

# Financial *Comebacks*

A research study exploring strategies to help investors overcome financial setbacks

# Financial Comebacks

Building wealth isn't always a smooth journey. Unexpected events like market volatility, job loss, divorce, or illness can take a toll on investors' finances. In fact, the *Financial Comebacks* study from Ameriprise Financial found that most investors have experienced at least one major financial setback – often costing more than \$50,000. But those investors have also staged a comeback and managed to put their finances back in order.

The study, which surveyed over 3,000 investors with at least \$100,000 in investable assets in January 2020, uncovers how some people have managed to overcome financial challenges and, in certain cases, emerged with a better handle on their money and with more financial confidence. Most importantly, the study reveals lessons learned from past financial setbacks that can be applied to help investors recover from hits to their finances due to the current coronavirus crisis or other setbacks.



# Financial setbacks

Roughly three-quarters of respondents have experienced at least one major financial setback.

The following unexpected events have disrupted investors' finances:



## Financial management

**26%**

Financial market losses

**16%**

Bad financial decisions

**10%**

Overwhelming debt

**9%**

Surprising tax bill



## Employment

**23%**

Earning less than expected

**20%**

Job loss



## Family Issue

**17%**

Supporting family financially

**12%**

Divorce or break up

**8%**

Death in the family

**6%**

Leaving labor force to care for family



## Emergency/crisis

**12%**

Major illness or injury

**3%**

Fraud or identity theft

**3%**

Catastrophic event

**2%**

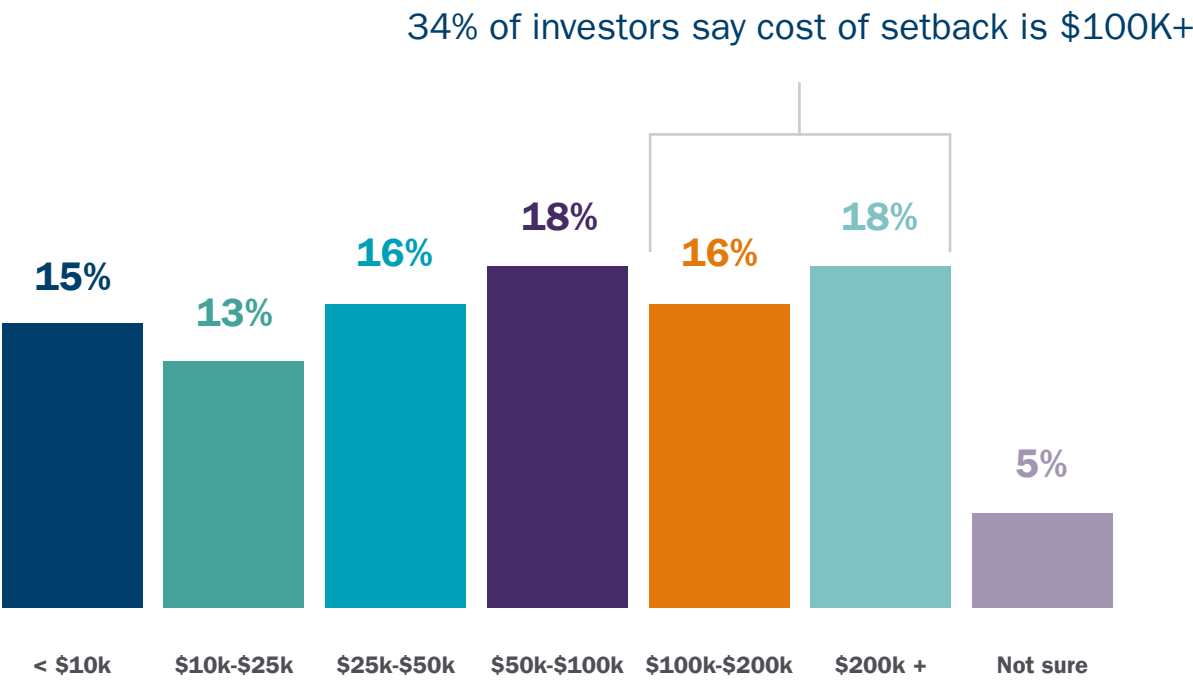
Other

“It causes you to really examine wants vs needs, and you become very aware that health and finances can change so fast.” – Survey respondent

# Cost of setbacks

Financial hardships come with a steep price tag. Over 50% of investors said their biggest financial setback cost them \$50,000 or more. In fact, about one in three said the cost was over \$100,000.

