FINANCIAL CAPABILITY OF ADULTS WITH DISABILITIES

FINDINGS FROM THE NATIONAL FINANCIAL CAPABILITY STUDY

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LETTER FROM NATIONAL DISABILITY INSTITUTE

National Disability Institute (NDI) envisions a world where people with disabilities have the same opportunities to achieve financial stability and independence as people without disabilities. Twenty-seven years after the signing into law of the Americans with Disabilities Act (ADA), there remain substantial challenges for adults across the spectrum of disabilities to make ends meet, plan ahead, manage financial products and services and improve financial decision making.

This report analyzes data from the Financial Industry Regulatory Authority (FINRA) Investor Education Foundation's National Financial Capability Study (NFCS) to reveal the most comprehensive picture to date of how people with disabilities manage financial resources and make financial decisions. For National Disability Institute, government, community nonprofit organizations and financial institutions, what this report reveals about the financial capability of adults with disabilities provides an important framework for the future design of programs, products, education and services that may improve the financial stability and capability of our nation's most economically vulnerable population.

National Disability Institute thanks the FINRA Investor Education Foundation for their generous support to make this report possible. NDI also thanks the Foundation for making the survey results and data accessible to NDI researchers and for the thoughtful advice of Foundation staff, which was invaluable to the framing of the research and reporting of findings. NDI looks forward to disseminating the findings widely and sparking the next generation of solutions to create personal pathways to a better economic future for Americans with disabilities.

Michael Morris
Executive Director
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FINRA Investor Education Foundation

The FINRA Investor Education Foundation, established in 2003 by the Financial Industry Regulatory Authority, supports innovative research and educational projects that empower underserved Americans with the knowledge, skills and tools to make sound financial decisions throughout life. For details about FINRA Foundation initiatives, visit *www.finrafoundation.org.*

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1 INTRODUCTION

A Overview

In passing the Americans with Disabilities Act (ADA) in 1990, Congress recognized that the presence of physical and mental impairments should not diminish a person's right to fully participate in all aspects of society. However, Americans with disabilities are frequently precluded from doing so because of prejudice, antiquated attitudes about the limitations of people with disabilities or the failure to remove societal and institutional barriers. The ADA states that our nation's goals are to "assure equality of opportunity, full participation, independent living, and economic self-sufficiency" for individuals with disabilities. Key to achieving these goals is the ability of people with disabilities to become financially stable — generally only possible through employment, high quality and affordable health care and ready access to financial information and services.

People with disabilities face significant barriers to financial stability. Low or unstable income and inadequate health insurance coverage complicate financial decisions. Individuals with disabilities often have a tenuous connection with the labor force because they tend to be employed in low-wage or temporary jobs that are less secure. They are often the "first fired and last hired" in times of economic downturn.[1] People with some conditions may also have a "thinner margin of health," meaning that they are susceptible to health problems related to their particular disability, as well as illnesses prevalent in the population.[2] This means they may be forced to leave employment either temporarily or permanently due to exacerbation of a health condition. Even when individuals with disabilities have access to health insurance (public or private), their financial stability may deteriorate when they need costly medical intervention, adaptive equipment or personal assistance not covered by insurance.

The nexus of race, poverty and disability creates significant barriers to financial stability for large segments of the disability community. Individuals belonging to one of these categories — or all three — are especially vulnerable to social stigma. Racism, classism, ableism and other forms of prejudice create barriers that result in social and economic marginalization for these groups. For these individuals, disability is only one of several stigmas they face.[3] Such marginalization creates challenges to developing financial capability. For example, the poverty rate for adults with disabilities is more than twice the rate of adults with no disability (27 percent compared with 12 percent); nearly 40 percent of African Americans and 29 percent of Latinos with disabilities live in poverty.[4]

1 Kaye, Stephen H. "The Impact of the 2007-09 Recession on Workers with Disabilities." *Monthly Labor Review*, October 2010, pp. 19-30.

2 Pope, A., Tarlov, A. (Eds.). *Institute of Medicine. Disability in America: Toward a National Agenda for Prevention*. Washington, D.C., National Academy Press, 1991.

3 Block, Pamela, Balcazar, Fabricio E., & Keys, Christopher B. (2002). "Race, Poverty and Disability: Three Strikes and You're Out! Or Are You?" *Social Policy*, 33 (1), 34-38.

4 Ibid.

B Purpose of the Report

The Financial Industry Regulatory Authority (FINRA) Investor Education Foundation's mission is to empower Americans, particularly underserved Americans, with the knowledge, skills and tools to make sound financial decisions throughout life.[5] The Foundation developed and commissioned the National Financial Capability Study (NFCS) to assess Americans' financial capability by measuring multiple aspects of behavior relating to how individuals manage their resources and how they make financial decisions.

Using a wide variety of indicators, the first NFCS in 2009 established benchmarks for key indicators of financial capability and evaluated how these indicators vary with underlying demographic, behavioral, attitudinal and financial literacy characteristics. The survey included questions focusing on the key components of financial capability: making ends meet, planning ahead, managing financial products and services and financial knowledge and decision making. The FINRA Foundation repeated the study and updated key measures in 2012 and 2015.

For the first time, the 2015 NFCS included questions used in other national surveys, such as the American Community Survey (ACS), to identify individuals with a disability.[6] Recognizing that experience and needs of working-age people with disabilities may vary dramatically from older individuals who may have acquired a disability after their prime working years, we focus on survey respondents ages 18-64. Respondents are considered to have a disability if they are ages 18 to 64 and either:

A. Indicated "yes" to any of the six-question disability sequence:

1. Are you deaf or do you have serious difficulty hearing?
2. Are you blind or do you have serious difficulty seeing, even when wearing glasses?
3. Because of a physical, mental or emotional problem, do you have difficulty remembering, concentrating or making decisions?
4. Do you have difficulty walking or climbing stairs?
5. Do you have difficulty bathing or dressing?
6. Because of a physical, mental or emotional problem, do you have difficulty doing errands alone, such as visiting a doctor's office or shopping?

B. Or, when asked about their work status, chose the response option, "Permanently sick, disabled or unable to work."

5 https://www.finra.org/newsroom/speeches/062509-testimony-subcommittee-financial-institutions-and-consumer-credit

6 In accordance with Section 4302 of the 2010 Affordable Care Act, the US Department of Health and Human Services established data collection standards for disability status and identified these six questions noting that they were developed by a federal interagency committee and reflect the change in how disability is conceptualized consistent with the International Classification of Functioning, Disability, and Health. The question set defines disability from a functional perspective and was developed so that disparities between the population with and without disabilities can be monitored.

By only asking about disability in terms of whether or not someone was unemployed because they were "Permanently, sick, disabled or unable to work," earlier NFCS surveys significantly undercounted the number of people with disabilities in the American population. Identifying people with disabilities as those unable to work is problematic for several reasons. First, there is no response option for the 33 percent of working-age adults with disabilities who are employed despite their impairment. An employed individual with a disability will not be included when data on the disability population is analyzed. Second, there is no opportunity to ascertain differences between people with disabilities who work and those who don't. A third problem is that when people with disabilities are combined into one large category, there is no opportunity to analyze responses by type of disability. Differences between people with various types of disabilities are masked.

By including a robust set of questions to identify people with disabilities on the 2015 NFCS survey, the FINRA Foundation has provided a unique opportunity to help us better understand the financial capabilities of individuals with disabilities as compared to other Americans. This knowledge will enable representatives of the public and private sector to develop policies and practices to strengthen the financial future of this vulnerable population. However, because earlier NFCS surveys included only the "Permanently sick, disabled or unable to work" question, comparisons across time will be limited since they can be made only based upon individuals who responded to this question. Additional information about methodology is presented in the Appendix.

This report follows the outline of the FINRA Investor Education Foundation's *Financial Capability in the United States 2016.* It compares working-age adults with disabilities to those without disabilities on four key components of financial capability: Making Ends Meet, Planning Ahead, Managing Financial Products and Financial Knowledge and Decision Making. Our findings are summarized below:

Making Ends Meet

Respondents with disabilities:

- are more than twice as likely to find it "very difficult" to cover expenses and pay bills (23 percent versus 9 percent).
- are twice as likely to have past due medical bills (38 percent versus 18 percent) and much more likely to forgo medical care because of costs (46 percent versus 25 percent), although they are equally likely to have health insurance.
- are twice as likely to be unable to come up with $2,000 if an unexpected need arose in the next month (37 percent versus 18 percent).
- experience higher levels of financial stress (people with disabilities are twice as likely to be late with a mortgage payment) and are almost twice as dissatisfied (41 percent versus 23 percent not at all satisfied) with their current financial condition.

Planning Ahead

Respondents with disabilities:

- are less likely to have set aside three months of emergency funds (30 percent versus 46 percent).
- are equally likely to have a household budget (59 percent versus 56 percent), but less likely to have set long-term financial goals (44 percent versus 61 percent).

- have a shorter time horizon for planning and budgeting with a large number only planning and budgeting for the next few months (34 percent versus 24 percent).
- are less prepared for retirement with less having figured out their retirement savings needs (31 percent versus 41 percent), less likely to have a retirement account (40 percent versus 62 percent) and more worried about running out of money in retirement (63 percent versus 59 percent).
- are less likely to have non-retirement accounts (20 percent versus 31 percent) and less willing to take any risk on financial investments (36 percent versus 24 percent).

Managing Financial Products

Respondents with disabilities:

- are less likely to have checking (84 percent versus 91 percent) and savings accounts (61 percent versus 77 percent) and more likely to be unbanked (12 percent versus 6 percent).
- are more likely to use prepaid debit cards (36 percent versus 24 percent).
- are less likely to own a home (45 percent versus 58 percent); but among those who are homeowners, more than twice as likely to be "underwater" (28 percent compared to 13 percent).
- are less likely to have any credit cards (63 percent versus 80 percent); but among those who had credit cards, equally likely to have researched and compared credit cards (37 percent versus 37 percent) and more likely to engage in expensive credit card behaviors (56 percent versus 40 percent).
- are more likely to use non-bank borrowing methods (42 percent versus 25 percent).
- are less likely to have good debt (29 percent versus 39 percent have a mortgage or home equity loan) and more likely to have bad debt (38 percent versus 18 percent have unpaid medical bills).

Financial Knowledge and Decision Making

Respondents with disabilities:

- have fewer correct responses on a test of basic financial concepts (44 percent versus 53 percent average correct answer score on a financial literacy test).
- have a lower self-perceived level of financial knowledge (70 percent versus 81 percent rated themselves positively).
- have similar access and use of financial education (20 percent versus 22 percent were offered and participated in workplace or school financial education).

Financial capability is affected by socioeconomic characteristics and disability status. The report describes differences by a variety of characteristics. Survey findings based on additional socioeconomic characteristics can be found in the Online Appendix available at *http://realeconomicimpact.org/pages/finra-2017.*

C Who Are Americans with Disabilities?

Characteristics of the Disability Population

The term "disability" describes a diverse group of individuals. A person's disability can be related to vision, hearing, movement, communication, cognition and/or psychosocial issues, and can range from mild to severe and be constant or episodic. A disability can occur at birth, old age, or anytime in between. It can be congenital or can arise because of chronic illness, injury, malnutrition or aging.

Disability can happen to anyone, regardless of socioeconomic or demographic characteristics. What is common to all people with disabilities, however, is that they face barriers to inclusion linked to functional impairments and societal barriers.

The diversity of types and severity of disability, age of onset, income and race have significant implications for developing strategies that promote financial inclusion. For example, a wheelchair user faces different access issues than someone who is blind. An individual born with a disability may have very different needs than one who acquires their disability later in life after they have been educated, gained experience in the workforce and accumulated assets. Low-income individuals may need a different suite of services than those with higher incomes. Individuals of color with disabilities may face negative stereotypes based upon either their disability or minority status, or both.

One in nine working-age adults ages 18 to 65 has a disability that may put them at risk of exclusion from the economic mainstream. This rate varies dramatically by race and ethnicity. African Americans are the most likely to have a disability (14 percent) followed by Non-Hispanic Whites (11 percent), Latinos (8 percent) and Asians (5 percent).[7]

The likelihood of having a disability increases with age. Six percent of young adults age 18-20 have a disability, compared with 22 percent of adults near retirement age (61-65). Chronic medical conditions, such as diabetes, high blood pressure, back pain, anxiety or depression, can lead to functional limitations over time. In addition, the cumulative effects of inadequate nutrition and health care, stressful or unsafe working conditions and other factors increase the risk of disability over the lifespan.[8]

Table 1 presents the demographic characteristics of the weighted respondents used in the survey analysis for this report. Survey respondents with disabilities are disproportionately older, have lower levels of education and income and are less likely to be in the labor force.

7 Statistics taken from the American Community Survey as cited in Goodman, Morris, and Boston (2017). *Financial Inequality: Disability and Race in America*. National Disability Institute, Washington, D.C.

8 Ibid.

Table 1: Socioeconomic and Demographic Characteristics of Working-Age Survey Respondents, Percentages by Disability Status

	With Disability	No Disability
Number of Respondents	5,005	17,302
Race/Ethnicity		
White	65	61
African American	13	13
Hispanic	15	18
Asian	4	7
Other	4	2
Age		
18-34 years	32	38
35-54 years	40	42
55-64 years	28	19
Education		
High School Degree or Less	39	26
Some College	46	43
College Degree	15	31

	With Disability	No Disability
Employment Status		
Employed	39	69
Unemployed	10	7
Not in Labor Force	51	24
Household Income		
Less than $15,000	26	11
$15,000 to $35,000	31	20
$35,000 to $50,000	13	15
$50,000 to $75,000	14	21
$75,000 and Above	15	33
Marital Status		
Married/Partner	50	60
Single	50	40
Dependent Children		
With Dependent Children	36	43
No Dependent Children	64	57

In the weighted NFCS sample, nearly 40 percent of people with disabilities had a high school education or less, compared with 26 percent of respondents without a disability. Only 15 percent had a college degree, about half the rate of those without a disability. Respondents with disabilities were also older; more than one-fourth were between 55 and 64 years of age, compared with less than 20 percent of those without a disability.

Employment and Sources of Income

While most households in the United States derive their income from employment, the majority of adults with disabilities do not participate in the labor market. In the NFCS sample, 39 percent of people with disabilities were employed compared with 69 percent of those without disabilities. Among those who work, many work part-time. They are also more likely to be employed in service occupations and are less likely to be employed in management or professional positions.[9] Those who do not work are either unemployed, meaning they are not working or temporarily laid off, but looking for work at the time the survey was taken, or not in the labor market, including those who are in school, raising a family or who have stopped looking for a job in the belief that there is no job available to them, or have a disability that prevents them from working.

9 See Persons with a Disability, Labor Force Characteristics, Department of Labor 2016 at https://www.bls.gov/news.release/disabl.nr0.htm.

Adults with work disabilities may be eligible for two types of assistance through the Social Security Administration. Eligibility for these programs is limited to those with "a severe, medically determinable physical or mental impairment that is expected to last 12 months or result in death, based on clinical findings from acceptable medical sources." Applicants must be unable to engage in any "substantial gainful activity by reason of a medically determinable physical or mental impairment."[10]

Social Security Disability Insurance (SSDI) serves people with disabilities who have made sufficient contributions to the Social Security Trust Fund and are deemed unable to work because of their medical impairment. Benefit levels are calculated based upon their prior wages; additional payments may be made to qualifying family members. SSDI benefits are not means-tested. Beneficiaries can have a working spouse, a home and significant financial resources, but must be deemed "disabled" and "unable to work" in order to receive benefits. The average monthly benefit for a disabled worker in 2015 was $1,165; including a spouse and one child, the average benefit was $1,976.

The Supplemental Security Income (SSI) program provides monthly cash assistance to people who are disabled or elderly and have little income and few assets. Because they typically have no other source of income, more than half of recipients receive the basic monthly SSI benefit, which, in 2015, was $733 for an individual and $1,100 for a couple.

While these public benefits provide critical financial support to people with disabilities, they contain rules that may inadvertently expose participants to strong disincentives to work and to save. SSI and SSDI both predicate eligibility on an "inability to work." Thus, with certain exceptions, earning too much income can jeopardize access to cash benefits. In addition, SSI has stringent asset limits which discourage beneficiaries to save. SSI recipients are limited to $2,000 in assets for individuals and $3,000 in assets for couples, with certain exceptions.

Large portions of people with disabilities live in poverty. Among sample members, 26 percent of respondents with disabilities had household incomes below $15,000, compared with 11 percent of those without disabilities. Another third of people with disabilities had incomes between $15,000 and $35,000, compared with 20 percent of those without disabilities. Only 15 percent of respondents with disabilities had a household income of $75,000 and above, compared with about one-third of other respondents. The poverty status of this population, along with the extra expenses people with disabilities must often pay for medical care, personal assistance, housing, transportation and other services, may account for the findings of our data analysis described above.

All of these characteristics may affect an individual's financial status and financial capability and create a number of challenges:[11]

- A negative credit report may prevent a jobseeker from being hired by one of the many employers who consider the applicant's credit history when hiring.
- Jobseekers with disabilities who are financially unstable or who cannot withstand a financial emergency may have difficulty pursuing career goals because they need an immediate job and cannot forgo income to invest in education or training that will pay off in the future.

10 https://www.ssa.gov/disability/professionals/bluebook/general-info.htm

11 Morris, M. & Goodman, N. (2015). *Integrating Financial Capability and Asset Building Strategies into the Public Workforce Development System.* LEAD Center. http://leadcenter.org/resources/report-brief/integrating-financial-capability-and-asset-building-strategies-public-workforce-development-system

- Stress from financial insecurity reduces worker productivity and increases absenteeism, making it difficult to keep a job.
- Lack of a bank account creates challenges for both employer and employee; for example, employers are unable to automatically deposit paychecks into a bank account when the employee lacks one.
- Wage garnishments can put additional stress on the employment relationship. Some may fear wage garnishments to pay off debts so they avoid the formal employment sector altogether.
- Beneficiaries of public programs may worry that the income they earn from working will make them ineligible for or reduce their public benefits, putting them in an economically worse situation.
- High financial debt, relative to available assets, is associated with higher perceived stress and depression, worse self-reported general health and higher diastolic blood pressure.[12]

Often, financial decisions are complicated by limited access to financial information and services and the need to make specific financial decisions in order to maintain eligibility for income support programs. Restrictions in the SSI program for beneficiaries to work and to save may affect how, when, where and what types of financial education and capability services they need. Financial planners often do not understand the intricacies of the benefit system and the work incentives (or disincentives) these programs contain, making it very difficult for program beneficiaries to receive full and accurate information.

