The American Dream Today:
A Family Reality or Only Just a Dream?

2018 State of the American Family Study
Executive Summary

The American Dream.

Traditionally, it's meant that anyone can achieve a happy way of living by working hard and becoming successful.

But today, 1 in 3 American families believe the American Dream is disappearing.

Massachusetts Mutual Life Insurance Company (MassMutual) has focused on families since our founding in 1851, so we like to know what they are thinking and feeling. In 2018, we commissioned the fourth wave of a nationally representative survey of American families to better understand how they view the American Dream and the financial aspects involved. We reached into the nation's great cultural and economic diversity through individual market segments, different social groups and evolving family structures.

The 2018 State of the American Family study reveals that today's families believe the American Dream involves three main priorities:

1. Achieving financial security/independence
2. Enjoying a comfortable retirement
3. Helping their children get an education

In addition to the study insights, you'll find helpful ideas and specific actions than can help you turn *your* American Dream into reality.

What you can do

Families are taking steps to secure their financial future and dreams, but clearly, more can be done to keep the American Dream alive. The top financial regret across all consumer groups is 'not starting early enough.' ***So get started!***

Financial Security/Independence

For most families, the heart of the American Dream is financial security. More than 4 in 5 families define the American Dream as financial security for myself and my family. But fewer than half of families are confident they can achieve this.

More than
4 in 5
families

define **THE AMERICAN DREAM** as **financial security** for themselves and their family

However,
LESS THAN HALF
feel confident that they can achieve this

American families tend to view financial security in terms of certain priorities.

The 2018 study reveals the five most common financial priorities:

- Having an emergency fund
- Being financially prepared for the unexpected
- Not carrying a lot of debt
- Feeling confident in both short and long-term financial decision-making
- Not living paycheck to paycheck

Let's look at each of these priorities.

Having an emergency fund

Life has a way of handing families little surprises. Your car breaks down. Your roof needs repair. Someone in your family has a medical crisis. You get laid off from work, or get sick or injured so you can't work. Whatever the emergency, having a financial cushion can help you weather the storm without endangering your long-term financial health. But just 1 in 4 American families have set aside enough money to cover even 6 months of expenses.

What you can do

Open a separate savings account designated for your emergency fund and add to it every paycheck. Use automatic deposit so you don't forget. As a rule of thumb, target 3-6 months of salary for your financial cushion.

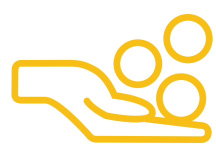
Just 1 in 4 American families are prepared for a financial emergency with more than 6 months of expenses saved

Being financially prepared for the unexpected

You can't control the unexpected, but you can be prepared if it happens. About three-fourths of American families prioritize having a stable source of income should the unexpected happen.

Don't forget to consider what would happen if you got sick or injured and were unable to work. Where would you get the money to pay for expenses like food, clothing, utilities and the mortgage? For most people, their single most valuable asset is their ability to earn an income.

of American families prioritize having a STABLE SOURCE OF INCOME for family in event of the unexpected



What you can do

Prepare for the unexpected by protecting your family with appropriate amounts of life insurance and disability income insurance. Life insurance can provide a measure of security for your family should the unthinkable happen. And disability income insurance replaces a portion of lost income when you're sick or injured and cannot work, helping your family stay financially secure. Be sure to check out your employer's benefit plan, it may offer these coverages at group rates that may be more affordable.

Not carrying a lot of debt

While it's preferable to pay for purchases without borrowing, that's not always realistic. For example, few families can buy a home or car, or pay for college, without taking out loans. Most families consider a mortgage and student loans as "good debt" because these loans help them achieve elements of the American Dream.

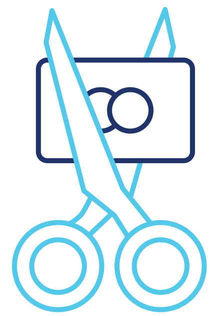
Credit card debt is often considered "bad debt" because interest cost is generally high. It's smart to pay down credit card debt first because these loans cost you the most money.

For American Families with debt, GOOD DEBT outweighs BAD DEBT

$39,900
STUDENT LOAN DEBT

$188,800
MORTGAGE DEBT

$10,400
CREDIT CARD DEBT



70%
of American families
are prioritizing
PAYING DOWN DEBT

What you can do

Join the 70% of American families that prioritize paying down debt. Create a debt management plan that is right for you.

