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# FINANCIAL INVISIBLES REPORT

A unifund COLLABORATION

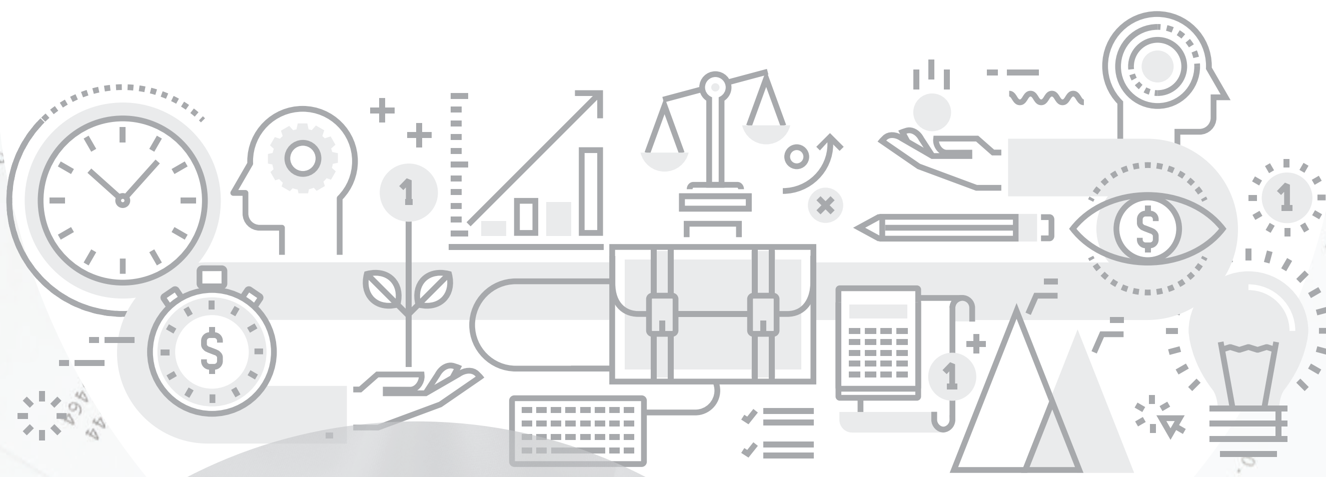
## THE FOUR FINANCIAL PERSONAS

**No Worries**
86%
PAY ALL BILLS ON TIME

**Second Chances**
36%
PAY ALL BILLS ON TIME

**On the Edge**
25%
PAY ALL BILLS ON TIME

**Shut Outs**
20%
PAY ALL BILLS ON TIME



**38% of No Worries**
SAY THAT THEIR FINANCIAL SITUATION HAS IMPROVED

**72% of Second Chances**
FEEL AS THOUGH THEY LIVE PAYCHECK TO PAYCHECK

**30% of On the Edge**
DISLIKE BANKS/FINANCIAL INSTITUTIONS

**41% of On the Edge**
DO NOT TRUST BANKS

# FINANCIAL INVISIBLES REPORT

## ACKNOWLEDGMENT

The Financial Invisibles Report was done in collaboration with Unifund, and PYMNTS is grateful for the company's support and insight. PYMNTS.com retains full editorial control over the findings presented, as well as the methodology and data analysis.

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# INTRODUCTION

In July, the United States Department of Commerce announced that the economy had grown by 4.1 percent in the second quarter, and that the unemployment rate had fallen as low as 4 percent. Even trade friction has yet to dull businesses' confidence in the economic outlook.[1] Nobody knows what the future has in store, but the consensus is that things are looking up.

Bigger economic indicators, such as gross domestic product (GDP) and the unemployment rate, are showing signs of growth, however, it can be easy to miss what is happening on the granular level with individual consumers and their personal finances.

Broadly speaking, consumers are doing better than they have in a while — they feel as though they are better off now than they were in the past. As much as 80 percent of consumers say they feel more financially stable now than they did in Q4 2017, which is supported by our finding that the number of consumers who lack access to the credit system has been almost cut in half. More people are saving more money and have more credit to spend than they did just two quarters ago.

