Financial assets, not just income, are essential to economic security. Liquid assets, such as money in a bank account that is readily accessible, can keep households from falling into a harmful cycle of debt when they encounter unexpected events like car trouble or a job loss. Financial shocks like these are very common: in one study, 60 percent of households faced an expense or loss of income in the past 12 months for which they did not budget.

Among those in the labor force, older households are more likely than younger households to have some minimal level of liquid savings in a formal account, such as a checking or savings account. However, more than a third of pre-retirees—defined as households with members in the workforce who are between the ages of 50 and 64—have less than $2,000 in liquid savings. Low-income households are not the only ones that struggle to save; significant shares of middle-income pre-retirees also lack liquid savings. Black and Latino pre-retirees typically have lower liquid savings levels than White pre-retirees with similar incomes.

“Enough” Liquid Savings: Is There a Magic Number?

Households differ by size, location, and budget, making it impossible to say how much liquid savings is enough to be financially secure. Recent research shows that many families, especially lower-income households, regularly build, deplete, and replenish their liquid savings. Therefore, a point-in-time estimate of liquid savings is an imperfect measure of a household’s ability to weather a financial disruption. Nevertheless, two surveys of American households have established benchmarks that provide a useful basis for making comparisons across demographic groups.

The Federal Reserve’s 2015 Survey of Household Economics and Decisionmaking asks respondents about their ability to cover an unexpected expense of $400. Meanwhile, the 2014 Pew Survey of American Family Finances found that the median cost of a household’s most expensive shock was $2,000. Those two benchmarks represent a typical modest disruption and a typical worst-case shock. The following analysis gauged the adequacy of households’ liquid savings against the $400 and $2,000 benchmarks, using the 2013 Survey of Consumer Finances from the Federal Reserve.
Older Households Are More Likely than Younger Households to Have Liquid Savings

The majority of all working households have at least $400 in liquid savings. With the exception of households headed by people younger than 25 years old, most households also have at least $2,000 in liquid accounts. Older households are more likely than younger households to have liquid savings at or above these benchmarks (see figure 1).

More Than a Third of Pre-Retirees Have Less than $2,000 in Liquid Savings

A significant share of working households ages 50–64 have a relatively small savings cushion. More than one-third of these pre-retiree households (or 9.4 million) have less than $2,000 in liquid savings, which suggests that they are unprepared to cover the cost of a typical worst-case financial shock. About half of these vulnerable households, nearly 5 million, have less than $400 in liquid savings (see figure 2).

At All Income Levels, Pre-Retirees Experience Savings Shortfalls

The median liquid savings held by 50–64-year-old working households with income in the lowest quintile is just $230; not surprisingly, savings levels rise with income. The median liquid savings held by 50–64-year-old working households is $1,310 for the second lowest income quintile, $2,600 for the next quintile, $8,180 for the next, and $30,500 in liquid savings for the highest quintile. Yet some portion of working households at every income level has less than $2,000 in liquid savings (see figure 3). Nearly four in five pre-retiree households in the lowest income quintile have less than $2,000 in liquid savings. Even in the middle of the income scale, two in five pre-retirees fall short of the $2,000 liquid savings benchmark.

Black and Latino Pre-Retiree Households Have Lower Liquid Savings Levels Compared with White Households with Similar Income

Latino and Black pre-retiree households are less likely to have $400 or $2,000 in liquid savings.
compared with White pre-retirees. Disparities in liquid savings levels by race and ethnicity are evident even among households in the same income group (see figure 4). For example, Latino households with income less than $55,800 (the median income among all households) typically have just 38 cents in liquid savings for every dollar in liquid savings held by a White household in the same income group. Among those with higher incomes, Black households have just 19 cents in liquid savings for every dollar White households have saved.

**Liquid Savings Gaps Deserve a Closer Look**

Millions of households have little to no liquid savings to cushion them from the unexpected. While liquid savings levels increase with age and income, a third of pre-retirees have less than $2,000 in liquid savings, which is the cost of a typical worst-case financial shock. Black and Latino pre-retirees have lower levels of liquid savings compared with their White peers earning similar income. These savings shortfalls and the factors that contribute to them deserve a closer look by researchers and policy makers.

2 In this paper, liquid savings is defined as funds in checking, savings, money market, and call accounts. This does not include other forms of liquid savings held outside of the traditional banking system.


6 Our findings are consistent with the results of the 2014 Pew Survey of American Family Finances, which found that 41 percent of households had less than $2,000 in liquid savings and 59 percent had $2,000 or more. Any discrepancies are likely the result of different age brackets used when sub-setting the data.