In recent years, new opportunities to set aside funds to meet independent living expenses have been established. For example, the Achieving a Better Life Experience (ABLE) Act allows certain individuals with disabilities to establish tax-advantaged savings accounts to meet disability-related costs without losing eligibility for public benefits.[13] However, account holders must have the information, guidance and sophistication to sign up for the program, contribute (or have others contribute) to the account, understand investment options and use the money responsibly. Developing the financial capability to use programs such as ABLE accounts can offer customers a roadmap to increased financial health.

12 Sweet, E., Nandi, A., Adam, E.K., & McDade, T.W. (2013). "The High Price of Debt: Household Financial Debt and its Impact on Mental and Physical Health." *Social Science and Medicine* (91)94-100.

13 See https://www.able-now.com/resources/faqs for frequently asked questions about ABLE accounts.

2 MAKING ENDS MEET

The ability to make ends meet is a central component of financial capability. The NFCS includes measures of the respondent's ability to cover expenses and pay bills, balance monthly income and expenses, cover medical expenses and come up with $2,000 for an unanticipated expense or emergency. When individuals have difficulty making ends meet, they show signs of financial stress, including overdrawing checking accounts, being late with mortgage payments and tapping into retirement accounts. An individual's ability to make ends meet is affected by the sources and stability of their income. Their satisfaction with their personal finances is a subjective measure that captures the individual's perception of their situation.

People with disabilities have more difficulty covering expenses and paying bills and thus are less likely to be satisfied with their personal finances. This is not surprising since people with disabilities are more likely to have disability-related expenses and lower household incomes than those without disabilities. What is surprising is that, even when we account for a variety of socioeconomic characteristics, people with disabilities are still twice as likely to have difficulty covering expenses and paying bills.

This may be due to the extra costs of disability or the tenuous connection with the labor market. Having a disability can lead to a loss of earned income due to the loss of employment of the individual, their partner or parent.[14] In addition, individuals with disabilities have extra costs directly related to the presence of disability. These extra costs vary dramatically based on type and severity of the impairment, as well as resources and availability of services. The direct extra costs associated with disability are wide-ranging and include health-related expenses, such as additional out-of-pocket costs required for health services, medication, assistance with daily activities (e.g., help to get up, washed, dressed, go to bed at night) and durable medical equipment. They also include expenses related to the purchase of assistive technology and accessible transportation and the extra costs associated with housing that is accessible and/or convenient to public transportation.

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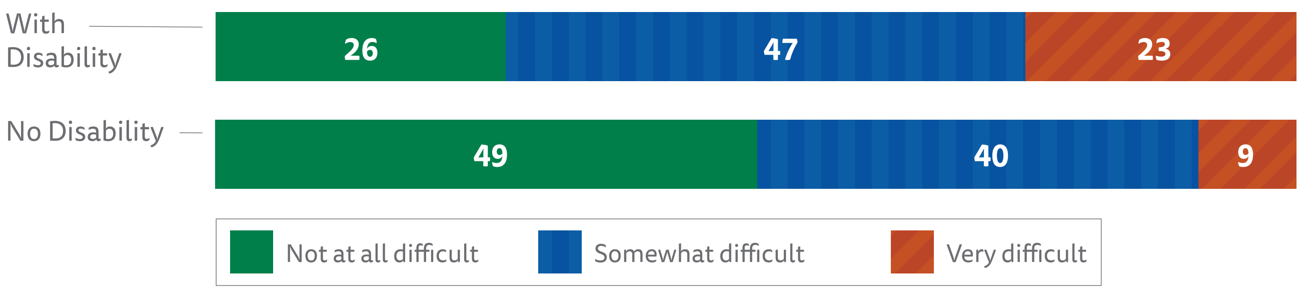
14 Mitra, S., Palmer, M., Kim, H., Mont, D., & Groce, N. (2017). "Extra Costs of Living with Disability: A Systematized Review and Agenda for Research". *Disability and Health Journal*. *http://www.disabilityandhealthjnl.com/article/S1936-6574(17)30078-X/fulltext*

A Difficulty Covering Expenses and Paying Bills

One quarter (23 percent) of adults with a disability find it "very difficult" to make ends meet, compared with nine percent of those without a disability. Only one-fourth (26 percent) of those with a disability say they have no difficulty compared to almost half of those without a disability (Figure 1).

Figure 1: Difficulty Covering Expenses and Paying Bills, Percentages by Disability Status, 2015



Gender, race, education, employment status and income are correlated with the difficulty of making ends meet. Those with a disability are more likely to have difficulty making ends meet regardless of their other characteristics. Women report having more trouble making ends meet than men, whether or not they have a disability; both men and women with disabilities have more trouble than their counterparts with no disability (Online Appendix).

Adults with disabilities who are white are three times more likely to find making ends meet very difficult, compared to white adults with no disability (24 percent versus 8 percent). African Americans with disabilities are similarly likely to have difficulty making ends meet, but the disparity between African Americans with and without a disability is smaller (26 percent versus 14 percent).

As shown at the bottom of Table 2, type of disability does not seem to impact the ability to make ends meet. Because the disability categories include respondents with varying levels of severity and important socioeconomic characteristics, it is difficult to determine if type of disability has no impact on financial capability or if the data conflates too many factors and does not allow us to identify the impact.

Table 2: Level of Difficulty Making Ends Meet, Percentages by Disability Status and Socioeconomic Characteristics, 2015

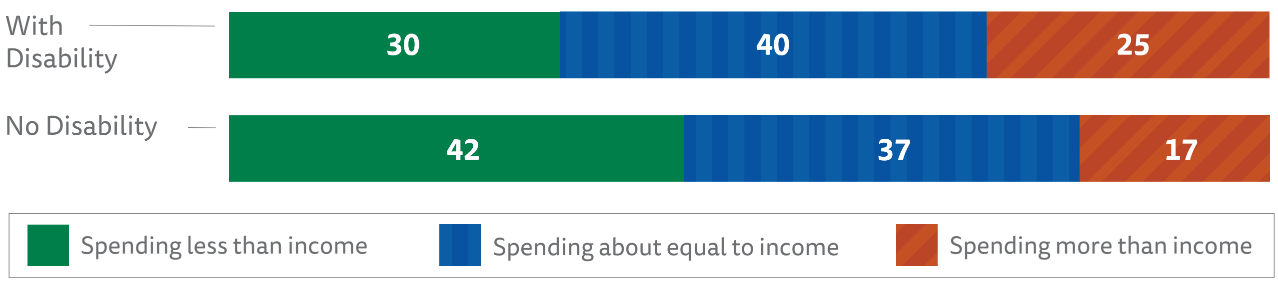
	Very Difficult		Somewhat Difficult		Not at all Difficult	
	With Disability	No Disability	With Disability	No Disability	With Disability	No Disability
All	23	9	47	40	26	49
Gender						
Male	20	7	46	37	31	54
Female	27	10	48	43	23	44
Race/Ethnicity						
White	24	8	47	38	26	52
African American	26	14	48	44	23	39
Hispanic	21	9	47	43	29	45
Asian	16	7	45	39	33	51
Other	29	11	49	41	21	44
Age						
18-34 years	22	9	50	45	23	42
35-54 years	26	9	46	38	26	51
55-64 years	22	7	45	32	31	59
Education						
High School Degree or Less	26	12	47	44	23	41
Some College	23	9	49	42	26	47
College Degree	19	6	42	33	36	60
Employment Status						
Employed	21	7	50	40	27	52
Unemployed	37	25	43	42	13	25
Not in Labor Force	23	9	46	39	28	49
Household Income						
Less than $15,000	36	20	42	48	16	26
$15,000 to $35,000	23	15	54	51	21	31
$35,000 to $50,000	21	10	53	47	26	41
$50,000 to $75,000	16	6	48	39	34	53
$75,000 and Above	11	3	36	27	49	69
Disability Type						
Hearing	23		44		31	
Vision	24		46		27	
Cognitive	29		48		20	
Ambulatory	24		46		28	
Self-Care	27		44		25	
Independent Living	26		48		24	
Work Disability	25		45		27	

All differences between respondents with and without disabilities are statistically significant at .05 level. Comparison of respondents by disability type: those with cognitive, self-care and work disabilities are not statistically different from respondents with other disabilities.

B Spending Versus Saving

When asked about spending habits relative to household income over the past year, respondents with disabilities are more likely than those with no disability to spend more than or equal to their household income (65 percent versus 54 percent)(Figure 2).

Figure 2: Spending Versus Saving Percentages by Disability Status, 2015



Respondents without disabilities are less likely to spend more than their income as their income increases. Almost one-quarter (22 percent) of those with incomes under $15,000 spend more than their income, compared with only 13 percent of those with incomes over $75,000. However, respondents with disabilities are equally likely to spend more than their income regardless of their income (Table 3), perhaps due to the extra costs of disability.

Table 3: Spending More than Income, Percentages by Disability Status

	With Disability	No Disability
Total	25	17
Age		
18-34 years	29	20
35-54 years	25	16
55-64 years	22	13
Race/Ethnicity		
White	25	15
African American	27	24
Hispanic	27	18
Asian	22	18
Other	26	19

	With Disability	No Disability
Household Income		
Less than $15,000	25	22
$15,000 to $35,000	26	21
$35,000 to $50,000	26	20
$50,000 to $75,000	25	17
$75,000 and Above	25	13

All differences between respondents with and without disabilities are statistically significant at the .05 level except African American, Asian and income less than $15,000.

C Medical Expenses

Compared to working-age adults without disabilities, those with disabilities are equally likely to have health insurance, but more likely to have past due medical bills and more likely to forgo medical care because of costs. This issue is particularly important because their disabling physical or mental health impairment places them at increased risk of secondary conditions and comorbidities – they have a "thinner margin of health." Underusing medical care because of lack of financial resources may have a significant impact on the individual's physical health.

Health Insurance

Working-age adults with and without disabilities are equally likely to have had health insurance in 2015 (84 percent and 85 percent, respectively) (Table 4). Other research indicates that while people with disabilities are less likely to have employer coverage, they are much more likely to have government health insurance, such as Medicare or Medicaid.[15]

Those with disabilities with a very low income are more likely to be insured than similarly situated people without disabilities. Adults with disabilities who are not in the labor force are more likely to have insurance than those who are employed or unemployed and looking for work, likely because those receiving SSI are eligible for Medicaid and those receiving SSDI are eligible for Medicare after a two-year waiting period.

Table 4: Percentage with Health Insurance, Percentages by Disability Status

	With Disability	No Disability
All	84	85
Employment Status		
Employed	82	88
Unemployed	69	60
Not in Labor Force	88	85
Household Income		
Less than $15,000	80	66
$15,000 to $35,000	83	74
$35,000 to $50,000	84	84
$50,000 to $75,000	86	90
$75,000 and Above	90	95

All differences between respondents with and without disabilities are statistically significant at the .05 level except All and Household Income $35,000-$50,000.

15 Barnett, J.C. & Vornovitsky, S.H. (2016). *Health Insurance Coverage in the United States: 2015*.Current Population Reports: P60-257(RV). https://www.census.gov/content/dam/Census/library/publications/2016/demo/p60-257.pdf

Past Due Medical Bills

Adults with disabilities are more likely to have unpaid medical bills than those with no disability even when they have health insurance. This finding is supported by other research that indicates people with disabilities have a higher use of medical care and often need a range of services and supports that may not be fully covered by insurance (such as personal assistance services or durable medical equipment), leaving them with higher health care expenditures and higher out-of-pocket costs.[16]

Working-age adults with disabilities not in the labor market are less likely to have past due medical bills than those who are employed (Table 5). This result stems from the fact that many people with disabilities not in the labor force receive SSI benefits and Medicaid or SSDI benefits and Medicare. Public insurance, especially Medicaid, has lower out-of-pocket costs and more comprehensive coverage than many employer-based plans.[17]

Table 5: Percentage with Past Due Medical Bills, Percentages by Disability Status

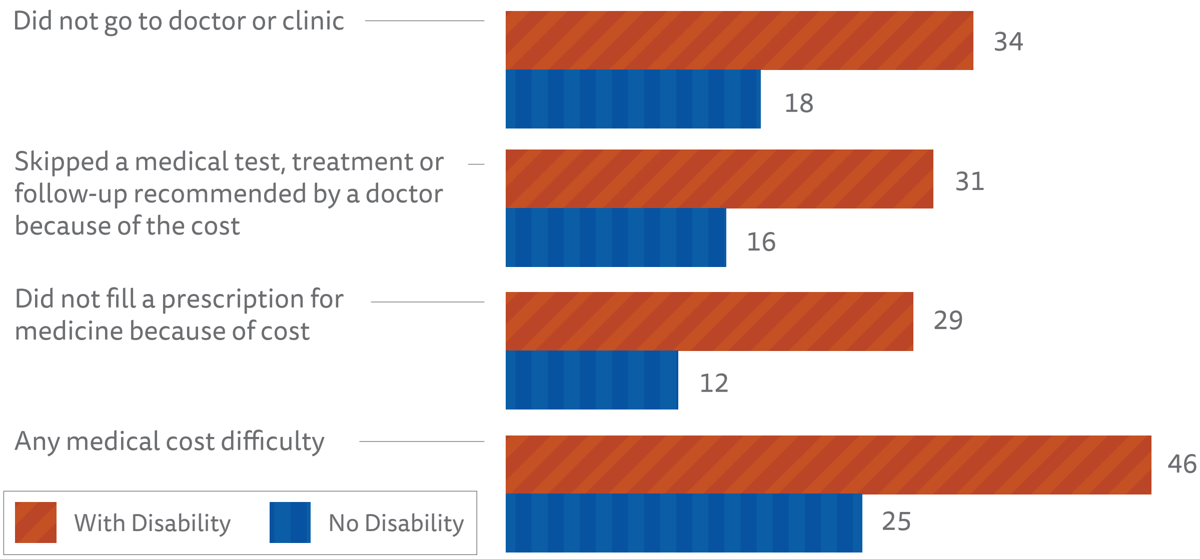
	With Disability	No Disability
All	38	18
Health Insurance Status		
Has Health Coverage	38	17
Does Not Have Health Coverage	44	25
Employment Status		
Employed	42	18
Unemployed	34	21
Not in Labor Force	36	17
All differences between respondents with and without disabilities are statistically significant at the .05 level.		

The data indicate that the cost burden of medical care has larger impacts for people with disabilities. Compared to those without disabilities, adults with disabilities are more likely to avoid going to a doctor or clinic because of cost, more likely to skip a medical test, treatment or follow-up recommended by a doctor because of cost, and more likely to not fill a prescription for medicine because of cost. In the past year, almost half of adults with disabilities compromised their medical care because of cost (Figure 3).

16 Pumkam, C., Probst, J.C., Bennett, K.J., Hardin, J. & Xirasagar, S. (2013). "Health care expenditures among working-age adults with physical disabilities: Variations by disability spans." *Disability and Health Journal*. 6(4): 287-296.

17 Goodman, N., Stapleton, D., Livermore, G. & O'Day, B. (2007). *The Health Care Financing Maze for Working-Age People with Disabilities*. Cornell University: Rehabilitation Research and Training Center for Economic Research on Employment Policy for Persons with Disabilities. http://digitalcommons.ilr.cornell.edu/cgi/viewcontent.cgi?article=1234&context=edicollect

Figure 3: Medical Cost Difficulties, Percentages by Disability Status

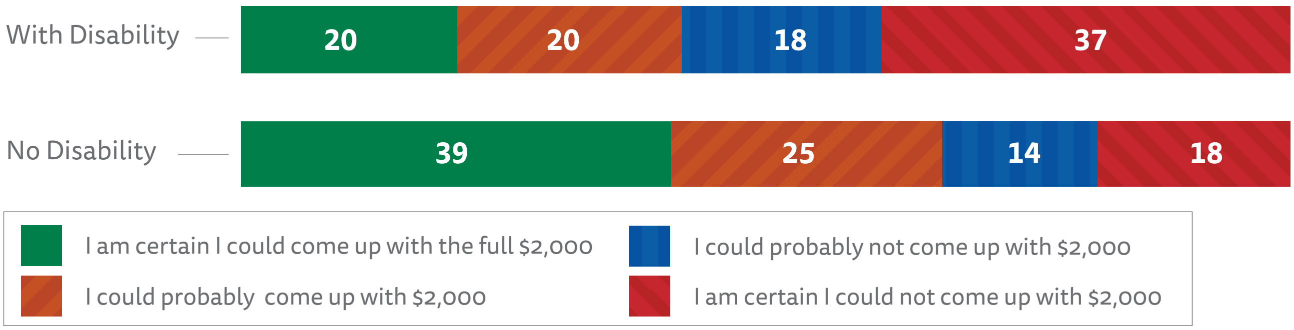


D Financial Fragility

The NFCS asks respondents the following: "How confident are you that you could come up with $2,000 if an unexpected need arose within the next month?" This question implicitly addresses not only whether the family has liquid assets, but also whether they would be able to mobilize resources by borrowing, getting help from family and friends, by selling possessions or other strategies.[18] More than half (55 percent) of respondents with disabilities probably or certainly could not come up with $2,000, compared to one-third (32 percent) of those without disabilities (Figure 4). This is particularly problematic in view of their tenuous connection with the labor market and the higher likelihood that they will experience a medical episode whose treatment may not be covered by insurance.

18 Lusardi, A. (2017). 6 questions to help determine your financial health. Wall Street Journal Blogs. Jan 11, 2017. https://blogs.wsj.com/experts/2017/01/11/six-questions-to-help-determine-your-financial-health/

Figure 4: Confidence in Ability to Come Up with $2,000 if Unexpected Need Arose Within the Next Month, Percentages by Disability Status



Not unexpectedly, financial fragility is most severe among low-income households. Three-quarters of respondents with disabilities (75 percent) and two-thirds of those without disabilities (66 percent) with incomes under $15,000 are financially fragile. However, for people with disabilities, a sizable fraction of seemingly middle-class Americans is also at risk. One-quarter (22 percent) of people with disabilities with incomes over $75,000, and 41 percent with incomes from $50,000 to $75,000, would probably or certainly be unable to come up with the funds. Women are more at risk than men. African Americans, those with lower levels of education or those not working are more at risk than others (Table 6).

