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America's savings a sign of the times

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Geoff Williams

Americans really want to save more money. The overwhelming majority (80 percent) say they do save money, but not as much as they would like because of the expenses of daily living. More than half (56 percent) say they save as much as possible because they're worried about tomorrow.

But fear doesn't motivate everyone to save, and in fact a rather casual attitude about saving prevails among some people. Two out of 10 Americans say they don't save much because they work too hard to scrimp on the things they really enjoy. And 14 percent say they don't really worry about saving. However, this number doubles to 30 percent among people who live by their words and actually don't save a portion of their salary each year.

Bankrate commissioned GfK Roper to conduct a random survey of Americans' attitudes about savings and debt as part of our Financial Literacy series. See our poll analysis on debt-related questions, released in February.

America's attitudes about savings

Percent who agree with each of the following statements.	Total	Those who earn less than \$50K	Those who earn \$50K+	Those who save part of their income	Those who do not save part of their income
You don't save much because you don't really worry about it	14%	18%	8%	10%	30%
You don't save much because you feel you work too hard to scrimp on the things you really enjoy	20%	28%	11%	18%	29%
You do save money, but not as much as you would like because of the expenses of daily living	80%	86%	78%	82%	82%
You save as much as possible because you're worried about tomorrow	56%	60%	51%	58%	50%

Christopher Viale, president and CEO of Cambridge Credit Counseling Corp., says he can understand that daily living expenses can stand in the way of saving for 80 percent of Americans. "With the skyrocketing costs of fossil fuels, combined with the 6 percent increase in food costs, people are definitely beginning to feel the crunch," he says.

"In addition, we have far more things fighting for our dollars than we did 30 short years ago: Cell phones, music and movie downloads, the Internet -- these are all costs that our parents and grandparents never had to contend with."

America's savings aspirations

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Are debtors better savers?

Ironically, people who carry debt may actually be better savers than people without debt. Bankrate's poll looked at debt exclusive of mortgages, such as car loans, student loans, credit card balances, etc.

More than four out of five Americans (84 percent) with these types of debt are saving at least a portion of their salaries, compared to 63 percent of those who do not have any nonmortgage debt.

Are debtors who make interest payments really more adept at saving than those who have fewer obligations? It appears so -- at least to a point.

How much America saves

How much of your salary are you able to save each year?	Total	Those who have debt	Those who do not have debt	Those earning less than \$50K	Those earning \$50K+
Nothing	17%	13%	25%	29%	5%
Any (net)	75%	84%	63%	65%	92%
Less than 10 percent of your income	30%	37%	19%	29%	35%
Between 10 percent and 20 percent of your income	31%	35%	26%	26%	40%
More than 20 percent of your income	14%	11%	18%	10%	17%
Refused	8%	4%	12%	6%	4%

Debtors outpace nondebtors in saving zero to 20 percent of income. But at the 20 percent-plus savings level, nondebtors leap ahead, with 18 percent saving at that level versus 11 percent for debtors.

Ronald Wilcox, a professor of business administration at the University of Virginia, says that this seeming contradiction in human behavior can be explained. Dealing with debt may teach you to save, he argues. Even simply making a car payment requires you to budget your money.

"If you have no debt at all, you're making no monthly payment," he says. "It's very easy to kind of go along without budgeting your money month to month. I would assume the budgeting process itself and the discipline that flows from that is probably good, in terms of getting some kind of regular savings contribution going as well."

The income correlation

Our survey shows that income is a big factor in Americans' ability to save. Some 29 percent of those earning less than \$50,000 say they aren't able to save any of their salary, compared to only 5 percent of those earning \$50,000 or more. Nearly all those earning \$50,000 or more are able to save at least part of their salary (92 percent).

But Robert Manning, professor at the Rochester Institute of Technology and author of "Credit Card Nation," is skeptical about this finding.

"As people have higher incomes they tend to report better financial situations. What we find is no matter what people make, they find ways to spend it," says Manning, who is also the director of the New Center for Consumer Financial Services. "People are more likely to say that they are saving because they have a higher income, but that's definitely not the case."

Gail Cunningham, senior director of public relations at the National Foundation for Credit Counseling, is also dubious. "My initial reaction to the results of this question was that people are fooling themselves about their level of saving. If the national average puts saving in the negative, yet your respondents indicate they are saving, something's amiss, and I suspect it's their perception.

