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Research Paper

Testing the Buffer

How Households Use and Rebuild Emergency Savings

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Key Takeaways

Emergency savings are often discussed as a point-in-time balance, with common guidance suggesting that households have at least three months of living expenses in liquid accounts. But a household's savings balance at any one moment only tells part of the story. Understanding emergency savings requires looking beyond how much households have saved to observe how those savings change over time and how well households recover after a decline.

Using repeated observations of households in Financial Health Pulse® data, this analysis examines liquid savings as a cycle: whether households have a buffer, whether they deplete that buffer when financial stress occurs, and whether they rebuild it afterward.

1. **Savings provide a buffer against hardships.** Food insecurity, housing insecurity, and healthcare insecurity are strongly associated with low savings levels.
2. **Savings levels are dynamic.** In any given year between 2018 and 2026, nearly half of households experienced a substantial change in their savings levels: 23% reported higher savings and 21% reported lower savings than the prior year.
3. **Both expense and income shocks test the buffer.** Unexpected medical expenses and major home or vehicle repairs were associated with a greater likelihood of a savings decline. Income shortfalls and month-to-month income volatility were also associated with declines. Divorces and separations, which can affect both income and expenses, were associated with lower savings as well.
4. **Rebuilding savings can take time.** Fewer than half of households who experienced a savings decline fully rebuilt their previous savings level one year later. Less than one-third recovered within a year and stayed at or above their starting savings level, while 37% were still below their starting savings level two years later.
5. **Income and planning predict recovery.** Higher-income households and those that planned ahead financially were more likely to rebuild their savings quickly after a decline.

This report also outlines strategies for providers to support households throughout the savings cycle by making liquid savings buffers easier to build, easier to use, and easier to replenish.

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Contents

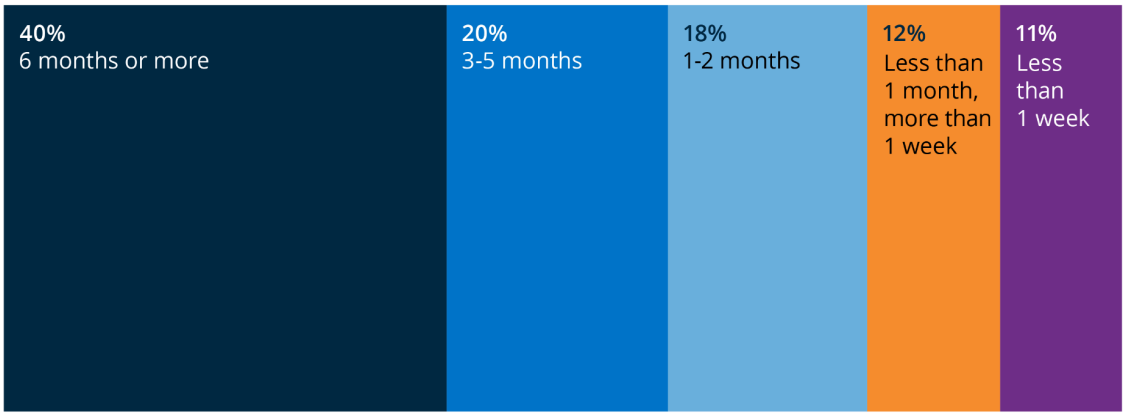
Key Takeaways	2
Introduction	4
Savings Serve as a Buffer Against Hardships	8
Emergency Savings Are Highly Volatile From Year to Year	9
Income Disruptions and Major Expenses Test the Buffer	11
Not All Households Rebuild the Buffer Quickly	14
Recovery Capacity Is Uneven	15
Conclusion: From Building Savings to Rebuilding Savings	18
Appendix	21

Introduction

Liquid savings—the readily accessible cash a household holds in checking accounts, savings accounts, or other vehicles, such as money market mutual funds—protect household well-being in the face of emergency expenses and income fluctuations. Guidance on how much people should save varies, but financial planning rules of thumb typically suggest a buffer of three to six months of typical living expenses, depending on a household's unique circumstances.[1,2,3,4] Research has suggested that families need at least six weeks of living expenses saved to weather a simultaneous income dip and expense spike.[5]

In the 2026 Financial Health Pulse survey, 40% of U.S. households sat below that three-month benchmark. Nearly one-quarter of households (23%) had less than one month of living expenses saved, leaving them particularly exposed to hardships and the possible need to use debt or other resources to cover essential expenses (Figure 1).

Figure 1. In 2026, 40% of U.S. households had less than 3 months of living expenses saved in liquid accounts.



Notes: Financial Health Pulse 2026 Survey. N = 7,662. Numbers may not sum to 100% exactly due to rounding.

[1] "How Much Should You Be Saving for an Emergency?," Wells Fargo, accessed October 2026.
[2] "Dealing with a financial emergency," Bank of America, accessed October 2026.
[3] "Financial Foundations," FINRA, accessed October 2026.
[4] "An essential guide to building an emergency fund," Consumer Financial Protection Bureau, October 2025.
[5] Diana Farrell, Fiona Greig, & Chenxi Yu, "Weathering Volatility 2.0: A Monthly Stress Test to Guide Savings," JPMorgan Chase & Co. Institute, October 2019.

The consequences of having insufficient savings are well documented. A large body of prior research finds that low levels of liquid assets are associated with higher levels of material hardship, including food insecurity, housing insecurity, and foregone healthcare, as well as financial difficulties such as high-cost debt and missed bill payments.[6,7,8,9,10,11] Customer account data from JPMorganChase have also shown that consumers' cash balances fluctuated considerably over time.[12]

What remains less understood, however, is how life events shape those savings trajectories. After all, savings are meant to be built over time, used when needed, and then replenished. The question then becomes: When are cash buffers most likely to be used? And how successfully do households rebuild them afterward?

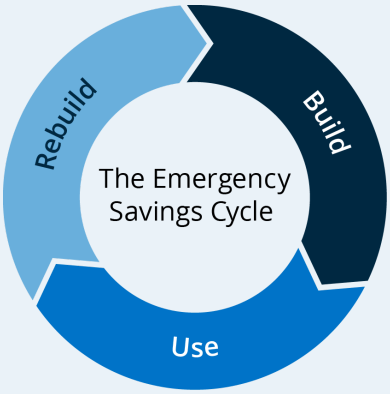
By tracking the same households over time in Financial Health Pulse survey data, this analysis allows us to answer five research questions:

- How do savings levels protect households against hardships?
- How often do savings levels move from one year to the next, and in which direction?
- Which life events are associated with declines in savings levels?
- How quickly do households rebuild their savings levels after a decline?
- Which household characteristics are associated with the ability to rebuild savings?