Table 6: Probably or Certainly Could Not Come Up with $2,000 if Unexpected Need Arose Within the Next Month, Percentages by Disability and Socioeconomic Characteristics, 2015

	With Disability	No Disability
All	55	32
Gender		
Male	45	27
Female	64	37
Race/Ethnicity		
White	54	28
African American	62	46
Hispanic	56	37
Asian	38	24
Other	62	39
Education		
High School Degree or Less	60	44
Some College	58	35
College Degree	34	18

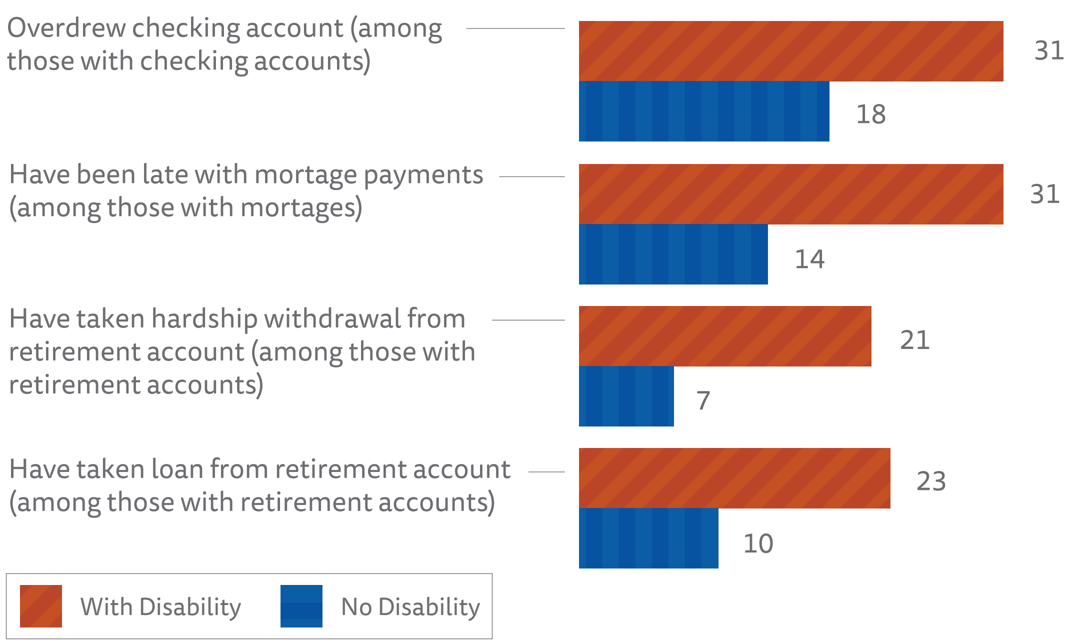
	With Disability	No Disability
Employment Status		
Employed	44	28
Unemployed	73	59
Not in Labor Force	60	37
Household Income		
Less than $15,000	75	66
$15,000 to $35,000	64	49
$35,000 to $50,000	50	40
$50,000 to $75,000	41	25
$75,000 and Above	22	12

All differences between respondents with and without disabilities are statistically significant at the .05 level.

E Indicators of Financial Stress

The NFCS includes four indicators of financial stress: (1) Overdrew checking account, (2) have been late with mortgage payments, (3) have taken a hardship withdrawal from a retirement account and (4) have taken a loan from a retirement account. Adults with disabilities are more likely than others to exhibit financial stress based on all four indicators (Figure 5). The substantial disparity between those with and without disabilities persists regardless of gender, race/ethnicity, age, education, employment status, household income, marital status and presence of dependent children (Online Appendix).

Figure 5: Indicators of Financial Stress, Percentages by Disability Status



F Sources of Income

The majority of working-age adults receives income from employment (i.e., salaries, wages, freelance pay or tips). However, while 76 percent of those with no disability receive employment income, only 52 percent of those with a disability receive such income. In contrast, survey data shows that working-age adults with disabilities are much more likely than others to receive federal benefits, such as unemployment, disability, SSI or TANF (40 percent compared with 10 percent) (Table 7). This is likely an underestimate. Other research indicates that, among working-age adults with disabilities, 65 percent participate in at least one disability or safety-net program, compared with 17 percent of those without disabilities. These programs include SSI, SSDI, Medicare, Medicaid, Indian Health, energy assistance, public housing, rent subsidies, SNAP (Food Stamps), Temporary Aid to Needy Families (TANF), general assistance, workers compensation and unemployment insurance.[19] In many situations, people with disabilities may qualify for multiple programs.

Table 7: Sources of Income, Percentages by Disability Status

	With Disability	No Disability
Salaries, wages, freelance pay or tips	52	76
Other federal or state benefits (e.g., unemployment, disability, SSI, TANF)	40	10
Money from family members who do not live in your household	26	20
Social Security retirement benefits[20]	19	9
Income from a business	14	16
Payments from a pension plan	13	11
Withdrawals from retirement accounts (e.g., 401(k), IRA, Keogh)	10	9
All differences between respondents with and without disabilities are statistically significant at the .05 level except withdrawals from retirement accounts.		

Type of income is correlated with age, education, household income and disability type. Among those with disabilities, younger people (age 18-34) are more likely to have employment income and support from family members and less likely to have other federal and state benefits than older people (35-54 or 55-64). Those with lower levels of education and lower incomes are less likely to have employment income and more likely to have other federal or state cash or in-kind benefits. People with sensory or cognitive disabilities are more likely than people with ambulatory disabilities to have employment income: almost two-thirds of people with a hearing disability (61 percent) compared with 45 percent of people with an ambulatory disability (Table 8).

19 Houtenville, A.J. & Brucker, D.L (2017). "Participation in Safety-Net Programs and the Utilization of Employment Services Among Working-Age Persons with Disabilities". *Journal of Disability Policy Studies*. 25(2): 91–105.

20 The analysis is limited to those under age 65, so it is unlikely that 19 percent of those with disabilities receive retirement income, which becomes available at age 62. It is more likely that some respondents misreported their SSDI Income as "Social Security Retirement" rather than considering it as one of the safety net programs in "Other federal or state benefits."

Table 8: Sources of Income, Percentages by Selected Socioeconomic Characteristics and Disability

	Salaries, wages, freelance pay or tips		Other federal or state benefits (e.g., unemployment, disability, SSI, TANF)		Money from family members who do not live in your household	
	With Disability	No Disability	With Disability	No Disability	With Disability	No Disability
All	52	76	40	10	26	20
Age						
18-34 years	63	74	29	11	45	33
35-54 years	52	81	45	9	20	13
55-64 years	40	69	46	11	12	7
Education						
High School or Less	43	64	41	12	24	20
Some College	54	76	42	11	26	20
College Degree	68	86	33	8	32	20
Household Income						
Less than $15,000	27	51	50	13	27	33
$15,000 to $35,000	47	67	45	14	26	26
$35,000 to $50,000	63	76	35	11	26	19
$50,000 to $75,000	73	80	33	9	24	17
$75,000 and Above	76	86	26	7	26	14
Disability Type						
Hearing	61		37		28	
Vision	57		34		31	
Cognitive	55		40		34	
Ambulatory	45		48		18	
Self-Care	41		52		26	
Independent Living	49		45		29	
Work Disability	23		75		17	

All differences between respondents with and without disabilities are statistically significant at .05 level. Differences between respondents with specific disability type compared to others with disabilities are generally not significant with the following exceptions; difference in salaries, wages and freelance pay is statistically significant for hearing, cognitive and independent living and work disability; the difference in other benefits is statistically significant for vision and work disability; money from family and friends is statistically significant for work disability only.

Among those with employment income, workers with disabilities are three times more likely to find it very difficult to cover expenses and pay bills than people with no disability (21 percent compared with 7 percent) (Table 9). The NFCS data confirm that even among those with employment income, people with disabilities earn less than others. Fifty-seven percent of people with disabilities have incomes under $35,000 compared with just 31 percent of those without disabilities. Other research indicates that workers with disabilities are more likely than others to be working part-time, are concentrated in service occupations and, even after adjusting for education level, earn less than their counterparts without disabilities.[21]

Table 9: Percentage Who Found it "Very Difficult" to Cover Expenses and Pay Bills, Percentages by Source of Income and Disability Status

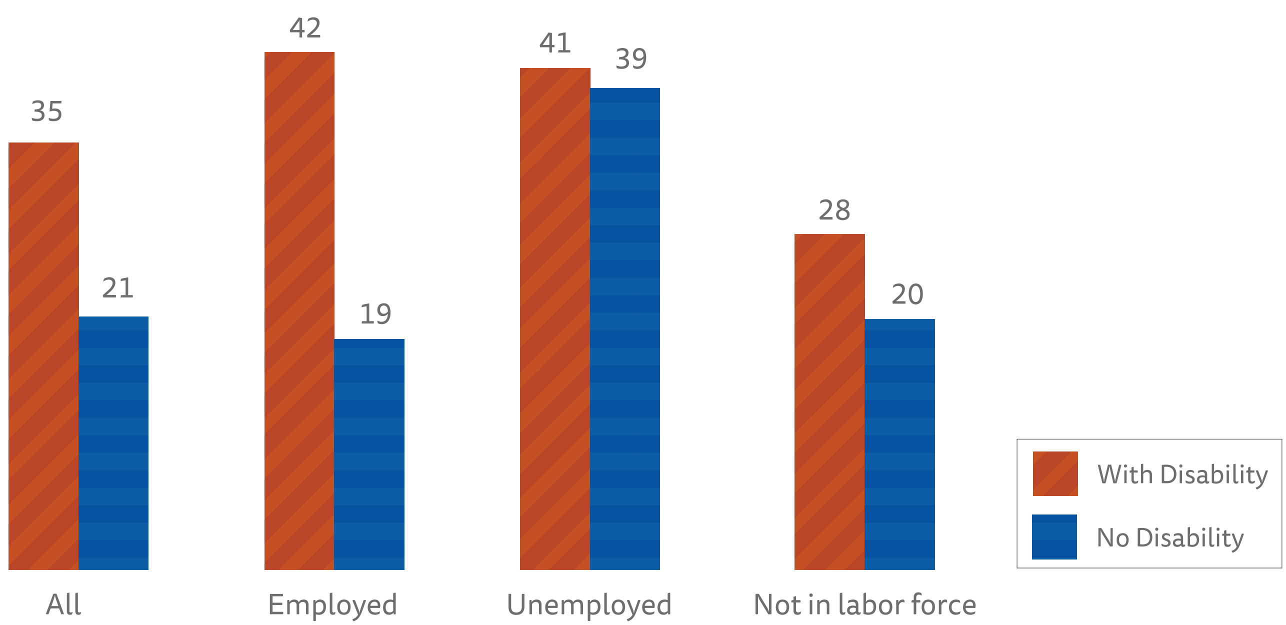
	With Disability	No Disability
Salaries, wages, freelance pay or tips	21	7
Other federal or state benefits (e.g., unemployment, disability, SSI, TANF)	25	13
Money from family members who do not live in your household	30	14
Social Security retirement benefits	19	9
Income from a business	23	7
Payments from a pension plan	19	6
Withdrawals from retirement accounts	24	12
All differences between respondents with and without disabilities are statistically significant at the .05 level.		

21 Yin, M., Shaewitz, D., & Megra, M. (2014). *An Uneven Playing Field: The Lack of Equal Pay for People with Disabilities.* American Institutes for Research. http://www.air.org/news/press-release/those-disabilities-earn-37-less-average-gap-even-wider-some-states and https://www.bls.gov/news.release/disabl.nr0.html.

G Unexpected Income Drop

An unexpected drop in income can complicate the ability to make ends meet. Adults with disabilities are more likely to have experienced a large and unexpected drop in income in the past year than those without disabilities. The largest disparity is among people who are employed. Whereas 35 percent of all adults with disabilities have experienced an income drop, compared to 21 percent of those without a disability, 42 percent of those with disabilities who are employed experienced such a drop compared to 19 percent of those with no disability (Figure 6). This may indicate their employer had decreased their work hours, or they voluntarily reduced their hours or left the labor force due to disability onset or exacerbation. The disparity among those not in the labor force is less dramatic, most likely because adults with disabilities not in the labor force often receive a relatively low but stable income from SSI or SSDI.

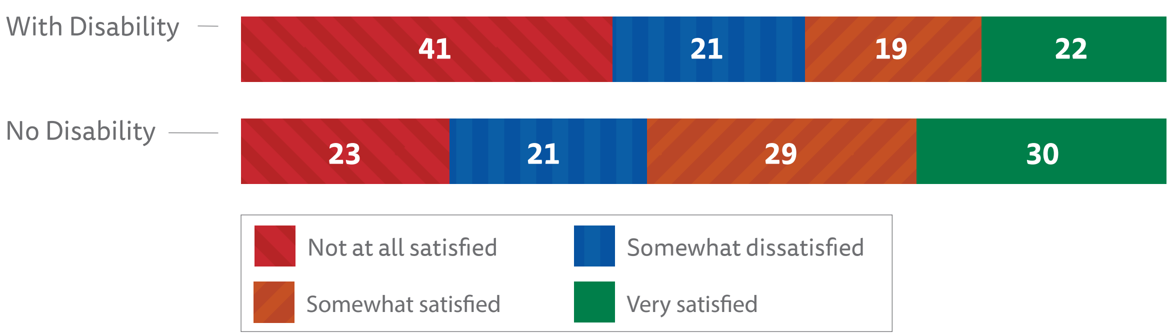
Figure 6: Percentage Experiencing a Large and Unexpected Income Drop in the Past Year, Percentages by Disability and Employment Status, 2015



H Satisfaction with Personal Finances

Respondents with disabilities report less satisfaction with personal finances compared with other respondents. Among people with disabilities, 41 percent are not at all satisfied with their finances compared with only 23 percent of those without disabilities (Figure 7).

Figure 7: Satisfaction with Current Personal Financial Condition, Percentages by Disability Status, 2015



Note related to Figure 7: The NFCS asks the following: "Overall, thinking of your assets, debts and savings, how satisfied are you with your current personal financial condition? Please use a 10-point scale, where 1 means 'Not at All Satisfied' and 10 means 'Extremely Satisfied.'" This table recodes the responses into 4 categories: 1-3 = Not at all Satisfied; 4-5 = Somewhat Dissatisfied; 6-7 = Somewhat Satisfied; 8-10 = Very Satisfied.

Satisfaction is a subjective measure and involves an individual's perception of the adequacy of their resources, especially their day-to-day financial condition. [22] It is thus not surprising that people with higher incomes are more likely to be satisfied with their financial condition regardless of disability status. As shown in Table 10, less than one-sixth (14 percent) of people with disabilities whose incomes are less than $15,000 are very satisfied compared with almost half (46 percent) of those with incomes over $75,000.

Looking at respondents with disabilities, those who are employed are more likely to be very satisfied with their financial condition than those who are unemployed or not in the labor market (30 percent, 10 percent and 18 percent, respectively). Men are more likely to be very satisfied than women (28 percent compared with 16 percent). Those not in the labor market that receive SSI, SSDI or other public benefits rely on this assistance, but at the same time often feel trapped. Many wish to raise their income through part-time employment, but believe these programs prohibit participation in employment.[23]

22 Sass, S.A., Belbase, A., Cooperrider, T., & Ramos-Mercado, J.D. (2015). *What Do Subjective Assessments of Financial Well-being Reflect?* Center for Retirement Research at Boston College. CRR WP 2015-3. http://crr.bc.edu/wp-content/uploads/2015/03/wp_2015-3.pdf

23 O'Day, Bonnie L., Hannah Burak, Kathleen Feeney, Regina Freeman, Elizabeth Kelley, Grace Lim, Frank Martin, and Katie Morrison (2016). *Employment Experiences of Young Adults and High Earners Who Receive Social Security Disability Benefits: Findings from Semistructured Interviews.* Report submitted to the Social Security Administration. Washington, D.C.: Mathematica Policy Research.

Table 10: Satisfaction with Current Financial Condition
Percentages by Disability Status and Socioeconomic Characteristics, 2015

	Not At All Satisfied		Somewhat Dissatisfied		Somewhat Satisfied		Very Satisfied	
	With Disability	No Disability	With Disability	No Disability	With Disability	No Disability	With Disability	No Disability
All	41	23	21	21	19	29	22	30
Gender								
Male	34	19	19	20	20	30	28	34
Female	46	27	22	23	17	28	16	25
Employment Status								
Employed	33	20	20	21	19	30	30	31
Unemployed	60	49	17	22	15	16	10	14
Not in Labor Force	43	23	22	22	19	28	18	30
Household Income								
Less than $15,000	55	44	20	23	13	19	14	17
$15,000 to $35,000	46	33	23	25	16	25	16	20
$35,000 to $50,000	36	25	25	24	21	29	20	24
$50,000 to $75,000	31	19	21	22	26	31	24	31
$75,000 and Above	16	11	14	17	25	33	46	42

Differences in the distribution of responses between respondents with and without disabilities are statistically significant at the .05 level. Those with disabilities are significantly more likely to be "not at all satisfied" and significantly less likely to be "somewhat satisfied" or "very satisfied." The difference in "somewhat dissatisfied" is not statistically significant.

Making Ends Meet: The Role of Disability After Adjusting for Differences in Socioeconomic Characteristics

The previous sections illustrate that the ability to make ends meet varies dramatically based on disability status, as well as other socioeconomic characteristics. Twenty-three percent of respondents with disabilities found it very difficult to cover expenses and pay bills in a typical month, compared to nine percent of those without disabilities. However, being less educated, unemployed, African American, single or lower income increased the chance for respondents with and without disabilities to have difficulty. Respondents with disabilities in the 2015 NFCS survey are more likely to be older, less educated, not in the labor force, lower income, single and have no dependent children (Table 1).

Is the difference in the ability to make ends meet the result of differences in socioeconomic characteristics, or is it directly related to disability or the way disability interacts with these other characteristics?

To answer this question, we conducted multivariate analysis on variables key to making ends meet and found that while some of the disparity between respondents with and without disabilities can be explained by differences in socioeconomic characteristics, much of it is directly related to disability.[24] That is, if respondents with disabilities had the same socioeconomic characteristics as those without disabilities, there would still be a disparity in outcomes.

Table 11 compares the percentage of respondents with disabilities to those without disabilities on three measures of making ends meet. It includes results from the statistical analysis that show the percentage of difference explained by socioeconomic characteristics and the percentage explained by disability or other variables not included in the analysis. Finally, it presents the difference if respondents with disabilities had the same socioeconomic characteristics as those without disabilities.

24 We use the Blinder-Oaxaca decomposition technique to decompose the differential between the two groups (respondents with disabilities and those without disabilities) into differences in observable characteristics and unexplained components. The observable characteristics include gender, race, age, educational attainment, employment status, marital status, income, region, living arrangement and presence of dependent children. The unexplained component is traditionally interpreted as a measure of discrimination or unequal treatment because it represents the residual, which cannot be accounted for by differences in characteristics.

