



Helping Each Other in Times of Need

Financial Help as a Means of Coping with the Economic Crisis

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Reports of the effects of the global economic crisis continue to dominate the headlines. In the United States, large drops in the housing market and a glut of risky mortgages have led to a spate of foreclosures. Many households have seen their retirement savings depleted as stock values have plummeted. Rising unemployment threatens the economic security of a growing number of families.

How are U.S. households coping in these difficult times? One way is by reaching out to support each other financially. In late 2008 and then again in early 2009, the RAND Corporation conducted two Internet surveys on the effects of the economic crisis, including the importance of financial help. The surveys probed

- the extent to which U.S. households have been affected by the crisis
- patterns of giving and receiving financial help as one means of coping with difficulties related to the crisis.

The findings suggest that the nation's troubles have affected the vast majority of Americans. The surveys also reveal marked patterns in how households have provided financial help to one another in response to the crisis, patterns that vary by income and age.

The Economic Crisis Has Affected a Large Majority of American Households

The economic downturn has left few Americans untouched: Nearly 80 percent of households say they have been affected; almost 30 percent report having been affected "a lot" (see Figure 1).¹ Among higher-

Key findings:

- The economic crisis in the United States has affected a large majority of American households.
- Many more households are giving financial help than receiving it.
- Help most frequently flows from parents to children.

income households, the percentage affected is larger than among lower-income ones (see Figure 2). In terms of age, the percentage affected is somewhat higher in the middle-age groups (35 to 69) than among younger or older households (see Figure 3).

Interestingly, people who have suffered from the economic crisis are more likely to have others in their family or social network who have also been affected. Nearly 90 percent of affected households said that parents, grown children, other relatives, or friends had felt the effects as well. This was much less common among households that had not been touched by the crisis, only 57 percent of which said that their family or friends had been affected (see Figure 4).

Many More Households Are Giving Financial Help Than Receiving It

In the midst of financial trouble, those giving help far outnumber those receiving it, suggesting that transfers tend to be received from more than one source. Overall, nearly 30 percent of households said that they had given more than \$500 to family, grown children, relatives, or friends as a means of helping them cope with the crisis. In contrast, only about 13 percent report having received help of this sort.

One might suspect that there would be a smaller fraction giving help among households who reported

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¹ These statistics are based on respondents' answers to the following question:

Over the past months, there have been reports about the nation's financial problems, including large drops in the stock market and in the housing market and increased rates of foreclosures and joblessness. As this financial crisis unfolds more and more people have been affected in different ways. Have [you (or your husband/wife/partner)] been affected by these problems?

Respondents were asked to choose among the answers "No," "Yes, a little," and "Yes, a lot."