[6] Leah Gjertson, "Emergency Saving and Household Hardship," Journal of Family and Economic Issues 37, 2016.
[7] Mathieu Despard et al., "Financial Shocks, Liquid Assets, and Material Hardship in Low- and Moderate-Income Households: Differences by Race," Journal of Economics, Race, and Policy, August 2018.
[8] Richard Rodems & Fabian T. Pfeffer, "Avoiding Material Hardship: The Buffer Function of Wealth," Journal of European Social Policy, December 2021.
[9] Caroline Ratcliffe et al., "Emergency Savings and Financial Security: Insights from the Making Ends Meet Survey and Consumer Credit Panel," Consumer Financial Protection Bureau, March 2022.
[10] Scott Fulford, "Affordability by the numbers: Savings equal insurance," Kitchen table economics, June 2026.
[11] Sheida Elmi, "Widespread and Costly: Expense Shocks Challenge Family Finances and Interrupt Wealth Building," Aspen Institute, April 2026.
[12] "Household Cash Buffer Management from the Great Recession through COVID-19," JPMorganChase, July 2023.

Emergency Savings Work as a Cycle, Not a Static Stock of Money

Liquid savings act as a kind of insurance against unpredictable fluctuations in income and expenses. Without a buffer, households run the risk of needing to cut back on essentials like housing or food, taking on costly debt, or relying on family and friends.
Unlike a traditional insurance policy, however, emergency savings buffers must be built over time and then rebuilt after they're depleted.



The Emergency Savings Cycle

BUILD: Households create a savings buffer to reduce exposure to hardship after a financial shock occurs.

USE: Households use the buffer to absorb an income disruption, expense shock, or life event.

REBUILD: Resilience ultimately depends on whether the household can replenish the buffer before the next disruption arrives.

Pulse Data: A Moving Picture of Liquid Savings

This analysis pools nine annual waves of Financial Health Pulse survey data collected from 2018 to 2026 through the Understanding America Study panel.[13] Because respondents who remain in the panel are invited to participate in the survey each year, around three-quarters of households observed in any given year were also observed in the following year.

The building block of the analysis that follows is a *household trajectory*. Depending on the research question, each observation represents a household observed in two, three, or four consecutive waves. As a result, each observation is a single trajectory showing where a household's savings stood initially, where they ended up, and any important life events that occurred in between.

Pooling data across nine survey waves yields a large number of trajectories to follow over time. In total, we observed 41,080 year-over-year household savings trajectories, meaning instances where a respondent completed the survey in two consecutive waves.[14] Of those, 8,790 involved a decline in savings, meaning a household's cash buffer was smaller in the second year than in the first. Among

[13] For more details on the survey methodology, see the Appendix.
[14] Because many respondents stay in the panel for several waves in a row, some respondents are observed multiple times in the analytic sample. We account for these repeated observations in our regression models by clustering standard errors at the respondent level.

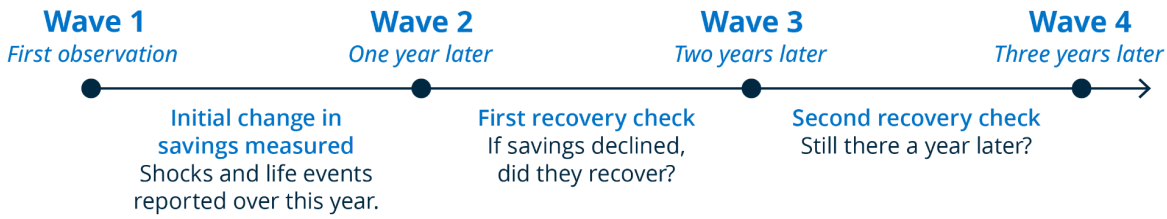
the 8,790 households who experienced savings declines, 6,068 were observed in a third wave; of those, 4,151 were observed in a fourth wave (Figure 2).

This data structure allows us to:

- Estimate the relationship between savings levels at baseline (wave 1) and the occurrence of material hardships over the following year (reported in wave 2)
- Track how household savings levels change between one year (wave 1) and the following year (wave 2)
- Estimate the extent to which experiencing a financial shock over the last 12 months (reported in wave 2) was associated with a decline in savings (between wave 1 and wave 2)
- Measure how long it takes households to recover their savings level after a decline, if they recover at all (after a decline between wave 1 and 2, following the household through wave 4)
- Estimate the relationship between household characteristics and quick recovery (from wave 2 to wave 3)

We measure savings levels in weeks or months of living expenses saved, rather than dollars. Specifically, we consider how long a household reports they can cover expenses using only liquid savings, across five bands ranging from "six months or more" to "less than one week." We define a decline in savings as movement into a lower band, and a recovery as returning to the household's starting band or higher.

Figure 2. Identifying savings trajectories in Pulse data.



Notes: Financial Health Pulse longitudinal analysis, pooled across 2018–2026 annual waves. Timing is relative rather than calendar-based: Wave 1 is the first year a household appears in a run of consecutive annual waves. Research questions about savings recovery were assessed only among households whose savings declined between wave 1 and wave 2.

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Savings Serve as a Buffer Against Hardships

