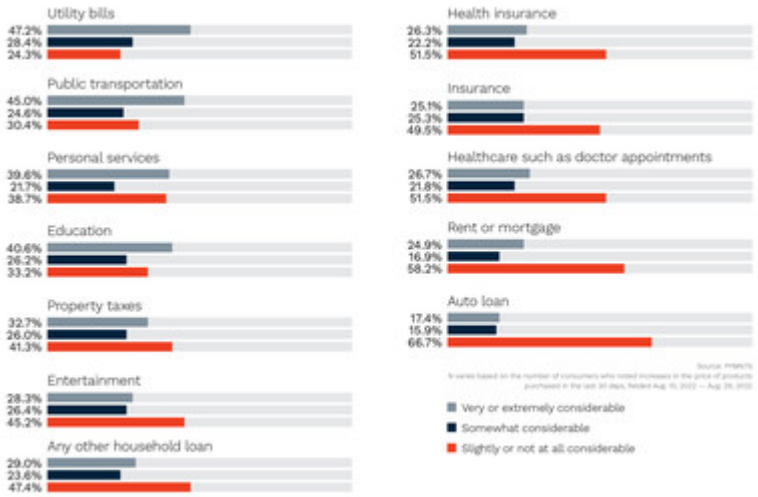
Three in Five Americans Live Paycheck to Paycheck: More People Are Living Paycheck to Paycheck but Making Ends Meet Than Not Living Paycheck to Paycheck

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60% Say Inflation has Altered How They Manage and Spend Their Money

More Than Half of Americans Earning Between $100,000 to $150,000 Live Paycheck to Paycheck

SAN FRANCISCO, Sept. 27, 2022 /PRNewswire/ -- LendingClub Corporation (NYSE: LC), the parent company of LendingClub Bank, America's leading digital marketplace bank, today released findings from the 14th edition of the Reality Check: Paycheck-To-Paycheck research series, conducted in partnership with PYMNTS.com. With inflation reaching a 40-year high in June, nearly all consumers report noticeable increases in the cost of everyday purchases. The Inflation Edition examines the financial lifestyle of U.S. consumers who live paycheck to paycheck, explores how inflation impacts their spending and details saving decisions and how rising prices impact their financial lifestyle.



Today's Paycheck-To-Paycheck Landscape

The research places paycheck-to-paycheck consumers into two categories: those who can pay their monthly bills without difficulty and those who struggle to do so. In August 2022, 41% of consumers were living paycheck to paycheck without difficulty paying their monthly bills, a 10 percentage-point increase from September 2021 and exceeds the 40% of consumers who do not live paycheck to paycheck.

"More consumers living paycheck to paycheck indicates that many are continuing to lose their financial stability," says Anuj Nayar, LendingClub's Financial Health Officer. "Yet, the share of consumers living paycheck to paycheck with issues paying their bills has dropped 7 percentage points in the past year. Many have moved to what now may constitute a stable lifestyle: living paycheck to paycheck but still managing to pay your monthly bills. There is just nothing left over at the end."

In August 2022, three in five U.S. consumers were living paycheck to paycheck, and close to one-fifth struggled to pay their bills. The share of consumers living paycheck to paycheck has trended upward over time, increasing from 57% in September 2021, and the rise has been strongest across high-income consumers. In August 2022, 45% of those earning more than $100,000 per year were living paycheck to paycheck, a 7 percentage-point increase from 38% in September 2021. Sixty-two percent of consumers annually earning between $50,000 and $100,000 were living paycheck to paycheck, up from 57% in September 2021.

Consumers in the lowest range of the upper income brackets are particularly likely to be sliding toward paycheck-to-paycheck life: 54% of consumers who annually make between $100,000 and $150,000, more than double the median personal income in the U.S., are living paycheck to paycheck, an increase of 7 percentage points from July 2022.

How Inflation Impacts Consumers

With inflation reaching a 40-year high in June, nearly all consumers cited noticeable increases in the cost of everyday purchases. Fuel and groceries were cited most for considerable price increases.

Gas prices explain most of the Consumer Price Index (CPI) increases, and consumers felt the impact across multiple categories, including utilities and groceries. The report finds that 92% of all consumers who purchased products in the last 30 days noticed higher prices in the products they purchased, while 74% of those whose households paid a recurring bill in the last 30 days noted bill increases compared to a year ago. Eighty-three percent of consumers cited very or extremely considerable increases in fuel prices, and 69% said the same about grocery purchases. Additionally, more than 70% of consumers reported increases in utility bills, with 47% considering these hikes very or extremely significant. The next highest increases in consumers' reports include public transportation (45%), education (41%) and personal services (40%).