Table 11: Making Ends Meet, Results of Multivariate Analysis, Percentages by Disability Status

	Actual Percentage Values Based on Survey Respondents			Percentage Explained by Socioeconomic Characteristics Versus Disability		Predicted Percentage Values if Respondents with Disabilities Had the Same Socioeconomic Characteristics as Those with No Disability	
	With Disability	No Disability (1)	Percentage Point Difference	Socioeconomic Characteristics	Disability	With Disability (2)	Percentage Point Difference (2)-(1)
Very difficult to make ends meet	23	9	14	30	70	19	10
Probably or certainly could not come up with $2,000	55	32	23	54	45	42	10
Any medical cost difficulty	46	25	21	2	98	45	20

Very difficult to cover expenses and pay bills in a given month: Socioeconomic characteristics account for 30 percent of the difference between respondents with and without disabilities finding it very difficult to make ends meet. About 70 percent of the difference is explained by disability status, the way disability interacts with our identified socioeconomic characteristics and possibly other variables not in the analysis. In other words, if people with disabilities had the same socioeconomic characteristics as those without disabilities, 19 percent rather than 23 percent would find it very difficult to make ends meet. This is still more than twice the rate of people without disabilities.

Probably or certainly could not come up with $2,000 if an unexpected need arose within the next month: Socioeconomic characteristics account for half of the difference between those with and without disabilities, leaving the other half attributable to disability or something unexplained. If respondents with disabilities had the same socioeconomic characteristics as those without disabilities, 42 percent rather than 55 percent would have difficulty coming up with emergency funds. This is still 10 percentage points higher than the rate of people without disabilities.

Medical cost difficulties: Forty-six percent of respondents with disabilities reported they either skipped a medical test, did not go to a doctor or did not fill a prescription in the past year compared with 25 percent of those without a disability. Statistical analysis revealed that socioeconomic characteristics account for very little of this disparity, meaning that people with disabilities are much more likely to forgo medical care because of cost regardless of their other characteristics.

3 PLANNING AHEAD

Certain predictable life events, such as retirement from the labor force or financing a child's college education, require advanced planning and savings. Other events, such as a sudden loss of employment or illness of a family member, require advanced planning to weather them successfully. Many Americans plan ahead by accumulating an emergency fund or by contributing to an employer-based or private retirement account. Being prepared for these expenses is important for family survival, as well as the economy as a whole.[25]

Although advanced planning is important for people with disabilities who may be vulnerable to economic shocks, such as changes in employment or exacerbation of their disability, it is often more difficult for them plan ahead. Among survey respondents with disabilities, over one-quarter had household incomes of less than $15,000 and another third had incomes between $15,000 and $35,000. These individuals, many who live below the poverty level, have difficulty planning ahead or saving for retirement. Loss of employment or sudden health crises often reduce their earning power and make it more difficult to establish rainy day funds. Individuals not in the labor market do not have access to employer-based retirement accounts. The maximum monthly amount SSI beneficiaries received in 2015 was $733, and the average SSDI beneficiary received $1,165 in monthly benefits. Because these amounts are minimal compared to average living expenses, beneficiaries may not have sufficient income to establish a savings or retirement account.

Respondents with disabilities are less likely to have a rainy day fund that would help them cover expenses for three months in case of an economic shock, and they are less likely to set long-term financial goals. In addition, they are also less likely to plan for retirement; only four in 10 have some type of retirement account. Almost two-thirds of working-age adults with disabilities said they are worried about running out of money in retirement, and few had investments outside of a retirement account. However, respondents with disabilities are more likely than those with no disability to have a household budget, possibly due to the difficulty they face in making ends meet.

Some people with disabilities avoid increasing their income or accumulating assets because they fear losing access to public benefits such as SSI, SSDI, Medicare, Medicaid, Food Stamps and housing assistance.[26] The recent advent of ABLE accounts, which enable people with significant disabilities to establish tax-advantaged accounts to pay for items they need to live independently, should make it easier to save without incurring penalties or benefit loss. Contributions can be made by the individual with a disability, a family member or other loved one. While contributions are themselves taxed, withdrawals and investment income gained from the accounts are not taxed.[27] Planning ahead to invest in these accounts will enable individuals and their families to build savings without incurring benefit loss.

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25 FINRA Investor Education Foundation. *Financial Capability in the United States, 2016.*

26 Livermore, G., Roche, A. & Prenovitz,S. *Longitudinal Experiences of an Early Cohort of Ticket to Work Participants.* Report No. 9, Work Activity and Use of Employment Supports Under the Original Ticket to Work Regulations. Washington, D.C.: Mathematica Policy Research, 2010.

27 ABLE National Resource Center. (n.d.) What are ABLE Accounts? *http://www.ablenrc.org/about/what-are-able-accounts*

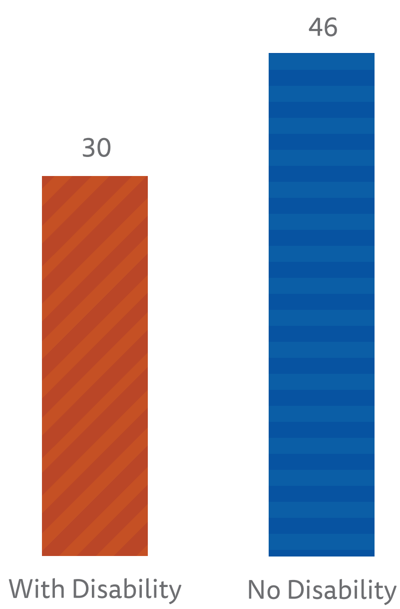
Respondents with disabilities had a lower tolerance for risk than those without disabilities. Those who are risk averse avoid investment losses, but also forego the potential for higher returns. ABLE accounts carry some degree of risk, but the advantage of untaxed investment income could be significant. Programs offer a choice of investment options that carry different levels of risk. Investors will need education about the advantages and disadvantages of these different choices for the ABLE accounts to be successful.

A Rainy Day Funds

Most experts believe households should have enough money in an emergency fund to cover at least three months' worth of living expenses in case of sickness, job loss, economic downturn or other emergencies. They also recommend enough savings to meet up to a year's worth of expenses for those who think it will be very difficult to find a new job and replace the income.[28]

However, only 30 percent of adults with disabilities and 46 percent of those without disabilities have set aside three months of emergency funds (Figure 8). As a result, many individuals and families – regardless of disability status – would not be able to draw on personal financial resources if faced with a costly emergency, such as a job loss or health crisis.

Figure 8: Have Set Aside Three Months' Worth of Emergency Funds, Percentages by Disability Status, 2015



Older respondents without disabilities are more likely to have set aside a rainy day fund than younger respondents. In contrast, however, older respondents with disabilities are less prepared than younger ones. Among 18 to 34-year-olds, 36 percent of those with a disability and 40 percent of those without a disability have set aside rainy day funds. However, among those near retirement age (55-64), only 28 percent of those with a disability have rainy day funds compared to 58 percent with no disability (Table 12). The disparity between people with and without disabilities also widens as income increases for incomes under $75,000. The financial insecurity among people with disabilities has a lasting impact on financial security after retirement because they have little wealth from which to draw income in later years.[29]

28 https://www.moneyunder30.com/emergency-fund-calculator
29 Hyde, J.S., Wu, A.Y (2017). *The Financial Vulnerability of Former Disability Beneficiaries in Retirement*, Mathematica Policy Research. DRC Brief Number:2017-02. https://www.mathematica-mpr.com/our-publications-and-findings/publications/the-financial-vulnerability-of-former-disability-beneficiaries-in-retirement

Table 12: Have Set Aside Three Months' Worth of Emergency Funds, Percentages by Selected Socioeconomic Characteristics and Disability Status, 2015

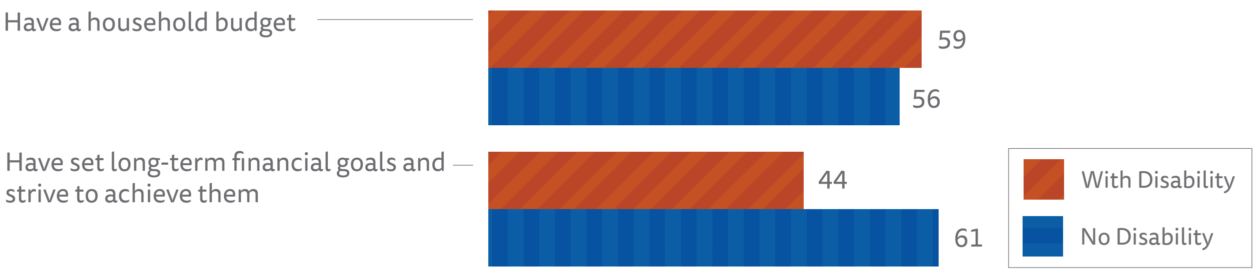
	With Disability	No Disability	Percentage Point Difference
All	30	46	16
Age			
18-34 years	36	40	4
35-54 years	26	45	19
55-64 years	28	58	30
Household Income			
Less than $15,000	17	23	6
$15,000 to $35,000	22	31	9
$35,000 to $50,000	31	38	7
$50,000 to $75,000	37	48	11
$75,000 and Above	58	63	5

All differences between respondents with and without disabilities are statistically significant at the .05 level.

B Budgeting and Planning

The 2015 NFCS includes several new questions on household budgeting and planning. Respondents with disabilities are somewhat more likely than those with no disability to report having a household budget to decide what share of income will be used for spending, saving or paying bills (statistically significant with 59 percent compared with 56 percent), but are less likely to set long-term financial plans (44 percent compared with 61 percent) (Figure 9). The low-income status and need to pay for disability supports likely require careful monitoring of finances and greater focus on meeting current expenses.

Figure 9: Budgeting and Planning, Percentages by Disability Status



* The NFCS asks respondents to rate how strongly they agree or disagree with the statement, "I set long-term financial goals and strive to achieve them," based on a 7-point scale where 1 = "Strongly Disagree," 7 = "Strongly Agree," and 4 = "Neither Agree nor Disagree." This figure reports the percent responding 5, 6 or 7.

The percentage of respondents who had a household budget is fairly consistent across socioeconomic characteristics regardless of disability status (Table 13).

Table 13: Have a Household Budget, Percentages by Disability Status and Socioeconomic Characteristics, 2015

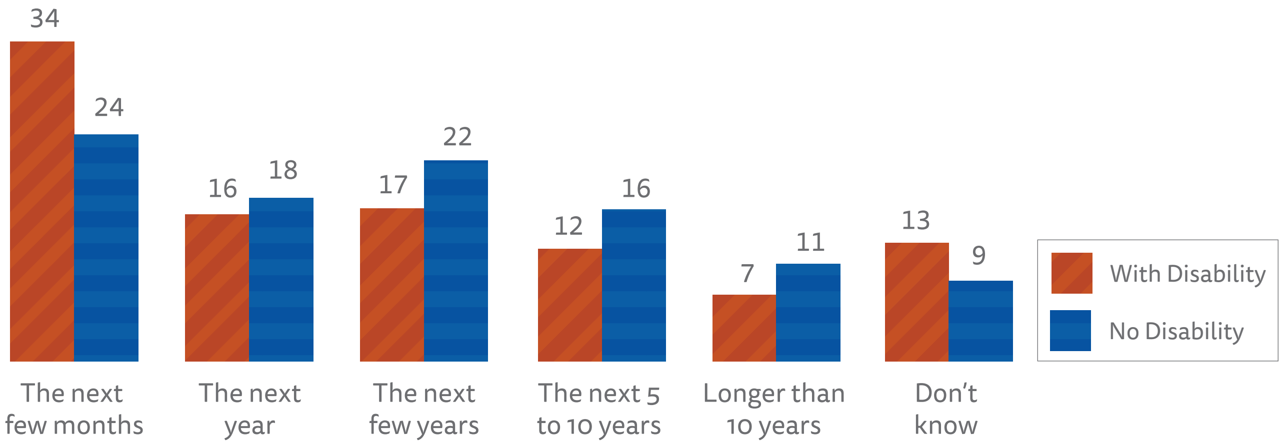
	With Disability	No Disability
All	59	56
Race/Ethnicity		
White	59	55
African American	57	56
Hispanic	62	60
Asian	53	53
Age		
18-34 years	60	58
35-54 years	60	54
55-64 years	56	55

	With Disability	No Disability
Education		
High School Degree or Less	55	52
Some College	62	57
College Degree	61	58
Household Income		
Less than $15,000	52	46
$15,000 to $35,000	62	57
$35,000 to $50,000	62	57
$50,000 to $75,000	60	58
$75,000 and Above	63	57

The overall difference between respondents with and without disabilities is statistically significant at the .05 level. The other significant differences are white, 35-54 years, high school degree or less, some college, less than $15,000, $15,000-35,000 and $75,000 and above.

When budgeting household finances, adults with disabilities are more likely to focus on relatively short-term time periods when compared to adults with no disability. More than one-third of those with disabilities (34 percent) focus only on the next few months, and only 19 percent consider periods of 5-10 years or longer than 10 years to be the most important (Figure 10).

Figure 10: Time Horizon for Planning and Budgeting, Percentages by Disability Status



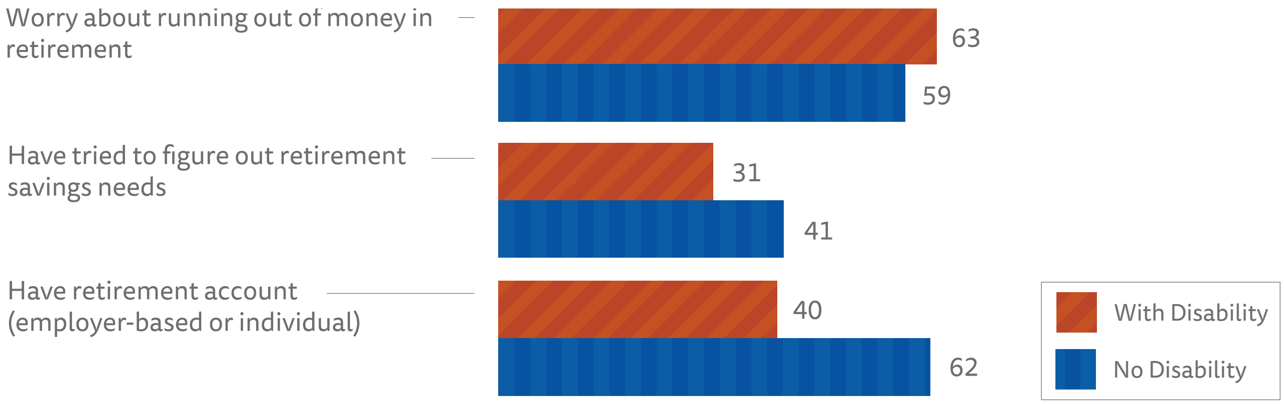
C Planning for Retirement

Almost two-thirds of working-age adults with disabilities (63 percent) are worried about running out of money in retirement. This concern may be well founded. Consistent with the relatively short time horizon for budgeting and the difficulty in making ends meet respondents with disabilities face, only 31 percent of respondents have tried to figure out how much they need to save for retirement and only 40 percent have either an employer-based or individual retirement plan. The remaining 60 percent will likely be dependent upon Social Security retirement benefits, which will be lower than average due to low wages and a tenuous connection with the labor market. For many people with disabilities, the "three-legged stool" of retirement income – Social Security, pension or employer-sponsored retirement accounts, and retirement savings – is very wobbly.

Working-age adults without disabilities are somewhat more prepared. Nevertheless, some economists see a "retirement crisis" where more than half of today's working-age households will not be able to maintain their pre-retirement standard of living.[30]

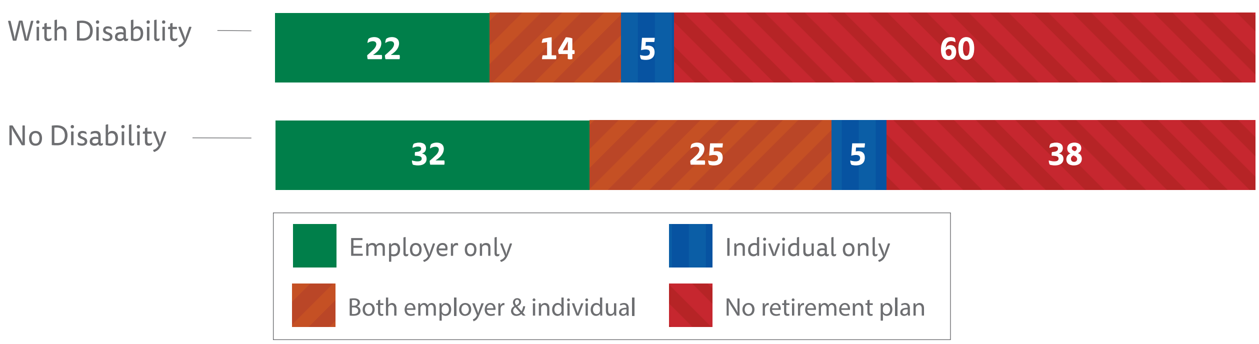
30 Munnell, A.H., Webb, A., & Golub-Sass, F.N. (2015). *Is There Really a Retirement Savings Crisis?* An NRRI Analysis. Center for Retirement Research at Boston College. http://crr.bc.edu/briefs/is-there-really-a-retirement-savings-crisis-an-nrri-analysis/

Figure 11: Planning for Retirement, Percentages by Disability Status



One significant challenge in retirement planning for adults with disabilities is the absence of a retirement account due in large part to lack of participation in the labor force with the concomitant unavailability of employer-based accounts. Only 36 percent of respondents with a disability had an employer-sponsored account (either alone or in combination with an individual account), compared to 57 percent of those without a disability (Figure 12).

Figure 12: Type of Retirement Accounts, Percentages by Disability Status, 2015



D Planning for College

Respondents with disabilities are somewhat less likely than others to have financially dependent children (36 percent compared with 43 percent)(Table 1). Among those with financially dependent children, 34 percent of respondents with disabilities and 43 percent of respondents without disabilities set aside money for college. This percentage varies by age, education, employment status and household income. Younger respondents, those with higher levels of education and those with higher incomes are more likely to set aside funds regardless of disability status. There is no disability-related disparity for younger respondents, those with a college degree and those with incomes over $35,000 (Table 14).