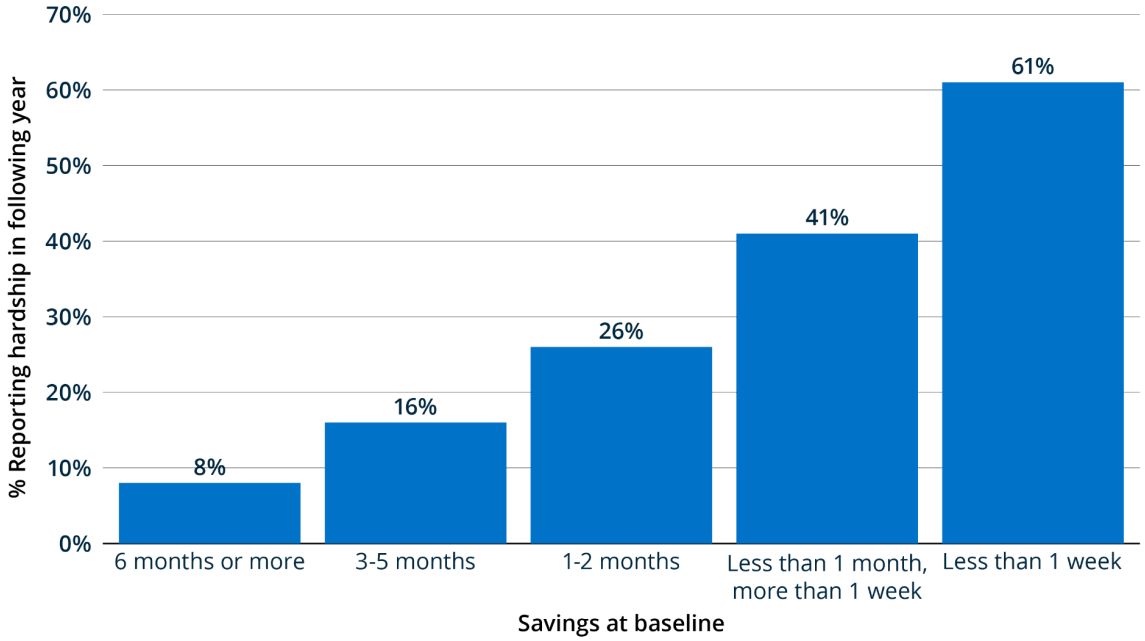
One way to understand the value of emergency savings is to look at what happens when households have more or less of a financial buffer. Each year, the Pulse survey asks respondents to assess how long they could cover typical expenses using only their liquid savings, with responses ranging from "less than one week" to "6 months or more." We compare a household's response with their answer from the following year's survey about experiences over the prior 12 months to understand how savings levels are associated with material well-being.

We find that food insecurity, housing insecurity, and healthcare insecurity—which we collectively categorize as "material hardships"—were strongly associated with lower savings levels at the start of the year. Only 8% of households with at least six months of savings experienced at least one of these material hardships over the following year. The risk of hardship rose quickly among households with lower levels of savings: 61% of households who started with less than one week of expenses saved experienced at least one hardship over the following year (Figure 3). In separate analyses, we find that this association remained strong across all income groups, indicating that emergency savings capture a dimension of financial resilience that household income alone does not fully explain.[15]

Material hardship is also multidimensional. Food, housing, and medical hardship are all distinct experiences that can be triggered by different factors, yet all are evidence of financial strain.[16] While these estimates are only descriptive and do not establish a direct causal relationship, they illustrate a strong connection between the size of a household's savings buffer and their likelihood of experiencing hardship.

[15] See Appendix, Figure A3.
[16] Colleen Heflin, John Sandberg, & Patrick Rafail, "The Structure of Material Hardship in U.S. Households: An Examination of the Coherence behind Common Measures of Well-Being," Society for the Study of Social Problems, July 2014.

Figure 3. Hardship risk rose sharply with lower starting savings levels.
Share reporting any material hardship, by starting savings level.



Notes: Longitudinal analysis of Financial Health Pulse data. Hardship is defined as any of four experiences in the past year: food insecurity, trouble paying rent or mortgage, forgoing needed healthcare, or skipping or reducing medication.

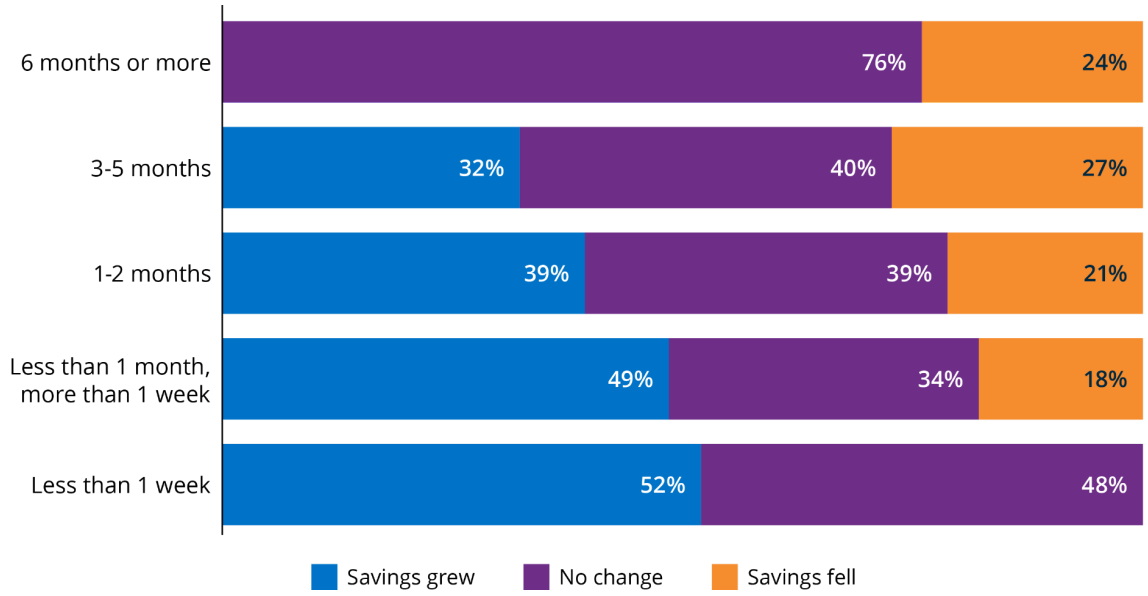
Emergency Savings Are Highly Volatile From Year to Year

The strong relationship between savings and hardship might point to a simple takeaway: maintain as large a buffer as possible at all times. The reality, however, is more complicated. Rather than remaining stable, emergency savings levels fluctuate considerably from one year to the next. In any given year between 2018 and 2026, 45% of households reported savings at a higher or lower level than they reported the prior year: 23% moved up and 21% moved down.

Among households starting with three to five months of savings, 32% moved up and 27% moved down. Among those starting with one to two months, 39% moved up and 21% moved down. But volatility was not confined to the middle of the distribution: 24% of those starting with six months or more had fallen to a lower category a year later, while 52% of those starting with less than a week in savings had improved by the following year (Figure 4).

Figure 4. Savings levels varied significantly from year to year.

Share of households whose savings grew, fell, or stayed the same, by starting savings level.



Notes: Financial Health Pulse longitudinal analysis of year-over-year transitions 2018-2026. N = 17,571 (6 months or more), 8,026 (3-5 months), 7,499 (1-2 months), 4,410 (less than 1 month, more than 1 week), 3,574 (Less than 1 week). Categories may not sum to exactly 100% because of rounding.