- **First,** understand your debt, the interest rates, if it's fixed or variable and the terms of payment.
- **Next,** classify the debt; is it good or bad debt?
- **Lastly,** prioritize how you would like to pay the debt off. Think of it in terms of the most damaging to the least damaging. It's a good idea to pay off the loans with the highest interest rates first, the smallest balances or the highest minimums. Focus on the debts that can help build your credit. If you can make extra payments or pay more than the minimum, do so. This will reduce the total cost of the loan. Even paying a little bit extra each month can make a big difference in reducing your debt.

Feeling confident in both short-term and long-term financial decision-making

What builds confidence? Getting things done. How do you get things done? Set goals. How do you achieve goals? Make a plan — and go for it. This simple approach can help you feel more confident about your financial decision-making.

Over 80% of American families feel confident in their day-to-day or short-term financial decisions, but 41% say they lack confidence when it comes to planning for the long-term. If you need help with long-term planning, talk with a financial professional about setting goals, making a plan and tracking your progress. Keep in mind that progress comes in steps and big changes don't happen overnight. But when you set goals, make a plan and stick to it, you set yourself up to win.

What you can do

Focus on the short-term:

- Develop a budget to account for all income and every expense.
- Set a goal to reduce household expenses. Every dollar saved equals a dollar earned.
- Create an emergency fund with a goal to set aside 3 to 6 months of salary. Make automatic deposits from each paycheck.

Plan for the long-term:

- Develop a plan to pay down your debt within 20 years (excluding your mortgage).
- Save money so you can pay for college with minimal student debt, however, don't sacrifice your retirement savings to pay for college.
- Build a retirement nest egg with a goal of 15 times your annual income.

Not living paycheck-to-paycheck

Family life often creates stress and living paycheck-to-paycheck adds more. It makes you feel anxious about your financial situation. It also makes it hard to save, which can leave you vulnerable in case of a financial emergency. The best way to stop living paycheck-to-paycheck is to save, and being able to save starts with a monthly budget.

of American families agree that they should be doing more to save for the future but are JUST STRUGGLING TO GET BY

What you can do:

Create a monthly budget

- Write down your family's total take home pay for the month
- Track your expenses for a month, by reviewing bills and receipts, and identify ways to reduce or eliminate expenses wherever you can.
- Include a savings goal each month. It's OK to start small just start saving.
- Use your savings to pay down debt or add to your emergency fund or add to your retirement savings account

Enjoying a Comfortable Retirement

When you're building a career and growing a family, it can be hard to envision your own retirement. But the top financial regret of American families is not starting to save early enough. And since Americans are living longer, they will require more retirement savings to cover general living costs and increased medical expenses as they age.

The study reveals that thirty-eight percent worry they will outlive their retirement, and 6% already plan to work part-time.

Are you confident that you're doing a good job preparing financially for retirement? Only a third of families say they are, and only 22% have developed a plan for retirement savings and stick to it. If you aren't saving enough, or if you aren't sure, talk with a financial professional.

Retirement is a concern for American Families

2/3

are **NOT CONFIDENT** that they are **FINANCIALLY PREPARED** for their retirement

Only 1/3

have an **ACTUAL PLAN** for retirement

What you can do

PLAN AHEAD:

- Decide what age you want to retire.
- Envision where you'll live and what you'll do.
- Predict how long your retirement will last (figure at least 30 years).
- Look closely at your actual expenses now and predict the expenses you will have during retirement. Factor in the impact of inflation on your expenses in retirement.
- Determine your sources of income in retirement, including predictable sources such as pensions and social security, and variable sources that may depend on the market, like your 401(k).

START SAVING:

- Take advantage of your employer's retirement plan matching contribution. If you don't, you are giving up free money for your future.
- Make your employer's maximum match percentage equal to the minimum percentage you contribute. Contribute more if you can.
- Target 15 times your annual income for your retirement nest egg.

Helping Their Children Get An Education

A majority of American families view paying for their children's education as an important financial priority. That makes sense because a college degree helps your children establish a career and achieve financial security. And, even though college costs have increased over 50%[1] in the past 10 years, families are willing to borrow to fund higher education.

[1] August 2016 Bureau of Labor Statistics, U.S. Department of Labor, The Economics Daily, College tuition and fees increased 63 percent since January 2006.

Over the last five years, the percentage of families with debt from student loans doubled, from 11% to 22%.[2] Fifty-five percent of families expressed some confidence they will be able to pay for higher education for themselves and 48% expressed confidence they will be able to pay for college for their children. The study also reveals that a family's cultural background can impact its approach to paying for college. For example, Asian-Indian American families believe that it is their duty to pay for college while their child focuses on studying. Please refer to our College Planning and Savings Study on **MassMutual.com** for more information and guidance on planning for your child's education.

