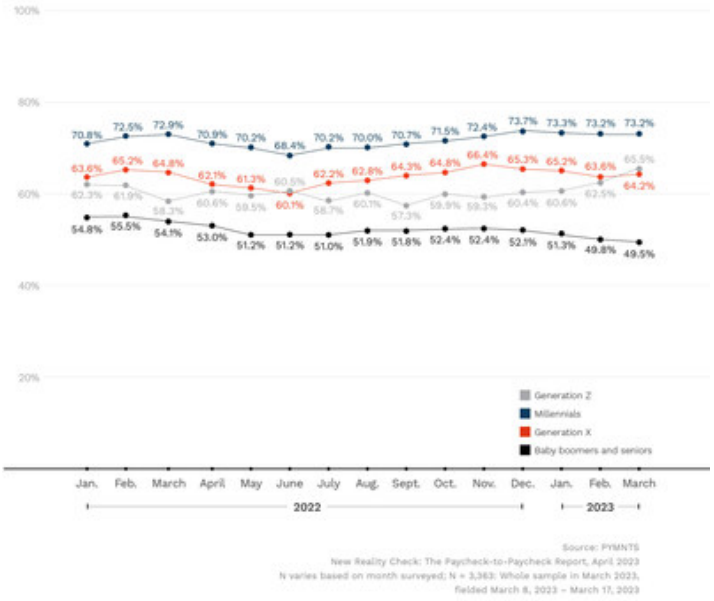
At 73%, Millennials Are the Most Likely Generation to Live Paycheck to Paycheck

April 28, 2023

66% of Generation Z Live Paycheck to Paycheck, Up Eight Percentage Points Year-Over-Year

Report Reveals Significant Generational Differences in How the Rising Cost of Living Impacts Consumers' Financial Lifestyles

SAN FRANCISCO, April 28, 2023 /PRNewswire/ -- LendingClub Corporation (NYSE: LC), the parent company of LendingClub Bank, America's leading digital marketplace bank, today released findings from the 21st edition of the New Reality Check: The Paycheck-to-Paycheck research series, conducted in partnership with PYMNTS. The Generational Deep Dive Edition examines why U.S. consumers across all generations are living paycheck to paycheck and identifies the financial stressors they face due to ongoing inflation.



Today's Paycheck to Paycheck Landscape

Sixty percent of consumers lived paycheck to paycheck as of March 2023, with less than one-third of these consumers struggling to pay their monthly bills. This represents a drop from 62% in February 2023, and from 64% at this time last year, suggesting that consumers continue to find ways to adapt to ongoing inflationary pressures.

Fewer paycheck-to-paycheck consumers report struggling to pay bills: 18% of paycheck-to-paycheck consumers reported struggling to pay bills in March 2023, and this share represents drops of 6 percentage points from last year and 9 percentage points since 2020. Meanwhile, the share of consumers living paycheck to paycheck without issues paying bills sat at 43% as of March 2023, up from 40% last year. This relative success is not limited to paycheck-to-paycheck living, as the share of consumers not living paycheck-to-paycheck also increased from 36% in March 2022 to 40% this year.

Furthermore, significantly fewer low-income consumers report they live paycheck to paycheck compared to last year, but the share among higher income brackets remains relatively steady. For example, lower-income consumers (those earning less than $50,000 annually) dropped from 82% in March 2022 to 75% as of March 2023, middle-income consumers (those earning between $50,000 and $100,000) increased from 63% in March 2022 to 65% in March 2023, and high-income consumers (those earning more than $100,000 annually) remained steady at 49% year-over-year.

Different Financial Stressors Across Generations

Similarly with income brackets, there are significant differences in financial lifestyle among various age groups, suggesting that

stage of life influences consumers living paycheck to paycheck. Millennials are the generation most likely to live paycheck to paycheck, with 73% doing so this year and last, but a growing share of Generation Z are struggling financially.

Millennials tend to be mid-career and the most prevalent reasons for their financial distress are expenses related to dependent family members and debt. Meanwhile, as of March 2023, 66% of Generation Z lived paycheck to paycheck — an increase of 8 percentage points since March 2022. Many of these consumers are still establishing their careers, which can mean lower wages, are more apt to be single, live with their parents or siblings and may be more likely to spend on discretionary categories like dining out, entertainment, clothing and electronics while living paycheck to paycheck. Additionally, 50% of baby boomers and seniors lived paycheck to paycheck in March 2023, down from 54% this time last year. This suggests that this age group, many of whom are retired and live on a fixed income, have adjusted their spending to cope with inflation.

While older generations face fewer financial stressors due to the absence of life-cycle frictions, 62% of all consumers experienced a financially distressing event in the last three years. In fact, 74% of Generation Z and 72% of millennials report experiencing at least one financially distressing event. Life-altering events, which are sudden and disruptive and include failed investments or a job loss, are equally as likely to occur as life-cycle events, such as marriage or relocation. For example, Generation Z are the most likely to have experienced a job loss personally or within the household, while millennials are more likely to experience family changes or relocation.

"The oldest millennials are in their forties now and often managing expenses for not just their kids but also aging parents. It's no wonder that almost three quarters of them are living paycheck to paycheck," said Anuj Nayar, Financial Health Officer at LendingClub. "Generation Z are more apt to face financially life-altering events such as job loss, making them more financially vulnerable than any other generation. That said, with over half living with their parents or siblings, they can hopefully better absorb shocks to any temporary disruption in income. The data also indicate that Gen Z are often not saddled with the financial obligations of older generations, and it shows in the way they manage their money to clearly prioritize living in the moment."

Generational Differences in Credit Product Usage

Four out of 10 millennials and Generation Z are paying off their credit card balances with an installment payment plan, compared to one-tenth of baby boomers and seniors. In fact, Generation Z credit cardholders are nearly five times more likely than baby boomers and seniors to have credit card installment plans to pay off their outstanding balances.

Mortgages and auto loans have the highest usage among Generation X, at 43% and 39% respectively. Personal loans and buy now, pay later plans are most popular among millennials, with approximately 20% having payments related to these credit products in the last three months, while Generation Z are more apt to use credit cards than any other credit products.

"While consumers continue to find ways to cope with inflation, the ongoing rise in the cost of living and financial distress from life-altering and life-cycle events continue to make it difficult for all income brackets to make ends meet," continued Nayar. "All generations that live paycheck to paycheck are learning to better manage their finances through recessions, financial crises and unexpected life events such as job losses."

To view the full report, visit: https://www.pymnts.com/study/reality-check-paycheck-to-paycheck-generational-differences-credit-products/

Methodology

New Reality Check: The Paycheck-to-Paycheck Report — The Generational Deep Dive Edition is based on a census-balanced survey of 3,363 U.S. consumers conducted from March 8 to March 17, 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 $85 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 4.7 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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