

3rd Quarter 2005 ICEF Special Report:
Financial Impact from Natural Disasters; Personal Debt Next Year

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Introduction

Natural Disaster and Debt in America.

For anyone who has lived in the United States over the past year or so, two not-so-new problems have expanded their numbers began causing havoc and misery in households all over America- in never-before experienced proportions. The two foes? Personal Debt and Natural Disaster. For many, it has become a “chicken-or- the-egg?” scenario.

So who’s the chicken, who’s the egg? For those who had their finances under control, with some assets or emergency fund on which to rely, the natural disaster’s impact may simply have snatched away a plump nest egg or two, but they have plenty of time to recover. For others, such as the elderly or low income households, losing a carefully- guarded nest egg may ultimately mean losing the nest, with no available reserves left to pay for unexpected things such as medical expenses, car repairs, uninsured losses, etc.

But what about those with no nest eggs (savings or emergency reserves) even before the natural disaster? Lost jobs, damaged or lost property or even lives all impact personal finances profoundly.

Not as obvious, however, is how far-reaching the consequences of natural disasters really are. For example, businesses and employees in the Northeast and Midwest- who have never felt a hurricane force wind or earthquake, experience job layoffs when manufacturing facilities in the disaster- affected areas halt production, slashing revenues.

Purpose

In light of the many natural disasters which have occurred in the United States over the last year and a half, InCharge Education Foundation decided to include special questions in its 2nd Quarter 2005 Omnibus Study, in order to better understand the how and to what extent the American peoples’ personal finances have been affected as a result. InCharge Education Foundation (ICEF) commissions a quarterly, nationally – representative telephone survey to track the current economic issues Americans face, and to measure how well consumers feel they are managing both financially and emotionally.

In the 2nd Quarter 2005 survey, two of the questions were dedicated to the topics of 1. impact on finances due directly or indirectly to any natural disaster, including hurricanes, tornadoes, earthquakes or flooding and 2. perception of financial short term future, asked in terms of ability to pay down their debts. After giving a summary of the findings, more detailed information on each question is shown including demographic breakdowns of responses. Towards the end we include a section on methodology and a copy of the questionnaire.

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Summary of Findings

- **Three out of ten Americans surveyed indicated that they were moderately to severely affected financially by a recent natural disaster.**
- **Those earning under \$25K per year reported the greatest degree of financial impact due to a recent natural disaster.**
- **Both men and women report the same level of impact due to natural disasters.**
- **35 to 54 year olds seem to be hit the hardest by recent natural disaster(s)**
- **Those living in the Western part of the country were least likely to say they have been affected by any natural disaster**
- **Six out of ten Americans (59%) in this study believe their debt will either increase or stay the same in the next year.**
- **Only four out of ten respondents (41%) actually report believing that they will be able to reduce their personal debts.**
- **The men in this study are significantly more optimistic about their ability to reduce their financial obligations with in the next year.**
- **Significantly more women (32%) than men (26%) felt that their debt level would remain the same over the next year.**
- **Six out of ten (59%) in the 55 and older group believe their debts will remain the same (36%) or increase (23%) in the next year.**

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Question 1: Impact of U. S. Natural Disasters

1_1. On a scale of one to ten, how have your personal finances been affected by any natural disaster in the U.S.? **One means "severely affected", and ten means "not affected at all". (How my personal finances have been affected by any natural disaster in the U.S.)**

See Table 1; Variable 1-1.; N=991

Table 1 (1_1.)				
1_1. 3Q On a scale of one to ten, how have your personal finances been affected by any natural disaster in the U.S.?				
	Frequency	Percent	Cumulative Frequency	Cumulative Percent
Base ^{Weighted}	991			
Not affected at all (range 10, 9, 8, 7)	693	70%	693	70%
Mid Range (5,6)	149	15%	842	85%
Severely affected (range 1, 2, 3, 4)	149	15%	991	100%
Mean rating (1-10 scale)	7.6			
No answer	15			