The average amount of STUDENT LOAN DEBT per family is

$39,900

of American families consider paying for their children's education

A FINANCIAL PRIORITY

What you can do:

- Educate yourself about college costs, including tuition, room & board, books, fees and travel. These costs have increased over 50% over last 10 years and will likely continue to increase faster than overall inflation.
- Create a plan for how you will pay for college. Every family will have different needs, resources, time frames and personal approaches.
- Identify sources of money to pay for college:
  - Current income
  - Savings, such as 529 plans, Coverdell Education Savings Accounts, and bank accounts
  - Government loans, private loans, and permanent life insurance loans[3]
  - Financial aid, grants and work-study
  - Scholarships: There are thousands of scholarships offered by private corporations, organizations, foundations and individuals. Also, check your local community and civic organizations for scholarship opportunities.
- A simple way to reduce the cost of college is for your children to attend community college for 2 years, and then transfer to a 4-year school to complete their Bachelor's degree. Many schools work cooperatively so the transition from community college to 4-year school is smooth.

[2] Compared to our 2013 State of the American Family Study, among those with household incomes $75k, dependent(s) under age 18.

Next Steps

Since you're actively looking for ways to take greater control of your financial future, consider taking these action steps.

SAVE FOR RETIREMENT. The amount of income needed to maintain a standard of living in retirement varies from person to person and family to family. Think about your current and future expenses to see if you are saving enough right now. If you're not, or if you're not sure, talk with a financial professional.

PLAN FOR YOUR CHILDREN'S EDUCATION. Here's a way to start saving: when an item drops out of your monthly budget, like the cost of daycare when your preschooler enters kindergarten or a car payment when you pay off the loan, redirect some of those funds into college savings.

SECURE YOUR FAMILY'S FUTURE. Life insurance provides financial protection if the worst were to happen. Some policies also accumulate cash value[3], which is a living benefit you can use for extra retirement income, funding your child's education or financial emergencies.

PROTECT YOUR INCOME. Make sure you have a plan in place should you become too sick or injured to work. Disability income insurance can help you meet those financial obligations.

PREPARE FOR RISING HEALTH CARE COSTS. You may want to research options to pay for long-term care so you can remain financially independent of your adult children as you age.

TEACH THE NEXT GENERATION ABOUT FINANCES. Involving your children in discussions of family budgeting and monthly bills can help them understand what is involved in managing money. Playing family board games that involve a money component can help younger kids learn about money in a fun way.

[3] Access to cash values through borrowing or partial surrenders will reduce the policy's cash value and death benefit, increase the chance the policy will lapse, and may result in a tax liability if the policy terminates before the death of the insured.

MassMutual is a strong and stable resource that can help you secure your financial future.

To connect with a MassMutual representative near you, visit **massmutual.com** today.

Live Mutual

It's in our nature to take care of the people who make life worth living, so we instinctively protect them physically and emotionally. Making plans to secure their futures should feel no different. While the world would have us strive for independence, the truth is when we depend on one another — *when we live mutual* — we aren't just more secure. Life is happier and more fulfilling.

Living mutual has always been at the core of human existence, and it's the principle that's guided MassMutual since our founding in 1851. It's not a concept we invented, but one we champion for the simple reason that people today take it for granted.

To connect with a MassMutual financial professional near you, visit **massmutual.com** today. Together, you can take the right steps in creating a personal financial strategy that supports the American Dream for *your* family.

Methodology

The State of the American Family survey was conducted for MassMutual by Isobar between January 19th and February 7th, 2018 via a 20-minute online questionnaire. The survey comprised 3,235 total interviews with Americans. The vast majority of these interviews (2,730) were conducted with men and women aged 25-64, with household incomes equal to or greater than $50,000 and with dependents under age 26 for whom they are financially responsible. Respondents had to contribute at least 40% to decisions regarding financial matters in their household to qualify. Results were weighted to the March 2017 Annual Social and Economic Supplement (ASEC) of the Current Population Survey for age, income, gender, ethnicity, region, and weighted to the 2016 American Community Survey Public Use Microdata Sample for same sex married/partnered couples, to be representative of American families in this age and income bracket. This study includes trending data for the previous survey wave conducted in 2013. The sampling margin of error for the 2018 study is +/- 1.88 percentage points at the 95% confidence level when looking at the results for the 2,730 interviews at a total level.

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