



# 2020 is an Existential Financial Crisis:

Americans are Feeling the Pressure





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## Introduction

2020 was obviously not an average year. Politics, a pandemic, and market volatility have Americans heading into 2021 in an existential financial crisis. Today's major financial stressors aren't what we're used to, like paying down debt or worrying about how to afford college tuition—how can they be when even the college experience has been thrown into chaos?

As we transition into 2021, our financial anxieties are more reflective of the lack of control we're facing in just about every part of our lives. Americans are most worried about the looming, nebulous issues that are out of their grasp and how these will impact their finances, such as the outcome of the presidential election, or how COVID-19 will impact the economy and jobs in the months and years to come.

So, how do we even begin to help Americans wrap their heads around how to deal with these financial fears and begin to move forward after a relentlessly challenging year? In this report, you will see recommended, proactive insight into five main financial pressures driving the current existential financial crisis—pressure to make a risky financial move, pressure to suffer in silence, pressure not to look overwhelmed, pressure on women to increase their financial control, and pressure to DIY. We've paired each pressure with starting points for those who need help wrestling back control of their money.

Millions of Americans face a widening void when looking for objective and actionable advice that cuts through the generic offerings found in the financial services industry. Facet Wealth was built to solve this problem; we're designed to serve everyone who feels up against the intimidating challenge of managing their money yet has been given very little guidance or resources to do so successfully. Our goal is to make financial planning more accessible to more people in 2021 and beyond and continue to shed light on where our collective stressors pile up so that we can tackle them together, head on.

1

## If you feel pressure to make a risky financial move....

With the political situation and pandemic only expected to escalate in the coming months, those needing extra money over the next six months are feeling tempted to go to extreme measures to make ends meet:

18%

say they would need to go into/add to credit card debt

18%

would tap into precious retirement savings

17%

would borrow money from friends or family

Base: all Americans



**Decisions like these always have 2nd and 3rd order consequences—lasting repercussions that impact our overall financial health in the future that we may not be focusing on today. The key is to focus on what you can control today, to educate yourself as to what options exist, and to create a plan of attack to get back on track.**

## 1. If you feel pressure to make a risky financial move....

# Focus on what you can control.

Periods of financial stress—like uncertainty with the economy and the markets— make us want to take action to alleviate some of the stress. We suggest you focus on taking positive action towards things you can control.



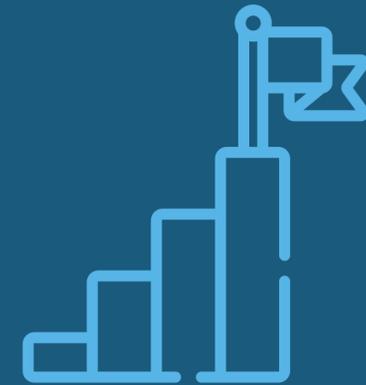
### Get real about a budget.

Knowing where your money is going is the first step on the path to financial health. With this knowledge, we can then make better decisions and change our spending habits to get us on track to achieving our shorter-term goals like building an emergency fund, paying down debt, or saving more for our future.



### Pay your future-self first.

Save first and then spend what is left. Americans tend to save what is left at the end of the month and find it hard to save as much as they should. The trick is to find a way to automate your savings upfront and then build your budget around what is left.



### Set goals and create a short-term plan.

The hardest part of your financial journey may be the first step. It can feel overwhelming and hard to know where to start. Begin by writing down your goals. Then break those goals into small, achievable steps that you can take within a week or month. The smaller the goal, the better as you will be able to hit it and build positive momentum.

## 1. If you feel pressure to make a risky financial move....

# Educate yourself on options.

The next step if you are facing financial stress is to know your options when it comes to gaining access to money. There are a few things you can consider.



### Retirement plan withdrawals.

The CARES Act created greater flexibility to take penalty free withdrawals from retirement accounts. If you need to do so for a COVID-19 related event, you can take a withdrawal and pay it back over three years. However, though you can get them back when you repay the withdrawal, you will have to pay taxes on the amount in the short-term.



### Retirement plan loans.

A loan from your retirement plan might be easier than navigating a withdrawal. However, there are a few things to know. There will be a loan processing fee up front, and you will have to pay the loan back over five years. If you lose your job or leave, you may have to pay it back immediately or face a big tax bill and penalty. Also, your money will not be invested while the loan is outstanding.



### Use Roth IRA funds.

If you have a Roth IRA, you may want to look at pulling money from this instead. Your contributions can be withdrawn penalty- and tax-free so for many, it may be a better option than having to deal with the complexity of pulling money from other accounts.



### 0% credit card transfers.

These can be tricky as they can create a debt snowball if you can't pay the balance off in full by the end of the 0% promotional period. Make sure you have a plan to do so.



### Equity in your home.

The housing market is doing well. For homeowners, this may mean that there are opportunities to establish a line of credit to tap into your equity.

