

# Debt adds up

**Debt** can impact people of all ages and wages, contributing toward stress, influencing risky behaviors, delaying life milestones, and exacerbating inequality.

The impact of debt-related stress within the workplace affects engagement, productivity, and talent outcomes.

**50%** of those with debt-related stress spend an hour per week distracted at work.<sup>1</sup>

**60%** of workers would be more likely to stay at a job that offered useful debt-related benefits.<sup>1</sup>

## Rising Balances are a Barrier to Financial Wellbeing

### Medical Debt

The nation's most common source of unexpected, significant debt is medical debt.

**1 in 6** adults are impacted by medical debt<sup>2</sup>



**44% vs 8%**

Medical debt is a strong contributory influence on vicious cycles of debt, 44% of those holding medical debt have at least three other sources of debt vs 8% of those without medical debt<sup>3</sup>

### Household with children under age 18

(24.7%) were more likely than those without children (16.5%) to carry medical debt<sup>4</sup>

**27.9% of Black households**

had medical debt compared to Hispanic (21.7%), White, non-Hispanic (17.2%) and Asian (9.7%)<sup>5</sup>

**More than 1 in 4**

households with at least one member with a disability had medical debt<sup>6</sup>

### Medical Bills May Be Intimidating, But You Have Options

#### Eligibility for financial assistance

Your hospital may have options if you qualify for financial assistance, including charity care, reduced bills, or waivers.

#### Review for accuracy

Mistakes happen, and it is in your best interest to ask for an itemized bill to review the listed procedures and codes are accurate.

#### Be your own advocate

Contact the billing office and negotiate options, including if they will accept an amount within your budget or if there's a payment plan.

### Credit Card Debt

Aggregate credit card balances surpassed pre-pandemic levels, rising at one of the fastest rates in U.S. history. Reliance on credit cards, overspending and habits like carrying a balance or paying only the minimum amount do not make us inherently "bad," it simply serves as a reminder that we're human and vulnerable to financial shocks.



**66%** of adults reported they are currently in debt, with close to half (46%) citing credit card debt<sup>7</sup>

**1 in 3** with debt report contributing less each month compared to a year ago<sup>7</sup>

**\$7,486** Credit card debt of the average U.S. household<sup>7</sup>

**43%** of credit card holders don't know their cards' interest rates<sup>8</sup>

**24%** The average credit card interest rate<sup>9</sup>

### Housing Debt

A home is a major life milestone and can be a family's largest asset. However, the ease of finding, purchasing, and living comfortably in an affordable home has changed drastically, impacting financial health and security.



**01**

**\$11.92T:** The mortgage balance at the end of December 2022, compared to \$10.93 trillion at the end of December 2021, marking a nearly \$1 trillion increase in one year. Balances on home equity lines of credit (HELOC) increased by \$14 billion, marking the third consecutive quarterly increase and the largest increase seen in over a decade. Increasing mortgage balances correspond to increases in home prices.<sup>10</sup>

**02**

**\$363,000:** The median existing-home price as of February 2023.<sup>11</sup>

**03**

**-8%:** Homeownership rates among Millennials is 8 percentage points lower compared to when Baby Boomers and Gen Xers were in the same age group.<sup>12</sup>

**04**

**40% of U.S. adults cite financial issues as a reason for multigenerational living,** along with caregiving (33%).<sup>13</sup>

**05**

**Mortgages are the most common type of debt,** with 56% of adults reporting it.<sup>14</sup>



### Student Loan Debt

Although higher education can be linked to higher median household wealth, investing in yourself is often more costly than many anticipate.

**\$1.6T:** The total outstanding student loan debt in the U.S. with Generation X holding the largest share of federal student debt.<sup>15</sup>

**22%** of the outstanding debt is owed by borrowers ages 50+<sup>16</sup>

**\$39,351:** The average student loan debt amount<sup>17</sup>

### Wellbeing Within Reach

Managing debt is a critical component to building resiliency and a solid financial foundation. As such, it's helpful to consider all aspects of debt, including secured and unsecured debt.



No matter your debt level, having a financial strategy to help pay it off is helpful. Debt, especially high-interest debt, can be a barrier to building wealth, particularly considering higher interest rates. If you do hold debt, there is a path forward. According to the Consumer Financial Protection Bureau (CFPB), there are two strategies that may help you pay off your debts: the snowball method and the highest interest rate method.

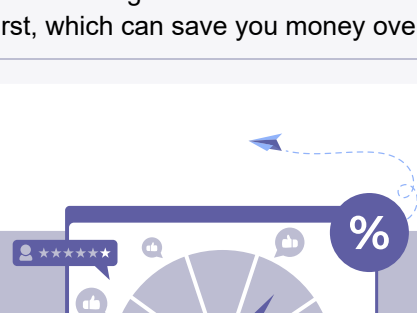
#### Snowball method

Take into consideration all of your debt and arrange it by amount owed, from lowest to highest. Keep paying the minimum payment on all debt while putting any extra funds toward paying off the smallest debt. This will help you focus on paying it off sooner. Once you've paid the debt in full, create a "snowball" by building incrementally toward eliminating each debt.

