

# Americans Besieged by Debt: 4 in 10 Spend Up to 50% of Monthly Income on Debt Payments

Northwestern Mutual Study Reveals Average Estimated Amount of Debt is \$37,000 Excluding Mortgages

MILWAUKEE, April 27, 2017 /PRNewswire/ -- Nearly three quarters of Americans are struggling with debt and the burden is significant in terms of both size and duration, according to new findings from [Northwestern Mutual's 2017 Planning & Progress Study](#). Specifically:

Of those Americans with debt, 4 in 10 (45%) spend up to half of their monthly income on debt repayment. Nearly half of Americans (47%) are carrying at least \$25,000 in debt, with average debt of \$37,000 *excluding* mortgage payments. Notably, more than 1 in 10 say their debt exceeds a staggering \$100,000. More than one third (36%) said they will be in debt between 6 and 20 years while 14% expect to be in debt for the rest of their lives.

When looking at the sources of debt, similar to 2016, mortgages (29%), credit card bills (19%), and personal educational loans (7% gen pop and 23% for Millennials) topped the list.

"Building financial security while saddled with high debt is like running a race with a weight around your ankle," said Rebekah Barsch, vice president of planning, Northwestern Mutual. "Reducing debt accumulation and being proactive about strategically managing the debt you already have is integral to a sound financial plan."

The research released today is part of the [2017 Northwestern Mutual's Planning & Progress Study](#) annual research project exploring Americans' attitudes and behaviors toward finances and planning. The Study [launched earlier this month](#) with a look at the current state of financial optimism.

## The true cost of debt

Not surprisingly, debt emerged as a significant source of stress and pressure:

4 in 10 Americans said debt has a "substantial" or "moderate" impact on financial security and the same number consider it a "high" or "moderate" source of anxiety. Eliminating all debt (26%) and earning significantly more income (29%) had the most mentions when asked what changes would most positively affect people's financial situations. When asked how they would use a \$2000 windfall, 40% said they'd pay down debt.

Despite recognizing the downsides of debt, the lure of spending remains strong. After covering off on necessities, Americans said 40% of their monthly income goes toward discretionary spending on entertainment, leisure travel, hobbies, and more. In fact, when asked what financial pitfalls they are prone to, one quarter of Americans flagged "excessive/frivolous" spending.

"One of the hardest challenges is resisting the urge to splurge on items that are beyond our budget," said Barsch. "While giving into temptation can feel good in the short-term, it often contributes to an ongoing cycle of buy and borrow that can become hard to escape."

## To pay or not to pay ... a question for some

The findings revealed that, among those managing debt, there is no clear consensus on the best strategy for repayment:

"I pay as much as I can on each of my debts each month" (35%)  
"I pay off debts with the highest interest first and make minimum payments to others" (19%)  
"I pay what I can when I can" (18% gen pop - 25% Millennials)  
"I make minimum monthly payments to each creditor" (17%)

"A thoughtful approach to debt repayment that minimizes interest and safeguards credit is essential," noted Barsch. "Otherwise, you risk building your financial foundation on a house of cards ---literally."

## About The 2017 Northwestern Mutual Planning & Progress Study

The [2017 Planning & Progress Study](#) was conducted by Harris Poll on behalf of Northwestern Mutual and included 2,117 American adults aged 18 or older (2,117 interviews with U.S. adults age 18+ in the General Population).

and an oversample of 632 interviews with U.S. Millennials age 18-34) who participated in an online survey between February 14 and February 22, 2017. 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.

### **About Northwestern Mutual**

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