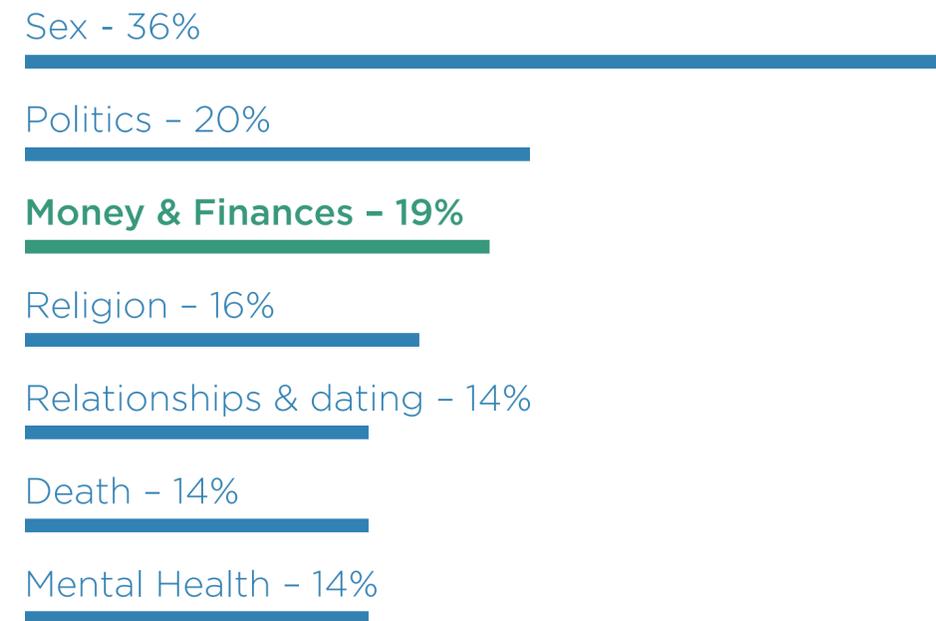
## Plan for your financial life.

It can feel like a lot to handle at times, and the added stressors of today don't help, but creating a plan that defines the things you can control and the actions you can take today will give you greater clarity and relieve the stress you may be feeling. It is often this first step that can lead to positive action and avoiding the riskier moves you may be considering. Knowing what options exist and creating a proactive plan of attack will help you avoid being reactive.

## 2 If you feel pressure to suffer in silence...

The data reveals that Americans prefer to discuss death, religion or mental health with family or friends before having to talk about money and finances. The only things they'd rather talk about less? Politics and sex.

### Which of the following topics are you NOT comfortable discussing with your family or friends?



Base: all Americans

## We can partly thank antiquated ideals for our aversion to talking about our finances:

# 28%

Over a quarter of Americans said discussing money/finances with family and friends is uncomfortable because they were taught “money is something you keep private”

# 19%

Nearly 1/5 of Americans also said they avoid it out of worry that people will judge their financial situation

# 18%

Nearly 1/5 assume most people we know also don't like to talk about money

## 2. If you feel pressure to suffer in silence...

For those committed to getting over the awkwardness, asserting control starts with understanding your money mindset, developing a short-term plan with clear goals, and scheduling regular check-ups for your finances (we call these “money dates”).

### Know your money mindset.

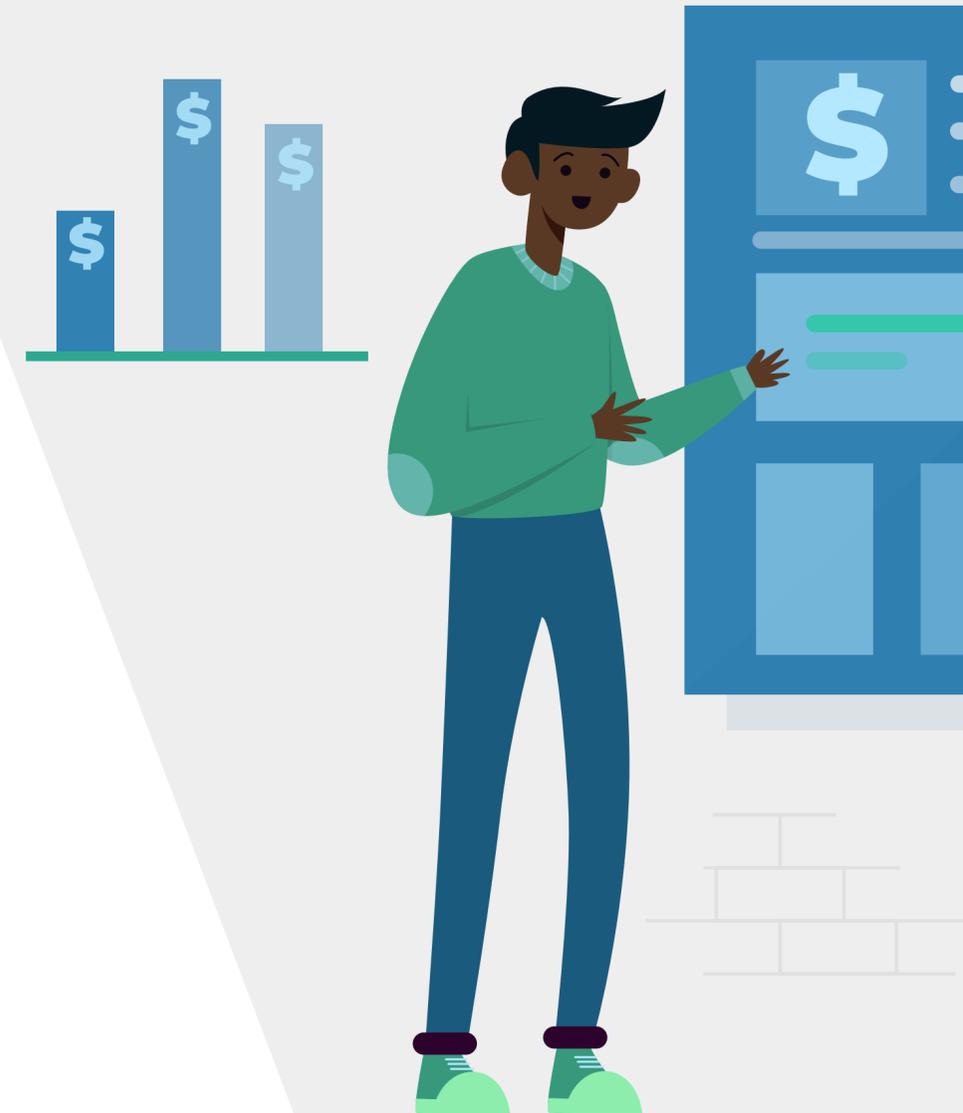
Your money mindset is the system of beliefs and values that you have around money. As Americans, we don't spend a lot of time thinking about how these elements impact how we feel about our finances and use our money. During periods of stress, it's important to take a step back and realize that we are not alone in how we feel. Awareness of what is causing financial stress (or why we are feeling the way we are) can create clarity around what actions we can take to put ourselves in a better position. Knowing that we aren't alone, and that our feelings are normal, can also relieve stress.