These findings also show that having a very small savings buffer—one month or less—is a temporary state about as often as it is a lasting one. Among the 7,984 households starting with less than one month of expenses saved, 50% had moved up a level a year later. The remaining 50% were in the same position or worse.

Because savings are measured in terms of living expenses saved, these shifts may reflect both changes in dollars saved and changes in living expenses over time. For example, if a household's rent or car insurance premium increases dramatically, their effective savings level may decrease even if they have the same dollar amount saved.

Even with that caveat, these are conservative estimates of savings volatility for two reasons. First, households already at the top of the scale cannot be observed moving higher, while those at the bottom cannot be observed moving lower. Second, because we observe households only once a year, any movement that happens and reverses within a year is invisible to us. Prior research shows that month-to-month or even more frequent fluctuations in cash balances are common.[17,18] Even so,

[17] "Household Cash Buffer Management from the Great Recession through COVID-19," JPMorganChase, July 2023.
[18] Jonathan Morduch & Rachel Schneider, "The Financial Diaries: How American Families Cope in a World of Uncertainty," Princeton University Press, April 2017.

the picture from Pulse data is clear: Household savings levels often experience frequent and substantial annual swings in savings from one year to the next.

Income Disruptions and Major Expenses Test the Buffer

One purpose of liquid savings is to protect households from unexpected income drops or expenses. Households who experience these disruptive events may need to use a substantial portion of their liquid savings, temporarily leaving them with a smaller buffer.

Unanticipated events on both sides of the household budget matter. Unexpected expenses, such as a medical bill or a major repair, can quickly drain savings. Income disruptions, such as job loss or reduced hours, decrease the flow of money available to cover ordinary expenses, putting greater pressure on the savings buffer. Other life events, such as divorce, the birth of a child, or becoming a caretaker for an older adult, can disrupt both income and expenses at the same time.

Our Approach

The Pulse survey asks about a range of life events and financial shocks, including unexpected income shortfalls, unexpected out-of-pocket medical expenses, major home and vehicle repairs, divorce or separation, the death of a family or household member, becoming a caregiver for a child or an adult, severe weather and natural disasters, and fraud or identity theft.[19] To identify which of these events were associated with year-over-year savings declines, we used linear regressions to model the change in probability of downward movement in savings levels, adjusting for co-occurring shocks, starting savings, income, and demographics.

Reporting any expense or income shock was associated with a 3.1-percentage-point higher probability of a savings decline in the following year relative to those with no such shock (Figure 5). However, there was also substantial variation in the size of the association across different shocks.

Expense Shocks

Two specific expense shocks showed clear associations with savings declines: unexpected medical expenses and unexpected property repairs. Incurring an unexpected out-of-pocket medical expense

[19] We intentionally excluded any life events that were nearly always planned or expected, such as purchasing a home, moving, or paying educational expenses, or would be too closely associated with another shock, such as a major change in health.

was associated with a 3.8-percentage-point increase in the probability of a savings decline. Making an unexpected major repair to a house, appliance, or car was associated with a 2.6-percentage-point increase. Other life events that can result in expense shocks, such as experiencing a natural disaster or financial fraud, did not show a strong association with savings declines.[20]

Income Shocks and Volatility

Income disruptions can matter as much as expenses. Experiencing an income shortfall, when income fell short of what the household expected because of loss of employment, a pay cut, or reduced hours, was associated with a 4.5-percentage-point increase in the probability of a savings decline.[21]

Self-reported income volatility was also associated with savings declines, even after accounting for income shortfalls. Households whose income "varied quite often" from month to month had a 5.5-percentage-point higher probability of a savings decline compared with households whose income was "about the same each month."

Unlike a job loss, month-to-month income variation is not necessarily a one-time event. For gig workers, seasonal workers, and hourly employees with unpredictable schedules, it is often a persistent condition. These results suggest that income volatility is as strongly associated with savings declines as any of the discrete shocks we tested.

Family Events

Family events that change the structure of a household may be planned or unplanned and can result in both income and expense shocks. Experiencing a divorce or separation was associated with a 6.9-percentage-point increase in the probability of savings decline, the strongest association of the life events we tested.

Becoming a caregiver for a child or adult or experiencing a death in the family did not show statistically significant associations with savings declines. This does not imply these events have no negative financial impact on households; rather, the lack of a strong association may reflect the fact that these events are more predictable or easier to plan for.

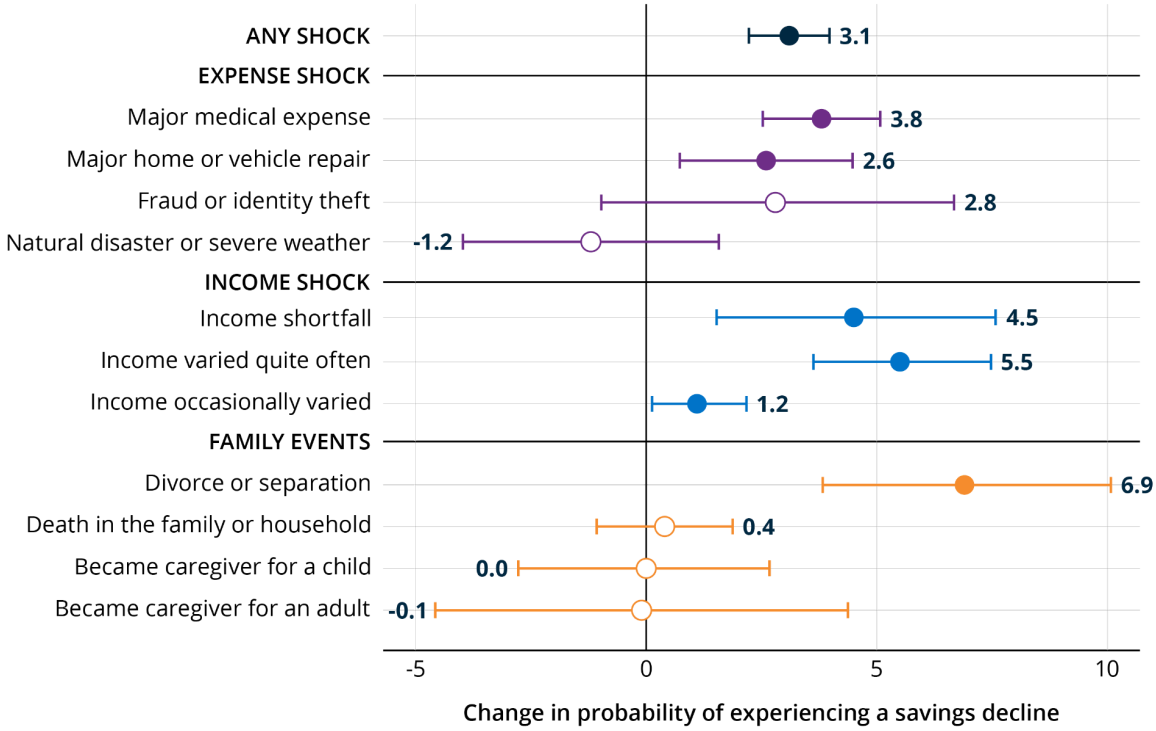
[20] Other research has shown connections between natural disasters and financial health. For example, see: Caroline Ratcliffe et al., "From Bad to Worse: Natural Disasters and Financial Health," Journal of Housing Research, December 2020. In our models, the effect of disasters may be partly absorbed by the inclusion of property damage in the regression. More research is needed to identify the effect of disasters on savings balances.