## Cost of most negative financial setback



Survey respondents recall experiencing a range of emotions as they dealt with their financial setbacks. While more than one-third of investors said they were “stressed,” nearly a quarter said the experience made them feel “determined.”

## Mixed emotions

### Positive

- 24% Determined
- 10% In control
- 5% Grateful



### Negative

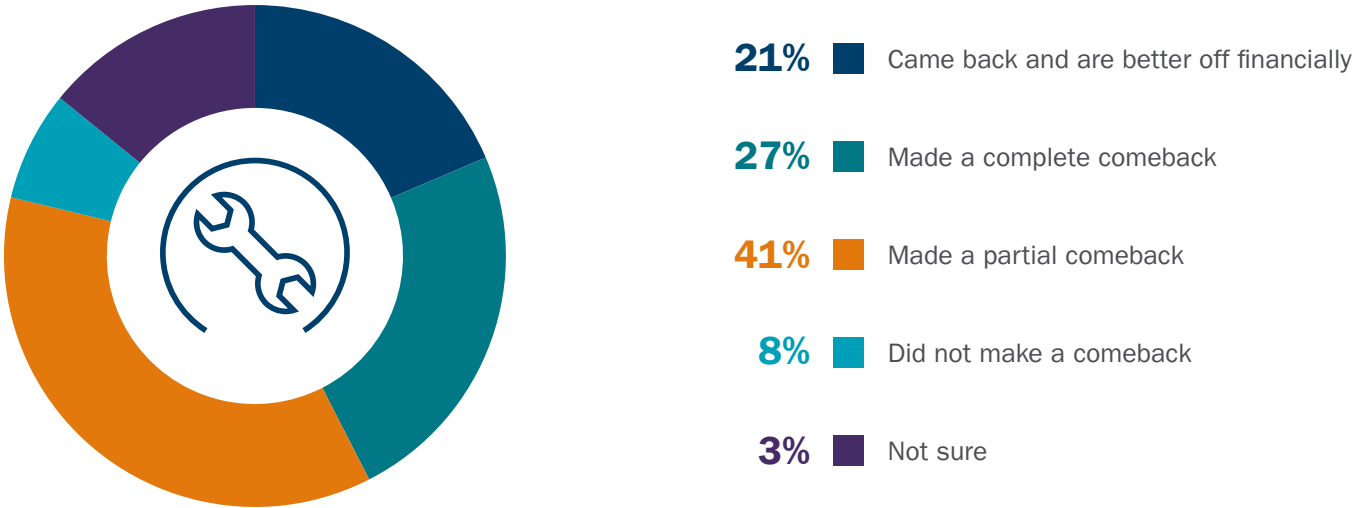
- 39% Stressed
- 13% Discouraged
- 9% Angry



