



Only 4-in-10 Could Pay an Unexpected \$1,000 Car Repair or Emergency Room Visit from Their Savings

The average unexpected expense costs \$3,518

NEW YORK – January 22, 2020 – Only 41% of U.S. adults have enough savings to cover a \$1,000 emergency room visit or car repair, according to a new report by Bankrate.com. Another 37% would need to borrow the money in some fashion: 16% would finance it with a credit card and pay it off over time; 14% would hit up family or friends for a loan; and 7% would take out a personal loan.

<https://www.bankrate.com/banking/savings/financial-security-january-2020/>

“Using a credit card was the most common way for those without savings to pay for emergency expenses,” says Bankrate.com chief financial analyst, Greg McBride, CFA. “But this comes at a high cost, as the average \$3,500 expense financed at the national average credit card rate of 17% would require monthly payments of \$125, taking three years to pay off and incurring nearly \$1,000 in finance charges. Whatever savings you can accumulate acts as a buffer from high-cost debt when unplanned expenses arise.”

How common are unplanned expenses?

In the past 12 months, 28% of U.S. adults have had a major unexpected expense themselves or in their immediate family. The median amount of this expense is \$1,750. The average amount is \$3,518.

“Prepare yourself for the inevitable, unplanned expense by setting up a direct deposit from your paycheck into a dedicated emergency savings account,” adds McBride. “Even \$20 per week will add up, getting you to the \$1,000 mark by year-end.”

Higher income households are more likely to pay unplanned costs from savings. Fifty-six percent of those with income of \$50,000 or more would pay from savings compared to 28% of those with income under \$50,000.

The lowest income households (under \$30,000/year) were more likely than those with higher incomes to borrow from family or friends (25% versus 8% for all other income groups) or to take a personal loan (13% versus 5% for all other income groups).

Just 36% of younger millennials (ages 23-29) could pay a \$1,000 unplanned expense from savings, compared to 41% - 44% for all older age brackets.

Those that are married or living with a partner are more likely to be able to pay the \$1,000 from savings (48%) compared to just 30% of those that are not. Similarly, 50% of those that are employed full-time could pay from savings, compared to 32% working part-time and 34% that are not employed.

Parents had a higher likelihood of paying from savings (47%) than non-parents (40%), but fewer than half in either case.

Methodology: This study was conducted for Bankrate via telephone by SSRS on its Omnibus survey platform. The SSRS Omnibus is a national, weekly, dual-frame bilingual telephone survey. Interviews were conducted from December 30, 2019 to January 05, 2020 among a sample of 1,015 respondents in English (980) and Spanish (35). Telephone interviews were conducted by landline (307) and cell phone (708, including 470 without a landline phone). The margin of error for total respondents is +/-3.39% at the 95% confidence level. All SSRS Omnibus data are weighted to represent the target population.

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