### Create clear goals.

Individuals and families should set money goals based on what is important to them at the current moment. Make a chart of family goals (be sure you have the priorities correct), dedicate resources toward each goal, and match sensible assumptions (including timelines). Typical new family goals include: home, children and education funding, and retirement funding. Be sure to include “enjoy life along the way” funding so that you can have fun together now while balancing saving for tomorrow. It's OK to have individual and joint goals, just be sure to work on the project together, agree on what goals are most important, and support one another as you work towards them.

### Schedule regular financial health check-ups (or “money dates”).

Americans should schedule money dates—dedicated time to sit down and think about one area of their finances that they would like to improve—and where appropriate include their significant others, children and other family members. Just like their personal relationships, Americans need to make time for their relationships with money. Schedule a daily, weekly, or monthly check-up and over time you'll see a natural progression of positive change, resulting in more control of your finances.



# 3 If you feel pressure not to appear overwhelmed...

By not addressing or discussing our financial situation with those we love and trust, we're missing out on support and a mutual understanding many of us need right now in order to ease the financial anxieties that overwhelm us and that hold us back from taking the first step to get help.

**Many Americans who felt uncomfortable about talking about money reported the following as reasons for their discomfort:**

26%

Think they're behind where they're supposed to be

20%

Think others won't understand their financial situation

11%

Worry they are not smart enough to talk about finances

Base: Americans who feel uncomfortable talking about money in some way



### 3. If you feel pressure not to appear overwhelmed...

To begin asserting control, start with reflecting on what is causing the feeling, get clear about how to tackle the root cause, and then get started on your path to improved financial health.

#### Reflect on what is causing this feeling.

If you want to chop down a tree, you have to chop at the roots and not the leaves. Often in our financial lives, we focus on hacking at the leaves. To start, take a step back and reflect on what is really creating the feeling of being overwhelmed. If it's not having enough cash at the end of the month, what spending habits are leading to this outcome? Do you have too much debt? Consider how you created the debt in the first place. Find the root cause and start there.

#### Get real about cash flow.

Understanding cash flow and creating a budget can feel hard because Americans don't know where to start and are sometimes afraid of what they may uncover. Tackling that feeling of being overwhelmed starts with taking a good, hard look at where your money is going each week or month. Are there lifestyle expenses that are hurting the rest of the budget? Are the debt payments putting a dent in the money left over to pay other bills, to take that vacation, or to save for the future? Discovering your financial reality can be hard, but it's the necessary first step to enacting meaningful progress.

#### Review your money habits.

If Americans thought about saving for a house, for example, the way they do their 401(k) contributions, they'd likely create a better habit and see better results. Following the above example, once you get paid, the best practice is to have a bank account set up to automatically take a certain portion of the paycheck and deposit it to a high yield savings account—one that is separate from the overall savings account—so there is no temptation to even dig into the home fund.

#### Start small and increase gradually over time.

A commonly cited rule of thumb is that you should be saving 15% to 20% of your income for retirement and other goals. If the goal is bigger, say to buy a house, that might require more savings. Who wouldn't be overwhelmed? But, it's important to know that big savings don't happen overnight. The key is to set a measurable goal and to start saving no matter the amount. Even if you start at 1% or 5%, you can commit to increasing that amount over time. If you stick to it, you'll see your savings rate increase and find yourself on your way to achieving your goal. And remember, you should be saving enough to feel it, but not so much that it impacts your enjoyment of everyday life.