[21] In a separate model, a more limited measure of employment-related income disruption, job loss, was associated with a 3.9-percentage-point increase, though the estimate was only marginally significant ($p < .1$). See the Appendix for full regression results.

Unexpected expenses and income fluctuations are also far from the only factors determining changes in savings balances. Some households may spend down their savings on planned expenses, such as buying a used car with cash, paying for a wedding, or taking a vacation. Others may increase spending on discretionary goods and services after receiving a windfall.[22] Still, the pattern we observed in these findings is consistent with liquid savings doing one of the jobs they are designed to do: absorbing the financial consequences of events households do not choose or cannot easily plan for.

Figure 5. Income shortfalls, income volatility, and some expense shocks were associated with a higher likelihood of savings declines.

Change in percentage of likelihood of experiencing a savings decline, by life event.



Notes: Points are adjusted percentage-point estimates and are coefficients from three linear probability models (N = 37,044, N = 36,896, N = 9,908). Lines show 95% confidence intervals. All models include year fixed effects and control for age, gender, race and ethnicity, Census region, education level, household size, income, insurance confidence, planning ahead financially, and baseline savings level. Standard errors are clustered by respondent. More information about regression specifications is available in Appendix.

[22] "Household Cash Buffer Management from the Great Recession through COVID-19," JPMorganChase, July 2023.

Not All Households Rebuild the Buffer Quickly

A temporary decline in liquid savings is not necessarily a sign of serious financial distress. It may simply be a signal that the buffer has done exactly what it was intended to do. In theory, a household that regularly spends less than its income and is not exposed to further major shocks should be able to rebuild savings over the following year or two. The more revealing test of resilience is whether that happens.

Our Approach

To answer this question, we focused on a subsample of Pulse respondents whose savings declined and who continued to take subsequent surveys. We followed these households for two years after their initial savings decline.

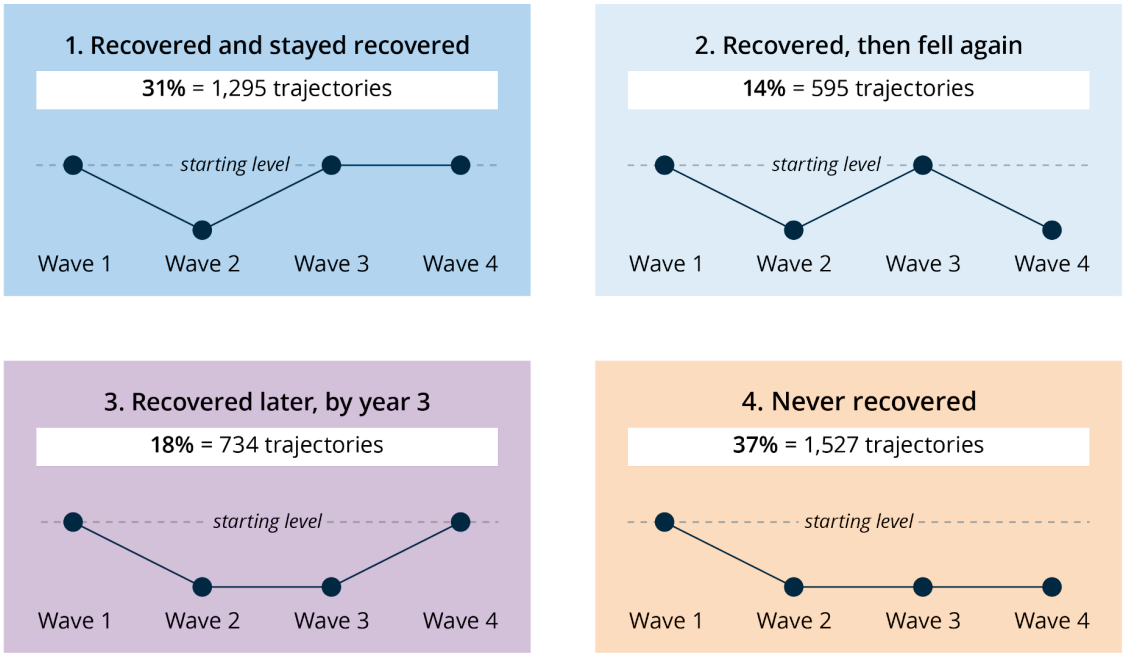
Among 6,068 instances in which a household's savings declined and were observed again in the next annual survey, 46% had returned to their original savings category or better by the following year. The remaining 54% were still below where they started when first observed.

Following households for an additional year afterward, we can sort them into four mutually exclusive savings trajectories:

1. Recovered by year 2 and stayed recovered
2. Recovered by year 2 and then fell again
3. Recovered by year 3
4. Not recovered by year 2 or year 3

Just under one-third (31%) recovered within a year and remained at or above their starting savings level one year later (Figure 6). A further 14% recovered within a year but had fallen below their starting level again by the second follow-up. Around one in six (18%) had not recovered by the first follow-up but did so by the second, while 37% had not recovered at either observation.

Figure 6. 4 ways a household's savings can move after a decline.



Notes: Financial Health Pulse longitudinal analysis. Limited to the 4,151 occurrences where a household's savings declined and then were observed over two additional consecutive annual waves.

In summary, just under half of households rebounded within a year of a drop in savings. For the rest, recovery took longer or did not occur at all within the period we observed.

Therefore, the most consequential moment for many households may not be the initial withdrawal itself. It may come in the months afterward, when a household with a depleted buffer encounters another shock or struggles with continued income instability before they have had time to replenish their savings.

