Savings motives in the United States

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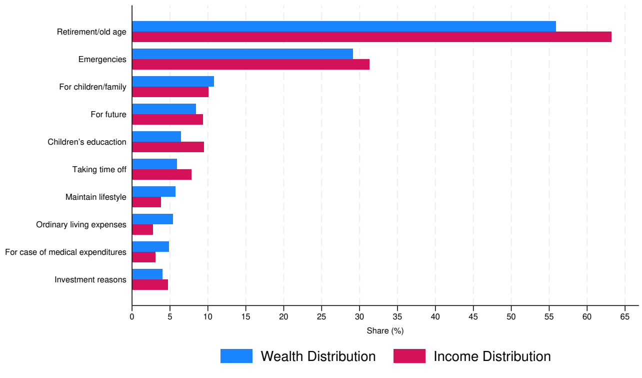
This handout summarizes the savings motives of United States households, drawing on data from the Survey of Consumer Finances (SCF+). The study differentiate savings motives by financial situation and age, and presents how they evolve over time.

Savings motives among all households

Consistent with the literature emphasizing precautionary and life-cycle saving motives, emergencies and retirement are the two most important reasons for saving, cited by 40% and 35% of households, respectively. Other motives follow, such as children and family, taking time off, and general future needs, but are each mentioned by 10% or fewer households.

Savings motives by income and wealth

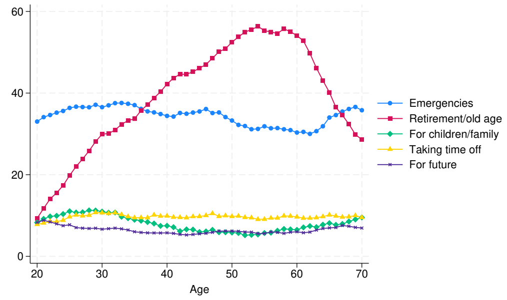
Regardless of households income and wealth, emergencies and retirement are the two most important savings motives. However, their relative importance changes. Whereas only one out of five households in the bottom 50% of the income or wealth distribution mentions retirement as a savings motive, it is more than half of all households in the top 10% of the income and the wealth distribution. Those in the middle (50%-90%) are in between with slightly below 50% of households reporting retirement as a savings motive. By contrast, two out of five households mention emergencies as a savings motive at the bottom of the distribution. Interestingly, there is very little difference between the groups along the income and wealth distribution although these groups differ in some dimensions substantially.



Saving attitudes by income and wealth: Top 10%

Savings motives over the life cycle

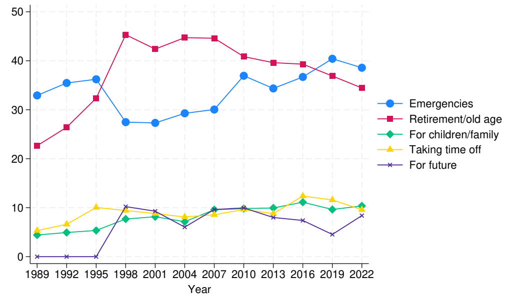
Emergencies and retirement are always the two most important savings motives in terms of how frequently they are reported by SCF participants. However, their trends differ substantially. Whereas emergencies show a slightly declining trend between age 20 and 60 before increasing again in retirement age, retirement as a savings motive shows very strong life-cycle variation. From one out of ten households mentioning it as a savings motive at the beginning of the life cycle, it is almost six out of ten households at the peak of the profile at age 50.



Savings attitudes over the life cycle

Time trends in savings motives

Emergencies and retirement have consistently been the main saving motives over the past three decades, though their relative importance has evolved. The importance of retirement increased from about 20% in 1989 to around 40% after the 2000s, in line with the rise of defined contribution plans. However, since the early 2000s, a reversal appears: emergency savings have gained importance while retirement motives have declined. This shift may reflect population aging, particularly the changing life-cycle saving needs of the baby boom generation.



Time Trends in Saving Attitudes Among All Households

Takeaway: Emergencies and retirement emerge as the most important saving motives. However, their relative importance varies across wealth/income distribution, age, and over time. Wealthier households are more likely to report retirement as their primary motive, whereas less wealthy households emphasize precautionary savings for emergencies. The retirement motive follows a clear life-cycle pattern, increasing in importance up to around age 55 and declining thereafter. By contrast, the rising importance of emergency savings over the past two decades could be attributed to population aging.

For more information visit the Macro Inequality Lab: At the Macro Inequality Lab, we study how markets function, how institutions shape market outcomes, and how these forces interact to create or reduce inequality. Our research asks fundamental questions on the causes and consequences of inequality (http://macro-inequality-lab.net).

References

Kuhn, Moritz, and José-Víctor Ríos-Rull (May 2025). *Income and Wealth Inequality in the United States: An Update Including the 2022 Wave.*