Not all consumers are alike, of course. Consumer credit may be more accessible than before, but there are still some people who cannot seem to pull themselves out of financial distress. There are also others who, despite having the ability to access credit, actively avoid the traditional financial services, even going so far as to not open any bank accounts.

What drives this diversity among consumers? What is it about their circumstances, priorities and preferences that drives them to make such radically different financial decisions?

In the Financial Invisibles Report™, PYMNTS, in conjunction with Unifund, surveyed more than 2,000 American consumers on how they are handling their monthly expenses, and the role their credit — or lack thereof — plays in their personal finance management.

We collected more than 18,100 data points and analyzed how consumers manage their bills and other expenses. With this being the third installation in the Financial Invisibles series, we were interested in understanding how financial invisibles' economic standings have evolved over time and how that has affected their access to credit. In the following pages, we will elaborate on and contextualize some of the most interesting and revealing consumer trends to watch for in Q4 2018 and beyond.

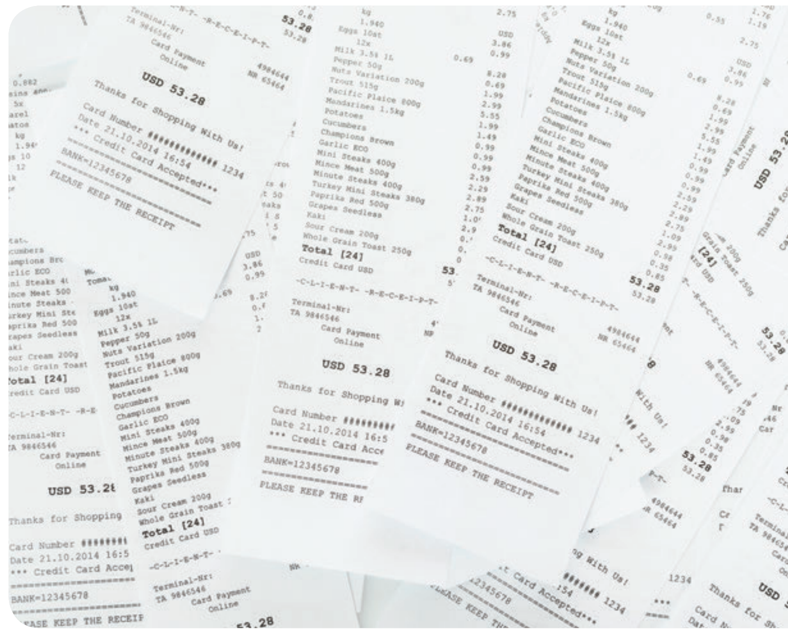
Some of our findings were expected — but others, not so much. For instance, just over 6 percent of all surveyed consumers chose not to open bank accounts, and 35 percent do not use credit cards, despite their access to them. As was found in our previous studies, there is still a portion of consumers who struggle to make ends meet at the end of the month. Despite that, consumer confidence was on the rise in Q2 2018. In the following pages, we will explore why.

[1] Casselman, Ben. Economy hits a high note, and Trump takes a bow. The New York Times. 2018. https://www.nytimes.com/2018/07/27/business/economy/economy-gdp.html. Accessed September 2018.

# THE FOUR FINANCIAL PERSONAS
## OF AMERICAN CONSUMERS

No two consumers are alike. Some are older, more educated, more moneyed or have higher credit scores than others. All of these variables create diversity among financial consumers, and understanding how current economic trends impact consumers necessitates taking a closer look at their similarities.

