Americans Are Carrying Record Household Debt into 2024

marketwatch.com/guides/banking/american-debt-2024/

Key Findings

- Overall, U.S. household debt increased by 4.8% from November 2022 to November 2023, with credit card debt as the highest increase at 16.6%.
- Around a third of Americans said they expected to go into debt for holiday shopping in 2023.
- Roughly a quarter of Americans said they were still holding onto 2022 holiday shopping debt ahead of the 2023 holiday shopping season.
- Washington D.C. has the highest per capita credit card debt in the country, and Missouri has the lowest.

Source: Adobe Stock

U.S. Household Debt Is at an All-Time High

Household debt across all categories grew by 4.8% from Q3 2022 to Q3 2023, according to the latest statistics from the Federal Reserve Bank of New York (FRBNY). This includes mortgages, home equity revolving debt, auto loans, credit cards, student loans and other consumer lending such as retail cards. The total household debt of $17.3 trillion entering 2024 is a new high for the U.S.

The largest increase in any category was credit card debt, which swelled by 16.6% between Q3 2022 and Q3 2023, the most recent term for which federal data was available.

Home equity revolving credit saw the second-largest increase, growing by 8.4% over the same period. Auto loan and mortgage debt increased by 4%, while student loan debt saw a modest rise of 1.6%. Household debt in the "Other" category — which includes retail cards and other consumer loans — also saw a substantial increase of 7.7% on the year.

The State of Household Debt

While household debt rose across all categories at the national level, the average amount of debt people hold varies significantly depending on where people live. This is for several key reasons, according to researchers at the NYFRB's Center for Microeconomic Data (CMD) who author the organization's Quarterly Report on Household Debt and Credit. In a January 16 interview with MarketWatch, the researchers explained why debt levels can vary so much between states.

"Debt levels vary by state because states have varying levels of income, home ownership, college attendance rates and car ownership rates," explained the NYFRB CMD research team. "It is important to remember that household debt is primarily composed of mortgages, auto loans, credit cards and student loans. For example, mortgage debt would be positively correlated with the homeownership rate and home prices in respective states, which are again affected by state level income."

However, while mortgages and auto loans, for example, are backed by collateral that likely eventually become a pure asset, credit card accounts are simply debt on a ledger. Paying it off does not result in having an asset. The New York Fed researcher we talked to told us that credit card debt also has its own factors associated with it.

"Credit cards are positively correlated with the level of consumption, which is again correlated with income and age of the borrower," they told MarketWatch Guides.

Average Credit Card Debt by State

We looked at state-level data from the FRBNY to compare the amounts of credit card debt held by the average person in each.

Through our research, we found that the District of Columbia has the highest per capita credit card debt of any state or district in the country at $4,660 per person. That's 90.2% more than Missouri, which averages $2,450 per person in credit card debt. In the heat map below, you can hover over your state to find its per capita credit card debt. You can find the full list at the end of the article.

10 States With the Most Credit Card Debt per Capita

1. District of Columbia – $4,660
2. Alabama – $4,430
3. Hawaii – $4,260
4. New Mexico – $4,220
5. Maryland – $4,190
6. Connecticut – $4,040
7. North Dakota – $3,970
8. Vermont – $3,960
9. Colorado – $3,940
10. Florida – $3,940

10 States with the Least Credit Card Debt per Capita

1. Missouri – $2,450
2. Wisconsin – $2,540
3. Kentucky – $2,590
4. Arizona – $2,670
5. Alaska – $2,690
6. Idaho – $2,760
7. Iowa – $2,780
8. West Virginia – $2,820
9. Oklahoma – $2,830
10. Tennessee – $2,860

2024 Could Offer Americans an Opportunity to Pay Down Debt

While American household debt reached a new high water mark entering the year, 2024 could bring opportunities to bring that number down. Most financial experts — and Federal Reserve Chairman Jerome Powell — predict that the U.S. Federal Reserve will start to lower the federal funds rate in 2024 after two years of steady increases. Many have pegged the March 19-20 meeting as the likely first rate decrease point. A lower interest rate would allow some borrowers to refinance high-interest loans. Such a move could potentially decrease monthly debt payments and the total cost of loans.

In addition, experts have predicted that the runaway inflation that has dramatically increased the cost of goods and services since 2020 will continue its recent trend of slowing down in 2024. Such a development would bring relief to Americans who have spent the last several years watching their household budgets dwindle as the cost of living has gone up.

These two developments could leave Americans with more breathing room in their checking accounts. It could also allow people to stash more money in high-yield savings accounts or put funds into CDs and other interest-bearing investments.