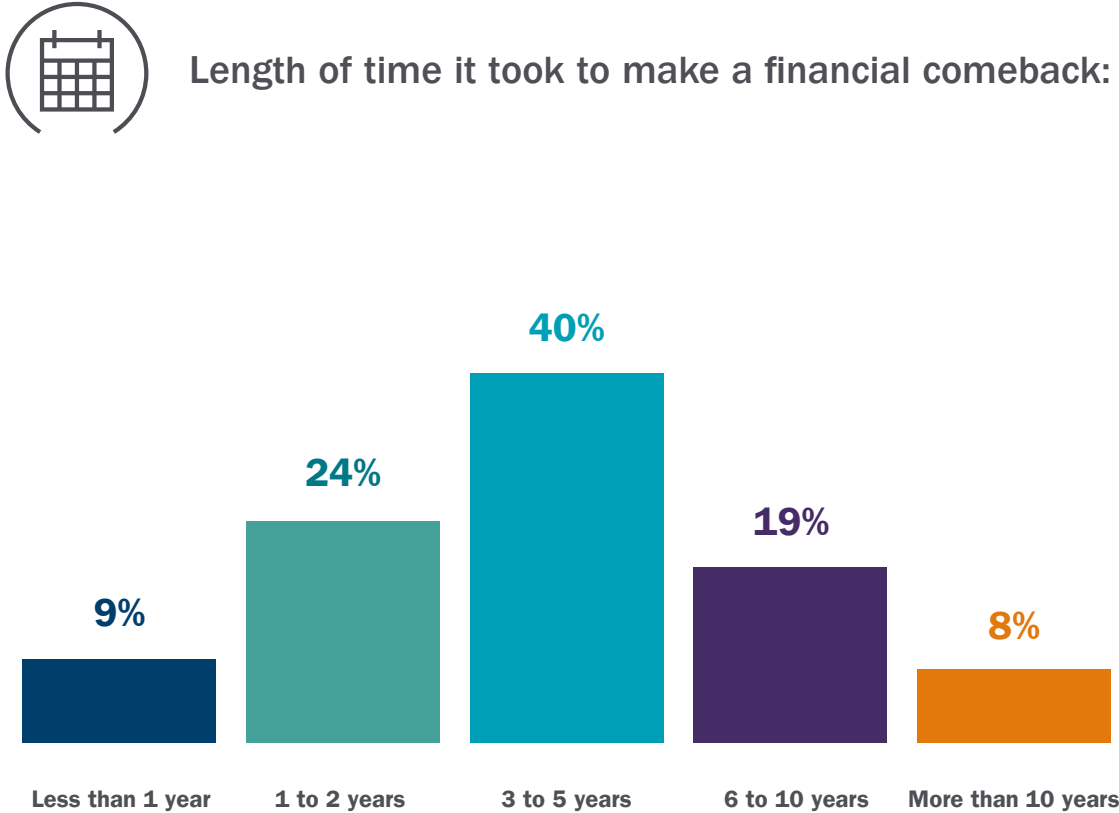
# Financial recovery

There is good news: the majority of investors bounced back in some form from past financial hurdles – and some were in better shape at the time the survey was conducted than they were before they experienced a setback.

About 9 in 10 investors made some degree of a recovery from financial shocks:



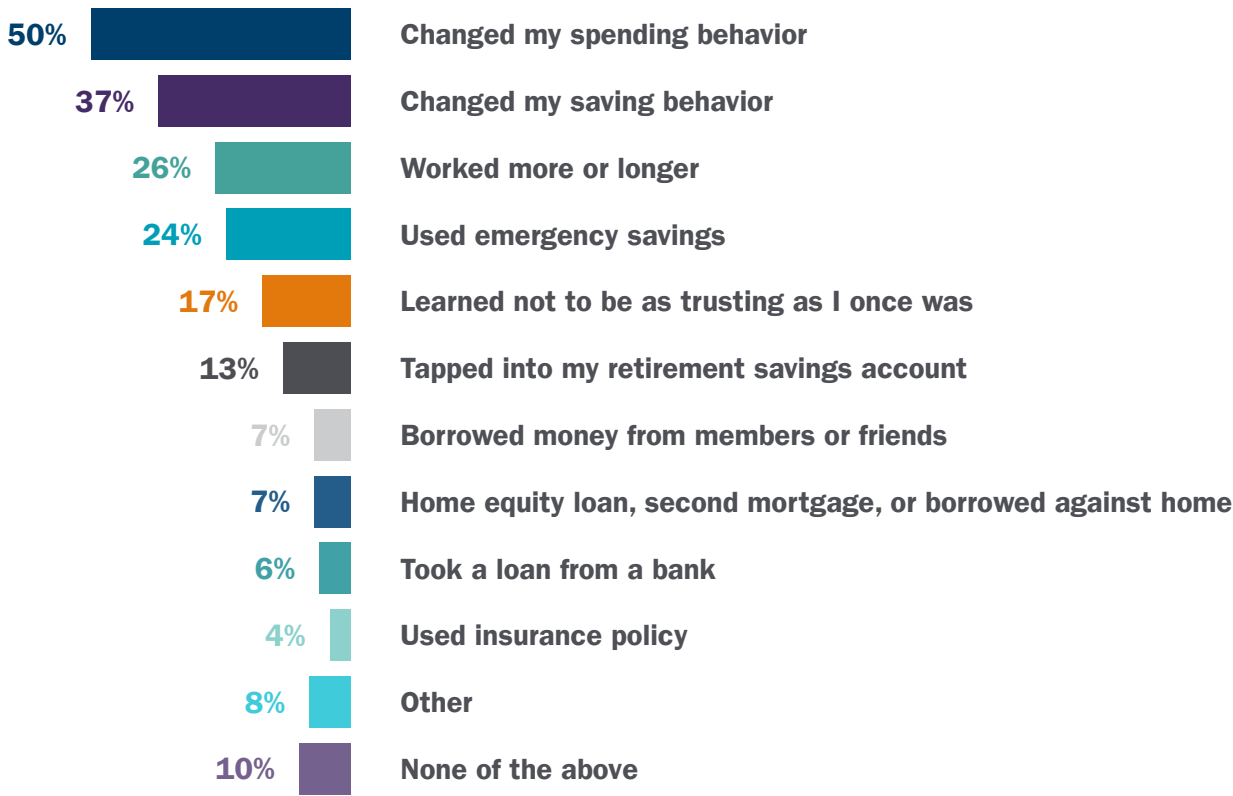
But the bottom line is that comebacks take time, often several years.



