Prosper Marketplace Financial Wellness Survey

A survey examining the current state and sentiment around personal finance in America

FEBRUARY 2016

Summary

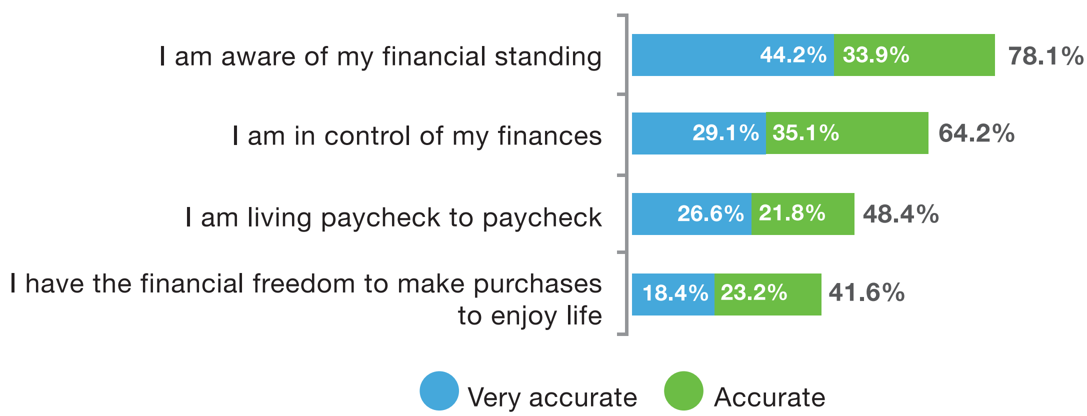
With both great wealth and extreme poverty, there is no “normal” when it comes to Americans and their finances. As part of our mission to advance financial well-being, Prosper Marketplace conducted a survey, the Prosper Marketplace Financial Wellness Study, to get a deeper perspective on the current state of financial wellness and Americans’ sentiment toward their financial standing.

The survey included 1,000 Americans, aged 18 or older with decision-making power with respect to their finances. The results underscore the struggle many Americans face with their finances on a daily basis and show that improving financial wellness is a top priority in 2016 and beyond. Additionally, the study reveals that technology is increasingly playing a key role in helping people to feel more in control of their finances.

Examining Americans’ Financial Health

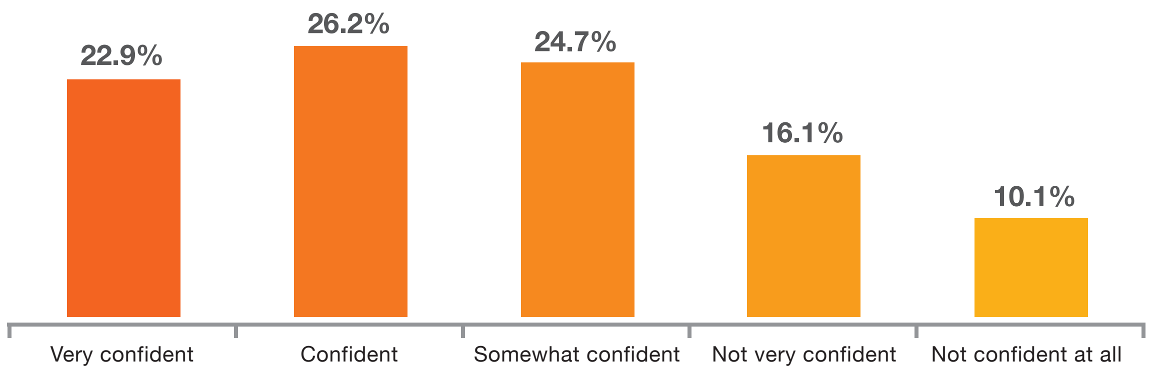
The Prosper Marketplace study indicates that nearly 60 percent of Americans do not have the financial freedom to enjoy life and nearly half of Americans agree they are living paycheck to paycheck.