Respondents were asked to rate to what extent any of the natural disasters of the past year or so have affected them. **“On a scale of one to ten, how have your personal finances been affected by any natural disaster in the U.S.?”**

The majority of this national study (70%) responded 10, 9, 8, or 7 (on the "not affected at all" end of the scale). **Almost a third, however, (30%) indicated that they were moderately to severely affected financially by some recent natural disaster.**

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Table 2: (1_1.)			
1_1. On a scale of one to ten, how have your personal finances been affected by any natural disaster in the U.S.?			
Break out by Gender			
Column:	Total	Male A	Female B
Weighted Base	991	480	512
10 – Not affected at all	353	174	179
percent	36%	36%	35%
9 count	129	69	60
percent	13%	14%	12%
8 count	142	57	85
percent	14%	12%	17%
7 count	69	37	32
percent	7%	8%	6%
6 count	41	14	27
percent	4%	3%	5%
5 count	108	52	56
percent	11%	11%	11%
4 count	55	31	24
percent	6%	6%	5%
3 count	31	15	16
percent	3%	3%	3%
2 count	22	11	11
percent	2%	2%	2%
1 – Severely affected count	42	20	22
percent	4%	4%	4%
Summary			
Not affected at all (range 10, 9, 8, 7)	693	338	356
	70%	70%	69%
Severely affected (range 1, 2, 3, 4)	149	77	73
	15%	16%	14%
Mean	7.6	7.6	7.5

- Males comprised 48% of the survey, therefore 52% were female, which is a typical distribution for the general population.
- Both men and women report the same level of impact due to natural disasters (30% moderate to severely impact for men, 31% for women).

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Table 3: (1_1.)

1_1. On a scale of one to ten, how have your personal finances been affected by any natural disaster in the U.S?
Break out by Age

Column:	Total	Age Group		
		18-34 C	35-54 D	55+ E
Weighted Base	991	305	388	286
10 – Not affected at all	353	100	120	129
percent	36%	33%	31%	45%CD
9 count	129	49	48	31
percent	13%	16%	12%	11%
8 count	142	50	53	38
percent	14%	16%	14%	13%
7 count	69	24	30	14
percent	7%	8%	8%	5%
6 count	41	5	27	7
percent	4%	2%	7%CE	2%
5 count	108	30	44	33
percent	11%	10%	11%	11%
4 count	55	26	19	9
percent	6%	8%E	5%	3%
3 count	31	12	10	9
percent	3%	4%	3%	3%
2 count	22	8	10	3
percent	2%	3%	3%	1%
1 – Severely affected count	42	3	26	13
percent	4%	1%	7%C	5%C
Summary				
Not affected at all (range 10, 9, 8, 7)	693	222	252	212
	70%	73%	65%	74%D
Severely affected (range 1, 2, 3, 4)	149	49	65	35
MEAN	7.6	7.7	7.2	7.9D

- Among the three age groups studied, **35 to 54 year olds seem to be hit the hardest by recent natural disaster(s)**(7.2 average rating in this group vs. 7.6 for the whole study).
- **Those over 55 years of age fared the best financially overall; significantly better than the younger 35 to 54 year olds.** (17% severely affected range vs. only 12% of the 55 and older group).

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Table 4: (1_1.)				
1_1. On a scale of one to ten, how have your personal finances been affected by any natural disaster in the U.S.?				
Break out by Household Income				
Column:	Total	Household Income		
		Under \$25K	\$25K- <\$50K	\$50K+
		F	G	H
Weighted Base	991	216	212	349
10 – Not affected at all	353	81	68	123
percent	36%	37%	32%	35%
⁹ count	129	17	20	67
percent	13%	8%	9%	19%FG
⁸ count	142	24	41	49
percent	14%	11%	19%F	14%
⁷ count	69	14	12	27
percent	7%	7%	6%	8%
⁶ count	41	7	8	10
percent	4%	3%	4%	3%
⁵ count	108	30	27	31
percent	11%	14%	13%	9%
⁴ count	55	11	13	19
percent	6%	5%	6%	5%
³ count	31	6	10	10
percent	3%	3%	5%	3%
² count	22	3	7	7
percent	2%	1%	3%	2%
1 – Severely affected count	42	23	5	7
percent	4%	10%G H	2%	2%
Summary				
Not affected at all (range 10, 9, 8, 7)	693	136	141	266
	70%	63%	67%	76%FG
Severely affected (range 1, 2, 3, 4)	149	42	36	42
	15%	19%H	17%	12%
MEAN		7.1	7.4	7.9FG