Figure 1
Percentage of Households Affected by the Economic Crisis

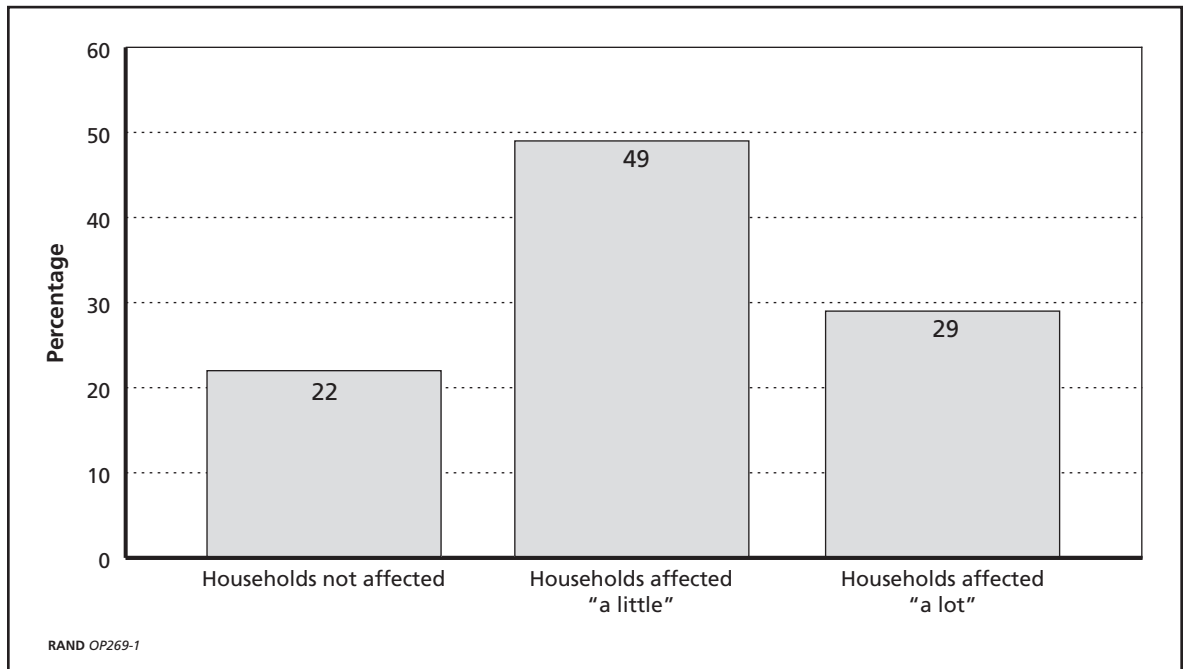


Figure 2
Percentage of Households Affected by the Economic Crisis, by Income