How To Work Your Way out of Debt

With the potential for many Americans to start paying down debt and maybe even saving more in 2024, we at the MarketWatch guides team wanted to provide a few tips on how to do it. For that, we turned to Eric Ridley, an estate planning, probate, and asset protection attorney and owner of Ridley Law Offices. Ridley, who helps clients manage debt, offered some general advice for debt management.

"You're on a sinking ship called 'Debt', but I'm handing you a life jacket and a map to dry land. Here's how you swim to shore:

- **Assess the situation:** Get real with your debts. Know every dollar and cent like the back of your hand. Take your head out of the sand.
- **Budget ruthlessly:** Cut costs like a pro chef slices onions. If it's not essential, it's gone.
- **Pay down the highest-interest debt first:** Target the biggest shark (your highest-interest debt) first, then deal with the smaller fish.
- **Negotiate your rates:** Pick up the phone. Lower interest rates are like finding a shortcut. Not every creditor will negotiate, but you have nothing to lose. Worst case, you're back where you started.
- **Find extra income:** Think side jobs. They're your secret weapon to throw extra cash at the debt.
- **Build an emergency fund:** Keep a small stash for 'just in case'. It's your safety net. Be ruthless about putting money away, no matter how small the amount.
- **Avoid new debt:** Literally put your credit cards through a paper shredder. If you can't pay cash for something, you don't need it. Not now.
- **Seek professional help:** If it's too much, get a debt attorney. We know the rules, we know how to sue when debt collectors break the rules, and we can often negotiate better than you because we know the collectors (we work with them daily), and we know those rules.
- **Stay motivated:** Remember, it's a journey. Keep your eyes on the prize: a debt-free life. Take your eye off your credit score. Take your eye off anything but your balances.

- **Never, ever get involved with a debt consolidation or debt management company.** Trust me on this. I've consulted with over 15,000 people in debt crises. Not once has one of those companies been a good choice.
- **Consider bankruptcy:** Don't be scared. Call a bankruptcy attorney for a free consultation. You might be surprised at what you learn. Most people have heard all kinds of scary stuff about bankruptcy from people who love them. Most of that scary stuff is untrue. Don't trust Google. Call a lawyer.
- **Stop shaming yourself:** Stuff happens. Life happens. Don't blame or shame yourself. Get up, dust off, and move on. Forward is the way out. Don't get stuck in the past.

Methodology

For this analysis, our team looked at debt statistics from the U.S. Federal Reserve Bank to gain a detailed understanding of the state of household debt in the U.S. Through our research, we were able to learn what kinds of debt Americans are holding, which categories of debt have grown and by how much, as well as how that debt breaks down state by state.

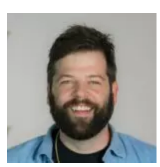
Our sources include:

- The New York Federal Reserve Bank Household Debt and Credit Report, Q3 2023
- The New York Federal Reserve Bank, State-level Credit Card Debt, Q4 2022

Per Capita Credit Card Debt by State

You can find the complete list of credit card debt per capita in each state in the following table.

**The MarketWatch guides team conducted the interview with the New York Federal Reserve Bank on January 16, 2024.*



David Straughan Contributor
David Straughan is a content manager and veteran journalist who specializes in crafting features about industry and finance that capture their impact on people and society. With more than 13 years of experience in China and the U.S., David combines rigorous data analysis, exhaustive research and conversations with high-level experts to reveal the human stories behind the numbers.

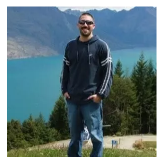
When he's not obsessively reading everything he can get his hands on about the automotive and finance industries, David spends his time cooking, baking, making coffee, and serving as a butler to his two cats in his hometown of beautiful Durham, North Carolina.

Expertise

- Automotive industry trend analysis
- Banking and personal finance industry trend analysis
- Social impact of industry developments
- Commercial lending
- Auto insurance

Previous Experience

- Senior Contributor, MarketWatch
- Senior Automotive Journalist, Automoblog
- Senior Automotive Contributor, Quartz
- National Hot Rod Association (NHRA) Drag Racing Journalist, Various Publications



Jared Macarin Editor
Jared is an editorial veteran who joined Home Solutions after more than 20 years in the newspaper industry. He has written, edited or designed more than 50 newspapers across the country, winning numerous awards. Jared has also edited and wrote for Forbes Advisor, Lending Tree, The Streamable and Lonely Planet. When he isn't working, Jared enjoys spending time with his wife on outdoor adventures, watching sports and reading.