Table 14: Setting Aside Money for Children's College, Percentages by Disability Status, 2015, Analysis Limited to Respondents with Dependent Children

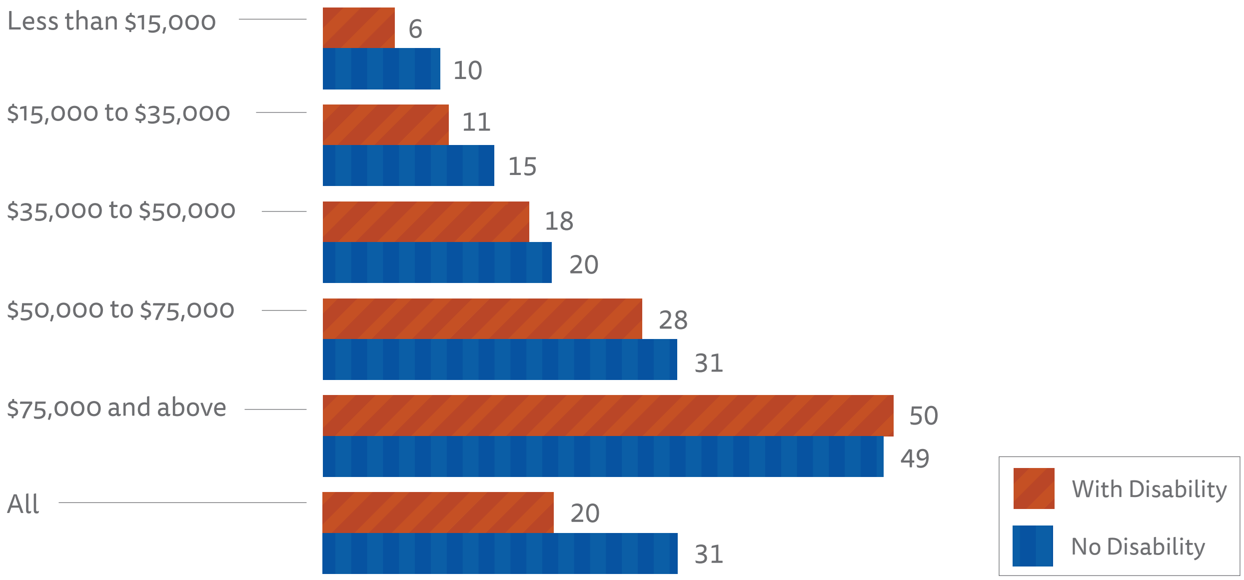
	With Disability	No Disability
All	34	43
Age		
18-34 years	47	46
35-54 years	30	43
55-64 years	19	33
Education		
High School Degree or Less	23	27
Some College	32	39
College Degree	60	61
Household Income		
Less than $15,000	17	23
$15,000 to $35,000	21	28
$35,000 to $50,000	30	30
$50,000 to $75,000	39	40
$75,000 and Above	61	58

The overall difference between respondents with and without disabilities is statistically significant at the .05 level. The other characteristics with statistically significant differences are: 35-54 years; 55-64 years; some college; and $15,000-$35,000.

E Investments

Investments in stocks, bonds, mutual funds or other securities are another important component of planning ahead. However, only 20 percent of respondents with disabilities and 31 percent of those without disabilities have investments outside their retirement accounts. Non-retirement investments are strongly associated with income. Those with higher incomes, regardless of their disability status, are more likely to have non-retirement investments (Figure 13).

Figure 13: Have Non-Retirement Investments, Percentages by Income and Disability Status, 2015

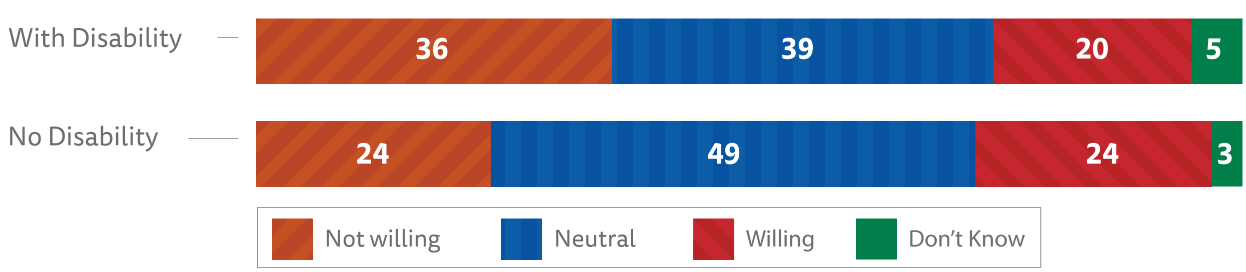


F Risk Preferences

An important determinant of how people choose to invest their savings and retirement wealth is their willingness to take risks. All investments carry some degree of risk, including the potential loss of principal. Higher-risk investments may have the potential for higher returns, but also for greater losses.

Respondents with disabilities have a lower tolerance for risk than those without disabilities. More than one-third (36 percent) are not willing to take risks, compared with only 24 percent of those without disabilities (Figure 14).

Figure 14: Willingness to Take Risk When Thinking of Financial Investments, Percentages by Disability Status



Note to Figure 14: The NFCS asks respondents the following: "When thinking of your financial investments, how willing are you to take risks? Please use a 10-point scale, where 1 means 'Not at All Willing' and 10 means 'Very Willing.'" For this chart, the responses are categorized 1-3 = Not Willing, 4-7 = Neutral, 8-10 = Willing.

Regardless of disability status, respondents who are women, older, less educated or lower income are less likely to take risks (Online Appendix). However, respondents with disabilities within each of these demographic categories reported higher levels of unwillingness.

Low-income individuals tend to be more risk averse because, unlike people with higher incomes, they do not have enough income to buffer possible losses.[31] It may be that people with disabilities face an added level of uncertainty about their future ability to earn income and thus are more risk averse. Having a non-retirement account is correlated with a willingness to take risk. It may be that those who are willing to take risk are more likely to have non-retirement investment accounts, or it may be that those with non-retirement investment accounts have a different perception of risk.

With the recent introduction of ABLE accounts, a large number of people with disabilities will have a new opportunity to open an investment account. Generally, state programs offer participants a choice of investments with different levels of risk. However, it is critical that programs recognize that potential participants may be particularly hesitant to take any investment risk.

Table 15: Not Willing to Take Risks in Financial Investments, Percentages by Disability Status

	With Disability	No Disability
Age		
18-34 years	24	20
35-54 years	38	23
55-64 years	49	33
Household Income		
Less than $15,000	46	35
$15,000 to $35,000	41	31
$35,000 to $50,000	36	28
$50,000 to $75,000	30	23
$75,000 and Above	17	15
Non-retirement Investments		
Has non-retirement account	13	10
Does not have non-retirement account	43	30
All differences between respondents with and without disabilities are statistically significant at the .05 level except $75,000 and above and "has non-retirement account."		

31 Subramaniam V.A. & Athiyaman, T. (2016). "The effect of demographic factors on investor's risk tolerance." *International Journal of Commerce and Management Research*. 2(3): 136-142. https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2863130

G Planning Ahead: The Role of Disability After Adjusting for Differences in Socioeconomic Characteristics

Planning ahead varies based on disability status as well as other socioeconomic characteristics. Analysis of having rainy day funds, setting long-term goals and willingness to take risks indicates that a large part of the disparity in planning ahead can be explained by differences in socioeconomic characteristics.[32]

Over 70 percent of the disparity between respondents with and without disabilities in having rainy day funds and setting long-term goals and over 80 percent in having a retirement account can be explained by socioeconomic characteristics. It seems that, for the most part, people with disabilities face the same challenges as others with limited resources. Often, they focus intensely on addressing a pressing problem while neglecting longer term issues.[33]

Socioeconomic characteristics explain almost 90 percent of the difference between respondents with and without disabilities in their willingness to take risk on investments. This is an important finding because it indicates that ABLE programs should expect people with disabilities to respond to the risk associated with investments in the accounts in the same way that others with similar socioeconomic characteristics would respond.

Table 16 compares the percentage of respondents with disabilities to those without disabilities on three measures of planning ahead. It includes results from the statistical analysis that describe the percentage of the difference explained by socioeconomic characteristics and the percentage explained by disability or other variables not included in the analysis. Finally, it presents the difference if respondents with disabilities had the same socioeconomic characteristics as those without disabilities.

32 We use the Blinder-Oaxaca decomposition technique to decompose the differential between the two groups (respondents with disabilities and those without disabilities) into differences in observable characteristics and unexplained components. The observable characteristics include sex, race, age, educational attainment, employment status, marital status, income, region, living arrangement and presence of dependent children. The unexplained component is traditionally interpreted as a measure of discrimination or unequal treatment, because it represents the residual, which cannot be accounted for by differences in characteristics.

33 Mullainathan, S. & Shafir, E. (2014). *Scarcity: The New Science of Having Less and How It Defines Our Lives.* New York: Picador.

Table 16: Planning Ahead, Results of Multivariate Analysis, Percentages by Disability Status

	Actual Percentage Values Based on Survey Respondents			Percentage Explained by Socioeconomic Characteristics Versus Disability		Predicted Percentage Values if Respondents with Disabilities Had the Same Socioeconomic Characteristics as Those with No Disability	
	With Disability	No Disability (1)	Percentage Point Difference	Socioeconomic Characteristics	Disability	With Disability (2)	Percentage Point Difference (1)-(2)
Rainy day funds	30	46	16	72	28	41	5
Set long-term goals and strive to achieve them	44	61	17	71	29	56	5
Have retirement account	40	62	22	84	16	58	4
Not willing to take risks	36	24	12	87	14	26	2

4 MANAGING FINANCIAL PRODUCTS

The number and complexity of financial products available to the general public is increasing. In addition to a plethora of saving and investing opportunities, families must negotiate a complex array of credit, bill pay, money transfer and loan options. Making informed decisions about which products to use and how to use them can determine whether a family experiences successful financial outcomes or financial distress.[34]

Research shows that people with disabilities appear to have a different relationship with banking and financial products than others. They are less likely to have a checking or savings account and more likely to use alternative financial services, such as money orders, check cashing, remittances (international money transfers), pawn shops, rent-to-own programs, payday loans, refund anticipation loans or auto title loans. Using these alternative forms of borrowing can negatively impact credit, increase debt and worsen the family's financial situation.[35]

Our current research confirms the above findings. Respondents with disabilities are less likely than others to have a checking or savings account and are more likely to use alternative borrowing and financial services that charge exorbitant interest rates. They are more likely to use reloadable prepaid debit rather than credit cards. Reloadable prepaid debit cards do not assist the individuals in establishing a credit record and often charge higher fees than credit cards.

Respondents with disabilities are equally likely to conduct research on various types of credit and loan options. Despite these positive efforts, fewer respondents with disabilities use conventional credit cards, and they are more likely to engage in costly use of credit cards, such as paying only the minimum balance, carrying over a balance or making a late payment. Such behavior can increase debt and lead to lower credit scores.

Finally, respondents with disabilities are less likely to have so-called "good debt," such as a mortgage or educational loan, and more likely to have other debt, such as credit card debt or unpaid medical bills. As a result, they are more likely to feel burdened by debt and they are more than twice as likely to say they have been contacted by a debt collection agency in the past year.

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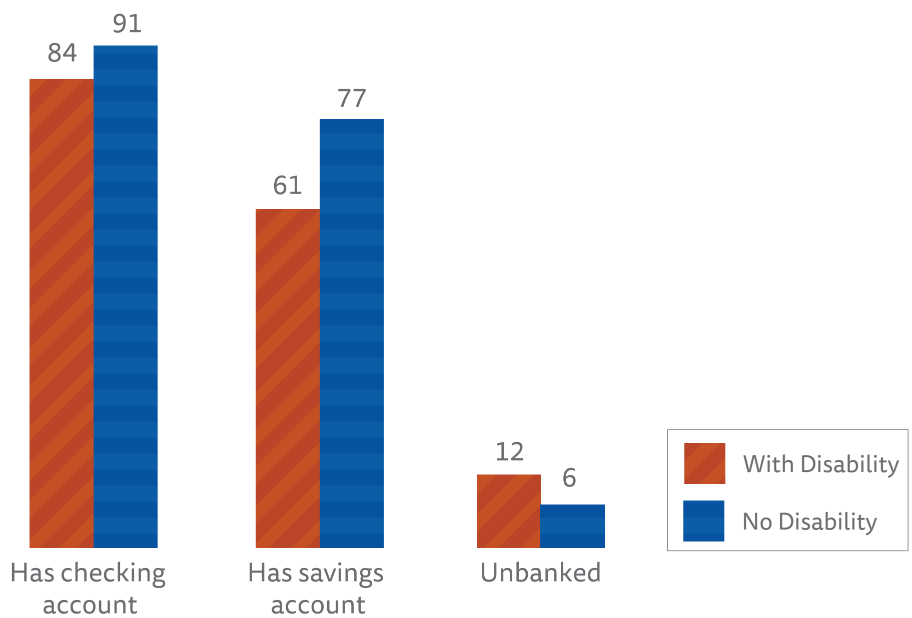
34 FINRA Investor Education Foundation. *Financial Capability in the United States, 2016.*

35 Goodman, N. & Morris, M. (2017). *Banking Status and Financial Behaviors of Adults with Disabilities: Findings from the 2015 FDIC National Survey of Unbanked and Underbanked Households.* National Disability Institute. http://www.realeconomicimpact.org/docslisting.aspx#lnk_Reports and Publications

A Banking and Payment Methods

Key to financial well-being is access to high-quality, affordable financial services that enable a person to save, spend and borrow. For most, mainstream banking provides these needed services. Despite the importance of banking, those with disabilities are less likely than others to have a checking account (84 percent compared with 91 percent) or a savings account (61 percent compared with 77 percent) (Figure 15). Respondents with disabilities are more likely to be unbanked, defined as having neither a checking nor a savings account (12 percent compared with 6 percent).

Figure 15: Banking Status, Percentages by Disability Status, 2015



Reloadable prepaid debit cards allow consumers to withdraw cash at ATMs, make purchases, accept direct deposits and deposit checks. The use of these cards is particularly appealing to consumers who are unbanked, since they can load dollars directly onto the card and then use the balance for purchases. Compared to credit cards and bank debit cards, they may help the consumer curb spending and avoid credit card debt and bank overdraft fees, since it is not possible to spend more than what is loaded on the card. While prepaid debit cards have some benefits, there are also major drawbacks. They often charge excessive fees for setup and reloading and, unlike using a credit card, using a prepaid debit card does not allow the consumer to build a credit history.[36]

36 Ibid

More than one-third (36 percent) of respondents with a disability and almost one-quarter (24 percent) with no disability use reloadable prepaid debit cards to make payments. Regardless of disability status, usage of these cards is more common among those who are younger, African American, unbanked or receiving government benefits (Table 17).[37]

Table 17: Use of Reloadable Prepaid Debit Cards, Percentages by Disability Status

	With Disability	No Disability
All	36	24
Age		
18-34 years	50	35
35-54 years	37	20
55-64 years	20	13
Race/Ethnicity		
White	32	18
African American	49	42
Hispanic	42	30
Asian	39	33
Banking Status		
Banked	34	23
Unbanked	57	43
Receipt of Government Benefits		
Received income from “Other federal or state benefits”	38	35
Did not receive such income	34	22
All differences between respondents with and without disabilities are statistically significant at the .05 level except Asian.		

The use of mobile phones to pay bills and transact other business is becoming more common. The percentage of people with and without disabilities who use mobile phones to make payments is relatively similar. About one-quarter of respondents with and without disabilities used mobile payments frequently or sometimes; seven percent of people with disabilities use them frequently and 17 percent use them sometimes (Online Appendix). Younger and non-white respondents are more likely to use mobile payments (Table 18). Mobile payments are also more prevalent among higher income respondents, probably because lower income respondents are much less likely to have access to a smartphone.[38]

37 Since January 2013, the Social Security Administration requires people who receive SSI, SSDI, and other federal benefits to have a bank account, a credit union account or a debit card for direct deposit of benefits.

38 Goodman & Morris (2017).

Table 18: Use of Mobile Payments Frequently or Sometimes, Percentages by Disability Status

	With Disability	No Disability
All	24	26
Race/Ethnicity		
White	19	21
African American	27	33
Hispanic	40	36
Asian	33	37
Other	20	23
Age		
18-34 years	43	39
35-54 years	21	23
55-64 years	7	9

	With Disability	No Disability
Household Income		
Less than $15,000	18	22
$15,000 to $35,000	20	27
$35,000 to $50,000	26	23
$50,000 to $75,000	29	28
$75,000 and Above	35	28

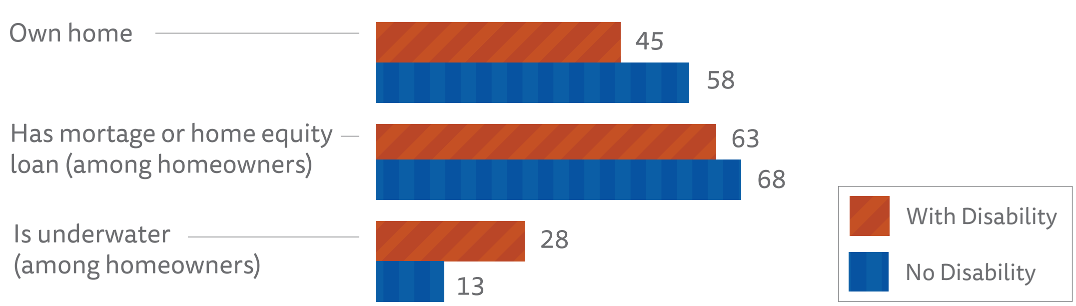
All differences between respondents with and without disabilities are statistically significant at the .05 level except Hispanic, Asian, Other, $35,000-$50,000 and $50,000-$75,000.

B Home Ownership and Mortgages

For many Americans, a home is their largest tangible asset. Homeownership has long been considered an important avenue to building wealth.[39] Fewer than half of respondents with disabilities (45 percent) are homeowners compared to 58 percent of those without disabilities (Figure 16).

Among homeowners, respondents with disabilities are marginally less likely to have a mortgage or home equity loan (63 percent compared with 68 percent), but more than twice as likely to be "underwater," meaning that they owe more on their home than the home is worth. This disparity may be related to impacts of the financial crisis. The Great Recession had a disproportionate impact on the economic status of adults with disabilities, and their recovery from the recession lagged other populations.[40]

Figure 16: Homeownership and Mortgages, Percentages by Disability Status, 2015



39 http://www.jchs.harvard.edu/sites/jchs.harvard.edu/files/hbtl-06.pdf
40 Livermore, G.L. & Honeycutt, T.C. (2015). "Employment and Economic Well-Being of People With and Without Disabilities Before and After the Great Recession." *Journal of Disability Policy Studies*. 26(2): 70–79.

Homeownership varies by race, age and household income. Younger respondents, those with lower incomes and those who are non-white are less likely to own a home regardless of disability status. Those with disabilities have lower homeownership rates than others within each demographic category except for low income. For example, while 78 percent of 55-64 year-old respondents without a disability own a home, only 56 percent of those with a disability own a home (Table 19).

Being underwater is correlated with being non-white and with the age of the homeowner, with younger homeowners more likely to be underwater, but it is not correlated with household income. Homeowners with disabilities are more likely to be underwater regardless of their demographic characteristics.

