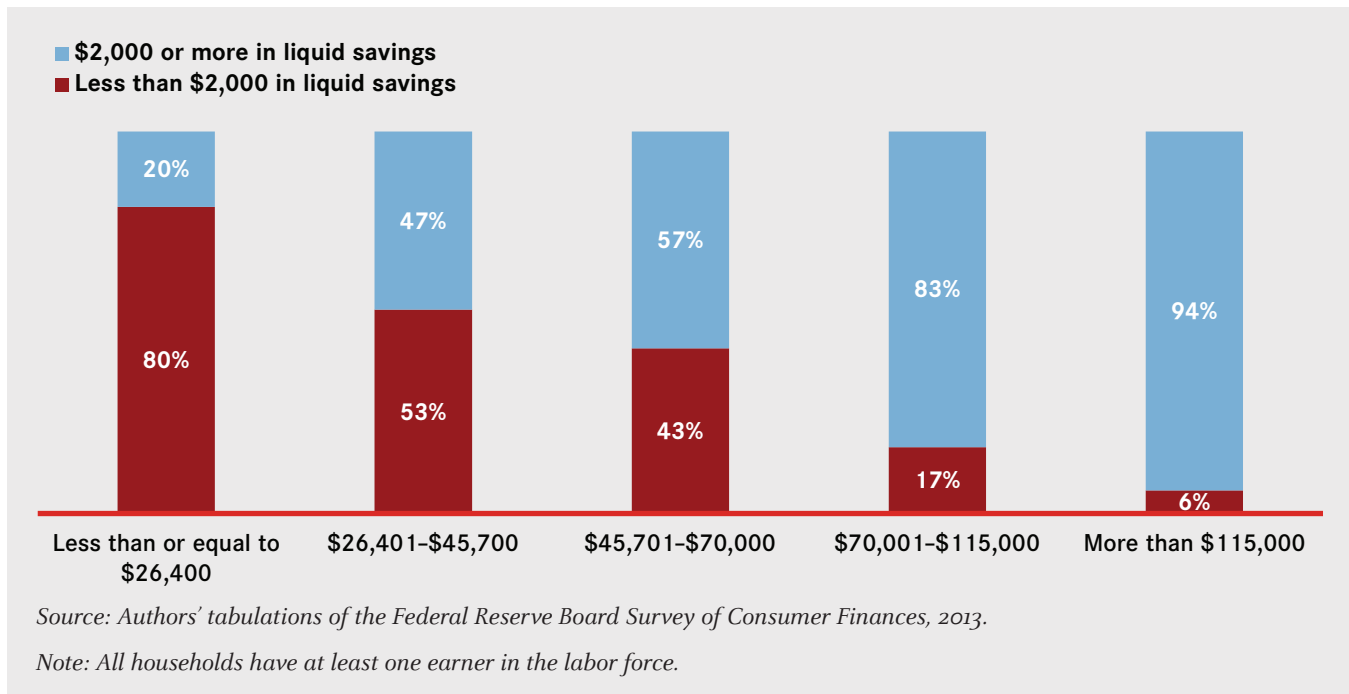
## At All Income Levels, Pre-Retirees Experience Savings Shortfalls

The median liquid savings held by 50–64-year-old working households with income in the lowest quintile is just \$230; not surprisingly, savings levels rise with income. The median liquid savings held by 50–64-year-old working households is \$1,310 for the second lowest income quintile, \$2,600 for the next quintile, \$8,180 for the next, and \$30,500 in liquid savings for the highest quintile. Yet some portion of working households at every income level has less than \$2,000 in liquid savings (see figure 3). Nearly four in five pre-retiree households in the lowest income quintile have less than \$2,000 in liquid savings. Even in the middle of the income scale, two in five pre-retirees fall short of the \$2,000 liquid savings benchmark.

## Black and Latino Pre-Retiree Households Have Lower Liquid Savings Levels Compared with White Households with Similar Income

Latino and Black pre-retiree households are less likely to have \$400 or \$2,000 in liquid savings