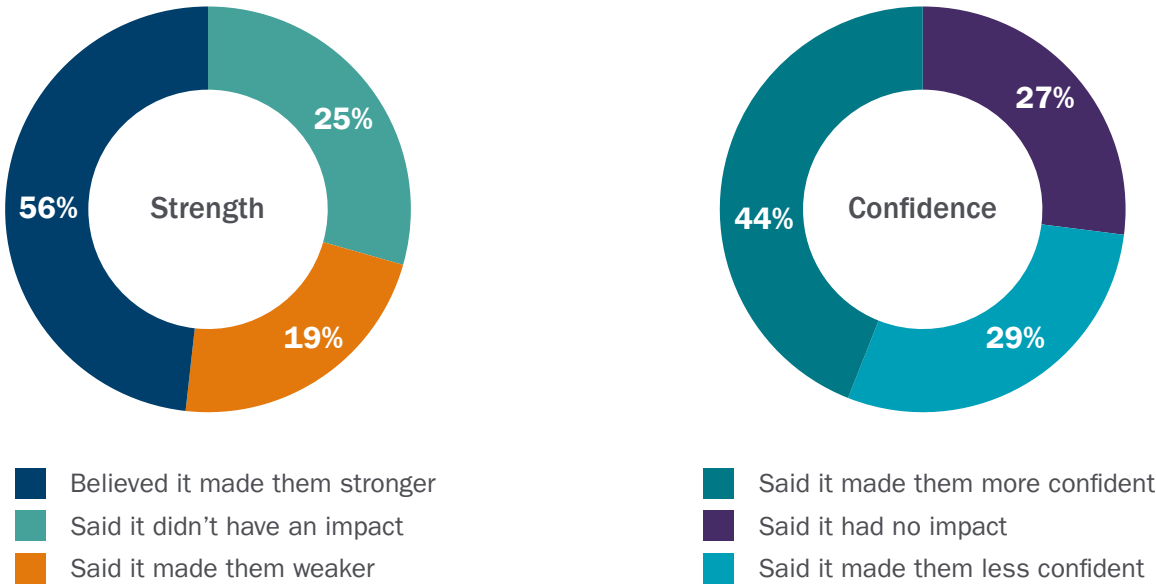
# Financial recovery

Making a comeback also takes deliberate action.