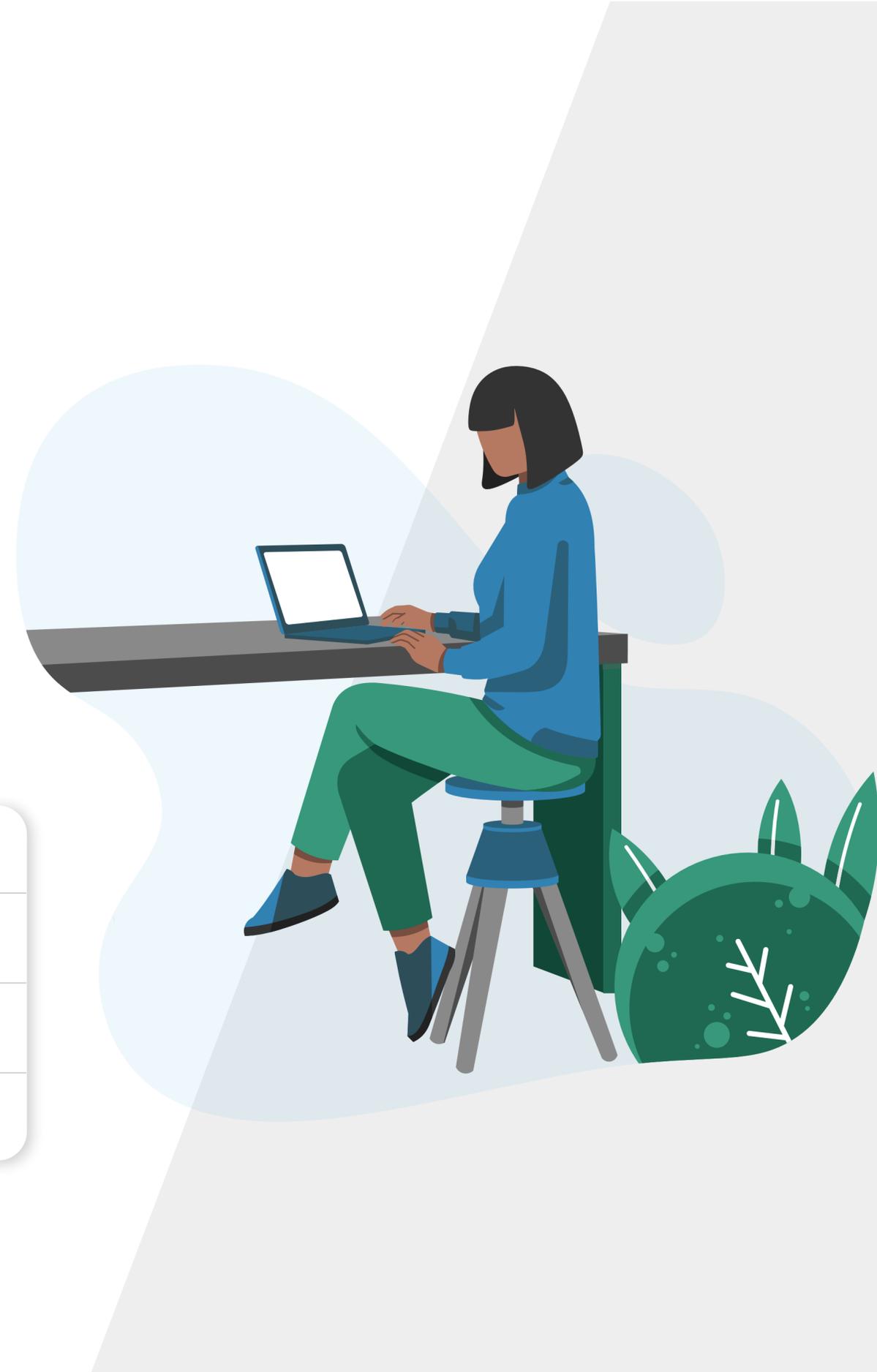
# 4 If you're a woman feeling pressure to control your finances...

Across nearly all data points, American women reported feeling more discomfort, concern, and financial anxiety than their male counterparts. **Women were 1.4 times more likely to feel uncomfortable discussing money** and finances with their friends and family compared to men.