- The median annual family income in this study was between \$45-\$50K.
- Those earning under \$25K per year reported the greatest degree of financial impact due to a recent natural disaster. (7.1 average rating vs. a significantly higher 7.9 for those earning over \$50K per year.)

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Table 5: (1_1)
1_1. On a scale of one to ten, how have your personal finances been affected by any natural disaster in the U.S.?
Break out by Geographic Region

Column:	Total	Region			
		Northeast	Midwest	South	West
		I	J	K	L
Weighted Base	991	187	223	354	228
10 – Not affected at all	353	65	73	123	92
percent	36%	35%	33%	35%	41%
9 count	129	18	36	38	37
percent	13%	9%	16%	11%	16%
8 count	142	30	36	43	33
percent	14%	16%	16%	12%	15%
7 count	69	12	12	34	12
percent	7%	6%	5%	10%	5%
6 count	41	8	7	19	7
percent	4%	4%	3%	5%	3%
5 count	108	24	24	37	24
percent	11%	13%	11%	10%	10%
4 count	55	11	14	22	8
percent	6%	6%	7%	6%	3%
3 count	31	6	7	12	5
percent	3%	3%	3%	3%	2%
2 count	22	5	4	5	8
percent	2%	3%	2%	1%	3%
1 – Severely affected count	42	9	9	21	2
percent	4%	5%L	4%L	6%L	1%
Summary					
Not affected at all (range 10, 9, 8, 7)	693	125	157	238	174
	70%	67%	70%	67%	76% IK
Severely affected (range 1, 2, 3, 4)	149	31	35	60	23
	15%	17%	16%	17%L	10% K
MEAN		7.4	7.6	7.4	8.0I K

- Those living in the Western part of the country were least likely to say they have been affected by any natural disaster (only 10% reported a response of 1,2,3,or 4) when compared to the other U.S. regions, especially the Southern region (17% reported a response of 1,2,3,or 4 or “Severely affected”).

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Question 2: (1 2.) Will next year's debt increase?

_2 1_2. Please tell me if you think in the next year your debts will...				
Table 6: (1 2.) 2 1_2. Please tell me if you think in the next year your debts will...				
	Frequency	Percent	Cumulative Frequency	Cumulative Percent
Increase	251	26%	251	26%
Stay the Same	307	33%	558	59%
Decrease	390	41%	948	100%
Not Applicable	39			

- Respondents were asked to rate how well the statement “Please tell me if you think in the next year your debts will...increase, decrease, or stay the same?”
- **Six out of ten Americans (59%) in this study believe their debt will either increase or stay the same in the next year.**
- **Only four out of ten respondents (41%) actually report believing that they will be able to reduce their personal debts.**

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Table 7: (1_2.)			
2 1_2. Please tell me if you think in the next year your debts will...			
		Gender	
	Total	Male	Female
		A	B
Base: Weighted	989	477	513
Increase	271	126	145
count			
percent	27%	26%	28%
Stay the Same	285	122	163
count			
percent	29%	26%	32%A
Decrease	400	213	187
count			
percent	40%	45%B	36%
Not Applicable	33	16	17
count			
percent	3%	3%	3%

The men in this study are significantly more optimistic about their ability to reduce their financial obligations with in the next year. Almost half (45%) of men said they thought their debts would decrease, while only about one- third (36%) of women were as confident. **Significantly more women (32%) than men (26%) felt that their debt level would remain the same over the next year.**

