



Economic & Financial Conditions of Arkansas Households

**2nd Annual Survey
October 2003**

Economic and Financial Conditions Of Arkansas Households

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Publication Number 03-29

November 2003

Introduction

For the second consecutive year, the University of Arkansas at Little Rock's (UALR) Institute for Economic Advancement has conducted a statewide survey to assess economic and financial conditions of Arkansas households. The goal of this annual research endeavor is to provide valid, timely information related to Arkansans' spending/saving behaviors and to allow economists, policymakers, and business leaders to gain insights into the perceived confidence adults in the state indicate regarding personal financial conditions.

Methodology

Four hundred and thirty-three telephone interviews were completed between September 15 and September 20, 2003 by a trained survey interview staff located in the Donald W. Reynolds Center for Business and Economic Development on the University of Arkansas at Little Rock's (UALR) campus. The survey results are based on the 433 completed telephone interviews with financial decision-makers age 18 and older living within the state of Arkansas. For all questions answered by 433 respondents the potential for sampling error is +/- 4.71 at the conventional 95 percent confidence level. In theory, one can say with 95 percent certainty that the results of surveying this sample of adult Arkansas residents differ no more than 4.71 percent in either direction from what would have been obtained by interviewing all adult Arkansans within the same timeframe ¹. Results for questions answered by significantly fewer than 433 respondents have a potential for a larger sampling error variation. The telephone sample was drawn from a random digit dial sample that was obtained from a firm that provides telephone samples.

Report Notes

Highlights from the current survey and the previous 2002 survey are presented in the form of comparison frequencies and percentages. A note when reading the results, it is possible that not all questions equal one hundred percent due to refusals, computerized rounding, and 'Other' responses that have been categorized separately.

Survey Highlights

IEA designed the Economic and Financial Conditions of Arkansas Households Survey (both the initial survey premiered in 2002 and the slightly revised 2003 edition) to examine several dimensions of household financial decisions. In addition, the survey explored consumer confidence on both a personal level and one considering the overall economy.

- ◆ The plurality (33.5%) of respondents indicated their personal financial situation as *Meet expenses with little left over for extras*.
- ◆ Thirty-one (31.4%) percent of respondents indicated they *Don't save, usually spend all I make*.
- ◆ The majority (56.1%) of respondents who indicated they save regularly noted doing so for more than 10 years.
- ◆ Sixty-seven (67.0%) of surveyed respondents have credit or charge cards. Of those owning cards, the majority (51.9%) carries a balance.
- ◆ Fifteen percent (15.2%) of card-owning respondents indicated being unable to pay a minimum payment on the balance within the past year.
- ◆ Thirteen percent (13.4%) of respondents indicated a total debt level (i.e. credit card) of between \$1,000 - \$2,000.
- ◆ Approximately forty-nine percent (48.6%) of all respondents feel their retirement plans will be adequate when they retire.
- ◆ The majority (53.1%) of respondents indicated it is a *Good time* to buy a major household item.
- ◆ Looking ahead to the holiday season, sixty-six percent (66.1%) of surveyed respondents indicated they expect to spend *About the same* as they did last year.

Table 1

How would you describe your personal financial situation?	2002	2003
Live comfortably	36.5%	29.6%
Meet expenses w/ little left	24.3%	33.5%
Just meet basic expenses	24.8%	28.9%
Not enough to meet expenses	13.8%	7.2%
Other	0.0%	0.2%
DK/NA	0.8%	0.7%
	n=400	n=433

Personal Financial Situation

Comparing 2002 survey data with 2003 survey data reveals Arkansans generally are not living with the same degree of confidence in their personal financial situation as they were one year ago. **Table 1** illustrates that survey respondents indicating *Live comfortably* has fallen from 36.5% of total respondents (n=400) to 29.6% of present total survey respondents (n=433).

Personal Savings

The percentage of respondents noting *Saving regularly* (see **Table 2**) dropped from approximately one-third (34.5%) of the respondents in 2002, to slightly more than one-quarter (26.3%) of the 2003 survey respondents. Additional layers of information were obtained through more specific questions regarding saving attitudes and practices. A wording change was made to a

Table 2

Not including retirement savings, do you		
	2002	2003
Save regularly (weekly monthly)	34.5%	26.3%
Save what is left over	22.0%	31.9%
Don't save, spend all	31.8%	31.4%
Don't save, spend more	8.0%	7.2%
Other	2.0%	1.4%
DK/NA	1.8%	1.8%
	n=400	n=433

Table 3

Do you have money specifically saved for emergencies?		
	2002	2003
Yes	45.0%	45.0%
No	13.5%	13.9%
DK/NA	41.5%	41.1%
	n=400	n=433

question utilized to determine the percent of monthly income that respondents regularly save. In the previous 2002 survey, respondents were asked to give the percentage **BEFORE** taxes. Economist with IEA determined that a more accurate measure of actual savings behavior

could be determined if respondents were asked to give the percentage of income regularly saved **AFTER** taxes. The average percentage regularly saved by current survey respondents was 12.2%. Respondents indicating regular saving habits revealed an average of 5.90 years of saving money. **Table 3** reveals a very stable pattern of respondents who indicate saving specifically for emergencies. Adding to this picture of flattened consumer confidence in the realm of a personal financial situation is the significant increase in the number of respondents indicating not specifically saving for a home down payment (31.2% in 2002 vs. 46.1% in 2003).

