

Northwestern Mutual Study Finds that Among Americans Who Carry Debt a Third (33%) of Their Monthly Income Goes Toward Paying It Off, Exclusive of Mortgages

U.S. adults who carry debt owe an average of \$26,621; and 13% expect to be in debt the rest of their lives

MILWAUKEE, May 6, 2020 /PRNewswire/ -- The latest findings from Northwestern Mutual's [2020 Planning & Progress Study](#) reveal that among Americans who carry debt, a third (33%) of their monthly income goes toward paying it off, exclusive of mortgages. Those with debt report having \$26,621 on average, and 13% of Americans expect to be in debt the rest of their lives.

"As COVID-19 continues to have far-reaching economic effects on people's daily lives, and the full scope of its impact comes more into focus, it's reasonable to expect these numbers will increase as people start to rely more heavily on credit in order to try and adapt to their new normal," says Christian Mitchell, executive vice president & chief customer officer at Northwestern Mutual.

Among U.S. adults carrying debt, 58% say it has a substantial or moderate impact on their ability to achieve long term financial security. Additionally, many report that debt impacts their ability to reach major financial milestones:

- 36% delayed significant purchases
- 29% delayed saving for retirement
- 18% delayed buying a home
- 8% delayed having children
- 7% delayed marriage

"Financial security and planning can be a challenging road to navigate even in the best of times, but during economic hardships and volatility, debt can add even more obstacles," continues Mitchell. "As many people are taking the time in the current environment to reevaluate their financial situation, it is prudent to include debt in that calculation."

Signs of Progress...Before the Storm

There are some positive indications in the data that suggest Americans have been making progress in their ability to manage and reduce debt over the last several years. But it's important to note that this year's findings were collected just prior to the steepest impacts of the COVID-19 outbreak. Even so, it is worth noting the trend lines:

- The total average debt among those who have it has been slowly declining over the years – from just over \$38,000 in 2018 to \$29,800 in 2019 to \$26,621 this year
- Of those with some debt, over two thirds (67%) have a specific plan to pay it off
- Over a quarter (26%) of Americans report having no debt

"It is more important than ever to build on these habits as it can help weather the storm. Having a plan to manage debt can act as a guardrail to keep people on track for their long-term goals," says Mitchell.

The Credit Card Crunch

Credit card bills (22%) and mortgages (21%) are the leading sources of debt for Americans. Car loans (8%) and personal education loans (8%) came in as the next highest sources of debt.

Of the 42% Americans who report holding credit card debt, the average amount is \$5,400. Of that debt, over half (52%) went toward paying for absolute necessities like rent, utilities and groceries; 36% was for discretionary expenses such as entertainment, vacations, or dining out; and 11% was used for educational expenses. The study also found:

- 30% of U.S. adults either always or often pay the minimum payment on their credit card bills, just covering the interest without paying down any principal
- 33% pay greater than a 15% interest rate on their cards, and 9% don't know what interest rate they're paying
- 12% expect to be in credit card debt between 11 and 20 years, and 7% expect their credit card debt to last more than 20 years

There also appears to be a bit of a learning curve when it comes to credit card usage. More than six in ten Americans with credit card debt (61%) said that if given the choice, they would have changed the way they used credit cards in the past.

56% would have limited their use of credit cards to primarily cover necessities

37% would have gained a better understanding of interest rates
23% would have waited to get a card until they really needed one

"Establishing credit and using it sensibly is a common and effective tool to help manage a long-term financial plan, but it's critical for people to understand the implications of accumulating debt, especially if it's for unnecessary expenses," says Mitchell. "On the long road to financial security, mounting debt can add winding and circular detours."

About The 2020 Northwestern Mutual Planning & Progress Study

The 2020 Planning & Progress Study was conducted by The [Harris Poll](#) on behalf of Northwestern Mutual and included 2,650 American adults aged 18 or older 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.

About Northwestern Mutual

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