Accurate Financial Statements



When asked about their ability to absorb a sudden financial shock, such as unexpected medical bills or legal fees, more than half of those surveyed were not confident in their ability to cope:

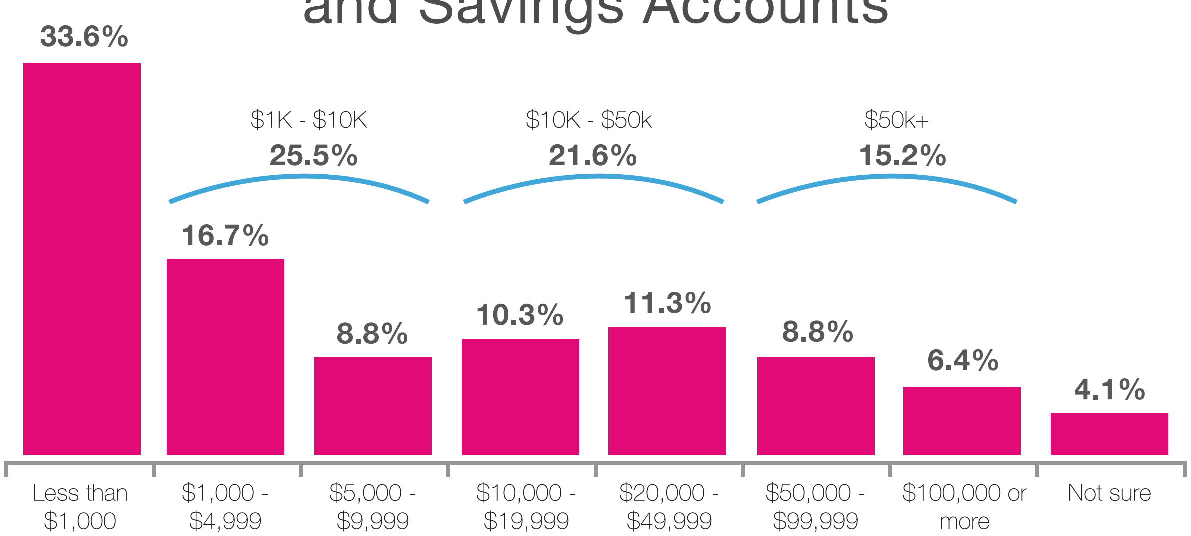
Confidence in Absorbing a Sudden Financial Shock



The age group most at risk are Americans 55 and up, with only 40 percent expressing confidence in their ability to absorb a financial shock. Millennials, on the other hand, feel most secure, with 54 percent saying they could absorb financial shocks. Americans with children under 18 showed higher levels of confidence over people with no children—at 59 percent and 47 percent respectively—potentially signaling that being parents pushes people to seek more financial control and proactively budget for unexpected expenses

The discomfort over managing unexpected expenses is not surprising considering how much Americans currently have in checking and savings accounts. More than a third surveyed have less than $1,000 saved in their checking and savings accounts, and more than 50 percent have less than $5,000, signaling many Americans are struggling to make ends meet:

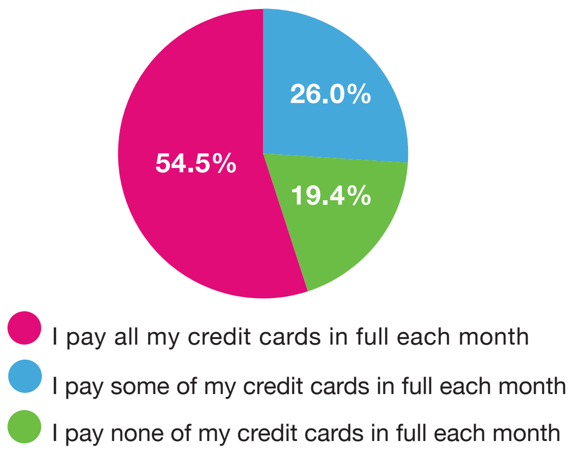
Amount Saved in Traditional Checking and Savings Accounts



