More Than Half of Americans Say They're in Financial Recovery Mode, Almost All of Them are Confident They'll Recover Fully

Northwestern Mutual study finds a nation on the way back financially

MILWAUKEE, June 23, 2021 /PRNewswire/ -- Most Americans are still contending with the financial impact of the Covid-19 pandemic, according to the latest set of findings from Northwestern Mutual's 2021 Planning & Progress Study. The research finds more than half (58%) of U.S. adults aged 18+ say they are in financial recovery mode, but among them nine of out ten (89%) express confidence that they will ultimately achieve a full financial comeback.

For those in recovery, the research shows that the majority feel they are making considerable progress:

34% say they're in "late-stage recovery" – they suffered losses but have mostly, if not fully, recovered to pre-pandemic levels and are feeling confident in their ability to achieve long-term financial security
47% say they're in "mid-stage recovery" – they suffered losses and have begun making up ground, but have not yet reached pre-pandemic levels and still remain optimistic about their ability to achieve long-term financial security
18% say they're in "early-stage recovery" – they suffered losses, are still in decline and are unclear how they'll achieve long-term financial security

"We're seeing a nation still reeling from the financial instability that the pandemic has dealt, but there's also evidence that a promising number of people are on their way back," said Christian Mitchell, executive vice president & chief customer officer at Northwestern Mutual. "While it's great to see progress, it's also important to recognize that the setbacks are not equally distributed. No matter where people are on their financial journey, they need a roadmap; they need guidance; they need a plan."

Trending in the right direction (with some caveats)
Across a range of different categories, year-over-year numbers indicate that people's financial lives are trending in the right direction.

Average personal savings are up over 10% -- from $65,900 last year to $73,100 today;
Average retirement savings increased 13% -- from $87,500 last year to $98,800 today;
Financial security is nudging upward – from an average of 6.3 on a ten-point scale last year to 6.5 today

Going a layer deeper into savings trends reveals a more nuanced story:

A third (33%) of people say they have been able to save more over the last year;
Nearly an equal third (31%) say they are saving less or stopped saving altogether; and
One in ten (9%) say they've had to dig into savings and are going backwards.

"The divide runs deep between those who will emerge from this extraordinary time with better habits and more savings, and those who have struggled greatly and have much more ground to make up," said Mitchell. "Each will carry different needs, challenges and goals. It's our job to meet people wherever they are and help them to get on – and stay on – track."

Maintaining Momentum
The 2021 Planning & Progress Study asked people what they see as the best financial defense against future economic uncertainty and/or market volatility going forward and two replies stood out, each receiving more than three times the number of responses than any other option. Far and away, the steps that people see as their best financial defense are:

Having an emergency fund/personal savings (30%); and
Having a financial plan (27%)

Among the third of Americans who say they have been able to save more in the last year, they attribute it to:

Reduced discretionary expenses (35%)
Prioritized saving over spending (23%)
Increased income (18%)
Reduced living costs/necessary expenses (15%)

In a positive sign, three-quarters (74%) of people say they have good clarity on exactly how much they can afford to spend now versus how much they should be saving for later. But maintaining momentum over time will require a long-term view, and the study shows that planning horizons today are quite short.

Among the 58% of Americans who say they are in financial recovery mode, only 14% are actively planning more than five years out, while most are planning month-to-month (24%).

"Being prepared for uncertainties may sound simple, but it takes on extra poignancy this year," said Mitchell. "The goal for many now is how to move forward and maintain momentum."

In forthcoming data sets, the 2021 Planning & Progress Study will explore wide-ranging issues facing Americans spanning savings and debt, work and retirement, planning, priorities and more.

About The 2021 Northwestern Mutual Planning & Progress Study
The 2021 Planning & Progress Study was conducted by The Harris Poll on behalf of Northwestern Mutual and included 2,320 American adults aged 18 or older who participated in an online survey between March 16 – 26, 2021. 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
Northwestern Mutual has been helping people and businesses achieve financial security for more than 160 years. Through a holistic planning approach, Northwestern Mutual combines the expertise of its financial professionals with a personalized digital experience and industry-leading products to help its clients plan for what's most important. With $308.8 billion in total assets, $31.1 billion in revenues, and $2 trillion worth of life insurance protection in force, Northwestern Mutual delivers financial security to more than 4.75 million people with life, disability income and long-term care insurance, annuities, and brokerage and advisory services. The company manages more than $200 billion of investments owned by its clients and held or managed through its wealth management and investment services businesses. Northwestern Mutual ranks 90 on the 2021 FORTUNE 500 and is recognized by FORTUNE® as one of the "World's Most Admired" life insurance companies in 2021.

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