To do so, we categorized respondents into four categories based on their financial behavior in the recent past:




### No Worries

- No collections or delinquencies in the last several years
- Pay all bills on time, but may have an occasional late bill or missed payment
- Have bank or credit card accounts, or may have chosen not to open them

### Second Chances

- Have had one or more collection or delinquency events in the past several years
- Have bank and credit card accounts, or are not able to obtain them

### On the Edge

- No collections or delinquencies in the last several years
- May not have either a credit or debit card, because they have elected not to have them
- Struggle to pay many bills each month and often live paycheck to paycheck

### Shut Outs

- Have had one or more collection or delinquency events
- Are unable to obtain bank or credit card accounts

Each persona group had a unique average credit score, which was determined, in part, by their recent financial decisions. For example, No Worries, who have not suffered delinquencies recently, had the highest average credit score at 733. Shut Outs, on the other hand, had the lowest average score at 537, because they may have suffered several negative financial events.

When it comes to accessing financial products and managing monthly expenses, including credit cards, mortgages and auto loans, no two personas are in the same boat. No Worries, for instance, appeared to have easy access to financial products — 81 percent own at least one credit card. That number was just three percent for Shut Outs.

On the Edge consumers — as much as 25 percent of them — were especially likely to avoid traditional credit products due to a lack of trust in the traditional financial system. This group was also unique because 41 percent say that mistrust in banks is why they do not have checking accounts. On the Edge consumers are an interesting niche, and we will further explore their spending habits in this report's Deep Dive.

Though different consumers use a wide array of credit products, they all tend to use them for the same reason: convenience. Convenience was cited by 61 percent of No Worries and 60 percent of On the Edge consumers as the biggest influencer in their credit product preferences. This reinforces our finding that consumers prefer credit products that are accessible to them.

Being able to use certain financial products is an indicator of a consumer's financial stability. To that end, the following sections explore some of the key financial indicators in the modern financial sector and what they say about how consumers manage their personal finances.

# HOW CONSUMERS' DEMOGRAPHICS
## CORRELATE WITH THEIR FINANCIAL SITUATIONS



Traditionally, credit scores are strong indicators of financial stability. Since consumers with high credit scores have greater access to financial products than those with lower credit scores, they presumably also have a greater ability to pay their bills. Therefore, it was not surprising to find that the persona groups that had gone longer without any serious financial delinquencies had higher credit scores.

In Q2 2018, the average credit score for all consumers was 688, but the credit scores in each persona group varied considerably. No Worries enjoyed the highest average credit score, 733, while On the Edge and Second Chances had the second and third highest scores at 669 and 635, respectively. Shut Outs came in last with an average credit score of 537.

The reasons behind this diversity in credit scores were abundantly clear and very much in line with conventional wisdom: The groups with the highest credit scores tended to have the highest incomes and were least likely to have fallen behind on bill payments in the recent past.

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We also noticed that men had more access to traditional credit products than women. Men made up 47 percent of No Worries and 46 percent of On the Edge, while only 39 percent of Second Chances and 33 percent of Shut Outs were male.

