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The Early Impacts of the Coronavirus Pandemic on Americans' Economic Security

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The COVID-19 pandemic has had enormous effects on economic and daily life around the globe. In this paper, we examine how the pandemic has influenced Americans' financial stability and behavior immediately after its onset using longitudinal survey data from a nationally representative internet panel, the Understanding America Study (UAS). Our primary analysis sample consists of respondents to three annual surveys fielded in May 2018, 2019, and 2020, spanning the first quarter of the pandemic. We also merge in data collected in other UAS surveys that elicit subjective financial preparedness for retirement and intended Social Security retirement benefit claiming ages.

We find that Americans' financial situations improved, on average, soon after the pandemic's onset. Notably, overall satisfaction with one's financial situation improved, while financial stress and financial fragility (i.e., an inability to cover a $400 shock with cash or an equivalent) decreased. We also document that our sample was more likely to be actively saving, particularly in liquid accounts during the pandemic than in prior years. Consistent with increased savings activity, we observe increased (self-reported) liquid account balances in 2020, particularly in checking and savings accounts. We found little difference in self-reported debt levels, though respondents were less likely to indicate that they felt their debt to be unmanageable in the pandemic's early months. Despite increases in current measures of financial stability, there was no empirical evidence of changes in retirement savings behavior: The fraction of the sample actively saving for retirement and self-reported retirement balances remained statistically unchanged over time.

A natural possible explanation for the increase in short-term financial stability, despite huge interruptions to the labor market and a sharp rise in public health risk, is that the relatively robust government stimulus response helped offset some of the pandemic's adverse effects. We find evidence consistent with this explanation. Stimulus receipt accounts for nearly all of the reductions in financial stress and fragility that we observe in our sample. Stimulus receipt also explains nearly all of the observed increase in liquid account balances.

However, the stimulus is not the whole story, as it has little influence on the boost in savings activity. Rather, the increased likelihood of actively saving after the onset of the pandemic may be driven by precautionary motives as a result of rising uncertainty and/or to reduced ability to spend

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with closed businesses and travel restrictions. We also find that the stimulus does not explain all of the improvement in overall financial satisfaction: Even after controlling for stimulus receipt, financial satisfaction was higher in 2020 relative to its prepandemic levels. It is possible that the increase in financial satisfaction is in part driven by this increased savings activity.

Average improvements in the population may mask important heterogeneity in outcomes. For example, consumers who were less financially stable prepandemic may have been disproportionately negatively affected by its onset. Our results suggest the opposite is true: Financial stability disproportionately improved among respondents who were more economically vulnerable prepandemic. Women, those with lower income and financial literacy, and individuals who were struggling with unmanageable debt or spending above their means prepandemic all experienced differentially larger improvements in their financial situations relative to their respective counterparts. Such improvements appear to be driven at least in part by differential impacts of the stimulus payments. We find considerable stronger associations between stimulus receipt and increases in financial stability and saving activity for more economically vulnerable consumers. Our empirical findings suggests that not only did the government stimulus help prevent widening inequality in financial stability, it may have helped close the gap, at least early in the pandemic.

Finally, using additional survey modules in the UAS fielded in 2015 to 2016, 2017 to 2018, and starting in April 2020, we examine how the pandemic may have influenced retirement financial preparedness and intended Social Security claiming ages. We find that levels of self-assessed retirement financial preparedness increased in the early months of the pandemic, though grew by similar amounts as observed in year-over-year changes prepandemic. This is consistent with our other results suggesting few changes in retirement savings behavior. Intended Social Security claiming ages did not change over time for the overall sample, though there is some weak indication that adults 60 and older who had not claimed their benefits may delay claiming by about 0.6 years.

Our evidence suggests that rather than experiencing large reductions in financial stability, Americans' financial situations improved during the pandemic's first months, particularly for previously economically vulnerable individuals. Much of the overall, and differential, increase appears attributable to the economic stimulus, which was particularly impactful for those with lower financial stability. Although our results are intuitive and consistent with other work examining the early effects of the pandemic and policy responses to it, it is important to note that our evidence is descriptive and that we cannot establish causality. Additionally, our latest round of surveys was fielded early in the pandemic's life cycle, and shortly after approximately half our sample had received their stimulus payments. While this helps us investigate the stimulus' immediate impacts, we are unable to assess how quickly the observed increases in financial stability may dissipate, nor can we explore the pandemic's longer term effects. Both of these questions remain important inquiries for future research. ❖

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