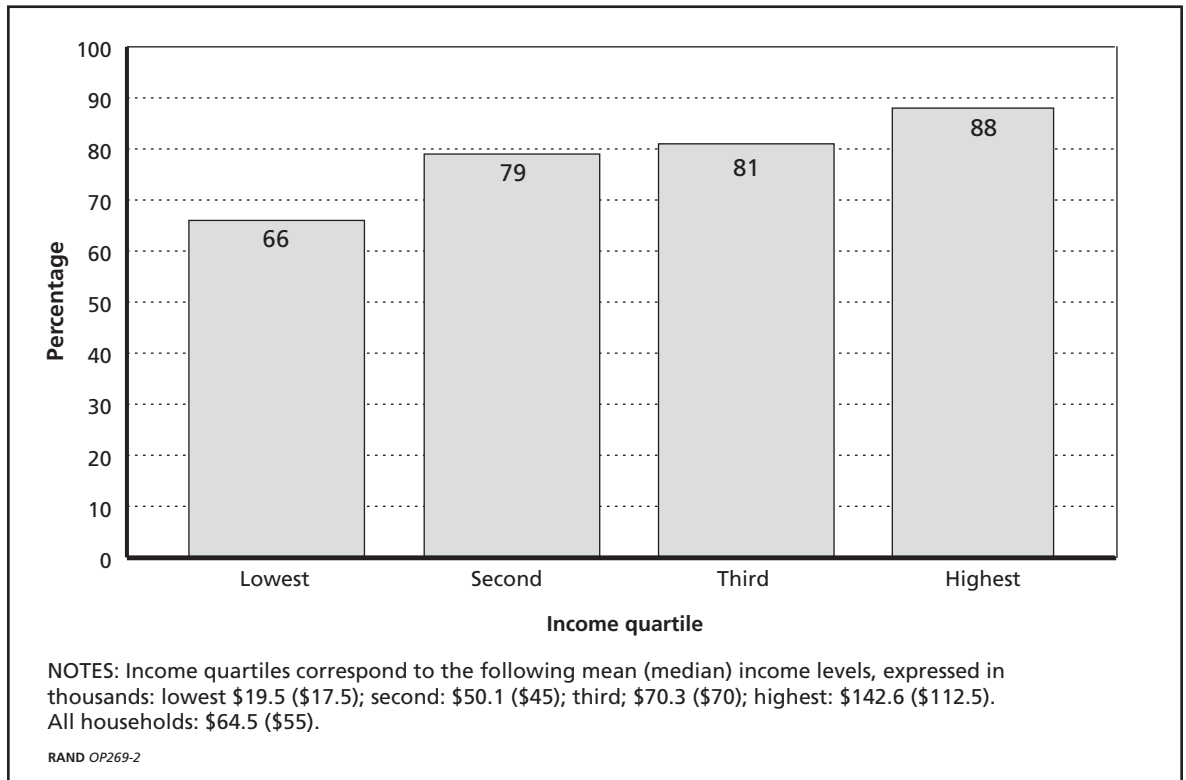


Figure 3
Percentage of Households Affected by the Economic Crisis, by Age

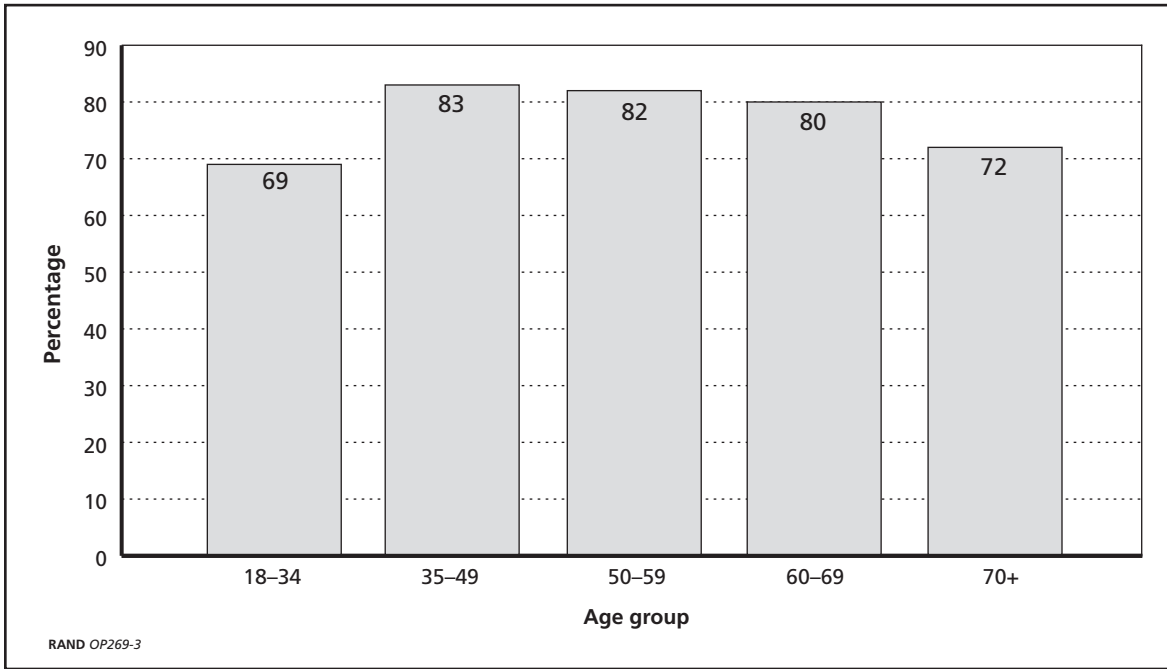
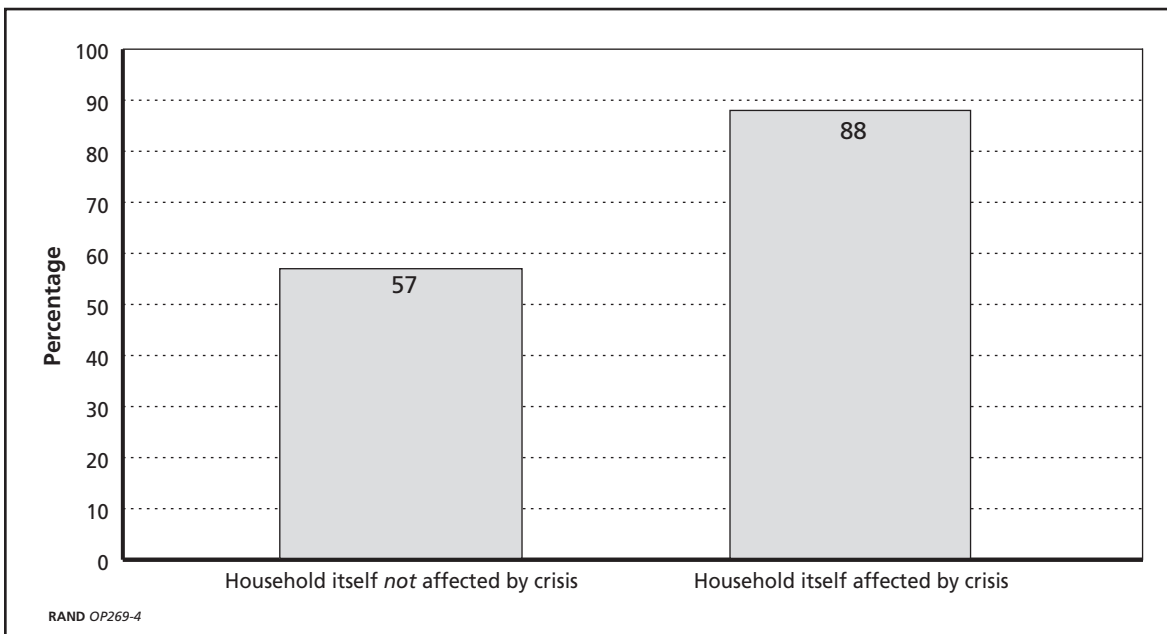