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Table 8: (1_2.)				
2 1_2. Please tell me if you think in the next year your debts will...				
Break out by Age				
	Total	18-34	35-54	55+
		C	D	E
Base: Weighted	989	310	384	284
Increase	271	98	107	65
count				
percent	27%	32%E	28%	23%
Stay the Same	285	73	106	103
count				
percent	29%	24%	28%	36%CD
Net	56%	56%	56%	59%
Decrease	400	130	167	96
count				
percent	40%	42%	43%E	34%
Not Applicable	33	8	5	20
count				
percent	3%	3%	1%	7%CD

- **Significantly fewer people over 55 years of age in this study believe that they will be able to pay down their debt in the next year (study average is 40%, compared to only 34% of those over 55). Six out of ten (59%) in the 55 and older group believe their debts will remain the same (36%) or increase (23%) in the next year.**
- The youngest group (18-34), were the most pessimistic about their debt in the near term. Nearly one-third (32%) stated that they thought their debt would continue to increase over the next year.

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Table 9: (1_2.)
1_2. Please tell me if you think in the next year your debts will...
Break out by Household Income

	Total	Household Income		
		Under \$25K F	\$25K- <\$50K G	\$50K+ H
Base: Weighted	989	217	214	346
Increase	271	72	61	82
count				
percent	27%	33%^H	28%	24%
Stay the Same	285	64	63	91
count				
percent	29%	30%	30%	26%
Decrease	400	70	86	165
count				
percent	40%	32%	40%	48%^F
Not Applicable	33	11	5	8
count				
percent	3%	5%	2%	2%

- **Significantly more of those with incomes of \$50K or greater in this study compared to lower income groups tend to believe this statement** describes their position on the question reducing their debt levels over the next year.
- One- third of those earning under \$25K (33%) believe that their debt level will continue to grow in the next year; significantly more than the 24% of those making over \$50K.

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Table10: (1_2.)					
1_2. Please tell me if you think in the next year your debts will...					
Break out by Geographic Region					
	Total	Northeast	Midwest	South	West
	I	J	K	L	
Base: Weighted	989	187	226	350	226
Increase	271	58	57	102	54
count					
percent	27%	31%	25%	29%	24%
Stay the Same	285	51	84	84	66
count					
percent	29%	27%	37%K	24%	29%
net	56%	58%	62%	53%	53%
Decrease	400	70	77	154	99
count					
percent	40%	38%	34%	44%J	44%
Not Applicable	33	8	8	10	8
count					
percent	3%	4%	3%	3%	3%

- **Those living in the Midwest are significantly less optimistic about their debt reduction over the next year.** Only a third of Midwesterners (34%) actually believed they would be able to reduce their debt over the coming months, as compared to a national average of 40%. They (Midwesterners) were significantly more likely to believe that they would find themselves in exactly the same “place”-debt-wise, a year from now. Nearly 4 out of ten (37%) said their debt would stay the same vs. 3 in 10 (29%) nationally.

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Methodology and Data

Data Collection and Analysis

The data for this study were collected from randomly dialed sample of 1006 adults from the general U.S. population (486 men and 520 women), aged 18 and over by the market research firm Ipsos-Insight, during September 12th through September 14th, 2005. Data was weighted to match U.S. Census on key demographics.

The average age of the respondents in this study was 46 years.

Males comprised 48% of the clients and 52% were female, which is a typical distribution of the general population. Approximately six in 10 (58%) were either married or living with a partner, and 42% were unmarried. Their median annual family income was between \$45K and \$50K. Three out of five (63%) were employed, and of those 50% were working full-time.

Statistics are generated at the 95% confidence level.

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ATTACHMENT I.

ICEF STUDY – Q.3 2005
YY0XCE005

1a. In the last year or so, we know that many people's personal finances have suffered as a direct or indirect result of some natural disaster such as hurricane, flood or tornado. On a scale of one to ten, how have your personal finances been affected by any natural disaster in the U.S? One means your finances have been severely affected, and ten means they have not been affected at all. **[ENTER RATING 1-10]**

1b. Please tell me if you think in the next year your debts will

Increase

Stay the same

Decrease

(DNR) Not applicable/Don't have debts