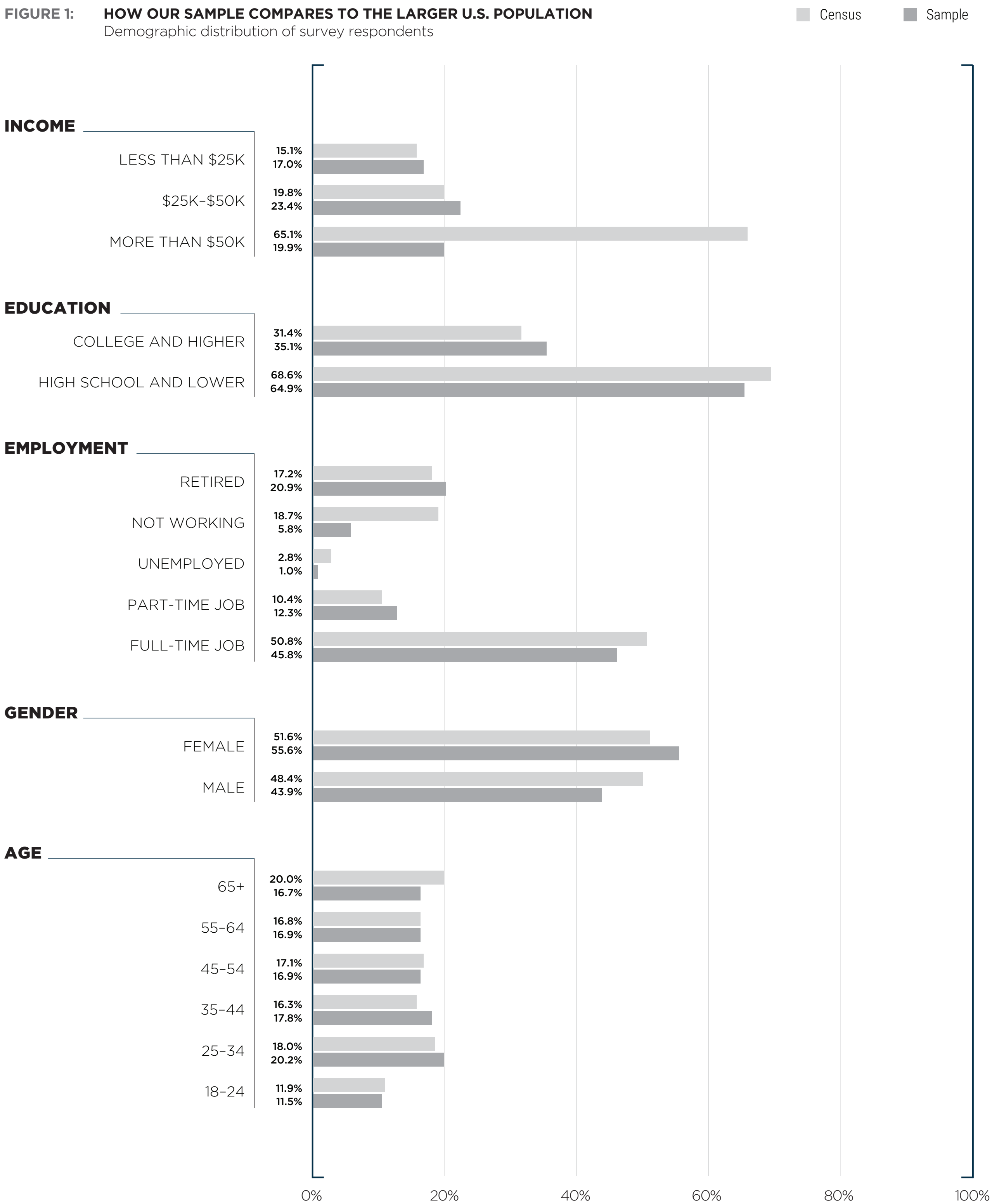
This also helps explain why On the Edge consumers had higher incomes and credit scores, despite having lower education levels than Second Chances: More On the Edge consumers were male, even though women are more educated. Just 23 percent of On the Edge consumers had at least a bachelor's degree, while 30 percent of Second Chances had one. Despite these levels of education, the average income for On the Edge — $64,200 annually — was higher than that of Second Chances, who made $61,400 per year.

No Worries had the highest education rate of any group, with 41 percent of them having obtained at least a bachelor's degree, and Shut Outs had the lowest, with just 20 percent having achieved the same. It comes as no surprise, then, that No Worries had a higher average income ($79,100 per year) than Shut Outs ($40,000 per year).

**Second Chances**

were more educated than On the Edge consumers, but they still had lower annual incomes.

**FIGURE 1:** **HOW OUR SAMPLE COMPARES TO THE LARGER U.S. POPULATION**
Demographic distribution of survey respondents



Though a strong majority of consumers in the sample had high credit scores, many still reported struggling to pay their bills and save money. Only 54 percent of the sample said they were able to save money at the end of the month — the remaining 46 percent reported living paycheck to paycheck. A large portion has simply stopped trying to catch up financially — 37 percent of Shut Outs have no intention of paying off their debts at all.