Recovery Capacity Is Uneven

The uneven paths to recovery raise a critical question: Why do less than half of households rebuild their savings levels within a year, while others remain below their starting level for much longer? Several explanations are plausible, and each carries different implications.

The first is resources: Rebuilding requires money left over after expenses, so higher and steadier incomes should make recovery easier. The second is financial management: Households that plan ahead, track cash flow, and maintain savings routines may find it easier to restart contributions,

regardless of their income level. The third is continued exposure to shocks: A financial disruption during the recovery period could further stall recovery.

Our Approach

Pulse data allow us to evaluate resources, financial management, and continued exposure to shocks. We use linear regression to model the factors associated with the probability of making a full recovery within one year after a savings decline. The regression models 5,980 household trajectories, each beginning with a savings decline between wave 1 and wave 2, and then followed across an additional wave, wave 3. The outcome of interest is whether savings have recovered to their wave 1 level by wave 3.

The model examines the effects of household income, income volatility, and whether the household plans ahead financially, all observed at wave 2. It also considers whether a shock occurred during the recovery window between wave 2 and 3, and controls for starting savings amount, confidence in insurance coverage, demographics, and survey year.

Household Income

Household income, especially above $30,000, was strongly associated with savings recovery. Relative to households earning less than $30,000, full recovery was 4.9 percentage points more likely among households earning $30,000–$59,999, 8.4 points more likely among those earning $60,000–$99,999, and 7.9 points more likely among those earning $100,000 or more (Figure 7). These results show that households earning less than $30,000 per year were much more likely to struggle to rebuild savings quickly.

Income Stability

Income stability shows as strong an association with recovery as income level. Households whose incomes varied quite often from month to month during the recovery period were 8.7 percentage points less likely to return to their starting savings level than households whose income was about the same each month (Figure 7). Rebuilding a buffer means setting money aside consistently, month after month. Households who experience frequent income swings may be less equipped to do so.

Planning Ahead

Financial planning behaviors may also play a role in recovery. Relative to households that strongly disagreed that they plan ahead financially at the beginning of the recovery period, the probability of full recovery within a year was 6.9 percentage points higher among those who disagreed somewhat,

10.3 points higher among those who neither agreed nor disagreed, 14.5 points higher among those who agreed somewhat, and 22.0 points higher among those who agreed strongly (Figure 7).

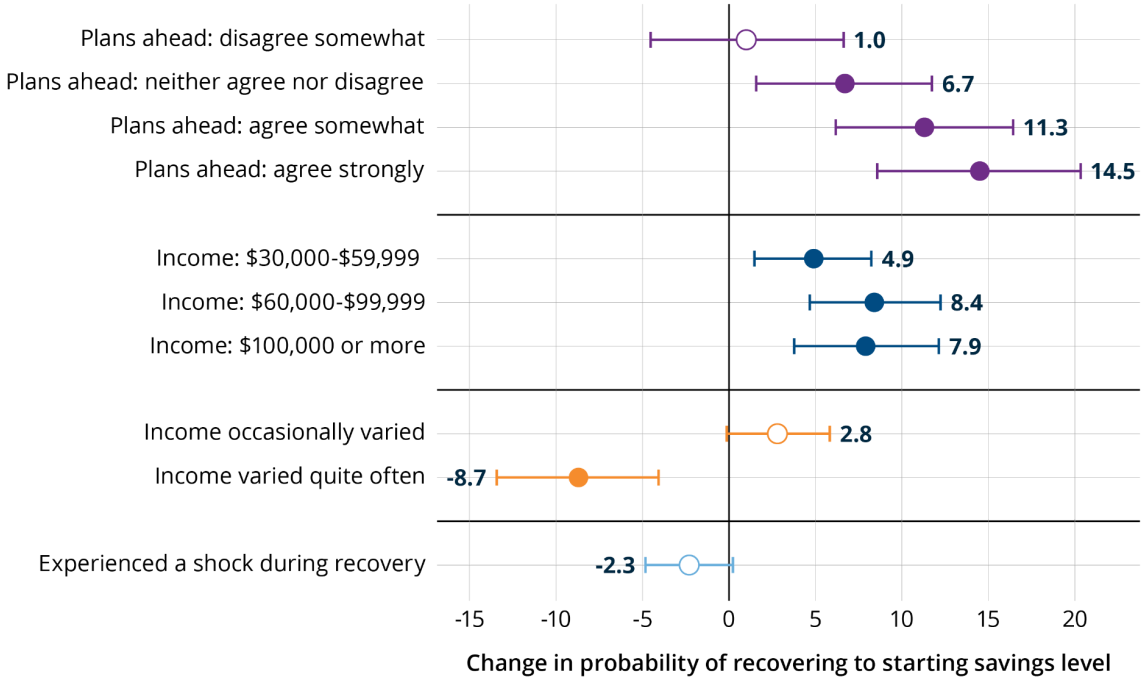
The planning gradient should not be interpreted as evidence that households remain depleted simply because they fail to make good choices. Planning likely captures a broader set of capabilities and circumstances outside a household's immediate control, including the ability to anticipate expenses and income drops, access to tools for managing cash flow, and time available for financial planning.

Additional Shocks

Experiencing any income or expense shock during the recovery period was not strongly associated with probability of full recovery (-2.3 percentage points, not statistically significant). However, as we learned with our models predicting savings declines, certain shocks likely have much more of an impact than others. Which shocks are or are not associated with savings recovery is a potentially fruitful topic for future research.

Figure 7. Households with higher incomes and who planned ahead financially were more likely to rebuild savings within a year.

Differences in percentage likelihood of recovering to initial savings level within one year of a savings decline, relative to base category.



Notes: N = 5,980. Points are coefficients from a linear probability model predicting full recovery by the first survey wave one year after a savings decline. Lines show 95% confidence intervals. All models include year fixed effects and control for age, gender, race and ethnicity, Census region, education level, household size, income, insurance confidence, planning ahead financially, and baseline savings level. Reference groups are "disagree strongly" for planning, household income below $30,000, and “income was about the same each month.” Standard errors are clustered at the respondent level. For more information about regression specification, see the Appendix.

What these results describe can be thought of as *recovery capacity*: a household's ability to restart saving after a drawdown, maintain that progress month to month, and absorb another disruption while still rebuilding. Recovery capacity is multifaceted. It combines resources—money left over after expenses and income steady enough to plan around—with the routines and foresight needed to turn a surplus into a replenished buffer. Households can fall short on either count, and our results suggest both matter independently.