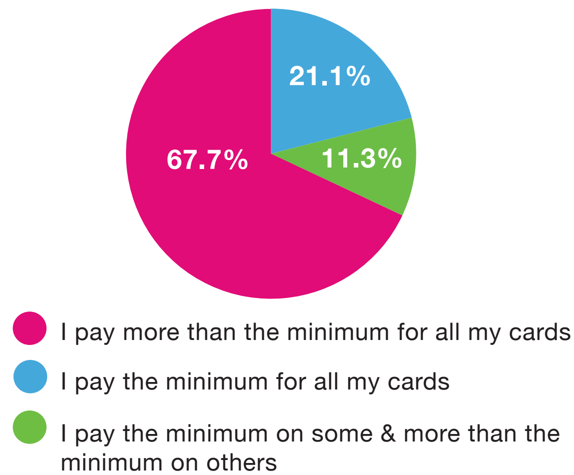
The survey also showed that credit cards are a centerpiece of driving Americans into deeper debt: credit card debt is the most common type of debt (60 percent of all Americans have credit card debt), followed by mortgage (36 percent) and student loan debt (26 percent).

People are using credit cards as lines of credit that they cannot immediately repay. Almost half (45 percent) of credit card users do not pay off all their cards in full each month, and of that group, the majority (67 percent) say they pay more than the minimum on all their cards, but do not pay them off fully:

Which of the following statements apply to the payment of your credit card bills?

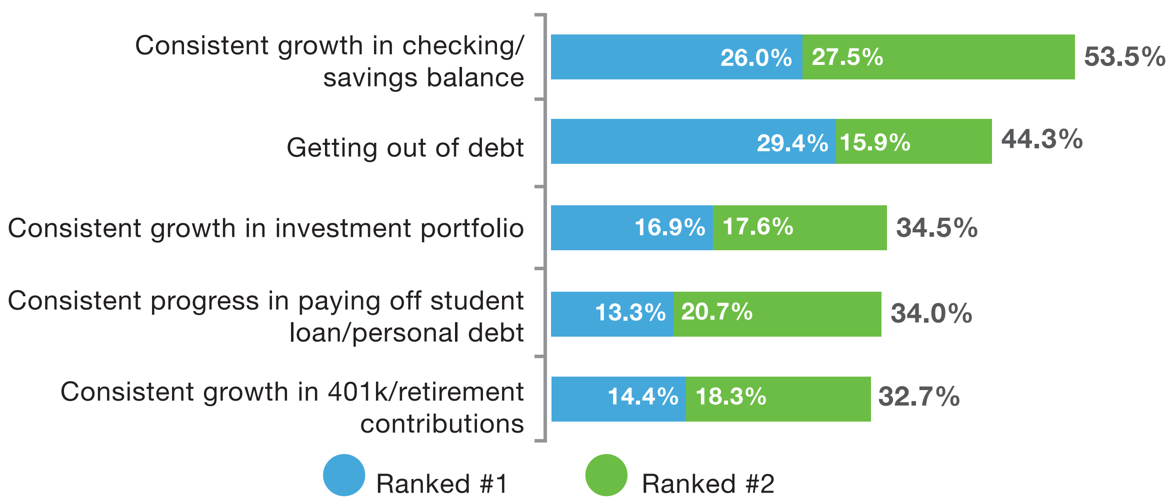


Of the credit cards you do not pay in full, in an average month, which of the following statements applies?



The good news is that people are motivated and actively taking steps to take control of their debt. In fact, debt relief is ranked a top priority for improving standing, closely followed by consistent progress in paying off debt (44 and 34 percent respectively).