We also observed a correlation between the consumer personas and their ability to save money. No Worries not only had the highest average income and credit score, but they also felt more confident in their ability to save money: 70 percent said they could, and only 30 percent reported living paycheck to paycheck.

Shut Outs were, by far, the least likely to save money (15 percent) and the most likely to live paycheck to paycheck (85 percent). This was also the group with the highest percentage of female respondents.

A closer look revealed that a large portion of consumers — especially those classified as either On the Edge or Shut Outs — said they did not pay their bills at all. All of those in the No Worries persona paid their bills either completely on time, or paid most of them on time, while 71 percent of Shut Outs did the same — 51 percent paid most of their bills on time and some of their bills late. For On the Edge consumers, this figure was even lower: Only 51 percent said they paid their bills at all, with 25 percent saying they paid their bills on time.

Regardless of what financial stressors are preventing these consumers from gaining control of their finances, one fact is abundantly clear: Steady work and high credit scores are not enough to make consumers feel financially stable.

**FIGURE 2: CURRENT FINANCIAL SITUATION, BY PERSONA**
Percentage of respondents who feel as if they live paycheck to paycheck

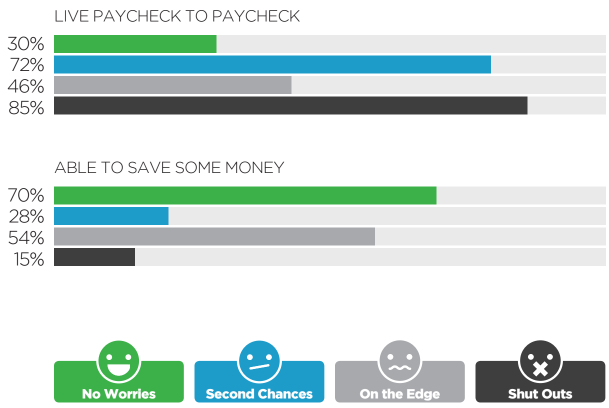
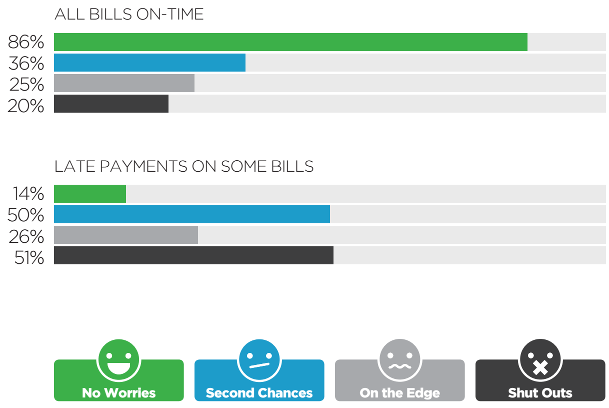



**FIGURE 3: HOW DIFFERENT PERSONAS HANDLE BILL PAYMENTS**
Percent of respondents who were able to pay all or most of their bills on time



Lack of confidence in paying off debts may paint a grim picture, but, in truth, many consumers feel more confident in their financial standings now than they did in the immediate past. In fact, about 81 percent of respondents said their financial situation had either remained the same or improved since Q4 2017, and the portion of consumers who were shut out of the traditional financial system has been cut in half.

This corresponds with an increase in consumers' average incomes since Q1 2018, rising from $70,000 to about $70,800. Moreover, just 31 percent of respondents fell behind on their bills this year, as compared to 42 percent in Q4 2017.

Despite these improvements, the average credit score of our sample decreased slightly between Q1 and Q2 2018, falling from 695 to 688. This may be the result of the continuing increase in inflation rates in the United States. Inflation in the United States has been on a steady incline since 2015, and it reached a peak of about 3 percent earlier this year.[2] As such, even though the average income of our sample increased, it's actually worth less than the lower income.

It is also possible that the decline in consumer credit scores is tied to an increase in consumer confidence — people are feeling more comfortable with their financial standings, and, as a result, they're spending more money and using more of their available credit.