Consumer Credit Cards

The majority of all respondents (67.0%) indicated owning major credit or charge card(s) (i.e., VISA, MasterCard, American Express). Almost one-half (49.2%) of the respondents also indicated owning other credit or charge card(s). When this subset of card-owning respondents was further questioned on the activity of credit or charge cards it was determined that the plurality (29.9%) actively use two credit/charge cards. Approximately one-third (32.3%) of those owning credit cards reported having an interest rate of greater than 14% (see **Table 4**).

Credit card-owning respondents were further questioned to ascertain details regarding credit card debt (specific credit card debt amounts were not asked of respondents). Referring to **Table 5**, it is interesting to note that while fewer respondents currently indicate carrying a balance (51.9% vs. 55.6%) and having a balance at the credit limit (17.7% vs. 20.6%), a slightly higher percentage of respondents (15.2% vs. 12.9%) did indicate being unable to pay the minimum payment at some point during the past year. Three-quarters (74.4%) of this subset of respondents indicated paying *in-between*

Table 4

Credit/Charge Cards/Interest Rates						
	2002			2003		
	Yes	No	DK/NA	Yes	No	DK/NA
Do you own any major cards?	64.3%	35.3%	0.5%	67.0%	32.1%	0.9%
Do you own any other cards?	47.5%	52.5%	0.0%	49.2%	50.6%	0.2%
Is interest >14%?	33.0%	49.1%	17.9%	32.3%	48.4%	19.3%

Table 5

Credit/Charge Card Debt	2002			2003		
	Yes	No	DK/NA	Yes	No	DK/NA
Do you carry a balance?	55.6%	43.7%	0.7%	51.9%	47.5%	0.6%
Is the balance at limit?	20.6%	78.7%	0.6%	17.7%	82.3%	0.0%
Unable to pay minimum?	12.9%	86.5%	0.6%	15.2%	84.8%	0.0%

the minimum payment due and the entire credit/charge card balance.

Spending Habits

To assist in determining how confident Arkansans are concerning the economy and their current personal financial situation, questions were asked of all respondents regarding whether now is a good or bad time to make a major household purchase. The majority of the respondents (53.1%) indicated it is a *Good time*. Results from the previous survey reveal that in 2002 only 43.8% of those responding felt it was a *Good time* to make a major household purchase. Following up this line of questioning, these respondents were asked whether they planned on making a major purchase within the next six months. Approximately sixteen percent (15.9%) indicated a plan to purchase a major household item. Further analysis of the data revealed that the average amount those respondents plan to spend on this purchase is \$1,663.

Consumer Debt/Loans

Questions pertaining to respondent’s experiences with consumer loans were employed in the survey. Results revealed that the vast majority of respondents (88.7%) have not applied for a consumer loan within the past 12 months. Of those who indicated applying for a consumer loan, only thirteen percent (12.5%) reported being turned down.

Table 6

Do you feel you owe MORE, the SAME, or LESS money than 2 yrs ago?	2002	2003
More Money	31.8%	26.1%
Same Money	28.5%	27.9%
Less Money	37.0%	43.0%
DK/NA	2.8%	3.0%
	n=400	n=433

A follow up question was asked to determine how much total debt respondents would report having. A plurality of

respondents (35.8%) reported *Nothing*, while the most frequently given category when debt was reported to exist was \$1,000 - \$2,000 (13.4% of all respondents). Forty-three percent (43.0%) of current respondents

indicated owing *Less money* now than they did two years ago (see **Table 6** for additional details).

Bankruptcy

Reported bankruptcy filings have held fairly stable between the 2002 survey and the current research (3.3% and 2.1%) respectively. Slightly more than half (55.6%) of the filings were Chapter 13.

Retirement

A series of questions was posed to survey respondents to identify issues and perceptions affecting retirement plans and participation.

Table 7 allows the reader to note a stable trend by Arkansans when indicating participating in a retirement plan through their work. Likewise

respondents exhibit the same stability across surveys when responding to a query regarding contributions to an Individual Retirement Account (IRA) (see **Table 8**).

A slight downturn in confidence can be noted by examining **Table 9**; the current survey reveals a dampening of consumer assurance that their retirement plans will be adequate upon retirement. Approximately ten percent of the respondents to a question pertaining to borrowing against their retirement plans indicated they had borrowed against the plan.