#### Highest interest rate method

For high-interest debt, like credit card and student loan debts, focus on paying off your high-interest debt in full, rather than only paying the minimum amount plus interest. Take into consideration all of your debt and arrange it by interest rate, from highest to lowest. Keep making the minimum payment on all debt while putting any extra funds toward paying off the debt with the highest interest rate. While it may feel counterintuitive, this is eliminating your costliest debts first, which can save you money over time.

### What gets monitored, gets managed



Continuously monitor your credit score to track your financial standing. A credit score is a three-digit number which evaluates and predicts your financial behaviors, and risk, to lenders—higher scores indicate greater creditworthiness. Your credit score also contributes to determining your interest rates.

After your debt is paid off, consider investing in your financial future, including shoring up short-term and long-term savings. Building your emergency savings contributing toward investment accounts like HSAs, IRAs, and employer-sponsored retirement accounts, and protecting income due to any unforeseen losses or disruptions. [Working with a financial professional](#) can help you explore your options and make the best decision for your financial future.

Financial wellbeing for individuals and their families is personal and unique given situations, preferences, and goals. By improving financial literacy, influencing appropriate savings, debt management, and investment behaviors, and building confidence, tremendous impact can be made for American households. Workplaces that provide equitable access to solutions and programs designed to address and manage debt, offer an opportunity to change course for workers and their families, and enable a positive ripple effect, changing lives and wealth creation for generations to come.

SMRU 5638300 Exp 10/01/2024 New York Life Insurance Company(NY,NY)

<sup>1</sup>Amelia Josephson, Megan Skaggs, and Beth Brockland, "Helping Employees Manage Debt: Designing Debt-Related Benefits to Match Employee Needs and Preferences," Financial Health Network, February 2022

<sup>2</sup>Raymond Kluender, Neale Mahoney, Francis Wong, & Wesley Yin, "Medical Debt in the US, 2009-2020," JAMA, July 2021

<sup>3</sup>Financial Health Network Pulse Survey Data, 2022, n=6,407

<sup>4</sup>Neil Bennett, Jonathan Eggleston, Laryssa Mykyta, & Briana Sullivan, "19% of U.S. Households Could Not Afford to Pay for Medical Care Right Away," U.S. Census Bureau, April 2021.

<sup>5</sup>Federal Reserve Bank of New York, "Total Household Debt Reaches \$16.90 trillion in Q4 2022; Mortgage and Auto Loan Growth Slows," February 16, 2023

<sup>6</sup>New York Life Wealth Watch Survey, poll conducted from Oct. 13-15, 2022, among 4,400 U.S. adults 18 and older. The interviews were conducted online and the data were weighted to approximate a target sample of adults based on gender, educational attainment, age, and region. Results from the full survey have a margin of error of +/- 2 percentage points.

<sup>7</sup>The Harris Poll on behalf of NerdWallet from Oct. 25-27, 2022, among 2,041 U.S. adults 18 and older. The sampling precision of Harris online polls is measured by using a Bayesian credible interval. For this study, the sample data is accurate to within +/- 2.8 percentage points using a 95% confidence level.

<sup>8</sup>YouGov PI on behalf of Bankrate from Dec. 7-9, 2022, 2,458 U.S. adults, including 1,876 credit cardholders and 849 who carry credit card debt from month to month.

<sup>9</sup>Federal Reserve, Consumer Credit – G.19, release date: March 7, 2023

<sup>10</sup>Federal Reserve Bank of New York, "Total Household Debt Reaches \$16.90 trillion in Q4 2022; Mortgage and Auto Loan Growth Slows," February 16, 2023

<sup>11</sup>National Association of Realtors, Housing Snapshot Existing-home Sales, February 2023

<sup>12</sup>Jung Choi, Jun Zhu, Laurie Goodman, Bhargavi Ganesh, and Sarah Strochak, "Millennial Homeownership: Why Is It So Low, and How Can We Increase It?" Urban Institute, Housing Finance Policy Center, July 2018 (updated January 2019)

<sup>13</sup>Pew Research Center, "Financial Issues Top the List of Reasons U.S. Adults Live in Multigenerational Homes," March 24, 2022

<sup>14</sup>Financial Health Network Pulse Survey Data, 2022, n=6,407

<sup>15</sup>Federal Student Aid, 2022

<sup>16</sup>AARP, 2022

<sup>17</sup>Federal Reserve Bank of New York, 2022