These statistics echo those from the Department of Labor, which issued a report earlier this year stating that

although wages are increasing in the United States, it's not enough to keep up with current inflation rates.[3]

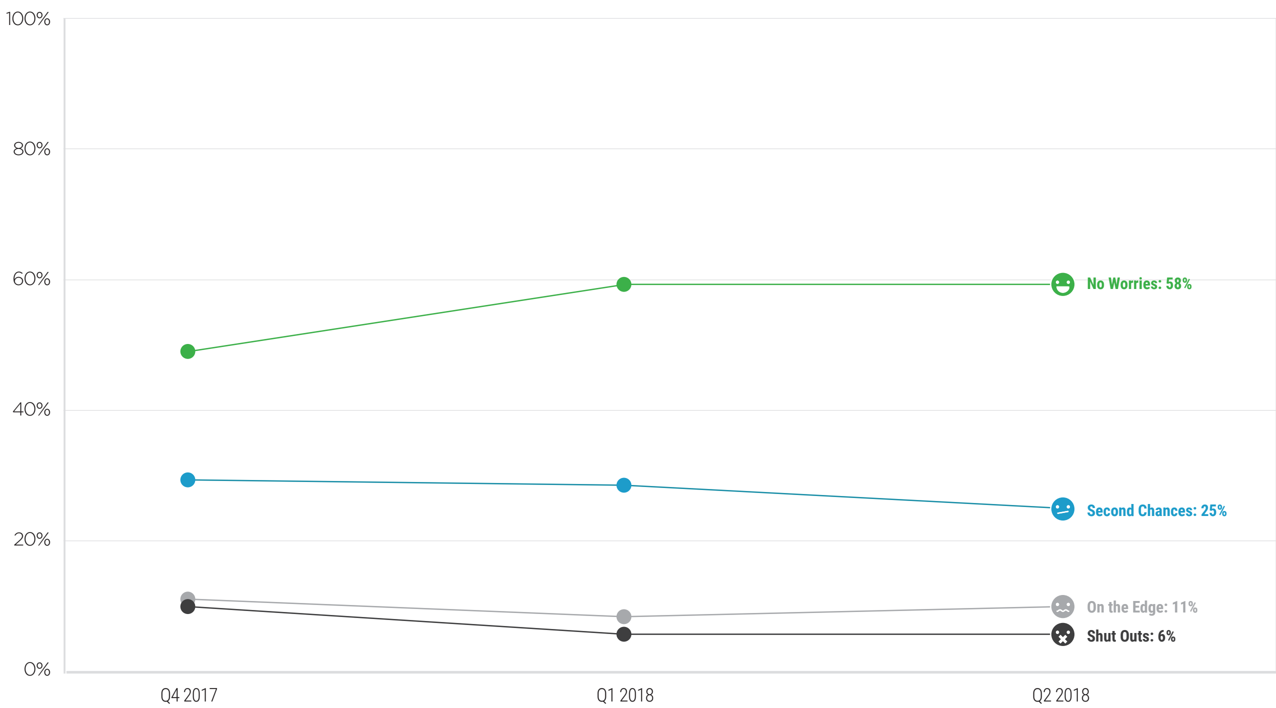
Despite the overall decline, we saw the number of consumers with an "acceptable" credit score — greater than 680 — increase from 41 percent to almost 57 percent. This coincided with an increase in respondents' access to checking and savings accounts. In Q4 2017, 86 percent of consumers reported having a checking or savings account. By Q2 2018, that had increased to 94 percent.

[2] Author unknown. United States inflation rate. Trading Economics. 2018. https://tradingeconomics.com/united-states/inflation-cpi. Accessed September 2018.

[3] Long, Heather. Inflation hits 6-year high, wiping out wage gains for the average American. The Washington Post. 2018. https://www.washingtonpost.com/business/2018/07/12/inflation-hits-year-high-wiping-out-wage-gains-average-american/?noredirect=on&utm_term=.011e426442f1. Accessed September 2018.