Conclusion

From Building Savings to Rebuilding Savings

Emergency savings should not be understood only as a stock of money held indefinitely. Rather, the value of savings unfolds over time. Households build a buffer, draw on it when financial strain occurs, and then attempt to rebuild it before the next disruption.

Financial Health Pulse data describe this as a cycle of liquid savings balances, rather than a static state. Savings levels change frequently as expense and income shocks push them down. Fewer than half of households recover within a year; many remain below their starting level after two years. Households with at least moderate incomes and who are planning ahead have the most capacity to recover quickly.

Most emergency-savings strategies focus on helping people accumulate a balance. While that remains essential, programs, products, and policies should support all stages of the savings cycle, including the process of rebuilding a buffer after a disruption hits.

1. Help Households Build a Liquid Buffer

Research synthesized by the Consumer Financial Protection Bureau identifies three broad ways to help households increase savings: provide appropriate products, create financial incentives, and design choice environments that make saving easier.[23]

[23] “Evidence-Based Strategies to Build Emergency Savings,” Consumer Financial Protection Bureau, July 2020.

- **Automate savings**. Payroll deductions, default enrollment with opt-out, and recurring transfers reduce the need for repeated decisions.
- **Use incentives**. Employer matches, milestone rewards, or tax-time savings prompts can help households establish a savings cushion.
- **Make budgeting intuitive.** For example, our case study with You Need A Budget (YNAB), a zero-based budgeting app, illustrates how money labeling can help people make more intentional spending and saving decisions.

2. Make the Buffer Easy to Use

A product cannot function as an emergency buffer if withdrawals are slow, expensive, confusing, or stigmatized. Programs should prioritize immediate access to funds, transparent rules, and minimal penalties or fees associated with low balances. They should also avoid treating withdrawal as a failure. A drawdown may be evidence that the account did exactly what it was intended to do: protect the household from missed bills, high-cost credit, or deeper hardship.

3. Design for Replenishment

The recovery findings suggest that a significant savings withdrawal should trigger a new phase of support, especially for low-income households. Employers and financial service providers could test the following ideas:

- **Encourage recurring transfers.** After a drawdown, encourage individuals to set up a recurring transfer to start replenishing the savings buffer.
- **Increase contributions when feasible.** When cash flow is healthy and consistent, encourage customers to increase their contribution levels, especially if they have less than three months of expenses saved.
- **Implement timely prompts.** Use supportive reminders that focus on recovery progress rather than guilt or failure.
- **Design integrated support.** Connect savers to benefits, hardship assistance, debt-management tools, or other income supports when repeated drawdowns signal deeper instability.

A Note on SECURE 2.0

The SECURE 2.0 Act offers an opportunity for employers to support all three of these savings goals. Under this law, eligible employers may offer pension-linked emergency savings accounts,

and Department of Labor guidance permits automatic enrollment, monthly access to funds, and participant contributions that replenish the account after withdrawals.[24]

However, emergency savings accounts under SECURE 2.0 come with significant administrative constraints, such as a $2,500 contribution cap and an income eligibility threshold. For a more accessible and flexible solution, out-of-plan emergency savings accounts are often a better approach, as these are fully customizable and not constrained by contribution caps and other restrictions.[25]

4. Measure Savings Recovery, Not Just Balances

Emergency savings programs should be evaluated using outcomes beyond static account balances.[26] A program could report strong participation and healthy average balances while still leaving many users depleted for long periods after withdrawals.

Measuring recovery would reveal whether a savings product or solution supports resilience over the full savings cycle. For example, organizations measuring financial health could report the share of savers who recover their savings level after a drawdown within a defined period, or the average or median time it takes to recover.

Savings trajectories are also important to consider in program design. A household who temporarily depletes their savings after a shock may need only temporary support to rebuild their buffer. A household with chronically low savings, on the other hand, is likely facing more persistent cash flow challenges that require a more substantial intervention.

Ultimately, building a savings buffer is just part of financial resilience. The ability to use that buffer when needed—as well as rebuild it before future disruptions—matters, too. For financial health providers and other stakeholders, designing products, programs, and policies around that full cycle can help households build real, sustainable financial security.

[24] "FAQs: Pension-Linked Emergency Savings Accounts," Employee Benefits Security Administration, U.S. Department of Labor, accessed October 2026.
[25] "The Rise of Emergency Savings Program: What Every Employer Should Know," Financial Health Network, January 2024.
[26] "3 Ways To Measure the FinHealth Effects of Emergency Savings," Financial Health Network, February 2022.

Appendix

Data

The analysis uses Financial Health Pulse survey data collected between 2018 and 2026. Financial Health Pulse surveys are fielded to the probability-based Understanding America Study online panel administered by USC's Dornsife Center for Economic and Social Research, allowing the findings to be generalized to the civilian, noninstitutionalized adult population of the United States.

This study pools annual waves from 2018 through 2026 and follows respondents across consecutive annual observations. Because the analysis requires repeated participation and complete information for different variables, sample sizes vary by analysis.

Variable Definitions and Survey Questions

Savings Levels

Q044. At your current level of spending, how long could you and your household afford to cover expenses if you had to live only off the money you have readily available, without withdrawing money from retirement accounts or borrowing?

1. 6 months or more
2. 3-5 months
3. 1-2 months
4. 1-3 weeks
5. Less than 1 week

Material Hardships

We construct a measure of whether a household has experienced any hardship from four items: food insecurity, housing insecurity, foregone healthcare, and skipping or reducing medication because of cost. Exact question wording is shown below. Two other hardship questions—skipping a utility bill and going without dental care—were only introduced into the survey in 2024 and were thus excluded.

QD019. In the last 12 months, have you ever worried that your food would run out before you got money to buy more?

QE020. In the last 12 months, have you ever skipped paying your rent or mortgage or paid late because you could not afford it?

QD021. In the last 12 months, have you or someone in your household ever had to go without healthcare because you couldn't afford it?

QD022. In the last 12 months, have you or someone in your household ever stopped taking a medication or taken less than directed due to the costs?

Shocks

Income and expense shock questions generally ask whether the respondent or anyone in the household experienced an event during the prior 12 months, and response options are "Yes" or "No." Question wording is listed below. This analysis links shocks reported at wave 2 to savings changes from wave 1 to wave 2.