**Women were more likely than men to list each of the following as reasons for discomfort with discussing money/finances with friends and family:**

	Women	Men
Being more fearful of judgement about their financial situations	22%	16%
Feeling more pressure to hit certain financial milestones	15%	12%
Comparing their financial situation to others	14%	10%
Feeling other people they know wouldn't want to talk about money	20%	16%

Base: all American women



#### 4. If you're a woman feeling pressure to control your finances...

Women reported greater financial anxiety overall and especially around certain topics such as:

	Women	Men
COVID-19 impacts	15%	12%
Healthcare costs	14%	10%
The outcome of the presidential election	20%	16%

In general, women were more likely to say:

They don't know where to find financial help	11%	7%
They couldn't afford financial help	22%	17%

Base: all American women



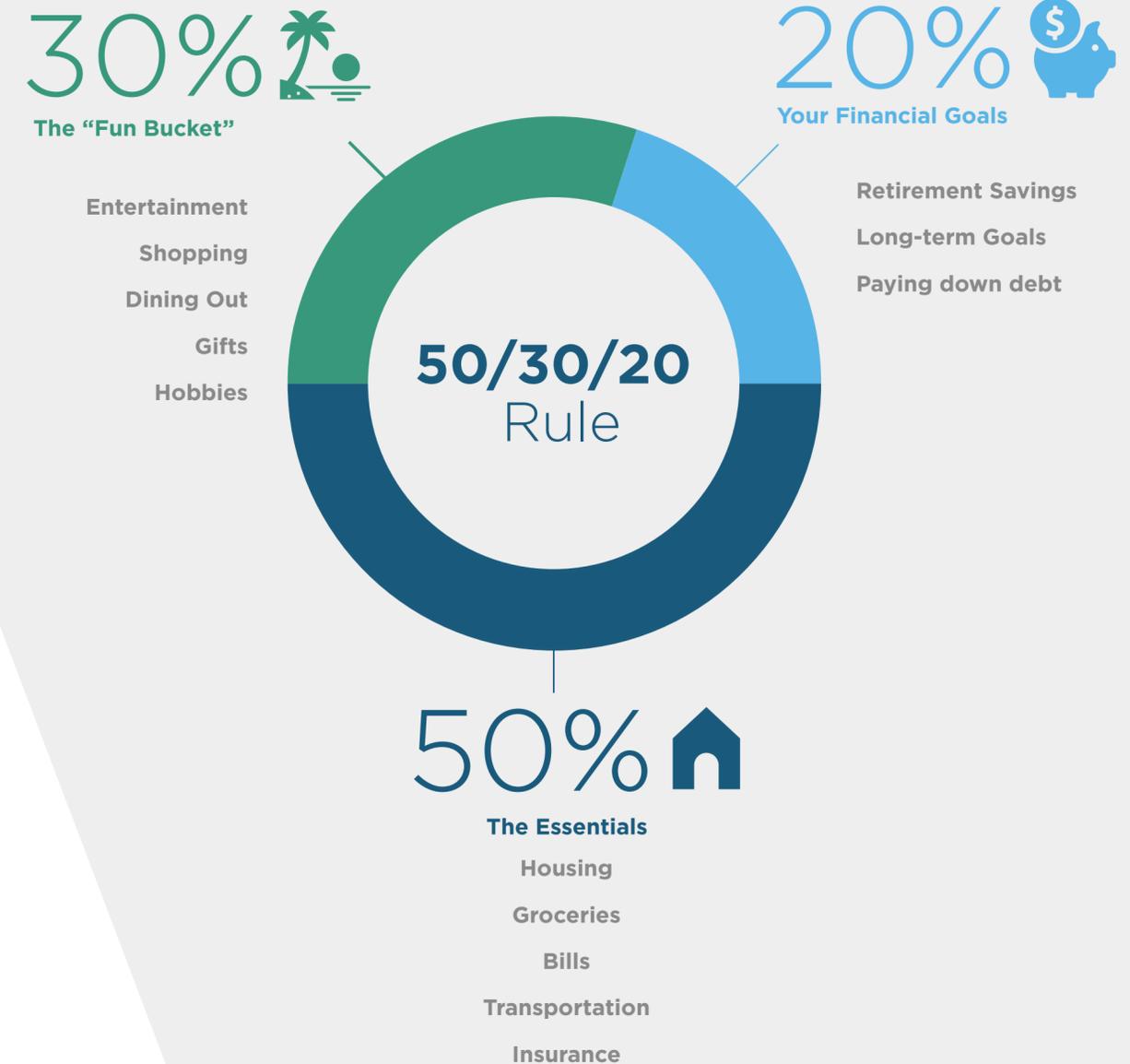
#### 4. If you're a woman feeling pressure to control your finances...

Americans are not taught enough about handling their money in school. Throw in innate gender discrepancies as an adult that affect everything from salary to the ability to get a loan, and it's easy to see why establishing financial control can feel overwhelming. This is where a trusted professional can come in handy. Not only can a financial planner help you define your financial goals and strategies, they can be an objective third party as you work on having the money conversations that you may have been avoiding. In the meantime, there are a few places where women who want to boost their financial control can start.

#### Develop a long-term financial plan that includes a budget.

There are two things most Americans are never taught in a formal school setting that can contribute to feelings of inadequacy many women experience when trying to have a financially healthy life; relationships and money. An ideal place to start a financial journey is to build a healthier relationship with your money. A financial plan will be the foundation of everything you do with your money and it should also include a budget, so you know how much of your income to allocate to each of your priorities. Budgeting is a healthy financial exercise, but many Americans shy away from it because budgets are often too restrictive. A good budget should provide an in-depth understanding of where money is going and should balance enjoying life now and preparing for the future.