Additionally, the number of consumers in each persona group changed between Q4 2017 and Q2 2018: The number categorized as No Worries increased, and those categorized as Shut Outs and Second Chances decreased. The amount classified as No Worries went from 48 percent in Q4 2017 to 58 percent in Q2 2018, while Shut Outs decreased from 11 percent to 6 percent. In other words, the portion of consumers who have been shut out of the financial system has decreased by almost half.

**FIGURE 4:** **CHANGE IN PERSONA DISTRIBUTION OVER TIME**
Percent of respondents classified into different persona groups, by quarter




Consumers categorized as No Worries or On the Edge appear to be growing more confident in the state of their finances. In Q2 2018, the share of No Worries who said that their financial standing was worse than it was a year ago was just 13 percent — that number was 17 percent in Q4 2017. Meanwhile, just 20 percent of On the Edge consumers felt as though their financial standing had deteriorated in the last year, compared to 29 percent in Q4 2017.

**TABLE 5: CHANGE IN CONSUMERS' FINANCIAL STANDINGS OVER TIME**

Percent of consumers who say that their financial situation has improved, remained the same or deteriorated, by quarter and persona

| FINANCIAL QUARTER | Q4 2017 | Q1 2018 | Q2 2018 |
|---|---|---|---|
| **BETTER** | | | |
| No Worries | 26% | 38% | 38% |
| Second Chances | 32% | 44% | 35% |
| On the Edge | 15% | 25% | 27% |
| Shut Outs | 16% | 32% | 28% |
| **ABOUT THE SAME** | | | |
| No Worries | 57% | 50% | 49% |
| Second Chances | 45% | 32% | 40% |
| On the Edge | 56% | 58% | 53% |
| Shut Outs | 42% | 43% | 33% |
| **WORSE** | | | |
| No Worries | 17% | 12% | 13% |
| Second Chances | 23% | 24% | 25% |
| On the Edge | 29% | 17% | 20% |
| Shut Outs | 42% | 25% | 39% |