Some shock questions have undergone wording changes throughout the years they have appeared in the survey. The death-in-family measure combines earlier questions about the death of a family member generally with later questions about a death in the household, and should be interpreted with that wording change in mind. The natural disaster or severe weather question wording also changed slightly across waves.

Other life event questions were only added recently into the survey. As a result, they are only observed on a smaller sample size. We add them in a separate regression specification (column three of Table A1).

QE151. Divorce or separation
QD152. Death of someone in the household
QE153. Became the primary caregiver of a child under the age of 18 years old
QE154. Became the primary caregiver of someone 18 years old or older
QD163. Made an unexpected major repair to your house, appliance, or car
QD164. Had an unexpected out-of-pocket medical expense
QF002. Were the victim of a scam, fraud, or identity theft
QF001. Brought in less income than expected due to unemployment, a pay cut, or reduced hours

Regression Models

The analyses predicting savings decline and recovery use linear probability regression models. Standard errors are clustered by respondent to account for repeated observations of certain households throughout the panel. Models include year fixed effects (an indicator for each baseline

year of the observation) and control for age, gender, race and ethnicity, Census region, education level, household size, income, insurance confidence, planning ahead financially, and baseline savings level. Marital status is deliberately excluded, since including it in the model would absorb part of the effect estimate of divorce or separation.

The regressions are run without survey weights. Controls for demographic characteristics included in each regression model help remove bias with respect to race and ethnicity, gender, education level, region, and age.

FINANCIAL HEALTH NETWORK

Appendix Tables and Figures

Table A1. Linear probability models predicting savings decline.

	(1)	(2)	(3)
Any shock	3.1*** (0.5)		
Divorce or separation		6.9*** (1.6)	7.3** (3.3)
Job loss		3.9* (2.0)	
Major medical expense		3.8*** (0.7)	2.3* (1.2)
Income shortfall			4.5*** (1.5)
Major home or vehicle repair			2.6*** (1.0)
Death in the family or household		0.4 (0.8)	-1.5 (2.7)
Became caregiver for a child		-0.0 (1.4)	-0.1 (2.9)
Became caregiver for an adult			-0.1 (2.3)
Natural disaster or severe weather			-1.2 (1.4)
Fraud or identity theft			2.8 (2.0)
Income occasionally varied	1.2** (0.5)	1.2** (0.6)	0.8 (1.1)
Income varied quite often	5.5*** (1.0)	5.5*** (1.0)	4.7** (2.1)
CONTROLS	YES	YES	YES
Constant	73.1*** (3.2)	73.2*** (3.2)	64.2*** (6.3)
Observations	37,044	36,896	9,908
R-squared	0.091	0.091	0.087

Coefficients and standard errors are percentage points. Standard errors clustered by respondent. * $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$. Control variables not shown: starting savings level, income, planning ahead, insurance confidence, age, gender, race and ethnicity, Census region, education level, household size, and year.

Table A2. Linear probability model predicting savings recovery.

	(1)
Experienced shock during recovery	-2.3* (1.3)
Income: $30,000-$59,999	4.9*** (1.8)
Income: $60,000-$99,999	8.4*** (2.0)
Income: $100,000 or more	7.9*** (2.2)
Income occasionally varied	2.8* (1.6)
Income varied quite often	-8.7*** (2.4)
Plans ahead: agree strongly	14.5*** (3.0)
Plans ahead: agree somewhat	11.3*** (2.6)
Plans ahead: neither	6.7** (2.6)
Plans ahead: agree somewhat	1.0 (2.9)
CONTROLS	YES
Constant	38.3*** (6.2)
Observations	5,980
R-squared	0.037

Coefficients and standard errors are percentage points. Standard errors clustered by respondent. * p < 0.10, ** p < 0.05, *** p < 0.01. Control variables not shown: starting savings level, income, planning ahead, insurance confidence, age, gender, race and ethnicity, Census region, education level, household size, and year.

Figure A3. Hardship by savings by income group.

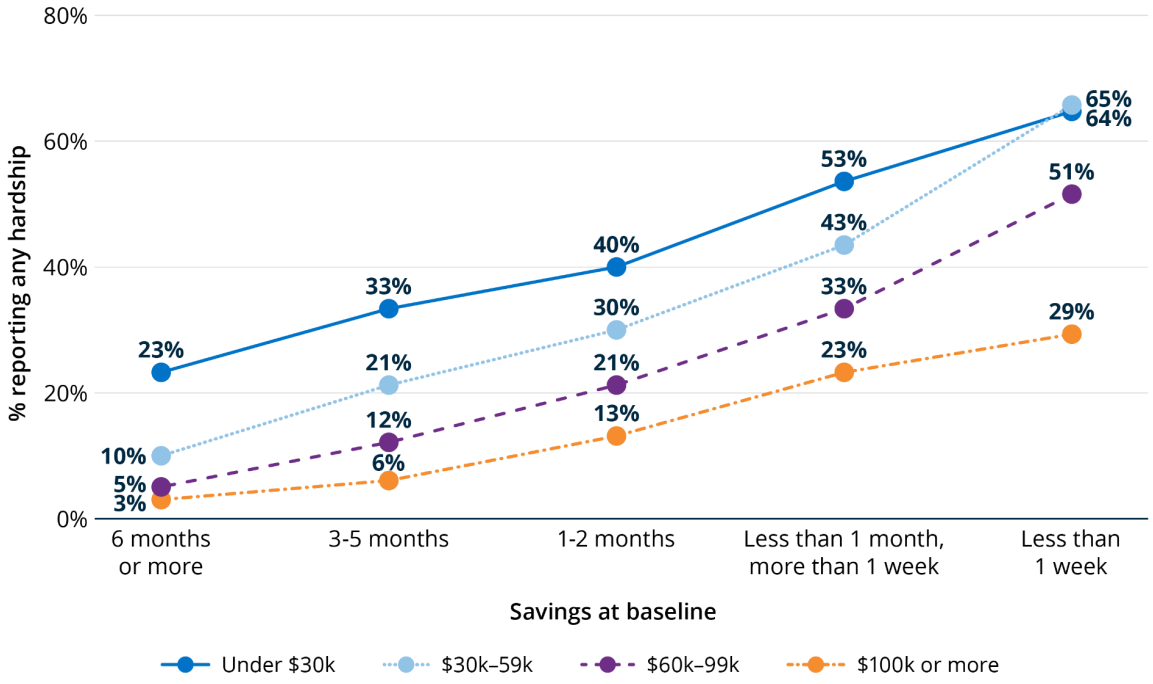


Figure A4. Recovery pathways by income group.