Although everyone's situation is different, one place to start is the 50/30/20 rule.



#### 4. If you're a woman feeling pressure to control your finances...

# Use a more conservative approach to your advantage.

Women tend to be more conservative than men when it comes to their finances. This is often seen as a negative in society, but we believe it can be a strength. Because of this more conservative approach, women have a few advantages.



## Focus on the foundation.

Women can alleviate a lot of stress in their financial lives by focusing on the foundational elements of their money. Start with creating savings plans for short-term goals like building an emergency fund, paying down debt, or even the less sexy things like ensuring proper insurance coverage or securing estate planning documents for the moms out there. Individuals that are more conservative will find great relief in having a solid foundation, and, in most cases, it's a healthier position from which to start the rest of your financial journey.



## Naturally better investors.

As men tend to be more aggressive, this also leads them to act on unhealthy financial behaviors—stock selection, timing the market, reacting to market volatility. Women, on the other hand, are naturally better investors. Harness this strength and use it to work on creating a risk appropriate, well diversified, and low cost investment strategy. A more conservative approach will work to the advantage of women as they exhibit better investor behavior over time, remaining disciplined and taking a long-term view.

# 5 If you're feeling pressure to do-it-yourself...

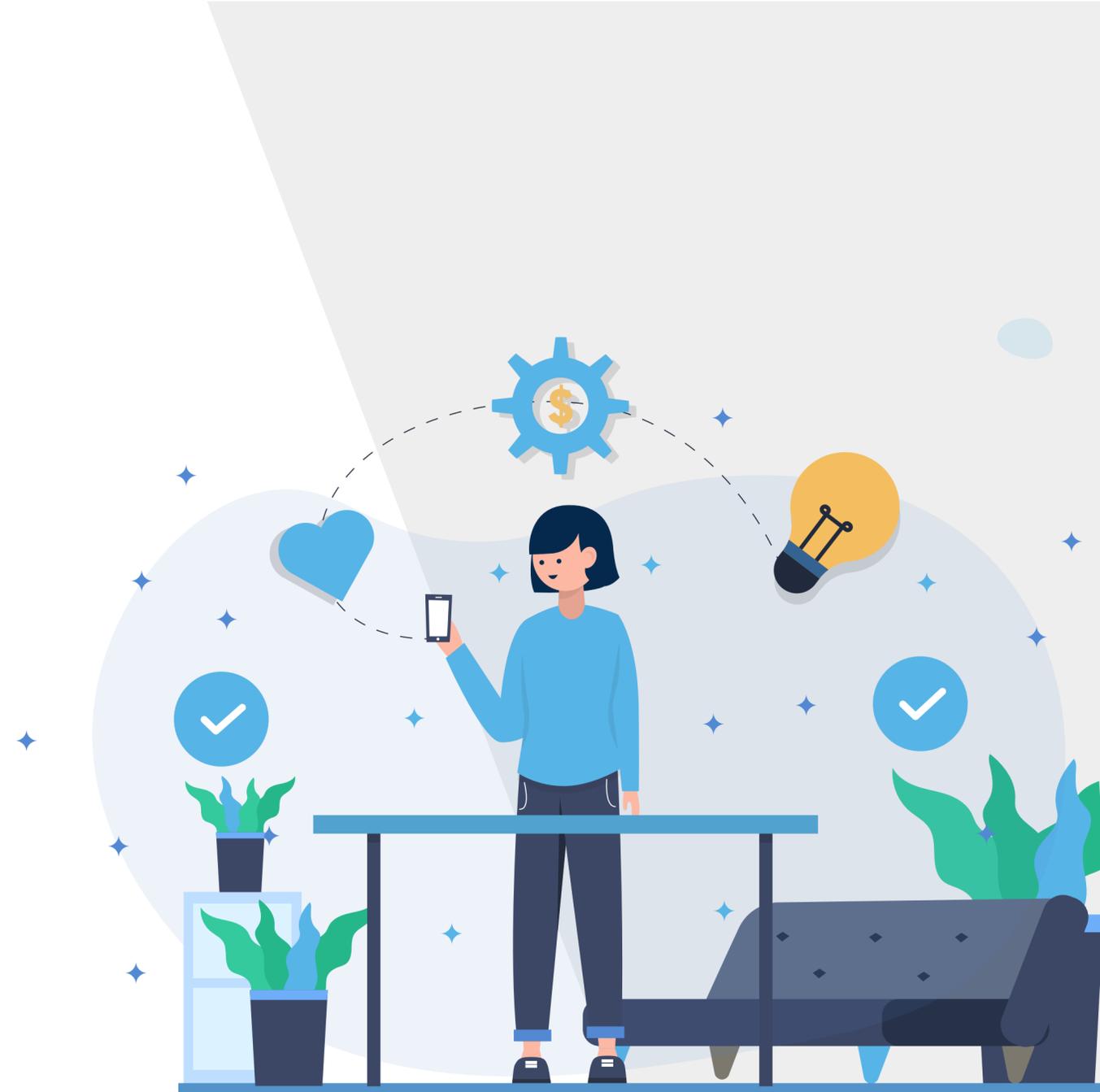
Nearly a fifth (19%) of Americans don't think they can afford financial help and for the average American who decides to spend some time looking into financial strategies to grow and save, 14% say they often turn to the internet for advice. Surely, these people deserve a better strategy than to DIY via the internet?