Similar shares of paycheck-to-paycheck consumers reported higher prices in both products and services, yet those with issues paying their monthly bills were more likely to notice. PYMNTS' data finds that 59% of paycheck-to-paycheck consumers with issues paying their monthly bills noted that utilities and public transportation saw very or extremely considerable price increases, while consumers living paycheck to paycheck without difficulty paying their monthly bills were less likely to note that utilities (47%) and public transportation (44%) had very or extremely considerable price increases.

PYMNTS' data also finds that financial lifestyle can determine what paycheck-to-paycheck consumers consider "essential". While responses from consumers of all financial lifestyles indicated that groceries were "essential", there were notable differences for other expenses. For example, paycheck-to-paycheck consumers with issues paying their monthly bills were less likely to purchase fuel for a car or pay their utility bill than paycheck-to-paycheck consumers without difficulty paying their monthly bills and consumers that do not live paycheck to paycheck.

Managing Everyday Expenses

PYMNTS' research finds that 60% of all consumers who noticed price increases report having to make changes to how they manage and spend money; with half of these consumers, and 51% of those under financial stress, saying they have made very or extremely significant changes.

Consequently, most consumers report changes in their shopping preferences and less spending capacity. The reduction in purchasing power is changing consumers' purchasing behaviors in everything from merchant choice to transportation habits. One-quarter of consumers who changed how they manage and spend money due to inflation report that this has forced them to be more money-smart, while 20% say they are shopping at different merchants due to money constraints. The data also shows that most consumers cite limiting spending capacity and changing shopping preferences as the top ways inflation has caused them to change how they manage and spend their money.

When consumers choose to spend, they are utilizing credit products like credit cards to fund their lives and most have not noticed changes to the interest rates of credit products, even though they are increasingly using credit while tightening budgets. For example, nearly a quarter of paycheck-to-paycheck consumers are unaware of the rates they pay for financing.

"It is no secret that prices have been increasing for everyday Americans – not only in the goods and services they purchase but also in the interest rates they're paying to fund their lives," continued Nayar. "While Americans are modifying their spending in light of inflation, there is still a disconnect with many not yet seeing the true cost of credit products. This can have detrimental consequences for someone who pays the minimum amount on their credit cards every month. Advising consumers to simply cut back on spending to stay on budget and only spend on 'essentials' is no longer helpful financial advice. 'Essential' means something different for everyone."

Consumers' Outlook on Inflation by Region

Inflation has an equal impact on rural and urban consumers, with nearly all consumers citing noticeable increases in their everyday expenses. Fuel and groceries were cited most for having sizable product price increases, with rural consumers more likely to report increases than urban dwellers.

Although generally similar shares of rural and urban consumers report higher prices in both products and services, rural consumers are slightly more likely to do so. While 93% of rural and 92% of urban consumers noticed higher prices in the products they purchased, 76% of rural and 74% of urban consumers saw increases in their monthly bills.

More than one-third of rural consumers have significantly changed how they manage and spend their money, while just one-quarter of urban consumers have done so. Urban consumers are more likely to limit their spending and shift their shopping preferences than rural consumers, however.

Regardless of where they live, consumers are well aware that living costs — especially fuel, groceries, and utilities — have beer on the rise, making it increasingly difficult to make ends meet. Consequently, consumers of all income brackets are adjusting how they manage their spending, with many prioritizing their "essential" products.

To view the full report, visit: https://www.pymnts.com/study/reality-check-paycheck-to-paycheck-inflation-consumer-spend-expenses/

Methodology

New Reality Check: The Paycheck-To-Paycheck Report: The Inflation Edition is based on a census-balanced survey of 3,495 U.S. consumers conducted from August 10 to August 29, 2022. The Paycheck-To-Paycheck series expands on existing data published by government agencies such as the Federal Reserve System and the Bureau of Labor Statistics to provide a deep look into the elements that lie at the backbone of the American consumer's financial wellness: income, savings, debt and spending choices. Our sample was balanced to match the U.S. adult population in a set of key demographic variables: 51% of respondents identified as female, 31% were college-educated and 36% declared incomes of more than $100,000 per year.

About LendingClub

LendingClub Corporation (NYSE: LC) is the parent company of LendingClub Bank, National Association, Member FDIC. LendingClub Bank is the leading digital marketplace bank in the U.S., where members can access a broad range of financial products and services designed to help them pay less when borrowing and earn more when saving. Based on more than 150 billion cells of data and over $75 billion in loans, our advanced credit decisioning and machine-learning models are used across the customer lifecycle to expand seamless access to credit for our members, while generating compelling risk-adjusted returns for our loan investors. Since 2007, more than 4 million members have joined the Club to help reach their financial goals. For more information about LendingClub, visit https://www.lendingclub.com.

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