Table 7

Do you participate in a retirement plan through work?	2002	2003
Yes	41.8%	40.9%
No	34.5%	39.3%
Don't Work	22.8%	19.6%
DK/NA	1.0%	0.2%
	n=400	n=433

Table 8

Do you contribute to an IRA?	2002	2003
Yes	23.0%	23.3%
No	75.0%	73.7%
DK/NA	2.0%	3.0%
	n=400	n=433

Financial Stability

To gauge Arkansans' perceptions of their economic well-being, a question was asked regarding whether respondents have the financial means to cover their living expenses for three months in case of an unexpected job loss. Current survey results are very close to the results gained in the 2002 survey. Approximately forty-three percent (43.4%) of those surveyed indicated having the means to cover their living expenses. It should be noted that approximately one-quarter (26.3%) of the respondents indicated they do not work.

Table 9

Do you think your retirement plan will be adequate?	2002	2003
Yes	51.6%	48.6%
No	41.7%	43.0%
DK/NA	6.8%	8.4%
	n=400	n=433

Home Ownership

Information pertaining to home ownership was gathered from all respondents through a series of questions. **Table 10** reveals an increase in the reported ownership rates.

Table 10

Do you own or rent your home?	2002	2003
Own	78.8%	83.4%
Rent	17.3%	14.1%
Other	3.8%	2.1%
DK/NA	0.3%	0.5%
	n=400	n=433

with a mortgage vs. no mortgage (47.9% and 51.5% respectively). This represents a reversal from the 2002 survey findings, which found that more homeowner respondents owned with a mortgage (52.1%) than without a mortgage (46.0%). The majority of homeowners (74.4%) reported having a mortgage payment of less than twenty-five percent of their monthly income before taxes. A final question in this series asked for the approximate home value. The most frequently given response value (20.8%) was \$100,000 - \$149,000.

Children & Tuition

Approximately thirty-one percent (30.7%) of all survey respondents indicated having children under the age of eighteen. This subset of respondents was asked a sequence of questions to determine parent/guardian perceptions of college tuition issues. The majority (53.4%) of respondents indicated not saving for their child's/children's college tuition. There is a prevalent (60.0%) awareness among these respondents that the amount of money that they are saving or investing will not be adequate when it comes time for their child/children to enter college.

(Footnotes)

¹ U.S. Census Bureau, Census 2000. Profile of General Demographic Characteristics: 2000, Geographic Area; Arkansas.

It is interesting to note that there is an almost even split among homeowners who say they own

Demographics

Marital Status	Percent
Married	67.4%
Living as married	0.5%
Separated	0.5%
Divorced	8.8%
Widowed	14.5%
Never married	8.1%
NA	0.2%
Respondent's Employment Status	Percent
Self-employed	10.6%
Employed full-time	37.4%
Employed part-time	5.1%
Unemployed	0.9%
Retired	33.0%
Homemaker	6.0%
Disabled	4.8%
Student	1.2%
Other	70.0%
NA	0.2%
Spouse Employment Status	Percent
Self-employed	13.9%
Employed full-time	42.2%
Employed part-time	3.7%
Unemployed	2.0%
Retired	28.9%
Homemaker	4.1%
Disabled	3.7%
Student	0.3%
Other	0.7%
NA	0.3%
Housing	Percent
Single Family	88.0%
Apartment	3.7%
Mobile Home	4.6%
Condo	1.2%
Duplex	2.1%
Other	0.5%

Race	Percent
White	85.2%
Black	11.1%
Native American	0.5%
Hispanic	0.9%
Other	2.1%
NA	0.2%
Age	Percent
18-25	3.0%
26-35	12.7%
36-45	16.2%
46-55	22.2%
56-75	33.7%
Over 75	12.2%
Gender	Percent
Male	33.9%
Female	66.1%
Education	Percent
<9th grade	4.6%
Some H.S.	6.2%
H.S. Grad	33.7%
Some College	26.1%
Assoc. Degree	4.4%
BA Degree	15.2%
Professional Degree	9.7%
NA	0.0%

Occupation	Percent
Professional	27.7%
Teacher	8.7%
Gov.Non Military	3.4%
Military	0.0%
Technical	4.2%
Executive	0.4%
Administrative	4.9%
Managerial	4.2%
Sales	4.2%
Clerical	6.1%
Repairman	3.4%
Machine Operator	3.4%
Transportation	1.9%
Laborer	3.0%
Service	7.6%
Other	10.2%
No Occupation	6.4%
NA	0.4%
2002 Income	Percent
<\$15,000	13.4%
\$15K-\$25,999	16.4%
\$26K-\$35,999	13.4%
\$36K-\$45,999	10.6%
\$46K-\$55,999	10.4%
\$56K-\$65,999	6.9%
\$66K-\$75K	4.4%
>\$75,000	12.7%
NA	11.8%



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