Table 19: Home Ownership and "Underwater" Percentages by Disability Status, 2015

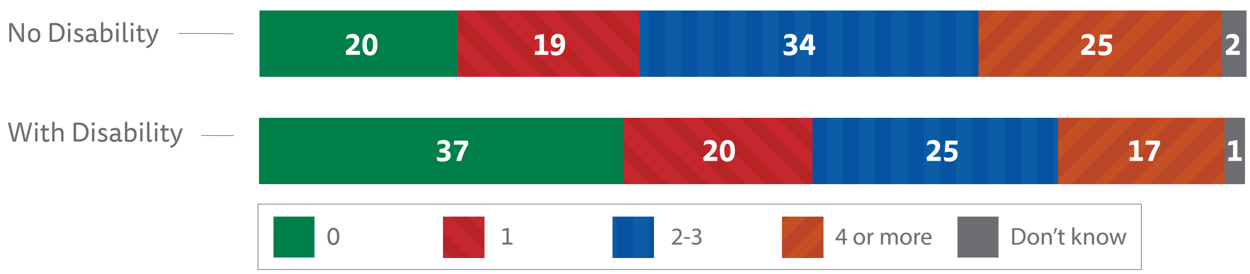
	Own Home		Underwater (among homeowners)	
	With Disability	No Disability	With Disability	No Disability
All	45	58	28	13
Race/Ethnicity				
White	50	66	24	11
African American	35	41	35	21
Hispanic	38	46	37	14
Asian	48	53	39	15
Other	39	45	34	10
Age				
18-34 years	34	37	47	19
35-54 years	47	68	26	12
55-64 years	56	78	15	8
Household Income				
Less than $15,000	21	19	33	21
$15,000 to $35,000	38	37	31	21
$35,000 to $50,000	52	52	17	15
$50,000 to $75,000	66	65	28	13
$75,000 and Above	77	82	29	10

Differences between respondents with and without disabilities are statistically significant at the .05 level except: For Own Home — Asian, Other, less than $15,000, $15,000-$35,000, $35,000-$50,000 and $50,000-$75,000. For Underwater — less than $15,000 and $35,000-$50,000.

C Credit Cards

Credit cards offer Americans a convenient way to borrow, build their credit score and pay bills, but people with disabilities appear to use conventional credit cards less than those without disabilities. Thirty-seven percent of respondents with disabilities do not have any credit cards, compared with only 20 percent of those without disabilities (Figure 17). Non-use of credit cards makes it very difficult for borrowers to establish a credit history and become qualified for conventional loans to purchase homes or to meet unexpected emergencies.

Figure 17: Number of Credit Cards, Percentages by Disability Status, 2015



Among those who have credit cards, an equal percentage of those with and without disabilities (37 percent) collected information about different cards from more than one company in order to compare them. Despite the equal effort taken in researching different cards, respondents with disabilities who have credit cards are more likely to engage in expensive credit card behavior, such as making only minimum payments, paying late or over-the-limit fees, or using the card for cash advances. Over half of respondents with disabilities engage in at least one expensive credit card behavior, compared with 40 percent of respondents without disabilities (Table 20). Improper use of credit cards can lead to high fees and interest. Ultimately, it can lead to lower credit scores, which can make it more difficult to qualify for loans, rent an apartment and even find a job.

Table 20: Credit Card Behaviors, Percentages by Disability Status, 2015

	With Disability	No Disability
Thinking about when you obtained your most recent credit card, did you collect information about different cards from more than one company in order to compare them?	37	37
I always paid my credit cards in full.	41	51
In some months, I carried over a balance and was charged interest.	56	49
In some months, I paid the minimum payment only.	46	34
In some months, I was charged a late fee for late payment.	22	13
In some months, I was charged an over-the-limit fee for exceeding my credit line.	15	7
Engage in expensive credit card behaviors (minimum payment, late fees, over the limit fees or using the card for cash advances).	56	40

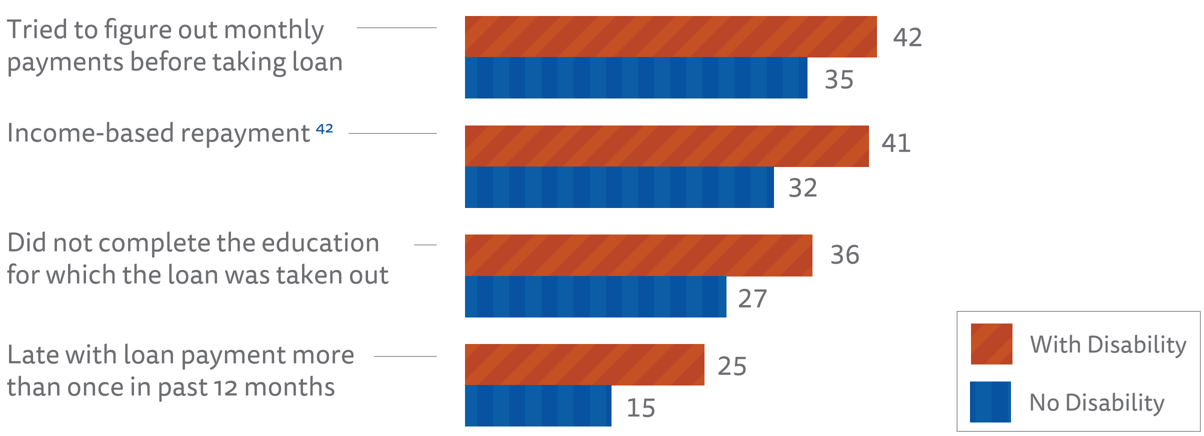
All differences between respondents with and without disabilities are statistically significant at the .05 level.

D Student Loans

Average student loan debt at graduation has been growing steadily over the last two decades, and research suggests it influences employment choices and causes delays in major life events, such as buying a home, getting married or having children.[41] Respondents with disabilities are marginally less likely than those without disabilities to have taken out student loans (29 percent versus 31 percent). Among those who took out a loan, respondents with disabilities are more likely to try to figure out the monthly payments before taking the loan, and they are more likely to be taking advantage of income-based repayment options (Figure 18).

Despite these seemingly responsible actions, those with disabilities are more likely than those without disabilities to not complete the education for which the loan was taken out or be late with loan payments. They are also more likely to be concerned that they will not be able to pay off the student loan (63 percent compared with 43 percent).

Figure 18: Student Loan Actions , Percentages by Disability Status, 2015



Student loan holders were asked the following: "If you could go through the process of taking out loans to pay for your education all over again, would you take the same actions or make a change?" More than half say they would make a change (55 percent of those with disabilities compared with 57 percent of those without disabilities) (Online Appendix).

41 Kantrowitz, M. (2015). *Who Graduates with Excessive Student Loan Debt?* MK Consulting Inc. http://www.studentaidpolicy.com/excessive-debt/

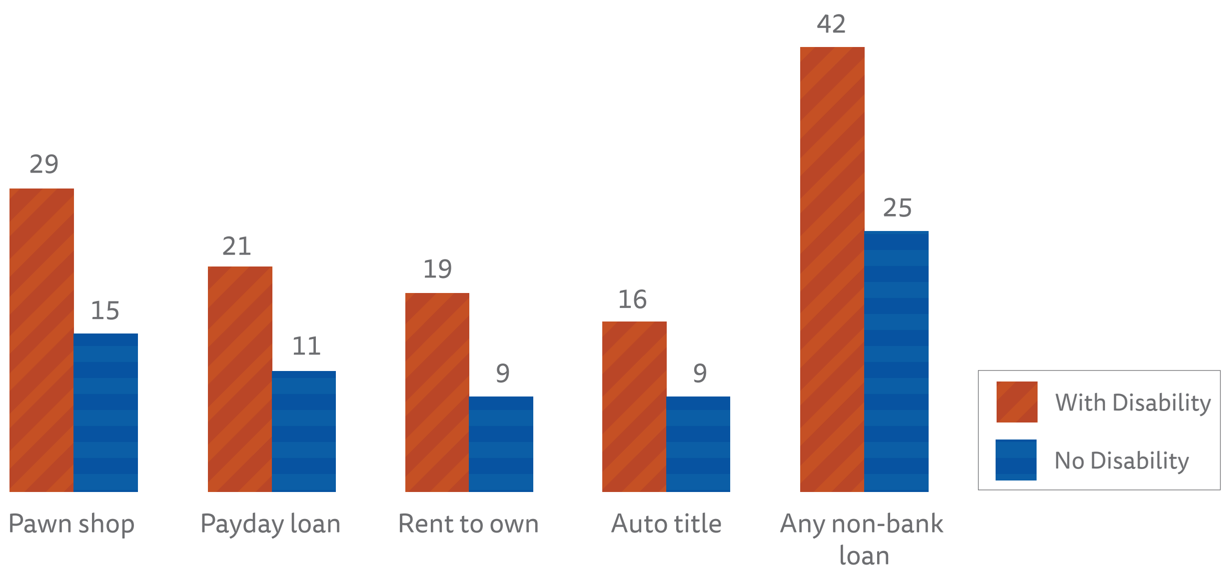
42 The large and increasing number of income based repayment plans may be a source of confusion for some respondents.

E Non-Bank Borrowing

Alternative credit services, such as pawn shops, rent-to-own programs, payday loans, refund anticipation loans or auto title loans tend to charge high interest rates. In addition, they do not allow users to establish a credit history, limiting their future ability to qualify for less expensive mainstream credit. However, for individuals who do not qualify for bank credit, these high cost alternatives may be the only borrowing option.

Compared to respondents with no disability, those with a disability are much more likely to use such services. Forty-two percent of respondents with disabilities have used a pawn shop, payday loan, rent-to-own store or auto title loan at least once in the past five years. They are twice as likely to use pawn shops (29 percent compared with 15 percent), payday loans (21 percent compared with 11 percent) or rent to own arrangements (19 percent compared with 9 percent) (Figure 19).

Figure 19: Non-Bank Borrowing, Percentages by Disability Status, 2015



For those with disabilities, use of non-bank borrowing is highest among African American and Hispanic respondents, younger respondents and those who are employed, have lower levels of education or incomes between $15,000 and $35,000 (Table 21).

Table 21: Used One or More Non-Bank Borrowing Methods, Percentages by Disability Status, 2015

	With Disability	No Disability
All	42	25
Race/Ethnicity		
White	38	21
African American	51	37
Hispanic	50	30
Asian	39	19
Other	50	28
Age		
18-34 years	54	33
35-54 years	42	22
55-64 years	27	13
Education		
High School Degree or Less	43	30
Some College	42	27
College Degree	39	16

	With Disability	No Disability
Employment Status		
Employed	49	25
Unemployed	39	29
Not in Labor Force	37	22
Household Income		
Less than $15,000	41	28
$15,000 to $35,000	46	34
$35,000 to $50,000	42	28
$50,000 to $75,000	38	26
$75,000 and Above	37	15

All differences between respondents with and without disabilities are statistically significant at the .05 level.

F Debt

The NFCS identifies different types of debt, which can be classified into "good debt" and "bad debt." Good debt is generally defined as debt that is an investment that will grow in value or generate long-term income and has a relatively low interest rate. It includes student loans that allow the borrower to invest in education and increase future earning potential, or a mortgage or home equity loan for real estate, with a value that generally grows over time. Auto loans can be considered good debt if the automobile provides the borrower with access to better employment opportunities. On the other hand, credit card debt, non-bank borrowing and unpaid medical bills are generally considered bad debt because they often have high interest rates and finance something with no return on the investment.

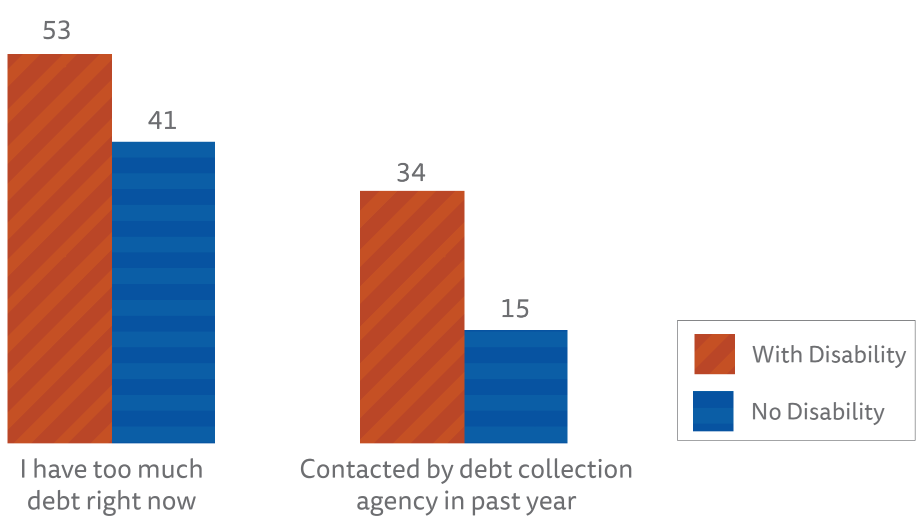
Respondents with disabilities are less likely to have "good debt" and more likely to have "bad debt" than those without disabilities (Table 22).

Table 22: Types of Debt, Percentages by Disability Status, 2015

	With Disability	No Disability
Good Debt		
Have a mortgage or home equity loan	29	39
Have a student loan	29	31
Have an auto loan	26	33
Bad Debt		
Carried a credit card balance in the past year	35	38
Used non-bank borrowing in past five years	42	25
Have unpaid medical bills	38	18
All differences between respondents with and without disabilities are statistically significant at the .05 level except have a student loan.		

Respondents with disabilities are more likely to feel burdened by debt. More than half believe they have too much debt right now, compared with 41 percent of respondents without disabilities. Respondents with disabilities are also more than twice as likely to say they have been contacted by a debt collection agency in the past year.

Figure 20: Debt and Debt Collection, Percentages by Disability Status, 2015



G Managing Financial Products: The Role of Disability After Adjusting for Differences in Socioeconomic Characteristics

Respondents with disabilities are less likely to have a savings account, own a home or have a credit card. They are more likely to report they have a bad credit score. However, the same could be said for people with lower incomes and lower levels of education regardless of disability status. Thus, we ask this question: "Are these differences the result of differences in socioeconomic characteristics or is the disparity related directly to disability or the way disability interacts with other socioeconomic characteristics?"

Statistical analysis indicates that the disparity between respondents with and without disabilities in having a savings account, having at least one credit card and owning a home is due, in large part, to differences in socioeconomic characteristics. That is, if respondents with disabilities had the same socioeconomic characteristics of those without disabilities, there would only be a two to four percentage point difference in outcomes.[43]

Table 23: Managing Financial Products, Results of Multivariate Analysis, Percentages by Disability Status

	Actual Percentage Values Based on Survey Respondents			Percentage Explained by Socioeconomic Characteristics Versus Disability		Predicted Percentage Values if Respondents with Disabilities Had the Same Socioeconomic Characteristics as Those with No Disability	
	With Disability	No Disability (1)	Percentage Point Difference	Socioeconomic Characteristics	Disability	With Disability (2)	Percentage Point Difference (1)-(2)
Have savings account	61	77	16	76	24	73	4
Own home	45	58	13	87	13	56	2
Have at least one credit card	62	78	16	81	19	75	3
Have bad or very bad credit score	31	13	18	24	76	17	4

43 We use the Blinder-Oaxaca decomposition technique to decompose the differential between the two groups (respondents with disabilities and those without disabilities) into differences in observable characteristics and unexplained components. The observable characteristics include sex, race, age, educational attainment, employment status, marital status, income, region, living arrangement and presence of dependent children. The unexplained component is traditionally interpreted as a measure of discrimination or unequal treatment because it represents the residual, which cannot be accounted for by differences in characteristics.

5 FINANCIAL KNOWLEDGE & DECISION MAKING

In order to manage financial resources effectively, individuals must first understand financial products, services and concepts and then have the skills, motivation and confidence to apply this knowledge across a range of financial contexts. With growing choices of financial products and services, making informed financial decisions becomes more challenging. For people with disabilities, financial decisions can often be further complicated by the need to maintain eligibility for public benefits (Social Security, Medicaid, food and housing assistance) that limit earned income. Eligibility for these programs often limits savings and other assets, so beneficiaries lack ready access to funds needed for unexpected expenses associated with living with a disability.

Results from the NFCS indicate that respondents with disabilities scored lower on an objective measure of financial literacy. Based on a measure of self-perception, they had less confidence in their financial literacy skills.

A Financial Literacy

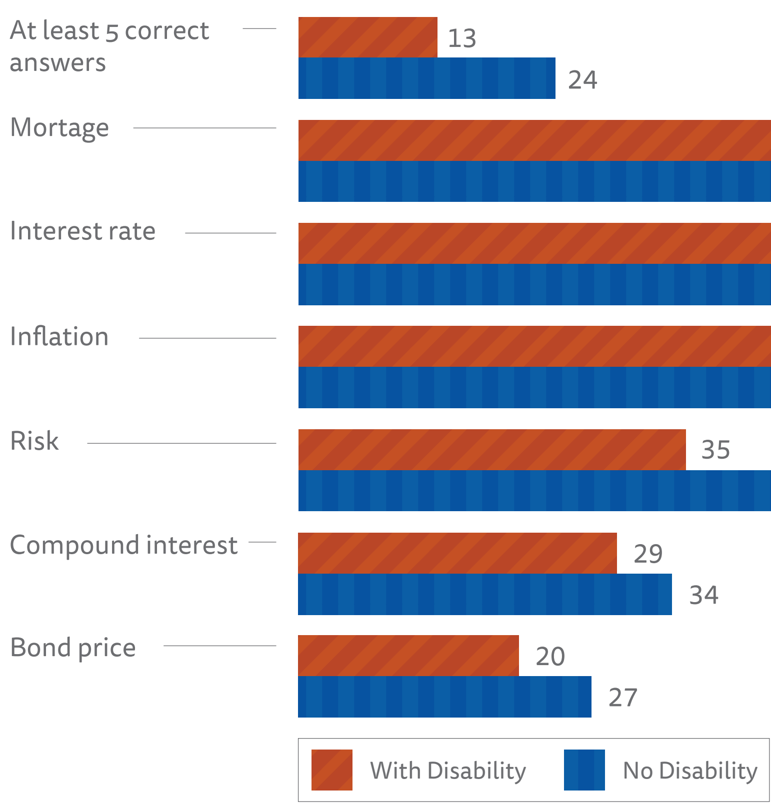
To evaluate financial knowledge, respondents were asked a series of questions covering fundamental concepts of economics and finance they may encounter in everyday life. The first five questions have been asked in each round of the NFCS.

