Nearly Half of U.S. Consumers Report Their Financial Livelihood Fluctuates Seasonally

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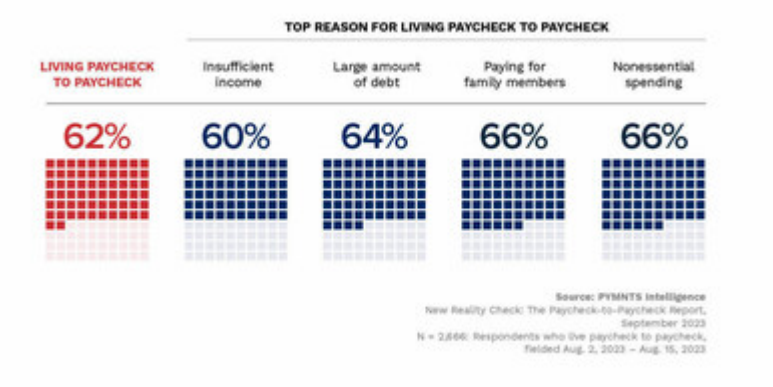
LendingClub and PYMNTS Intelligence's Research Shows One-Third of Consumers Cite Costs of Events and Celebrations During the Holiday Season Spending as the Key Driver of Financial Distress; Credit is a Top Coping Mechanism

SAN FRANCISCO, Sept. 27, 2023 /PRNewswire/ -- LendingClub Corporation (NYSE: LC), the parent company of LendingClub Bank, America's leading digital marketplace bank, today released key findings from the 26th edition of the Reality Check: Paycheck-To-Paycheck research series, conducted in partnership with PYMNTS Intelligence. The Seasonal Financial Distress Deep Dive Edition examines the impact of seasonal spending on consumers' ability to manage expenses and put aside savings. This edition draws on insights from a survey of 4,218 U.S. consumers conducted from Aug. 2 to Aug. 15, supplemented by analysis of other economic data.



The Paycheck-to-Paycheck Landscape
In August 2023, a substantial share (60%) of consumers grappled with living paycheck to paycheck, which is unchanged since August 2022. Strikingly, living paycheck to paycheck cuts across all income brackets, with three-quarters of consumers earning less than $50,000 annually and 45% of those with higher incomes — those earning $100,000 annually or more — reporting this lifestyle. Among consumers annually earning between $50,000 to $100,000, 62% lived paycheck to paycheck as of August 2023.

Additionally, the share of struggling paycheck-to-paycheck consumers remains practically unchanged year over year as well. As of August 2023, 19% of consumers lived paycheck to paycheck with issues paying bills. The share of consumers living paycheck to paycheck without issues paying monthly bills is 41%, also unchanged compared to last year.

"The data underscores the pervasive nature of financial challenges affecting a majority of consumers," said Alia Dudum, LendingClub's Money Expert. "With ongoing inflation, U.S. consumers remain resilient by adjusting their spending to service their financial obligations. However, the problem is that there is more month at the end of the money, and seasonality is affecting consumers' financial distress."

Consumers' Perception of Seasonal Impacts on Finances
Compounding the hardships of living paycheck to paycheck are the seasonal impacts on consumers' financial well-being. Nearly half of all consumers say their financial standing fluctuates seasonally. At 60%, millennials are the generation most likely to say that their financial situation is particularly tight at specific times of the year. Similarly, 57% of consumers living in a household of four or more report the same.

The factors that introduce seasonal financial distress vary significantly throughout the year. When grouping distressing factors by quarter, no factor was the top-cited factor more than once. At 18%, changes in utility bills topped the list of reasons cited for Q1. Tax payments led in Q2, with 40% of consumers reporting this as a reason for seasonal financial distress. In Q3, school expenses topped the list, with 18% citing this factor as contributing to their financial stress. Events and celebrations topped the list in Q4, with 47% of respondents citing this as the top reason they felt financially stressed.

Surprisingly, seasonal financial swings can lead 30 million consumers not living paycheck to paycheck to think and act as if they do live paycheck to paycheck.

Holiday Spending Takes Its Toll
December is the most cited month for experiencing financial distress for 36% of consumers, followed by November and January for 19% and 15% of consumers, respectively.

With December and November most cited as times of financial stress, it is little surprise that 55% of consumers facing seasonal swings cite events and celebrations as a reason for financial distress, with 32% saying this is the top factor for such stress. In fact, consumers in large households and bridge millennials, at 36% and 41%, respectively, were the groups most likely to cite events and celebrations as the top reason for financial distress.

Nonessential spending also emerges as the main reason many live paycheck to paycheck, and many that live paycheck to paycheck due to nonessential spending say their financial situation changes significantly throughout the year. Although these changing financial situations could be explained by seasonal incomes or general splurges, holiday spending, while often expected, is technically a nonessential expense. In contrast, consumers that live paycheck to paycheck and cite insufficient income as the main reason for their financial lifestyle are less likely to say their financial situation changes significantly throughout the year.

"Whether a consumer is living paycheck to paycheck or not, seasonal fluctuations can seriously impact financial livelihood and cause individuals to feel the strain," continued Dudum. "With the holiday season rapidly approaching, it's crucial for consumers, especially those prone to nonessential spending, to consider establishing a holiday budget now. Spending that follows a plan can help reduce and possibly eliminate a consumer's overall debt burden later."

Consumers Turn to Credit to Cope
While nearly half of consumers report cutting back on nonessential expenditures to deal with seasonal financial challenges, the most frequently cited coping strategy across all financial lifestyles is using credit. Over one-third (36%) of consumers experiencing seasonal stress employ credit products, with 21% citing this as their primary coping mechanism. Consumers also cite spending less on basic needs and using available savings as strategies for managing financial distress. Furthermore, the likelihood of skipping payments due to seasonal financial distress increases within the paycheck-to-paycheck population, as does the chance of spending less on necessities.

Interestingly, half of credit users believe that their level of debt does not adversely affect their financial standing, although this perception diminishes significantly among paycheck-to-paycheck consumers. That said, many are not prepared for the unexpected. For example, while 78% of credit users believe they could accommodate an unexpected monthly payment of $500, 1 in 4 say it would cause significant financial stress. Generation X consumers and bridge millennials, at 28% each, were the most likely to say they could not cope with a sudden increase in debt payments of $500, which is unsurprising as many in those generations face other financial responsibilities, such as household expenses, child or elder care expenses, mortgage payments and car loans due to their stage of life.

Dudum continued, "Since there are key factors that increase financial stress among U.S. consumers each quarter, many consumers could benefit from identifying their peak spending months and proactively budgeting for these major quarterly expenditures."

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

Methodology
New Reality Check: The Paycheck-to-Paycheck Report — The Seasonal Financial Distress Deep Dive Edition is based on a census-balanced survey of 4,218 U.S. consumers conducted from Aug. 2 to Aug. 15, 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.**

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