Importance of Success Factors for Improving One's Financial Standing

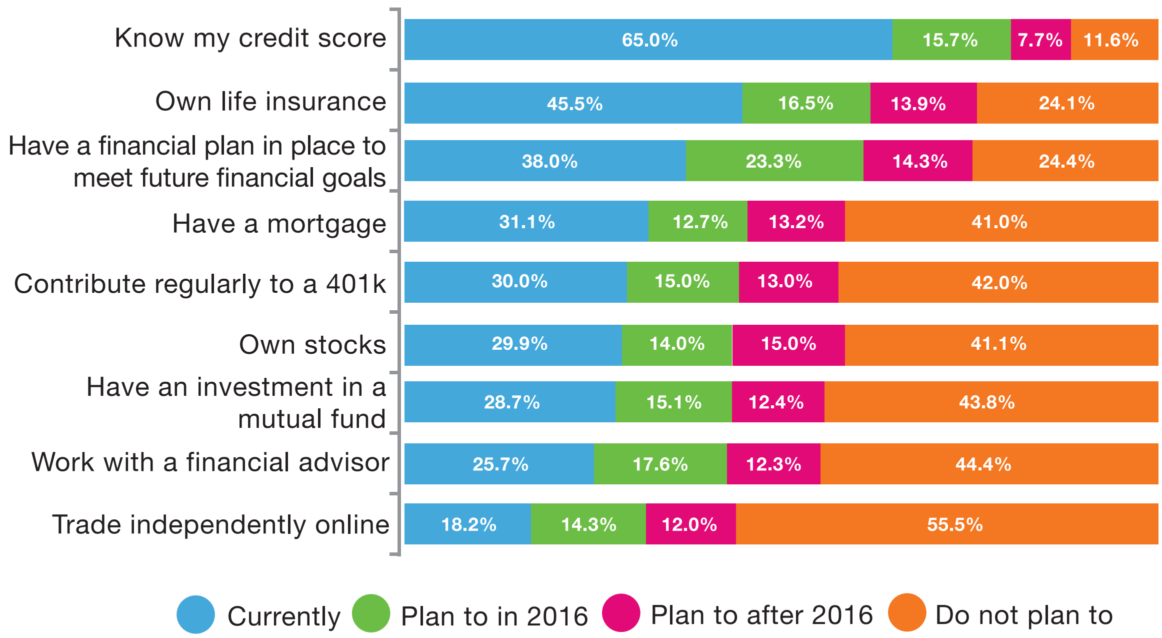


Taking Control in 2016

All this amounts to an overwhelming reality: Americans are eagerly making plans to get on top of their finances.

We asked survey participants what financial steps they are currently taking, or plan to take in 2016. While only 38 percent of respondents currently have a financial plan in place, an additional 38 percent plan to create one at some point in the near future. This was also the most popular financial resolution for Americans in 2016, closely followed by working with a financial advisor and owning life insurance:

Importance of Success Factors for Improving One's Financial Standing

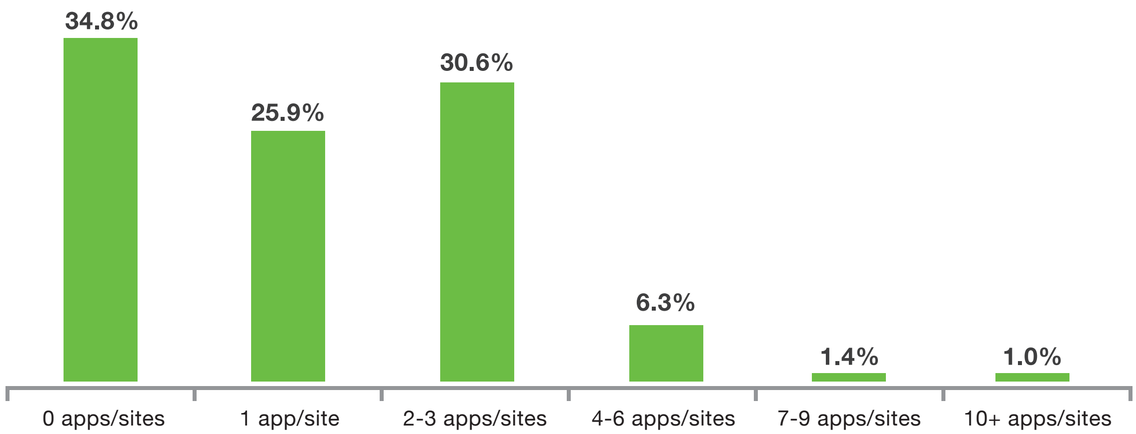


Technology Use in Personal Finance

The survey also examined the effects of new technology - specifically the apps for managing finances - and found that the vast majority of Americans majority (84 percent) feel more in control of their financial situation when using these technologies.

