MarketWatch

This is the No. 1 cause of financial stress in your state

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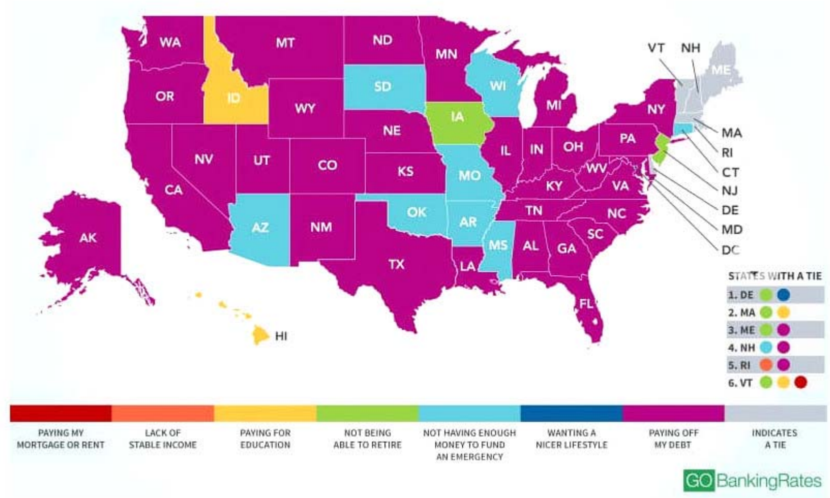
Americans are worried about paying off debts



If worries about paying off debt are your primary source of financial stress, you're in good company.

Personal-finance website GoBankingRates recently surveyed more than 7,000 people in all 50 U.S. states and Washington, D.C., and found that "Paying off debt, i.e. credit cards" was the main financial stressor for those in 32 states, including New York, Florida and California.

The second-most common answer was "Not having enough money to fund an emergency," the main stress for those in Arizona, South Dakota, Wisconsin, Missouri, Oklahoma, Arkansas, Mississippi and Connecticut.

Those surveyed in Iowa and New Jersey said their biggest source of stress was not being able to retire, and those in Idaho and Hawaii said "paying for education."

Delaware, Massachusetts, Maine, New Hampshire, Rhode Island and Vermont had more than one most common answer; in Rhode Island, lack of a stable income was a concern, and tied with paying off debt, and in Vermont, paying a mortgage or rent was the top worry, along with paying for education and not being able to retire.

For many, paying off consumer debt really should be a top priority, said Cameron Huddleston, a life and money columnist for GoBankingRates, who wrote the site's report.

Americans have a collective credit-card balance of $729 billion, according to the Federal Reserve Bank of New York; that's a steep number, but below the peak $866 billion Americans reached in 2008.

Since credit cards often have interest rates of 18% or even higher, and compound that interest daily, it's in consumers' best interest to get rid of that debt as quickly as possible, said Rachel Podnos, an attorney and financial planner based in Washington, D.C.

"That's really going to keep you down and keep you in debt," she said. "You should aggressively pay off any high-interest debt if you're in a pickle."

Still, not having enough money saved for emergencies is another legitimate concern and can lead to even more debt. About half of U.S. adults don't even have $400 saved that they could use to pay for an emergency expense, according to the Federal Reserve.

Financial advisers typically suggest having three to six months' expenses saved for emergencies, such as losing one's job or having to pay a medical bill.

Although Podnos said paying down high-interest debt should be a priority, consumers should take an honest look at their debts and balance paying them off with putting some money away for emergencies. It may make sense to pay off a credit-card debt with high interest rates quickly, but just make minimum payments on a lower-interest loan such as a car loan so it's possible to create that emergency fund, she said.

"Once you have that, you can go back to overpaying your debt," she said.

Those who responded to GoBankingRates' survey didn't seem as worried about a lack of retirement savings, but that doesn't mean they're on track for retirement; about 31% of non-retired adults have no retirement savings or pension at all, according to the Federal Reserve. Even those who are close to retirement have little saved; about 14% of adults who are not retired, but are employed and age 60 or older have no retirement savings at all.

Because retirement for many is years away, it probably doesn't seem like an urgent concern, although it probably should be, Huddleston said.

For credit-card debt, "You're getting the bill every month, but you're not getting a bill every month that says your retirement account is low," she said. "Nobody's telling you that you've got to save."

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