Study: What Americans Are Most Concerned About as Interest Rates Fall

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When the Federal Reserve announces changes to benchmark interest rates, it affects everything from the global economy to personal finances. Therefore, consumers can experience these effects in various parts of their financial lives.

As interest rates have fallen recently and further rate cuts are being considered, Americans may take the time to review their money situation to identify what they stand to gain or lose as a result of the rate changes.

According to a recent MyBankTracker survey, **at least 4 in 10 Americans have a major concern**when it comes to falling interest rates. These concerns include:

- The overall health of the U.S. economy
- The impact on their investment portfolios and retirement funds

- The drop in savings and certificate of deposit (CD) rates
- The opportunity to take out a new loan or refinance

Notably, older generations are more worried about their investment portfolios and the overall economy because a rate cut tends to be the response to a slowing economic activity, which could hurt the nest eggs of retirees.

Here are other key findings from the survey:

Key Findings

The survey asked:

“What is your biggest concern when interest rates fall?”

- Respondents of ages 65+ were **most concerned about the overall health of the economy (23.9%) and their investments (17.2%)** and they were least concerned with new loans or refinancing (2.3%)
- Similarly, respondents of ages 55-64 were **most concerned about the health of the economy (17.5%) and their investments (17.3%)** and they were least concerned with new loans or refinancing (6.4%)
- Respondents of ages 18-24 were most worried about the health of the U.S. economy (16.6%) while they were **the age group that is most concerned with the decision to take a new loan or refinance (10.4%)**
- West coast respondents are more concerned with the overall health of the economy (21.8%) than any other region, while the Northeast is least concerned (12.6%)
- Women are more concerned with the overall health of the economy when interest rates fall (19.6%) than men (15.8%)

Why Does the Federal Reserve Cut Interest Rates?

Typically, the Federal Reserve lowers interest rates in an effort to stimulate the economy.

When interest rates decrease, it becomes cheaper to borrow money.

Consumers are more likely to spend, which helps the growth of businesses. And, those businesses can also take advantage of lower rates to finance operations and expansions, including the hiring of more employees. More income is likely to encourage more spending, which keeps the economy flowing well.

However, when the Federal Reserve has to step in to cut interest rates, the move sends a signal that says the U.S. economy is slowing down.

Here are the reasons why many Americans may be concerned about their financial well-being:

The overall health of the economy

A possible recession is a major fear as the economy starts to struggle and one of the dreaded outcomes of a recession is unemployment. When jobs are in danger, there's the worry over loss of income, which is capable of ruining anyone's financial life.

Without income, there's the inability to spend, repay debts, save, invest, and much more.

Younger generations may be highly sensitive to employment concerns as they are most likely to be searching for their first jobs, facing a large amount of student loan debt, and beginning to save and invest for the first time.

Investment portfolios and retirement funds

If the economy is lagging, business and corporations might not be able to grow or generate healthy profits. The possible result is a drop in stock prices, which would hurt investors.

Many Americans have investment portfolios and retirement funds that are closely linked to the stock market. An economic slump could reduce investment returns and wipe out a significant portion of an investor's portfolio.

Older Americans are most concerned with their investments and the U.S. economy as they are connected. Moreover, older generations are more likely to have built up more wealth in the form of investments and they plan to use that money for retirement.

Savings

When interest rates fall, there's less of an incentive to put money in a savings account or certificate of deposit (CD).

With lower interest rates on their deposit accounts, savers will earn less interest on their cash.

Borrowing

Lower interest rates make it cheaper for consumers to borrow.

The idea is to boost consumer spending through loans. Additionally, consumers who already have debt may be more interested in refinancing at lower rates.

As younger age groups are just starting to deal with finances as adults, they may be taking out their initial loans and credit lines.

Methodology

The study was conducted through Google Survey on behalf of MyBankTracker from July 17, 2019 to July 19, 2019 with 736 respondents in the United States of ages 18 and up with a standard deviation of +/- 4.6%.

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