Figure 4
Percentage of Households with People in Their Family or Social Network Affected by the Economic Crisis, by Whether the Household Itself Was Affected



having been affected by the crisis. This turned out not to be the case: 29 percent of households who reported that they had been affected still gave assistance, compared with a little more than a quarter of those who said that they had not felt the effects of the crisis.²

Although higher-income households were more likely to have been affected by the economic crisis, they were not more likely to have received financial help. Instead, the percentage of households receiving help was largest in the lowest-income group (see Figure 5); however, the difference is not statistically significant. And although they were more likely to have been affected by the economic crisis, households in the higher-income quartiles were more likely to have given help than those in the lowest-income quartile.

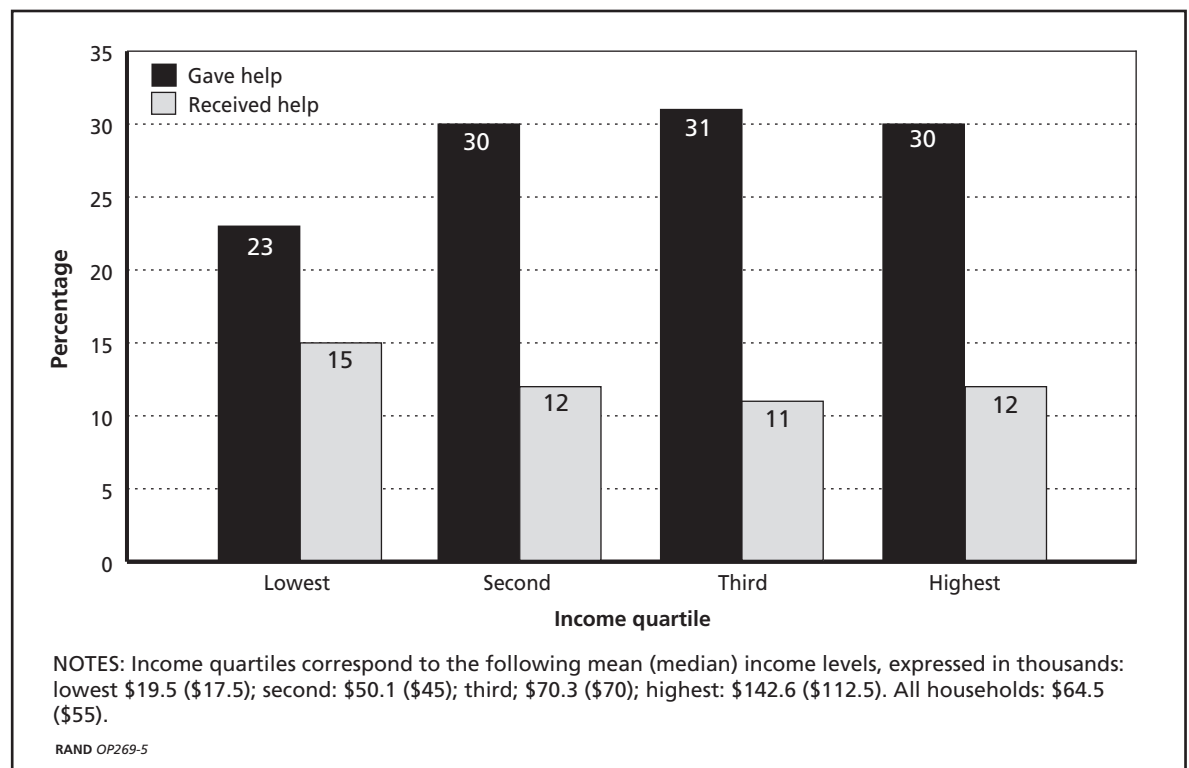
Low-income households are less likely to have given help, and so are younger households. Similarly, the older the household, the less likely it was to have received help (see Figure 6). In contrast, the percentage receiving help was largest among the youngest