**FIGURE 3**  
**Liquid Savings of Working Households Ages 50-64, by Income**

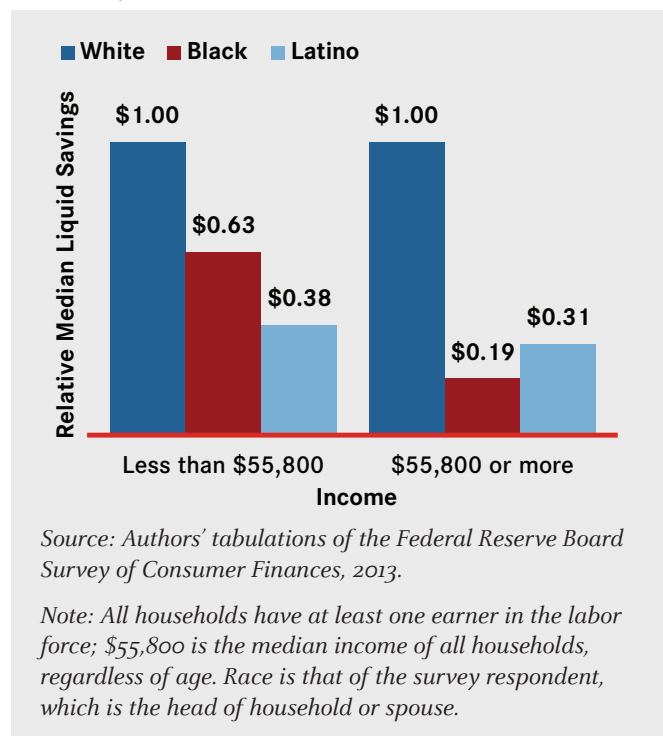


compared with White pre-retirees. Disparities in liquid savings levels by race and ethnicity are evident even among households in the same income group (see figure 4). For example, Latino households with income less than \$55,800 (the median income among all households) typically have just 38 cents in liquid savings for every dollar in liquid savings held by a White household in the same income group. Among those with higher incomes, Black households have just 19 cents in liquid savings for every dollar White households have saved.

**Liquid Savings Gaps Deserve a Closer Look**

Millions of households have little to no liquid savings to cushion them from the unexpected. While liquid savings levels increase with age and income, a third of pre-retirees have less than \$2,000 in liquid savings, which is the cost of a typical worst-case financial shock. Black and Latino pre-retirees have lower levels of liquid savings compared with their White peers earning similar income. These savings shortfalls and the factors that contribute to them deserve a closer look by researchers and policy makers.

**FIGURE 4**  
**Median Liquid Savings of Black and Latino Working Households Ages 50-64 for Every Dollar of White Working Households' Liquid Savings, by Income**



- 1 Pew Charitable Trusts, *The Role of Emergency Savings in Family Financial Security: How Do Families Cope with Financial Shocks?* (Washington, DC: Pew Charitable Trusts, October 2015), [http://www.pewtrusts.org/~media/assets/2015/10/emergency-savings-report-1\\_artfinal.pdf](http://www.pewtrusts.org/~media/assets/2015/10/emergency-savings-report-1_artfinal.pdf).
- 2 In this paper, *liquid savings* is defined as funds in checking, savings, money market, and call accounts. This does not include other forms of liquid savings held outside of the traditional banking system.
- 3 Various measures and indices of income and asset sufficiency take into account family structure, location, and life stage. Insight Center for Community Economic Development, *Measuring Up: Aspirations for Economic Security in the 21<sup>st</sup> Century* (Oakland, CA: Insight Center for Community Economic Development, March 2013), <http://kresge.org/sites/default/files/Measuring-Up-Economic-Security-in-21st-Century.pdf>.
- 4 Jonathan Morduch, Rachel Schneider, Timothy Ogden, Anthony Hannagan, and Julie Siwicki, “Emergency Savings,” *U.S. Financial Diaries*, June 2015, <http://www.usfinancialdiaries.org/issue4-emersav>; Diana Farrell and Fiona Greig, *Weathering Volatility: Big Data on the Financial Ups and Downs of U.S. Individuals* (New York, NY: JPMorgan Chase and Co. Institute, May 2015), <https://www.jpmorganchase.com/corporate/institute/report-weathering-volatility.htm>.
- 5 Pew Charitable Trusts, *Role of Emergency Savings*. The \$2,000 figure is “an indicator of financial fragility” in another widely cited survey; Annamaria Lusardi, Daniel Schneider, and Peter Tufano, *Financially Fragile Households: Evidence and Implications* (Washington, DC: The Brookings Institution, Spring 2011), [https://www.brookings.edu/wp-content/uploads/2011/03/2011a\\_bpea\\_lusardi.pdf](https://www.brookings.edu/wp-content/uploads/2011/03/2011a_bpea_lusardi.pdf).
- 6 Our findings are consistent with the results of the 2014 Pew Survey of American Family Finances, which found that 41 percent of households had less than \$2,000 in liquid savings and 59 percent had \$2,000 or more. Any discrepancies are likely the result of different age brackets used when sub-setting the data.

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