29% of Gen Z Consumers Living Paycheck to Paycheck Cite Nonessential Spending as a Cause for Financial Distress

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LendingClub and PYMNTS Research Shows a Majority of Consumers Purchase "Nice-to-Have" Grocery and Retail Items, Whether or Not They Live Paycheck to Paycheck

SAN FRANCISCO, Aug. 30, 2023 /PRNewswire/ -- LendingClub Corporation (NYSE: LC), the parent company of LendingClub Bank, America's leading digital marketplace bank, today released findings from the 25th edition of the New Reality Check: Paycheck-To-Paycheck research series, conducted in partnership with PYMNTS. The Nonessential Spending Deep Dive Edition examines the impact of nonessential spending on consumers' ability to manage expenses and put aside savings. The series draws on insights from a survey of 3,443 U.S. consumers conducted from July 5 to July 20, as well as an analysis of other economic data.

The Paycheck-to-Paycheck Landscape
In July 2023, 61% of U.S. consumers lived paycheck to paycheck, unchanged from June 2023, but 2 percentage points higher than July 2022. Among these individuals, the number struggling to meet bill payments remains at 21% since June 2023, which represents an increase of 2 percentage points from a year ago but is consistent with the 2021 and 2020 data. Generally, more consumers of all income brackets reported living paycheck to paycheck in July 2023 than last year. The data indicates the persistent financial challenges and inflationary pressures a significant portion of the U.S. population faces.

Nonessential Spending Emerges as a Top Reason for Living Paycheck to Paycheck
A staggering 16 million U.S. consumers — slightly over 10% of the paycheck-to-paycheck U.S. population — claim tha nonessential spending is the primary reason they are trapped in the paycheck-to-paycheck cycle. Twenty-one percent of paycheck-to-paycheck consumers cite nonessential spending as one reason — but not the top reason — for their financia lifestyle. This means that about 6% of the U.S. adult population can be considered "discretional" paycheck-to-paycheck consumers, as their financial lifestyle is due to nonessential spending, while 13% of U.S. consumers live paycheck to paycheck at least partly because of nonessential spending.

Nonessential spending is not limited to those living paycheck to paycheck. The data finds that 74% of consumers admit to including "nice-to-have" items in their grocery carts at least some of the time, and 70% say the same for their retail purchases.

Gen Z Feels the Most Impact
Nonessential spending emerges as a prominent issue for younger consumers, particularly among members of Gen Z. A notable 29% of Gen Z consumers living paycheck to paycheck cite nonessential spending as one of the factors contributing to their financial distress, with 15% citing it as the top factor, marking them the most affected demographic. In contrast, only 12% of baby boomers and seniors in similar financial situations attribute nonessential spending as a factor for their struggles. The likelihood of citing nonessential spending as a reason for living paycheck to paycheck decreases with age, making younger consumers more vulnerable to its adverse effects. The study also finds that male consumers are slightly more likely than female consumers to attribute their financial strain to nonessential spending.

"With ongoing inflation requiring consumers to tighten their belts, nonessential spending can mean the difference between living paycheck to paycheck or not," said Alia Dudum, LendingClub's Money Expert. "It's prudent for all consumers — especially those in younger generations who are more apt to indulge in nonessential spending — to regularly assess their spending habits and remain mindful of the compounding effect nonessential spending can have on their overall financial stability. If not careful, this type of frequent spending behavior can quickly snowball into bigger and lasting debts."

Nonessential Grocery Items and Clothing Top the List for Splurges
The research also examines the categories where consumers splurge on nonessential items. The data suggests that those not living paycheck to paycheck tend to engage in more nonessential spending, with 85% and 78% admitting to such behavior during grocery and retail shopping, respectively, in contrast to 59% and 58%, respectively, for paycheck-to-paycheck consumers with issues paying their bills and 72% and 69%, respectively, for those living without issues paying their bills.

For grocery shoppers, desserts, candy, and sodas were among the most common indulgences, with 41% citing this as their latest grocery splurge. Premium goods — such as imported foods or seafood — and snacks rank further down. Consumers not living paycheck to paycheck are nearly 50% more likely to splurge on niche or imported goods. Clothing emerged as the top non-grocery splurge, followed by health and beauty. Outside grocery and retail stores, the research found that younger consumers were more likely to spend on a broad range of discretionary services, including leisure activities, travel, and personal services, than were Gen X, baby boomers, and seniors.

In addition to nonessential spending, the research looked at areas where consumers overspent in the last 30 days. For instance, 37% of consumers not living paycheck to paycheck who spent money dining out at table-service restaurants overspent compared to approximately 30% of paycheck-to-paycheck consumers. Similarly, financially stable consumers were more likely to indulge in higher-cost categories such as airfare, at 40%, compared to 24% for consumers living paycheck to paycheck with issues paying their bills and 19% for consumers living paycheck to paycheck without issues paying their bills. In addition, streaming services and quick-service restaurants are areas where paycheck-to-paycheck consumers with issues paying bills allow themselves indulgent spending.

Shoppers who say they engage in indulgent spending are also more likely to say they made payments related to credit cards, personal loans and buy now, pay later plans in the 30 days prior to the survey. Overall, credit product usage is 11 percentage points higher for consumers who cite indulgent spending than those who do not cite such spending. Higher credit usage among indulgent spenders suggests that credit usage on nonessential categories, such as clothing or travel, is more common than on essentials, such as groceries or household supplies.

To view the full report, visit: https://www.pymnts.com/study/reality-check-paycheck-to-paycheck-indulgent-spending-financial-distress/

Methodology
New Reality Check: The Paycheck-to-Paycheck Report — The Nonessential Spending Deep Dive Edition is based on a census-balanced survey of 3,443 U.S. consumers conducted from July 5 to July 20, as well as an analysis of other economic data. The data in this report is not intended to be a representation of LendingClub's core member base. 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, 33% were college educated and 38% 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.

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

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