households—those 18 to 34 years old. In this group, the tendency for more households to give than to receive was even reversed, with 4 percent more households receiving a gift of over \$500 than providing one.

Help Most Frequently Flows from Parents to Children

This propensity for the younger households to be on the receiving end and the older ones to be on the giving end appears to be related to parents helping their children to weather the economic crisis. Assistance most frequently flowed from parents to younger grown children: This was the case for almost 60 percent of those who said they had given someone financial help (see Figure 7). Similarly, the vast majority of those who received help reported that it had come from their parents.³ Of those who received help, 51 percent were under the age of 35. Among the parents who provided help, a little more than half (56 percent) were in their 50s and 60s, and 17 percent were 70 or older.

Figure 5
Percentage of Households Giving and Receiving Financial Help, by Income



² Twenty-six percent of households who themselves said they had not been affected by the crisis reported giving financial help. Although this point estimate is lower than the fraction that gave help among affected households, the two point estimates are not statistically different from each other at the 5-percent confidence level.

³ The discrepancies in reports between “givers” and “receivers” of help are most likely due to the fact that help can be received from and given to multiple parties. A younger household is likely to have two sets of living parents—his and hers—and consequently might receive financial assistance from two households. This might explain the fact that there were more children (69 percent) who reported having received help than parents who said they gave it (59 percent).