**When asked to describe the money advice Americans have heard or been given, nearly a fifth (18%) of each said:**

- “I hate trivial advice, like cutting out coffees or going out to eat”
- “The advice doesn't apply to my situation/feels generic”
- “It feels like someone is trying to sell me something”

Base: all Americans

**At the end of the day, financial professionals are still the most trusted group for advice with 20% of Americans saying they are more likely to trust advice from a professional over family or friends (14%).**



## 5. If you're feeling pressure to do-it-yourself...

**For the many, many Americans who cannot afford traditionally high-priced wealth or investment management, accessible financial advice can feel out of reach.**

Facet Wealth is dedicated to serving this often-neglected group. Asserting control begins with all the advice included thus far—abandoning completely generic advice like cutting out a coffee—and finding a CFP® professional who is dedicated to their unique financial goals.



## 5. If you're feeling pressure to do-it-yourself...

### Focus on the icebergs and forget about the deck chairs.

The perennial advice when it comes to our budgets is to stop buying the daily coffee or other small expenses that bring us a reprieve from the hustle and bustle of everyday life. But focusing on these smaller items is a lot like rearranging the deckchairs on the Titanic. There is always something larger in the water, the money icebergs if you will, that will still sink the ship. Instead, we should develop a deeper understanding of our cash flow and find our icebergs so we can prepare. Cutting out coffee won't solve our existential fears from the election, pandemic, or other major events that are outside of our control. To fix a big fear, you must take a big step.

### Stop creating a retirement partnership with the government.

If you had a business partner that was capable of changing how much of the business they owned at any point in the future, how would you feel? This is exactly what you are doing when you save 100% of your money in pre-tax retirement accounts. The government, simply by changing tax rates, can take more of your retirement money in the future, meaning, they are running your retirement accounts. With record levels of debt and near record low tax rates, Americans should fund different types of accounts to create tax diversification. It's the only sure way to hedge your bets and create flexibility for your financial future.

### Professional advice is an investment, not a cost.

The good news is that access to quality, personalized, and unconflicted advice is growing. There are more and more financial advisors that charge a flat fee, an hourly fee, or even project-based fees. Paying for professional guidance is an investment in your financial future and not a cost. The only cost may be what you miss out on by not getting the advice and guidance that you deserve today. Before you meet with an advisor, **here are three quick tips:**



1

#### Get financially organized.

Knowing where your money is going is the first step on the path to financial health. With this knowledge, you can then make better decisions and change your spending habits to get on track to achieving your short-term goals like building an emergency fund, paying down debt, or saving more for your future.



2

#### Arm yourself with the right questions.

Save first and then spend what is left. Americans tend to save what is left at the end of the month and find it hard to save as much as they should. The trick is to find a way to automate your savings up front and then build your budget around what is left.



3

#### Shop around.

The hardest part of your financial journey may be the first step. It can feel overwhelming and hard to know where to start. Begin by writing down your goals. Then break those goals into small, achievable steps that you can take within a week or month. The smaller the goal, the better as you will be able to hit it and build positive momentum.

## Find a CFP® professional that is dedicated to you and only you.

Facet Wealth is the comprehensive financial planning company providing Americans unconflicted advice to improve their quality of life. Once signed up, consumers are matched with a dedicated CFP® professional that stays with them throughout all of life's major money moments—planned and unplanned. Our CFP® professionals approach your financial health similar to the way a primary care physician approaches your physical health, ethically and comprehensively looking at your total financial picture to determine the right plan for you, and only you.

## ADDITIONALLY: A NOTE ON THE POLITICAL IMPACT ON OUR PERSONAL FINANCES

One thing we know about the stock market is that it dislikes uncertainty. That's one explanation for the market's performance during election years, which tend to be uncertain times. Who will win? How will that affect the economy? No one knows until the first Tuesday in November (and sometimes not even then). It's no surprise that the 2020 election has been fueling a financial existential crisis for many Americans.

### The most common major financial stressors heading into 2021

39%

the outcome of the presidential election

37%

the impact of Coronavirus (COVID-19)