"Many people are well-intentioned, knowing the value of saving, but just can't seem to consistently save any real amount of money. Others actually do make deposits into a savings account only to pull it out when the slightest need arises."

No such thing as too much savings

Even if the numbers aren't inflated by optimism, veteran debt expert Gerri Detweiler says they show we have a long way to go.

"Nearly half (47 percent) of consumers are saving either nothing or less than 10 percent of their income. That seems to be a sign of the times," she says.

Savings needs change with time, Cunningham points out. "Even very small amounts wisely invested over time can accumulate into fortunes. But, time is not on your side if you start saving later in life. Therefore, saving 10 percent might be the perfect amount for the young person, but far too low for the middle-aged American staring at retirement.

Further, there are so many legitimate needs for which we should save: retirement, college, down-payment on a house or car, a vacation -- not to mention the rainy day fund. The savvy consumer will examine the needs specific to his family and prepare for them. Once he puts a pencil to it, 10 percent may be enough or it may fall far short, but he needs to understand that making sacrifices in the short-term will pay huge long-range benefits.

"In my 22 years in this business, I've never spoken with anyone who said they'd saved too much," says Cunningham.

Optimistic self appraisals

We asked hypothetical behavioral questions to see if people believe they are spenders or savers. The majority of Americans perceive themselves as savers:

- 66 percent would skip going on vacation one year rather than put it on a credit card or finance it in some other way.
- 90 percent would keep an older car that runs fine and is paid for, rather than finance a new one.
- 78 percent would save up for major home improvements, rather than take out a loan to do them.

"These answers sound more well-intentioned than actual," says Cunningham. "It'd be interesting to follow up in a year and see if the respondents are all driving old cars, took no vacations and are living in homes in need of improvements."

Savings is often more palatable if it can be goal specific, she adds. "In other words, if you know you're saving for a new car, it's easier to save. Even if you deny yourself an occasional vacation, cars are going to need replacing and home repairs are going to have to be made. Therefore, the wise consumer will acknowledge this and begin earmarking money toward those needs."

Interestingly, those earning more than \$50,000 are more willing to make sacrifices than their lower-income brethren. For example, those earning \$50,000-plus say they are more likely to skip going on vacation (74 percent vs. 62 percent) and drive an older car (95 percent vs. 89 percent) to avoid debt.

However, those earning less than \$50,000 are much more likely to sacrifice home improvements until they have enough money saved rather than take out a loan to pay for them (81 percent vs. 73 percent for higher earners).

How far will our savings go?

Our disparate savings habits are reflected in this interesting parallel: roughly an equal number of Americans could live for a year off of their savings (25 percent) as could only make it a month or less (22 percent).

Women are much more likely than men to say they can only live one month or less off their savings (26 percent vs. 17 percent).

Roughly a third of men (29 percent) report they can survive off their savings for a year or more if they were laid off, versus 20 percent of women.

"There is clearly a gender issue and that shouldn't be a surprise in terms of family trajectories, divorce rates, income differences," says Manning. "But clearly women are reflecting greater financial anxiety. Not only are they more likely to have debt, but they're more concerned about it."

Nondebtors are more likely to have the wherewithal to live for a year or more off of savings (31 percent vs. 21 percent for debtors). More importantly, close to half of current nonsavers (45 percent) could only last for a month or less on their accumulated savings.

How long would savings last?

Savings and satisfaction

Some 41 percent of survey respondents report they are satisfied with the amount they save. However, that means the inverse is true: nearly 60 percent are not satisfied.

David Jones, president of the Association of Independent Consumer Credit Counseling Agencies, says that level of dissatisfaction seems pretty accurate. "However, I suspect that the 41 percent who say they are satisfied relates mostly to a feeling that they are saving as much as they possibly can, not that they would not want to save more," he says.

As a reminder that the responses are self-reported with no control for accuracy, Bankrate senior analyst Greg McBride says, "Just for comic relief, I have to point this out: 50 percent of those who don't save say they save as much as possible because

they're worried about tomorrow."

This national random-digit-dialed phone study of 1,014 adults 18 or older was conducted for Bankrate by GfK Roper Public Affairs & Media. The surveys were conducted from Feb. 8, 2008 through Feb. 10, 2008. The sample was weighted by demographic factors including age, gender, race, education and census region to ensure reliable and accurate representation of adults in U.S. households. The margin of error for the survey is +/- 3 percentage points. For full results and methodology, download this PDF.