Website

https://redmanproductions.com/boring-facts

Spotify

https://open.spotify.com/episode/1ti6oUVeixxYW9YiXYLaJT?si=fc266d1106a74f96

Transcript

Welcome to Boring Facts. This podcast is dedicated to taking what you hear or read in the news and making it boring. This podcast takes out the drama, the partisanship and the arguments and just presents the facts. That's it. No punditry, no debate, just plain old boring facts.

In a previous episode[1] we explored the minimum wage in the United States. However, one's take home income is not the only issue that relates to our sense of financial safety and security.

Planned and scheduled expenses are a major component of financial planning, but the unexpected expenses are the ones that can and will disrupt even the most thoughtful spending plan.

A car breakdown, an accident that results in medical bills, a job loss, or a family emergency that requires extensive travel can all pop up unexpectedly and place a crimp in our budget and ability to pay our normal bills much less covering those new expenses.

Most experts say that a household should have between three and six months of savings on hand in the event of an unexpected job loss or other emergency.[2] Currently it is estimated that only forty-seven percent of households meet this minimum.[3]

In research conducted by Emmanuel Saez and Gabriel Zucman[4] they found that the savings rates in the United States vary greatly by income bracket. While this data is a little dated, having been compiled in 2014, the trends seem to be consistent and coincide with related studies.

The top 1% of households dedicate between twenty and forty percent of their income to savings. The top ten to one percent of households dedicate between eight and thirty percent of their income to savings. The bottom ninety percent of households have dedicated between one and four percent of their income to savings. This is a large group

[1] https://open.spotify.com/episode/1ti6oUVeixxYW9YiXYLaJT?si=fc266d1106a74f96
[2] https://www.usnews.com/banking/articles/how-much-money-should-you-have-in-savings
[3] https://www.bankrate.com/banking/savings/savings-account-average-balance/
[4] https://westorlandonews.com/wp-content/uploads/2014/04/SaezZucman2014Slides.pdf pg.44

and based on the overall trend we can expect that the lowest earners in this group will save the least.

This makes logical sense because the less income you have the less likely you are to have disposable income that can be dedicated to savings. The cost of essentials like housing, food, transportation, childcare, healthcare, etc. will consume the bulk of a lower wage earner's income leaving little or nothing for savings.

Let's explore out how this might look for two groups of households. The U.S. Census breaks out household incomes by quartiles so let's compare the lowest group, or quartile, not to the rich but to those in the middle quartile. The proverbial definition of middle class.

According to the Census[5] the lowest 20 percent of households in the U.S. had total household incomes of $34,510 or less per year.

The middle quartile had total household incomes between 65,100 dollars and 105,500 dollars per year.

This demonstrates that three-fifths of all households in the U.S. earn less than approximately 105,000 dollars per year. The median household income in the U.S. is just under eighty-four thousand dollars a year.[6]

Looking at the saving rate for September of 2025[7] we see an overall rate of 4.7 percent. Looking at this through the Saez and Zuckman data we can estimate that it is quite likely that the saving rate for 90 percent of households is actually around one percent.

Saving at a one percent rate it would take anyone 50 years to save 6 months of emergency funds. At a more generous 4% it would only take 12.5 years.

It is unlikely that no emergencies or other issues would crop up before that reserve has been fully funded, let's see what an unexpected $1500 car repair or other expense would do to those savings.

If we assume the one percent saving rate, for the lowest quartile a $1500 dollar repair would consume over 4 years of savings. A middle-quartile family would consume a little less than 1.5 years of savings for the same repair.

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[5] https://www.census.gov/library/publications/2025/demo/p60-286.html in document https://www2.census.gov/library/publications/2025/demo/p60-286.pdf pg.5
[6] https://www2.census.gov/library/publications/2025/demo/p60-286.pdf pg.8
[7] https://fred.stlouisfed.org/series/PSAVERT

If they are saving at a more generous but less likely four percent rate then the lowest quartile household would still lose over a year's worth of savings and a middle quartile household would lose over 4 months of savings.

In both cases this is the best-case scenario, as most people in each quartile will be earning less than the maximum income for that quartile which was used for these calculations.

How much a household can save is dependent not just on their income, but on family size, spending habits, and particular needs or obligations. Still, I hope this data allows you to frame the potential realities of creating a basic emergency fund for households in the United States.

Thank you for listening to Boring Facts. A link to the transcript with references is in the show notes. If you have a suggestion for a topic you would like us to make boring, please click on the link in the show notes.