1. **Interest rate question:** Suppose you had $100 in a savings account and the interest rate was two percent per year. After five years, how much do you think you would have in the account if you left the money to grow?
   - **(a) More than $102** (b) Exactly $102 (c) Less than $102 (d) Don't know (e) Prefer not to say
2. **Inflation question:** Imagine that the interest rate on your savings account was one percent per year and inflation was two percent per year. After one year, how much would you be able to buy with the money in this account?
   - (a) More than today (b) Exactly the same **(c) Less than today** (d) Don't know (e) Prefer not to say
3. **Bond price question:** If interest rates rise, what will typically happen to bond prices?
   - (a) They will rise **(b) They will fall** (c) They will stay the same (d) There is no relationship between bond prices and the interest rate (f) Don't know (g) Prefer not to say
4. **Mortgage question:** A 15-year mortgage typically requires higher monthly payments than a 30-year mortgage, but the total interest paid over the life of the loan will be less.
   - **(a) True** (b) False (c) Don't know (d) Prefer not to say
5. **Risk question:** Buying a single company's stock usually provides a safer return than a stock mutual fund.
   - (a) True **(b) False** (c) Don't know (d) Prefer not to say

6. **Compound Interest question:** Suppose you owe $1,000 on a loan and the interest rate you are charged is 20 percent per year compounded annually. If you didn't pay anything off, at this interest rate, how many years would it take for the amount you owe to double? (a) Less than two years **(b) At least two years, but less than five years** (c) At least five years, but less than 10 years (d) At least 10 years (e) Don't know (f) Prefer not to say.

Respondents with disabilities had fewer correct responses than those without disabilities. Only 13 percent were able to answer at least five of the six questions, compared with 24 percent of respondents without disabilities (Figure 21).

Figure 21: Percentage of Correct Responses to Financial Literacy Quiz, Percentages by Disability Status, 2015



Financial literacy level varied by demographic characteristics. White and Asian respondents, those who were older, those with higher levels of education and those with higher incomes were more likely to answer quiz questions correctly regardless of disability status. However, regardless of demographic characteristics, respondents with disabilities were less likely to answer the questions correctly (Table 24).

Table 24: Percentage of Six Financial Literacy Questions Answered Correctly, Percentages by Disability Status and Socioeconomic Characteristics, 2015

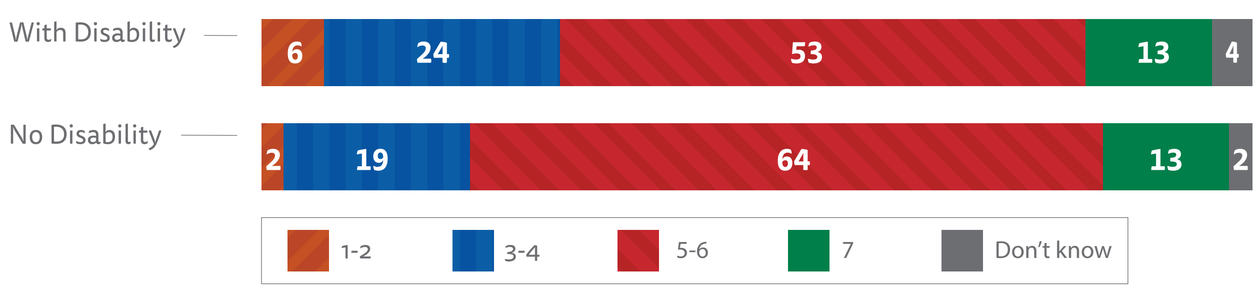
	With Disability	No Disability
All	44	53
Race/Ethnicity		
White	47	57
African American	38	42
Hispanic	39	46
Asian	43	53
Other	46	50
Age		
18-34 years	38	45
35-54 years	45	56
55-64 years	51	61
Education		
High School Degree or Less	37	41
Some College	47	51
College Degree	55	64
Household Income		
Less than $15,000	37	39
$15,000 to $35,000	42	43
$35,000 to $50,000	48	49
$50,000 to $75,000	50	54
$75,000 and Above	53	64

All differences between respondents with and without disabilities are statistically significant at the .05 level except Race, Other, and income less than $15,000, $15,000-$35,000 and $35,000-$50,000.

B Self-Perception of Financial Knowledge

The NFCS asked respondents to assess their overall financial knowledge on a scale from one to seven, where one means very low and seven means very high. Compared to those without disabilities, respondents with disabilities were more likely to rate themselves with a low level of knowledge. Thirty percent rated themselves with a four or less and 66 percent rated themselves with a five or above, compared to 21 percent of respondents without disabilities who rated themselves with a four or below and 73 percent with a five or above (Figure 22).

Figure 22: Self-Assessment of Financial Knowledge, Percentages by Disability Status, 2015

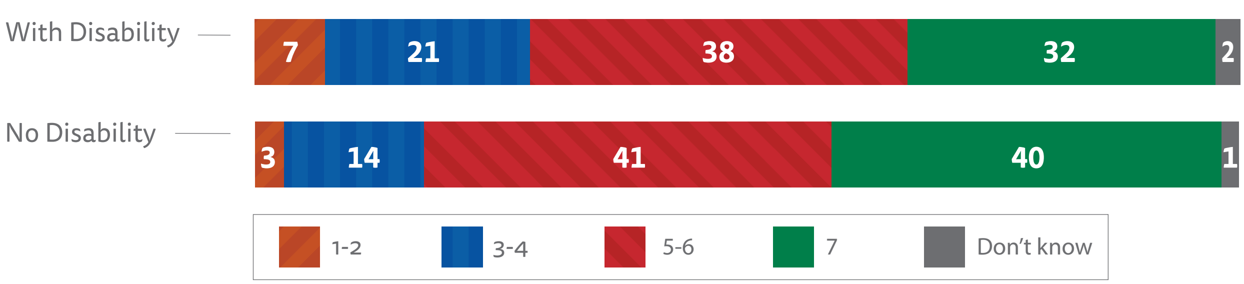


Households that are more financially knowledgeable tend to be more confident in their financial ability. However, compared to those without disabilities, respondents with disabilities were less likely to think they had high levels of financial knowledge regardless of the number of objective knowledge questions they answered correctly. However, in both groups, a significant portion of people overestimated their financial knowledge. Half of those who did not answer any of the financial literacy questions correctly assessed their level of knowledge as high.

C Self-Perceptions Versus Financial Behavior

When asked how strongly they agree with the statement, "I am good at dealing with day-to-day financial matters, such as checking accounts, credit and debit cards and tracking expenses," 70 percent of respondents with disabilities and 81 percent of those without disabilities rated themselves positively (five to seven on a seven-point scale)(Figure 23). However, even among those who gave themselves the highest score, almost half of those with a disability (47 percent) and almost one-third of those without a disability (31 percent), engaged in costly credit card behavior, such as paying the minimum payment, paying late fees, paying over-the-limit fees or using the card for cash advances. It could be that these respondents knew how they should handle financial matters, but lacked the financial resources or credit history to avoid these costly behaviors (Online Appendix).

Figure 23: Self-Perceived Ability to Deal with Day-to-Day Financial Matters, Percentages by Disability Status, 2015



D Financial Education

The NFCS asked respondents, "Was financial education offered by a school or college you attended, or a workplace where you were employed?" Almost one-third of respondents with and without disabilities were offered financial education, and two-thirds of those participated in the financial education offered (Table 25).

Table 25: Participation in Financial Education, Percentages by Disability Status, 2015

	With Disability	No Disability
Yes, but I did not participate in the financial education offered	10	11
Yes, and I did participate in the financial education	20	22
No	59	57
Don't know/No answer	10	11
The difference between respondents with and without disabilities is not statistically significant at the .05 level.		

Many respondents reported learning how to manage their finances from their parents. Forty-one percent of those with a disability and 46 percent of those without a disability say their parents or guardians taught them how to manage their finances (Table 26). However, one-third (36 percent of those with disabilities and 33 percent of those without disabilities) report they did not learn from their parents/guardians and were never offered financial literacy education by their school, college or workplace.

Table 26: Parents or Guardians Taught Respondent How to Manage Finances, Percentages by Disability Status, 2015

	With Disability	No Disability
Yes	41	46
No, but was offered financial education from school or employer	14	13
No, and was not offered financial education from school or employer	36	33
The difference between respondents with and without disabilities is statistically significant at the .05 level.		

E Financial Knowledge & Decision Making: The Role of Disability After Adjusting for Differences in Socioeconomic Characteristics

Scores on the financial knowledge test vary by age, race, gender, education, income and other socioeconomic characteristics. Overall, respondents with disabilities scored less well on the test than those without disabilities. On average, those with disabilities got 44 percent of the six questions correct (an average of 2.6 questions correct), compared with 53 percent of those without disabilities (an average of 3.2 questions correct).

As shown in Table 27, statistical analysis revealed that half the disparity can be explained by differences in socioeconomic characteristics while the other half is related to disability.[44]

Table 27: Financial Knowledge and Decision Making, Results of Multivariate Analysis, Percentages by Disability Status

	Actual Percentage Values Based on Survey Respondents			Percentage Explained by Socioeconomic Characteristics Versus Disability		Predicted Percentage Values if Respondents with Disabilities Had the Same Socioeconomic Characteristics as Those with No Disability	
	With Disability	No Disability (1)	Percentage Point Difference	Socioeconomic Characteristics	Disability	With Disability (2)	Percentage Point Difference (1)-(2)
Percentage of six financial literacy questions answered correctly	44	53	9	47	53	49	4

44 We use the Blinder-Oaxaca decomposition technique to decompose the differential between the two groups (respondents with disabilities and those without disabilities) into differences in observable characteristics and unexplained components. The observable characteristics include sex, race, age, educational attainment, employment status, marital status, income, region, living arrangement and presence of dependent children. The unexplained component is traditionally interpreted as a measure of discrimination or unequal treatment because it represents the residual, which cannot be accounted for by differences in characteristics.

6 CHANGE OVER TIME

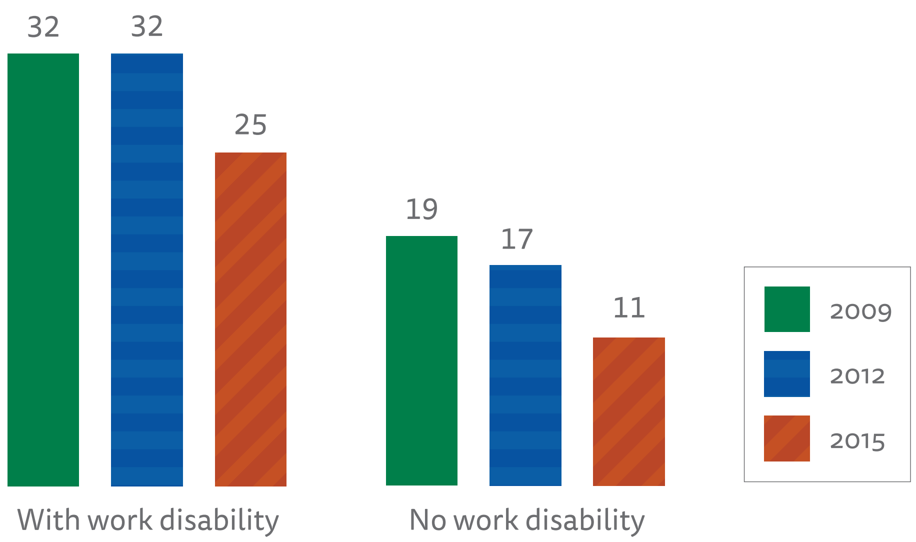
The U.S. economy has grown slowly, but steadily, since the Great Recession of 2008. Therefore, we would expect to see changes in responses to questions about financial well-being among the general population and respondents with disabilities. Because earlier NFCS surveys included only the "Permanently sick, disabled, or unable to work" option rather than the more specific questions to identify disability listed in Chapter 1, comparisons across time can be made only based upon responses to this "unable to work" question. Individuals who said they were unable to work due to sickness or disability are considered to have a work disability. As shown in Appendix Table 1, this is a narrower slice of the disability population.

We analyzed change in responses for people who reported a work disability in the surveys conducted in 2009, 2012 and 2015. We would expect to see change in the ability of individuals and families to make ends meet and respond to emergencies, plan for the future and use banks and credit cards. We chose questions that represented the financial well-being of respondents with work disabilities, selecting a few from each of these sections of the survey. We report responses to these questions below.

Making Ends Meet

NFCS data indicates a decrease in the percentage of people with and without a work disability who have difficulty making ends meet, probably due, in large part, to a recovering economy. However, the 13 to 15 percentage point disparity between those with and without a work disability has remained unchanged over the six years between 2009 and 2015 (Figure 24). This means that the ability to make ends meet has risen slightly for respondents with a work disability as it has for others, but the difference between respondents with and without a work disability has not changed.

Figure 24: Very Difficult to Make Ends Meet, Percentages by Work Disability Status, 2009-2015



Another way to measure financial well-being is to query whether respondents could come up with $2,000 within a month for an emergency. Despite the improving economy, two-thirds of people with a work disability could not come up with $2,000 to pay for an unexpected medical or other emergency. By this measure and the making ends meet measure discussed above, the rate of financial fragility among respondents with work disabilities and those without decreased, but the percentage point disparity between the two groups has remained (Table 28).

Table 28: Probably or Certainly Could Not Come Up with $2,000 if Unexpected Need Arose Within the Next Month, Percentages by Work Disability Status 2012, 2015

	2012	2015
With Work Disability	71	66
No Work Disability	41	36

Planning Ahead

Another measure of financial stability is the ability to plan ahead — to have a rainy day fund for three months of expenses and to plan for retirement. The percentage of individuals with a work disability who have a rainy day fund has risen slightly since 2009, but remains low at only 18 percent. Although this represents a modest increase from 14 percent in 2009, it is still troublesome (Table 29). People with work disabilities are not employed and likely receive a steady, but low income from federal benefits, so the risk of losing a job is not an issue. However, they do not have the financial resources to face other economic shocks, such as delays in processing Social Security or other benefits, unexpected medical expenses or a car breakdown.

Table 29: Have Set Aside Three Months' Worth of Emergency Funds, Percentages by Work Disability Status, 2009-2015

	2009	2012	2015
With Work Disability	14	15	18
No Work Disability	33	37	43

Although the percentage of individuals with a work disability who have a rainy day fund has increased modestly, respondents with a work disability were slightly less likely to plan for retirement in 2015 than they were in 2009. Fewer than one in five respondents with a work disability had given thought to what income they need in retirement, as compared to about 40 percent of others. This could be because they already consider themselves retired or unable to work, even though they are younger than retirement age. They do not perceive their income and financial resources as changing at retirement age because they are not currently in the labor force.

Respondents with a work disability continue to be at higher risk of having inadequate income after retirement. In 2015, only 17 percent had tried to figure out their retirement savings and only 22 percent had a retirement account, somewhat lower than in 2009. Many older workers experience the onset of a work-limiting condition in their 50s and early 60s. In fact, in 2015, 69 percent of SSDI awards made were to workers age 50 or older.[45] Leaving the labor force during peak earning years, because of the onset of a disability, not only impacts an individual's current income, but often has a lasting impact on financial security after retirement because they have less wealth from which to draw income in later years.[46]

Table 30: Preparing for Retirement, Percentages by Work Disability Status, 2009-2015

	Work Disability			No Work Disability		
	2009	2012	2015	2009	2012	2015
Have tried to figure out retirement savings needs	23	18	17	38	38	40
Have retirement account (employer-based or individual)	24	21	22	53	56	59

Successful retirement planning generally requires taking some risk through investment in the stock market or making other investments. The stock market has done well overall in the last 20 years, but those who are risk averse have not fully benefited from this growth. Among people without a work disability, risk tolerance has increased considerably, from 14 percent of respondents willing to take risks in financial investments in 2009 to 24 percent in 2015. Those with a work disability saw only a modest increase from eight percent to 10 percent.

Table 31: Willing to Take Risks in Financial Investments, Percentages by Work Disability Status 2009-2015

	2009	2012	2015
With Work Disability	8	9	10
No Work Disability	14	20	24

Managing Financial Products

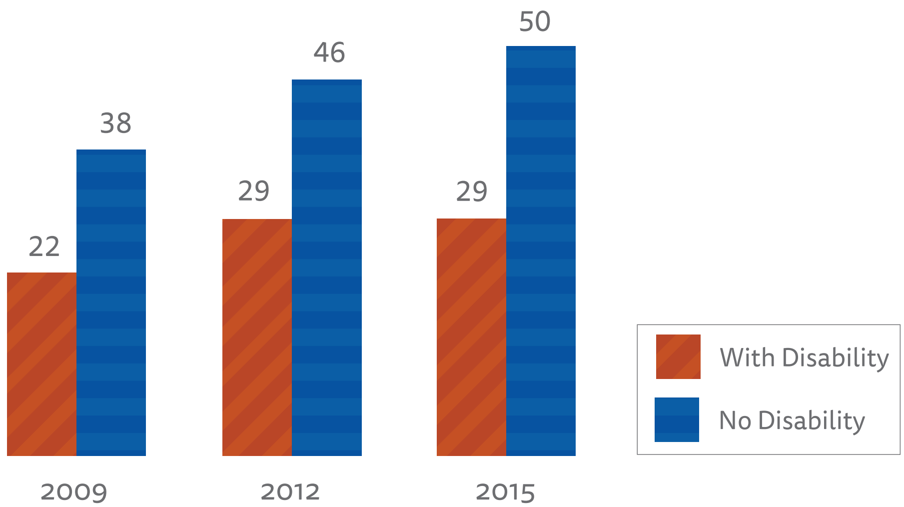
One would expect to see changes over time in banking and credit card use with improvements in the economy. As respondents feel more comfortable with their economic situation and with purchasing luxury or nonessential goods, credit card use may increase. With increased credit card use, consumers might be more likely to carry over balances from month to month. On the other hand, consumers may refrain from running up a credit card balance, remembering their negative experiences during the recent recession.

45 Social Security Administration (2016). *Annual Statistical Report on the Social Security Disability Insurance Program, 2015*. Table 39. https://www.ssa.gov/policy/docs/statcomps/di_asr/2015/sect03c.html

46 Hyde, J.S. & Wuh, A.Y. (2017). *The Financial Vulnerability of Former Disability Beneficiaries in Retirement*. Mathematica Policy Research. DRC Brief Number: 2017-02. https://www.mathematica-mpr.com/our-publications-and-findings/publications/the-financial-vulnerability-of-former-disability-beneficiaries-in-retirement

Figure 25 shows that the percentage of respondents with and without a disability who pay their credit card balance in full every month has increased since 2009. However, almost twice as many people without a work disability, compared to those with a work disability, are able to do so. The gap between those with and without a work disability is now wider than it was in 2009; it has increased from 16 percentage points in 2009 to 21 percentage points in 2015.