Figure 6
Percentage of Households Giving and Receiving Financial Help, by Age

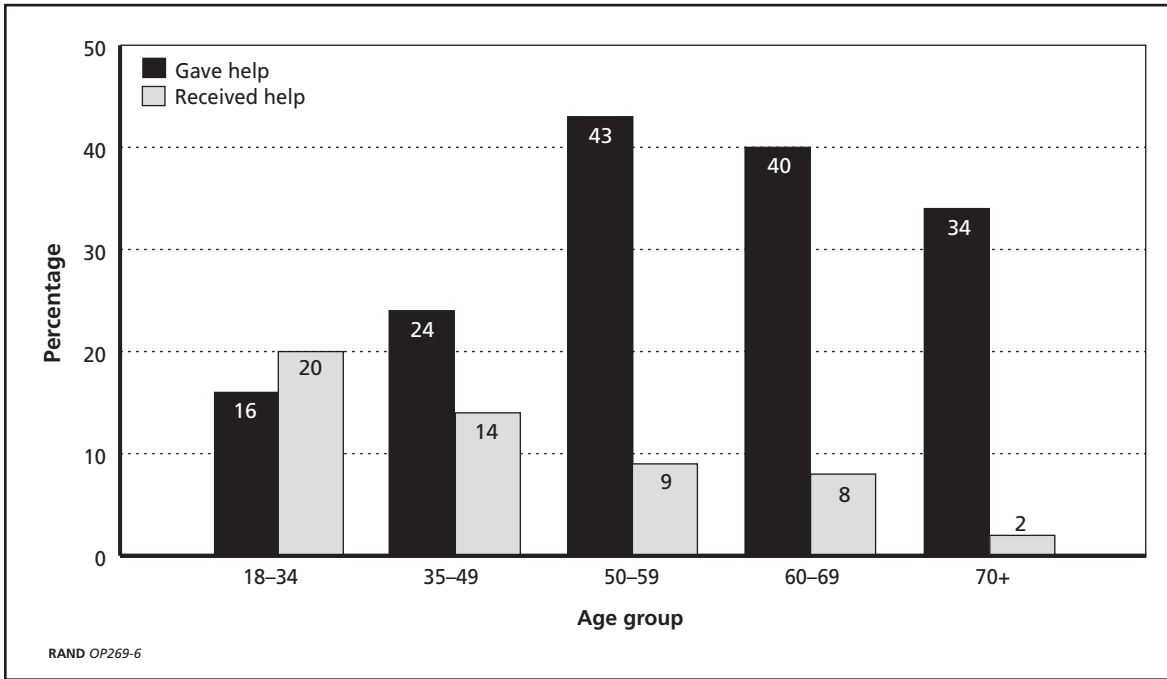
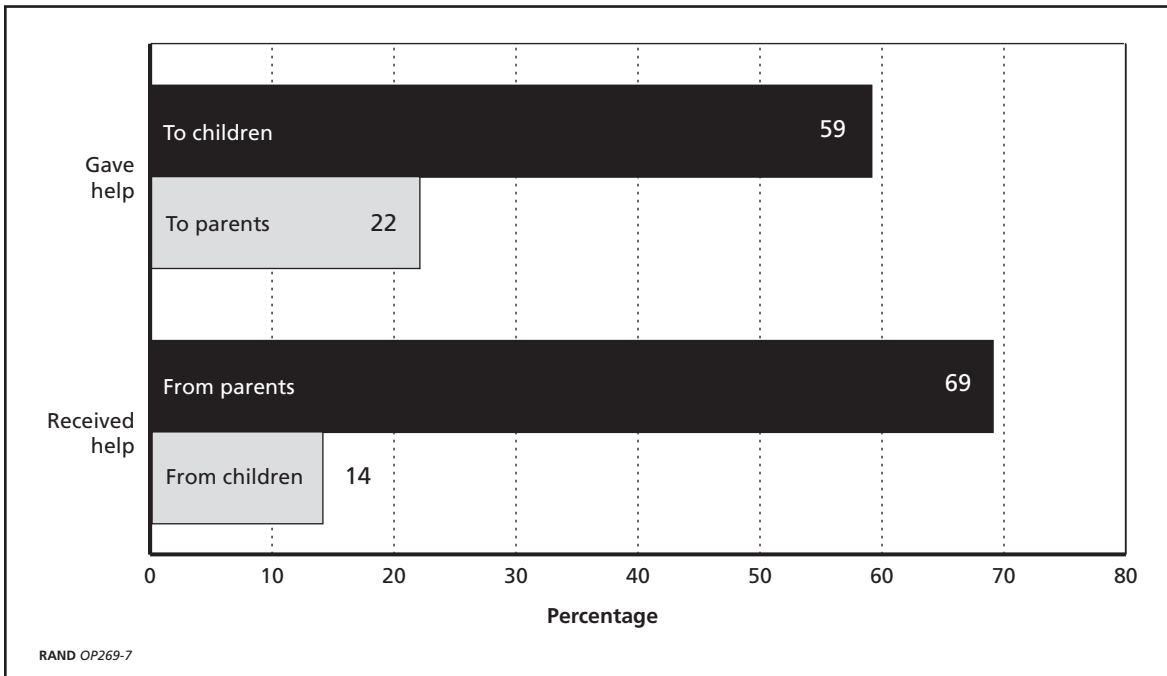


Figure 7
Flow of Financial Help Between Parents and Children



In stark contrast, only 14 percent of those households receiving help reported that the gift had come from their children. The percentage of givers who had provided help to parents was similarly low in relative terms.

The American Life Panel

This occasional paper presents data from the American Life Panel, a series of Internet surveys run by RAND. The American Life Panel is composed of approximately 2,500 respondents age 18 and older. At least once a month, respondents are asked to complete a questionnaire on the Internet. A typical interview takes less than 30 minutes. Respondents are paid an incentive of \$20 for every 30 minutes

of interview time. Participants are recruited from respondents to the Monthly Survey conducted by the Survey Research Center at the University of Michigan.

Data presented in this paper were collected in November 2008 and February–March 2009 from two surveys designed to assess and track the effects of the economic crisis over time. Results have been weighted using post-stratification weights, so that the distribution of age, sex, education, ethnicity, and income in the American Life Panel approximates that observed in the Current Population Survey. The response rate was over 80 percent for each of the two surveys. The data collection and research are funded by the National Institute on Aging. ■

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