23%

managing debt/getting into debt

29%

healthcare costs for myself/someone else

17%

supporting family



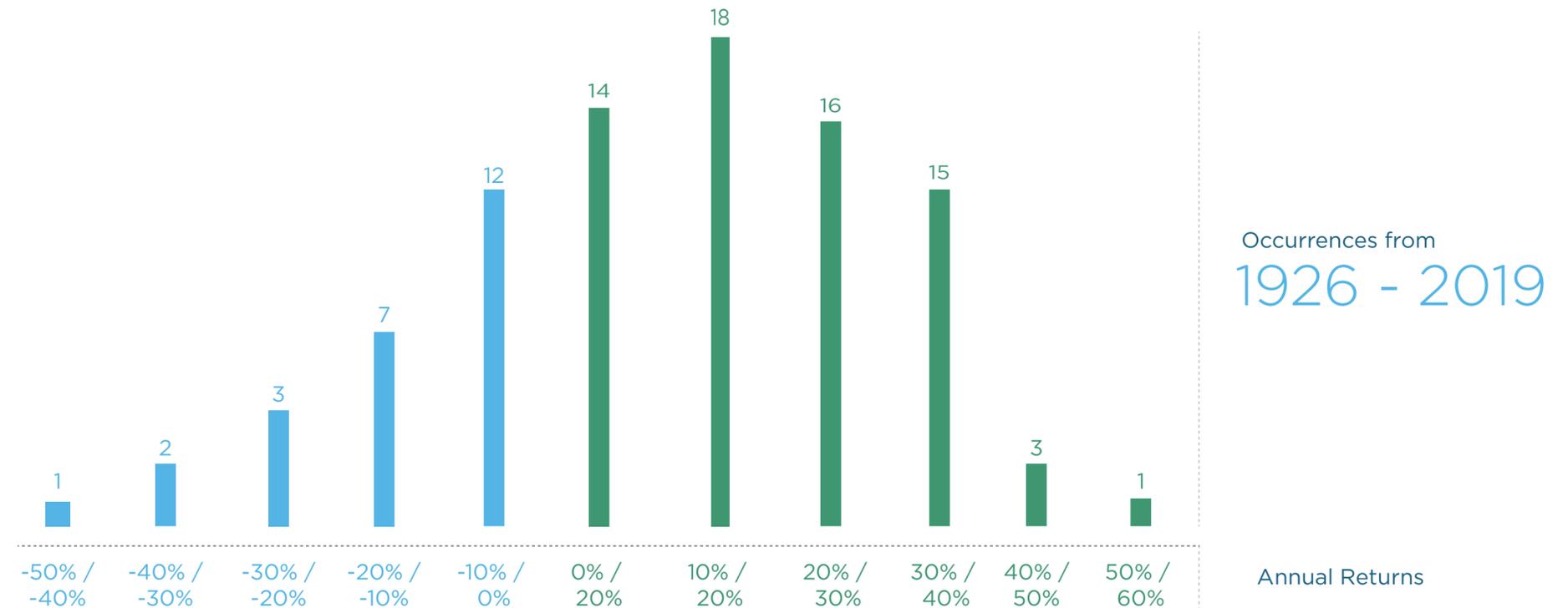
# For those who find comfort in numbers

Here is how the market has been impacted by elections of the past at-a-glance.

Looking at the performance of the S&P 500 index, a reasonable proxy for the market, from 1926 until the end of 2019 the average annual return for the index was 12.09%.

Average annual return

12.09%



23 Presidential elections

During that time there were 23 presidential elections. The average annual return during those election years was 11.28%, while the average annual return during non-election years was 12.35%.

16% ▲

5.14% ▼

Why is that?

During election years when a president is reelected or replaced by someone from his own party, the S&P 500 averaged an annual return of 16%. When the new president was from the other party, the average annual return was only 5.14%.

One possible explanation is that when the economy isn't doing well, voters are more likely to choose a president from the other party. It could be that the economy, and consequently the stock market, were already faltering well before election day. The new president could be a symptom of the market underperforming, not the cause.

## Media Contact:

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## Purpose and Methodology:

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This survey was conducted to identify the primary financial concerns facing Americans as we move into 2021. In reviewing the responses, we chose to illustrate the top 5 concerns based on themes present in the survey, followed by our recommendations to help ease the response to it. This survey has been conducted using an online interview administered to members of the YouGov Plc panel of individuals who have agreed to take part in surveys. All figures, unless otherwise stated, are from YouGov Plc. Facet Wealth did not participate in the selection of participants and was not involved in the administration of this survey. Total sample size was 1130 adults. Fieldwork was undertaken between 9th - 12th October 2020. The survey was carried out online. The figures have been weighted and are representative of all US adults (aged 18+).

## About Facet Wealth:

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Facet Wealth is the only company filling the financial planning void millions of Americans face when looking for objective and actionable advice that cuts through the generic offerings being provided by a stifled financial services industry. Often overlooked for not meeting a minimum net-worth, the average American sees access to a CFP® professional or financial advisor as something reserved for the already-wealthy, even if those Americans are the ones who can benefit most from these services.

Facet Wealth was built for everyone who is up against the intimidating challenge of managing their money yet has been given very little guidance or resources to do so successfully. Once signed up with Facet Wealth, clients are matched with a dedicated CFP® that stays with them throughout all their financial planning needs. Its “Best Next Step” approach ensures that as life’s challenges present themselves to a customer, plans and priorities adapt seamlessly with the continued support of their planner. It’s all done virtually and through a flat affordable fee structure based on the needs of the client and complexity of their goals.

Facet Wealth is headquartered in Baltimore, Maryland with CFPs located across the USA. For more information visit: [www.facetwealth.com](http://www.facetwealth.com) or find them on Twitter and LinkedIn.