Figure 25: Always Pay Credit Cards in Full, Credit Card Holders, Percentages by Work Disability Status 2009-2015



Finally, Table 32 shows a decrease in the percentage of people with and without work disabilities that engage in expensive credit card behavior, such as making only the minimum payment, paying late fees, paying over-the-limit fees or using the card for cash advances. Over half of people with work disabilities engaged in such behavior in 2015, as compared with 42 percent of others. Again, the gap between the two groups has grown wider since 2009. The percentage of respondents with a work disability who engaged in such behavior has decreased by three percentage points since 2009, but the percentage of those without a work disability has decreased by 11 percentage points during this period.

Table 32: Engaged in Expensive Credit Card Behavior, Percentages by Work Disability Status, 2009-2015

	2009	2012	2015
With Work Disability	57	55	54
No Work Disability	53	45	42

7 CONCLUSION

The growth of the U.S. economy during the last few years has begun to diminish the financial distress of American adults. Despite the improving economy, however, the financial situation for many people with disabilities is still fragile. Almost one quarter of adults with a disability find it very difficult to make ends meet, over half say they probably or certainly couldn't come up with $2,000 within a month to pay for an unexpected expense and many, even those with higher incomes, say they spend more than their monthly income. Only one-third of adults with disabilities has set aside three months of emergency funds and would be able to draw on personal financial resources if they were faced with a costly emergency. Additionally, they are more likely to exhibit financial stress by overdrawing their checking account, making a late mortgage payment, or taking a hardship withdrawal or loan from a retirement account. All of these indicators show the financial fragility of large numbers of people with disabilities.

Gender, race, education, employment status and income are correlated with the difficulty to make ends meet, but respondents with a disability are more likely to have difficulty than others with similar sociodemographic characteristics. Almost 40 percent of African Americans with disabilities live in poverty, and they are more likely than whites to have difficulty making ends meet, although the disparity between African Americans with and without a disability is smaller than between whites with and without a disability. Women, African Americans, those with lower levels of education and those who are unemployed are more likely to be unable to come up with $2,000 for emergencies in a month than others. Among people with disabilities who own a home, non-whites are more likely to have a mortgage that is underwater.

While critical for financial stability, employment in and of itself does not solve these problems. Among those who are employed, respondents with disabilities are three times more likely to find it very difficult to cover expenses and pay bills, largely because they earn less than employees without disabilities. Their relationship with the labor force is quite tenuous, as many work in temporary, part-time or low-wage positions where hours may be cut. In fact, over 40 percent of employees with disabilities said they had experienced an income drop, possibly because their employer had decreased their work hours, or they voluntarily reduced their hours or left the labor force due to disability onset or exacerbation.

While public programs, such as SSI and SSDI, offer much needed financial support to people with disabilities who are not working, rules that limit employment and savings make it difficult for beneficiaries to engage in part-time work, save for emergencies and plan ahead. For example, an individual must limit savings and other assets to $2,000 to receive SSI benefits. Those who attempt to work part-time fear the risk — and sometimes the reality — of benefit loss. Many beneficiaries live in or near poverty and have few prospects for increasing their income.

Another problem is that employees with disabilities are more likely to have unpaid medical bills. Those who work part-time often do not have health insurance, and they may earn too much to qualify for public health insurance such as Medicaid. Employees who do have private insurance sponsored by employers may still have difficulty paying medical bills because private health insurance does not cover many of the services and supports people with disabilities need to live independently, such as personal assistance, accessible transportation or adaptive equipment. Whether they have health insurance or not, about half of adults with disabilities compromise their medical care because of cost. They are more likely to avoid going to a doctor or clinic; skip a medical test, treatment or follow-up recommended by a doctor; or go without a prescription medicine because of cost.

On the positive side, the survey results provide evidence that people with disabilities are taking steps to improve their financial situation. Respondents with disabilities are more likely than those with no disability to report having a household budget and are equally likely to explore different credit card options before signing up. They also research education loans and payback options prior to making a loan decision. However, these responsible actions do not seem to result in a better financial picture. Respondents with disabilities are more likely to use costly credit card options such as making late payments or using lines of credit. They are also more likely to be late with education loan payments, to not complete the education for which the loan was taken out, or express concern that they will not be able to pay off the student loan. Additionally, respondents with disabilities are more likely to use non-bank borrowing. One can only surmise that lack of financial resources thwarts their intentions to adopt healthy borrowing behaviors and become more financially stable.

Looking Ahead:

The survey results point to significant challenges and opportunities. Respondents with disabilities are less likely to set long-term financial plans; only about a third have an employer-based retirement account, and fewer have a private account. Two-thirds of working-age adults with disabilities say they are worried about running out of money in retirement.

Only one in five individuals with a work disability has a rainy day fund, and while the percentage of people without disabilities who have set aside a rainy day fund increases with age, the percentage of people with disabilities who have such a fund decreases. This is particularly troubling as the population ages.

Another concern is the understandably greater reluctance of people with disabilities to take financial risks. Survey data show that respondents with disabilities have a lower tolerance for risk than those without disabilities, largely consistent with their sociodemographic characteristics related to poverty, race and education. As the number of people with employer-based pensions decreases and Social Security retirement benefits remain static, retirees have become more dependent upon private accounts, often invested in securities. All investments carry some degree of risk, with higher-risk investments potentially bringing higher returns. Those who are not willing or able to take financial risks will not benefit from potential investment gains. Low-income individuals tend to be more risk averse because, unlike people with higher incomes, they do not have enough income to buffer possible losses.[47]

47 Subramaniam, V.A. & Athiyaman T. (2016). "The effect of demographic factors on investor's risk tolerance." *International Journal of Commerce and Management Research.* 2(3): 136-142. https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2863130

Looking ahead, there are opportunities. The Achieving a Better Life Experience (ABLE) Act, signed into law in December 2014[48], amends the tax code to encourage contributions to an ABLE account that allows investments to grow tax-free. Congress recognized that families raising a child with a significant disability and working-age adults with disabilities have additional costs associated with the disability. Distributions from an ABLE account can be used to cover extra costs related to education, employment, transportation, housing, health care, technology and other purposes that help improve the individual's independence and quality of life. In addition, ABLE accounts are not counted as a resource and do not, in most cases, adversely impact eligibility for resource-tested federal benefits such as SSI, Medicaid and food and housing assistance.[49] Between June 2016 and November 2017, 30 states and Washington, D.C., launched ABLE programs, and an estimated 10 million individuals with disabilities and families became eligible to make the decision to open an ABLE account and select among savings and investment choices offered by those state programs.[50]

ABLE accounts offer new opportunities to reduce financial stress among individuals with disabilities and their families. The accounts can help participants make ends meet, plan ahead, become savers and investors, and manage financial products and services. Although limited to contributions not to exceed $14,000 annually to an individual account, the accounts provide the opportunity to set short-term and longer-term financial goals and make informed decisions about savings and investment choices.[51] Multiple federal agencies (FDIC, Treasury, Securities and Exchange Commission (SEC) and the Consumer Financial Protection Bureau (CFPB)) have or are in the process of developing new educational materials to build the financial capability of current or potential ABLE account owners.

The findings from this study offer a foundation for understanding the financial capability of an important, but often overlooked, population. Researchers can further explore the causes and implications of disparities between working-age adults with and without disabilities. Practitioners can act on the information to define and test interventions that can improve the financial capability of this population. Governments can insure that people with disabilities are included in financial capability initiatives.

By including questions that identify respondents with disabilities, the NFCS has brought much needed attention to this economically vulnerable population. Future surveys will be able to identify changes over time as public agencies, financial service providers and the disability community work together to advance financial inclusion and enhance the financial capability of people with disabilities.

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48 ABLE Act of 2014. H.R.647 https://www.congress.gov/bill/113th-congress/house-bill/647/

49 U.S. Securities and Exchange Commission. (2017). *Investor Bulletin: An Introduction to ABLE Accounts.* https://investor.gov/additional-resources/news-alerts/alerts-bulletins/investor-bulletin-introduction-able-accounts. Upon the death of the beneficiary, any state may make a claim against remaining funds in the the account for Medicaid benefits received by the beneficiary.

50 ABLE National Resource Center (u.d.) *What are ABLE Accounts.* http://www.ablenrc.org/about/what-are-able-accounts

51 In 2018, the limit on contributions increases to $15,000 annually.

8 ABOUT THE AUTHORS

Nanette Goodman, M.S., is the Senior Researcher at National Disability Institute, where she conducts quantitative and qualitative analysis of policies and programs affecting the financial stability of people with disabilities. She has written on banking status, poverty and race, financial education in American Job Centers, the use of the Earned Income Tax Credit among people with disabilities and complexities and opportunities in the disability employment system. Ms. Goodman recently co-authored *Banking Status and Financial Behaviors of Adults with Disabilities: Findings from the 2015 FDIC National Survey on Unbanked and Underbanked Households* and *Integrating Financial Capability and Asset Building Strategies into the Public Workforce Development System.* Prior to joining NDI, she researched disability policy issues in the U.S. and developing countries as an independent consultant, a Senior Policy Advisor at ODEP and a Research Associate at the Cornell University Institute for Policy Research. She gained insights into the importance of public policy by raising a child with a disability. Ms. Goodman received an M.S. in Economics from the University of Wisconsin.

Bonnie O'Day, Ph.D., currently retired, was a Senior Researcher at Mathematica Policy Research. She has extensive experience conducting research and providing intellectual leadership to research and evaluation studies on disability, health care, employment and independent living. Dr. O'Day has led or participated in various evaluations funded by the Social Security Administration, including the Benefit Offset National Demonstration, the Youth Transition Demonstration, Ticket to Work and The Role of the Child SSI Program in the Changing Safety Net. She led a project to examine best practices in providing services and supports to people with mental health conditions and how these services could be funded under the Affordable Care Act.

Dr. O'Day is skilled at using focus groups, in-depth interviews, site visits and other research methods to assess the implementation of innovative strategies for serving individuals with disabilities. Her experience as a person with legal blindness provides her with insight into the issues people with disabilities face in accessing government programs and public accommodations. She collaborated on an Agency for Healthcare Research and Quality (AHRQ) study to explore the barriers people with physical, sensory, and psychiatric disabilities face in obtaining primary care and to educate medical providers about their obligations under the Americans with Disabilities Act, which culminated in a book on this topic: *More than Ramps: A Guide to Improving Healthcare Quality for People with Disabilities*, Oxford University Press, 2006.

Michael Morris, J.D., is the founder and Executive Director of National Disability Institute. He serves as a subject matter expert on financial inclusion and poverty reduction concerning people with disabilities to the FDIC, IRS, U.S. Departments of Labor and Health and Human Services, National Council on Disability and multiple state ABLE programs. He was the first Kennedy Foundation Public Policy Fellow and worked in the office of Senator Lowell Weicker (CT).

Mr. Morris is the co-founder of the Real Economic Impact Tour and Network which, since 2005, has assisted more than two million low-income individuals with disabilities access the Earned Income Tax Credit and receive more than $2.3 billion dollars in tax refunds. He received his undergraduate degree in political science with honors from Case Western Reserve University in Cleveland, Ohio, and his law degree from Emory University School of Law in Atlanta, Georgia.

Mr. Morris co-authored two publications for the National Council on Disability: *The State of 21st Century Long Term Services and Supports: Financing and Systems Reform for Americans with Disabilities (2005)* and *The State of 21st Century Financial Incentives for Americans with Disabilities (2008)*. In 2014, he co-authored the *National Report on the Financial Capability of Adults with Disabilities*, based on data from the FINRA Investor Education Foundation's National Financial Capability Study. In 2015 and 2017, he co-authored the *Banking Status and Financial Behaviors of Adults with Disabilities,* based on data from the FDIC's bi-annual *National Survey of Unbanked and Underbanked Households.*

In 2016, Mr. Morris helped establish the ABLE National Resource Center, a collaborative of 25 of the leading national nonprofit disability organizations. The Center's website is the leading independent source of information about state ABLE programs and is on pace in 2017 to have one million visitors (*www.ablenrc.org*). He is the author of a blog on the *Huffington Post* with a large national audience that presents a unique perspective on disability in America.

National Disability Institute (NDI), since its establishment 12 years ago, has emerged as one of the leading national nonprofit organizations dedicated to advancing financial inclusion and economic self-sufficiency for individuals across the spectrum of disabilities and their families (*www.realeconomicimpact.org*). The majority of NDI staff and Board of Directors have personal experience with disabilities as individuals, siblings and parents. With public funders (U.S. Departments of Labor, Education, Health and Human Services and Social Security Administration) and private support (JPMorgan Chase, Bank of America, Wells Fargo, Citibank, TD Bank, Walmart Foundation), NDI implements more than 20 projects at national, state and local levels that are improving financial capability and independence with partnerships between the disability and financial communities.

APPENDIX: METHODOLOGY

The National Financial Capability Study (NFCS) is funded by the FINRA Investor Education Foundation and is conducted by the FINRA Foundation in partnership with ARC Research. The 2015 sample consisted of 27,564 adults (18+) across the U.S., with approximately 500 respondents per state, plus the District of Columbia. To provide additional utility for researchers working with the data, the 2015 NFCS included oversamples in four large states, for a total of 1,000 respondents each in California, Illinois, New York and Texas.

Respondents were drawn using non-probability quota sampling from established online panels consisting of millions of individuals who have been recruited to join and who are offered incentives in exchange for participating in online surveys. Specifically, the panels used for this survey were provided by Survey Sampling International, EMI Online Research Solutions and Research Now.

Findings from the survey are weighted to be representative of Census distributions, based on data from the American Community Survey. National figures are weighted to be representative of the national population in terms of age, gender, ethnicity, education and Census Division (with adjustments for the oversampled states for comparability with previous years).[52]

The FINRA Foundation provides access to the survey questionnaire, information about the methodology, raw data and national findings: *http://www.usfinancialcapability.org/downloads.php*.

Hypotheses: NDI approached each topic area with four hypotheses and found that the data supported each hypothesis:

1. Adults with disabilities have lower levels of financial capability than those without disabilities. This is a simple comparison of two populations.
2. Some disability sub-populations are more at risk than others. In this analysis, we look at each variable by a variety of socioeconomic characteristics, including gender, race/ethnicity, age, education, employment status, household income, marital status, dependent children and disability type. Because the experiences and needs of people with disabilities vary dramatically over the life cycle, we analyzed the data by age group with a focus on working-age (18-64) respondents.
3. The disparity did not change significantly between 2012 and 2015. This analysis is based on analysis of three years, but has a significant limitation. Because 2015 was the first year the FINRA Foundation asked the six disability questions, the analysis over time is based on a comparison between those with and without a *work* disability, rather than the broader disability definition. Thus, respondents without a work disability may have another type of disability, which will impact the "no disability" group. Based on 2015 data, we find that 18 percent of those with no work disability have another disability and possibly are in the workforce.

52 Applied Research and Consulting and the FINRA Foundation (2015). National Financial Capability State-by-State Survey Methodology. *http://www.usfinancialcapability.org/downloads.php*

4. Disability has an impact on financial capability even after controlling for other socioeconomic characteristics. We use the Blinder-Oaxaca decomposition technique to determine how much of the difference can be explained by known socioeconomic characteristics and how much is left to be explained by disability, the way disability interacts with the socioeconomic characteristics and other unexplained variation.[53] This technique is often used to decompose wages into explained variation (e.g., level of schooling) and unexplained variation (e.g., discrimination, new policies or structural changes).

The 2015 analyses of hypotheses 1, 2 and 4 are based on the responses of 22,307 respondents under age 65, 5,005 of whom reported at least one of the six disability types or a work disability. The analysis of hypothesis 3 — the trend over time — is based on 1,178 respondents with work disabilities.

Appendix Table 1: Demographic Characteristics of Survey Respondents, Percentages by Disability Status

	With Disability	No Disability	Work Disability
Number of Respondents	5,005	17,302	1,178
Race/Ethnicity			
White	65	61	70
African American	13	13	15
Hispanic	15	18	10
Asian	4	7	1
Other	4	2	3
Age			
18-34 years	32	38	11
35-54 years	40	42	49
55-64 years	28	19	39
Education			
High School Degree or Less	39	26	45
Some College	46	43	48
College Degree	15	31	8
Employment Status			
Employed	39	69	0
Unemployed	10	7	0
Not in Labor Force	51	24	100
Household Income			
Less than $15,000	26	11	42
$15,000 to $35,000	31	20	37
$35,000 to $50,000	13	15	9
$50,000 to $75,000	14	21	8
$75,000 and Above	15	33	4

53 Sinning, M., Hahn, M., & Bauer, T.K. (2008). "The Blinder–Oaxaca decomposition for nonlinear regression models." *The Stata Journal*. 8(4):480–492. http://www.stata-journal.com/sjpdf.html?articlenum=st0152

Disability Prevalence in the NFCS: Of the 22,307 respondents under the age of 65 in the NFCS, 22.4 percent (5,005 respondents) were identified as having a disability based on a "yes" response to any item of the six-question disability sequence or the response option, "Permanently sick, disabled or unable to work" when asked about their work status. This disability prevalence rate is considerably higher than the rate found among working-age individuals in other surveys that use exactly the same set of questions in the same order. The American Community Survey, for example, yields a prevalence estimate of 10.4 percent among working age adults using the six questions, whereas just using the six questions (excluding the work disability question) the NFCS yields a rate of 21.5 percent.

Several factors may explain the disparity. First, the American Community and other large national surveys rely on one household respondent to provide information about all household members. Evidence suggests that for working-age adults, these proxy respondents are likely to underreport disabilities.[54] Second, the mode of the survey of collection may have affected the responses. The NFCS was conducted entirely online while the other surveys are conducted through a combination of mail, online, phone and in-person interactions. It may be that the privacy of anonymity of the experience increases the chance that the respondent will report a disability. Third, the context of the survey has been found to influence the respondent's understanding of the question. Research has found that respondents are much more likely to say yes to the disability questions on health-related surveys than when those same questions are included in a labor force survey.[55] It may be that questions about financial status and financial capability induce increased reporting.

54 Todorov, A. & Kirchner, C. (2000). "Bias in Proxies' Reports of Disability: Data From the National Health Interview Survey on Disability." *American Journal of Public Health*. 90(8): 1248-1253. *https://www.ncbi.nlm.nih.gov/pmc/articles/PMC1446336/pdf/10937005.pdf*

55 US Department of Labor, Bureau of Labor Statistics (2015). Frequently Asked Questions About Disability Data. *https://www.bls.gov/cps/cpsdisability_faq.htm*

“We envision an environment where people with disabilities have the same opportunities to achieve financial stability and independence as people without disabilities.”

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