60% of Americans Now Living Paycheck to Paycheck, Down from 64% a Month Ago

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70 Percent of Consumers Report Taking Additional Measures to Manage Credit Card Debt In the Last 12 Months

SAN FRANCISCO, Feb. 28, 2023 /PRNewswire/ -- LendingClub Corporation (NYSE: LC), the parent company of LendingClub Bank, America's leading digital marketplace bank, today released findings from the 19th edition of the Reality Check: Paycheck-to-Paycheck research series, conducted in partnership with PYMNTS. The Debt and Credit Deep Dive Edition examines the impact of U.S. consumers' 2022 holiday spending on their credit card debt.



Today's Paycheck-to-Paycheck Landscape

As of January 2023, 60% of United States adults, including more than four in 10 high-income consumers, live paycheck to paycheck, down 4 percentage points from January 2022. This decrease suggests that spending cutbacks in the previous year have effectively improved some consumers' financial situations.

Moreover, consumers appear to be settling into the current financial environment. For example, the share of consumers expecting their financial situation to worsen has also decreased, and more people are optimistic about 2023.

"Consumers living paycheck to paycheck dropped for the first month of 2023. While it's too early to indicate a trend, consumers have accepted that inflation is part of their everyday lives and they are actively making behavior changes, especially during the 2022 holiday shopping season, to adjust their spending and better manage their cash flow," said Anuj Nayar, financial health officer at LendingClub.

The increase in consumer optimism comes at the expense of discretionary spending. Consumers approached the 2022 holiday shopping season with a much more conservative stance. As reported in November 2022, 15 million consumers said they would refrain from making holiday-related purchases, a 10% decrease compared to 2021.

Consumers' Approaches to Managing Credit

Credit cards are a popular choice for consumers in periods of high spending. For example, 72% of consumers used a credit card for at least one 2022 holiday purchase. Even with increased credit card use during high periods of spending, 87% of cardholders report that they are not experiencing a significant financial hangover from their 2022 holiday season spending, while 13% reported that the holiday season brought a very or extremely significant increase in their debt burden.

As consumers adapt to today's inflationary pressures, managing credit card debt is top of mind, especially among those living paycheck to paycheck. In the last year, 70% of all surveyed cardholders reported taking at least one measure to help manage credit card payments. Among those living paycheck to paycheck, the share of consumers adjusting how they use credit cards rises to 90% among those with issues paying bills and 81% among those without issues paying bills. Budgeting and reducing spending were common strategies: 32% of cardholders adjusted their budgets, and 31% lowered their spending.

Even as consumers adjust their spending behavior to meet the challenges of the current economic environment, there remains a financial backlog they will carry into the foreseeable future. The average consumer holds outstanding credit card balances equivalent to 35% of their available savings, but those living paycheck to paycheck tend to have higher credit card debt relative to their savings level. The data finds that consumers living paycheck to paycheck without issues paying bills have average outstanding credit card balances equivalent to 62% of their available savings, while those with issues paying monthly bills carry balances of 157% of their available savings, meaning they would still have a balance even if they emptied their savings accounts.

"While consumers are making behavioral changes as they adapt to inflationary pressures on their pocketbooks, it may not be enough to balance their finances," continued Nayar. "Consumers across the income spectrum carry massive credit card balances and with interest rates for debt growing, outstanding debt balances could equal all paycheck-to-paycheck consumers' savings balances in the next five years[1]. For consumers looking to decrease their overall debt burden, now is a good time to consider consolidating and/or refinancing that debt into an installment loan."

To view the full report, visit: https://www.pymnts.com/study/reality-check-paycheck-to-paycheck-credit-card-management-budget-debt/

Methodology

New Reality Check: The Paycheck-to-Paycheck Report — The Debt and Credit Deep Dive Edition is based on a census-balanced survey of 4,163 U.S. consumers conducted from Jan. 6 to Jan. 27, as well as analysis of other economic data. 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 core elements of American consumers' 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 $80 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 4.5 million members have joined the Club to help reach their financial goals. For more information about LendingClub, visit https://www.lendingclub.com.

CONTACT:
For Investors: IR@lendingclub.com
Media Contact: Press@lendingclub.com
PYMNTS Contact: information@PYMNTS.com

[1] This assumes a 5-percentage-point spread in interest rates on outstanding debt balances compared to savings balances.

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