The majority of respondents use between one and three applications to manage their financial lives. The vast majority who are using financial apps (69 percent) do so at least a few times a week, and more than one-third use financial apps at least once per day:

Number of Applications/Sites Currently Used to Manage Finances



Additionally, the survey asked respondents about a range of popular financial app types, and what they were using them for. Investing apps proved to be especially popular among males; only 29 percent of women who are using apps do so for investing, while 51 percent of males do.

We also asked about newer types of financial technology and services like robo-advisors and peer-to-peer lending. The survey showed a growing number of Americans are using personal financial management tools such as BillGuard (29 percent) and marketplace (peer-to-peer) lending services like Prosper (16 percent). Credit monitoring services proved popular among 77 percent of the population, with 45 percent say they are doing so using newer third-party service such as Mint.com or CreditKarma vs. traditional FICO agencies.

In 2016, financial technology adoption is poised grow: 18 percent of people who are not currently using online apps or sites for finances agree or somewhat agree they want to in the future.

The Gender Divide

The survey shows that while the majority of Americans agree that financial wellness is a priority, there are large differences between women and men in awareness levels of financial terms. This is notable given the growing number of women who are responsible for managing their households' finances.

Among financial concepts that do not directly relate to "the markets," such as checking/savings accounts, credit scores, loans and life insurance, men and women are about even in their understanding. Slightly more women (77 percent) rate themselves as having a strong understanding of credit scores than men (75 percent).

However, among investment concepts such as stocks, options, 401(K) plans, interest rates and mutual funds, considerably more men (+10 percent or more) than women rate themselves as having a good understanding. For stocks in particular, a strong majority (58 percent) of men say they understand the concept well, whereas a minority (38 percent) of women do.

These numbers show there is an opportunity for women to improve their financial literacy and understanding of core financial concepts. It's important to note, however, that women go about improving their relationship with their finances differently than men.

Conclusion

The results from the Prosper Marketplace Financial Wellness Study highlight today's reality: amidst ongoing economic volatility, many Americans are still struggling to make ends meet. At the same time, the desire to make progress on their financial standing is at an all-time high, with many Americans beginning to focus much more of their time and attention on putting financial plans in place. The introduction of new technological tools and services have also proven to help people on this journey, and will continue to play an important role in Americans' quest to gain financial freedom.

Methodology

The survey was conducted on Prosper Marketplace's behalf by Market Cube between December 2, 2015, to December 9, 2015, among 1,000 Americans aged 18 or older with decision-making power with respect to their finances. The margin of error is 3.1 percent.

About Prosper

Prosper is built on a simple idea: connect people who want to borrow money with those that have money to invest. Prosper is an online marketplace that gives borrowers immediate access to a huge pool of individual and institutional investors. Borrowers get low, fixed rates with no hidden fees or prepayment penalties. Investors can earn great returns through the platform's data-driven underwriting for personal loans, creating a new and diverse investment opportunity. Through Prosper, more than $5 billion in personal loans have helped borrowers consolidate their credit card debt, pay for large purchases, make home improvements and even cover unexpected medical expenses. Prosper Marketplace is headquartered in San Francisco, with offices in Salt Lake City, Phoenix and Tel Aviv. Learn more about borrowing and investing through Prosper at www.prosper.com. The Prosper lending platform is owned by Prosper Funding LLC, which is a subsidiary of Prosper Marketplace. Follow Prosper on Twitter @ProsperLoans.