Among the steps that investors took to bounce back include:



Over half (56%) of survey participants believed their financial setback made them stronger, and 44% felt more confident financially at the time the survey was conducted:

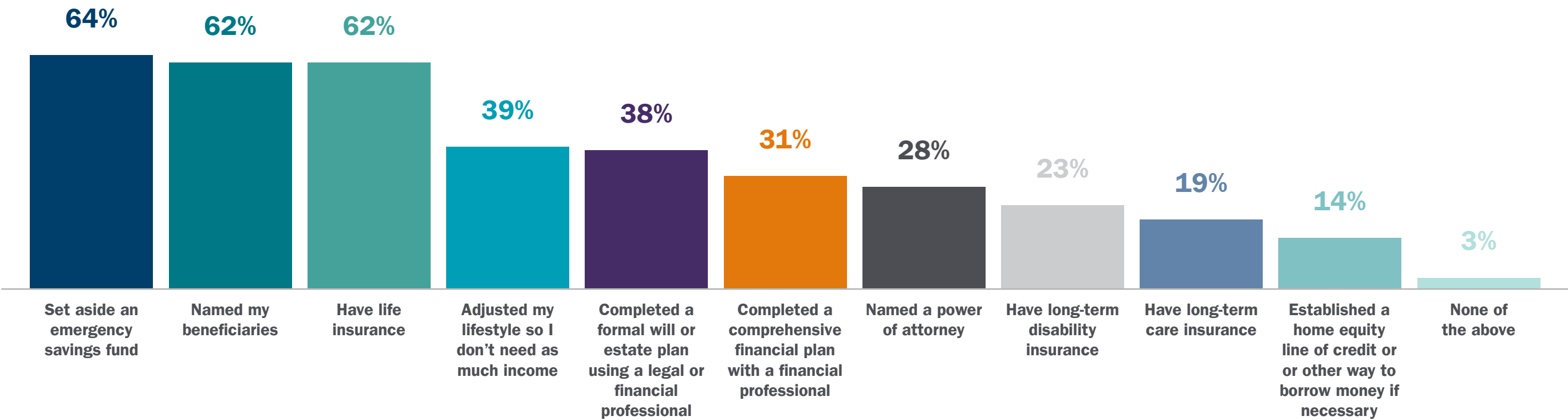


“It made me emotionally more resilient in the face of later setbacks.” – Survey respondent

# Planning for the future

To prepare for potential unexpected events down the road, respondents said they are taking deliberate actions to improve their financial future.

These actions include:



# Making a financial comeback

If you're currently facing a financial setback, consider this checklist to get your finances back on track.

- ✓ **Scrutinize your expenses and monthly budget** – Look at your budget with a critical eye. Decide what spending is necessary and what's discretionary. Cut out or reduce unnecessary expenses.
- ✓ **Stay focused on your goals** – Don't make impulsive decisions that could have a negative impact on your long-term goals. Stay calm and stay the course.
- ✓ **Stay invested** – In times of market volatility, it can be hard to watch your hard-earned savings take a tumble. But if you pull out of the market then you'll lock in those losses, making it more difficult to recover.
- ✓ **Avoid tapping your retirement accounts** – There are many drawbacks to taking an early retirement plan distribution including the taxes you may face. Also, an early withdrawal reduces the size of your retirement nest egg, and the funds you withdraw will no longer grow tax deferred.
- ✓ **Look out for loved ones** – No one knows what will happen in the future, but one of life's inevitable changes is death. Given this fact, it's important to have an estate plan with the right legal documents in place. Create a will, name beneficiaries for various financial accounts and potentially establish trusts.
- ✓ **Meet with a financial advisor** – During difficult times, meeting with a financial professional can be more helpful than ever. Talk with your advisor to guide you through financial decisions to get through this difficult time.



### **Methodology**

*The Financial Comebacks* study was created by Ameriprise Financial Inc. and conducted online by Artemis Strategy Group January 2-20, 2020 among 3,042 Americans ages 30–70 with \$100,000 or more in investable assets. For further information and details about the study, including verification of data that may not be published as part of this report, please contact Ameriprise Financial or go to [www.ameriprise.com/comebacks](http://www.ameriprise.com/comebacks).

### **About Artemis Strategy Group**

Artemis Strategy Group ([www.Artemissg.com](http://www.Artemissg.com)) is a communications strategy research firm specializing in brand positioning, thought leadership and policy issues.

### **About Ameriprise Financial**

A tradition of commitment since 1894. A legacy of putting clients first.

For more than 125 years, Ameriprise has been committed to putting our clients' needs first. Our advisors develop ongoing one-to-one relationships and take time to understand what's truly important to clients and their families.

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