**41%**

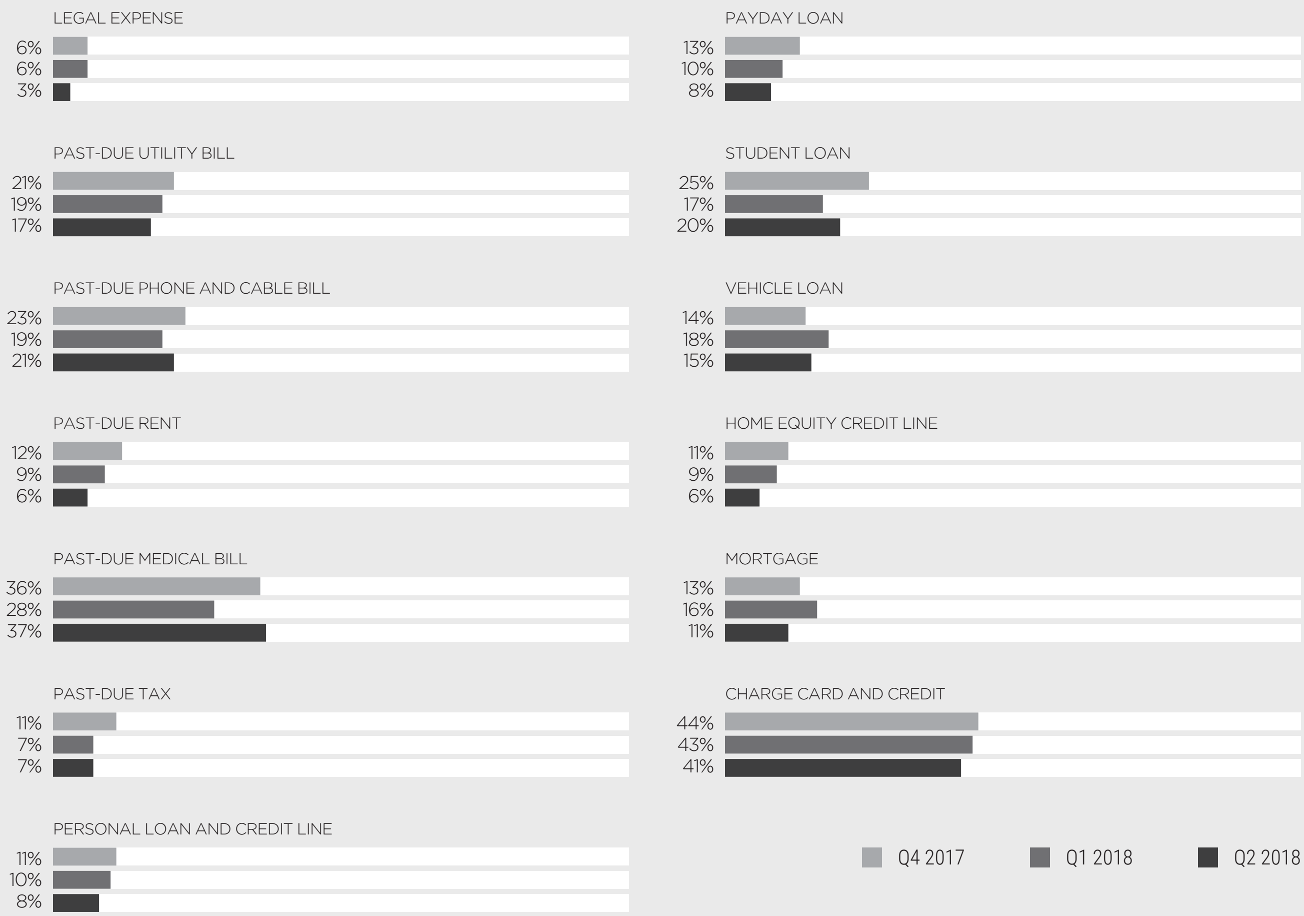
Portion of consumers who were contacted about credit card debt in Q2 2018

Unfortunately, the financial confidence of those in the Second Chances persona appears to be waning. In Q4 2017, only 23 percent said their situation was worse than it was a year ago. By Q2 2018, that had increased to 25 percent. Even though more consumers appear to be on better financial footing than two quarters ago, this financial upswing appears to have benefitted certain personas — especially No Worries — more than others.

So, what were the particular financial stressors, or lack thereof, that led to consumers feeling more confident in Q2 2018? To find out, we asked respondents if they had been contacted by a debt collector in the past year, and if they had, about the type of debt.

In Q2 2018, consumers were most frequently contacted about credit card debt (41 percent) and debt incurred by medical bills (37 percent). However, the percentage of respondents who had been contacted about outstanding credit card debt decreased slightly — from 44 percent to 41 percent — between Q4 2017 and Q2 2018.

**FIGURE 6:** **TYPE OF DEBT RESPONDENTS HAD BEEN CONTACTED ABOUT IN THE PAST YEAR**
Percent of respondents citing types of debts they had been contacted about, by quarter




In Q2 2018, consumers were more likely to be contacted about outstanding medical bills than they were in Q4 2017. For all other forms of debt, the portion of respondents contacted has decreased since Q3 2017. This might help explain why so many more consumers feel as though their financial standing has improved. Not hearing from a debt collector likely goes a long way toward helping those with outstanding debt feel more confident in their personal financial situations.

# THE PREFERRED FINANCIAL PRODUCTS
## OF DIFFERENT PERSONAS, AND WHY THEY LIKE THEM

As in previous quarters, credit cards continue to be the most popular financial product. As much as 77 percent of consumers say that they either have a credit card, or that they would like to have one, and 66 percent use them.

When the sample was broken down by persona, though, we saw that certain personas were more likely to use credit cards than others. As expected, No Worries were the most likely to do so, with 81 percent saying they use credit cards. Meanwhile, none of the Shut Outs in our sample say they use credit cards.

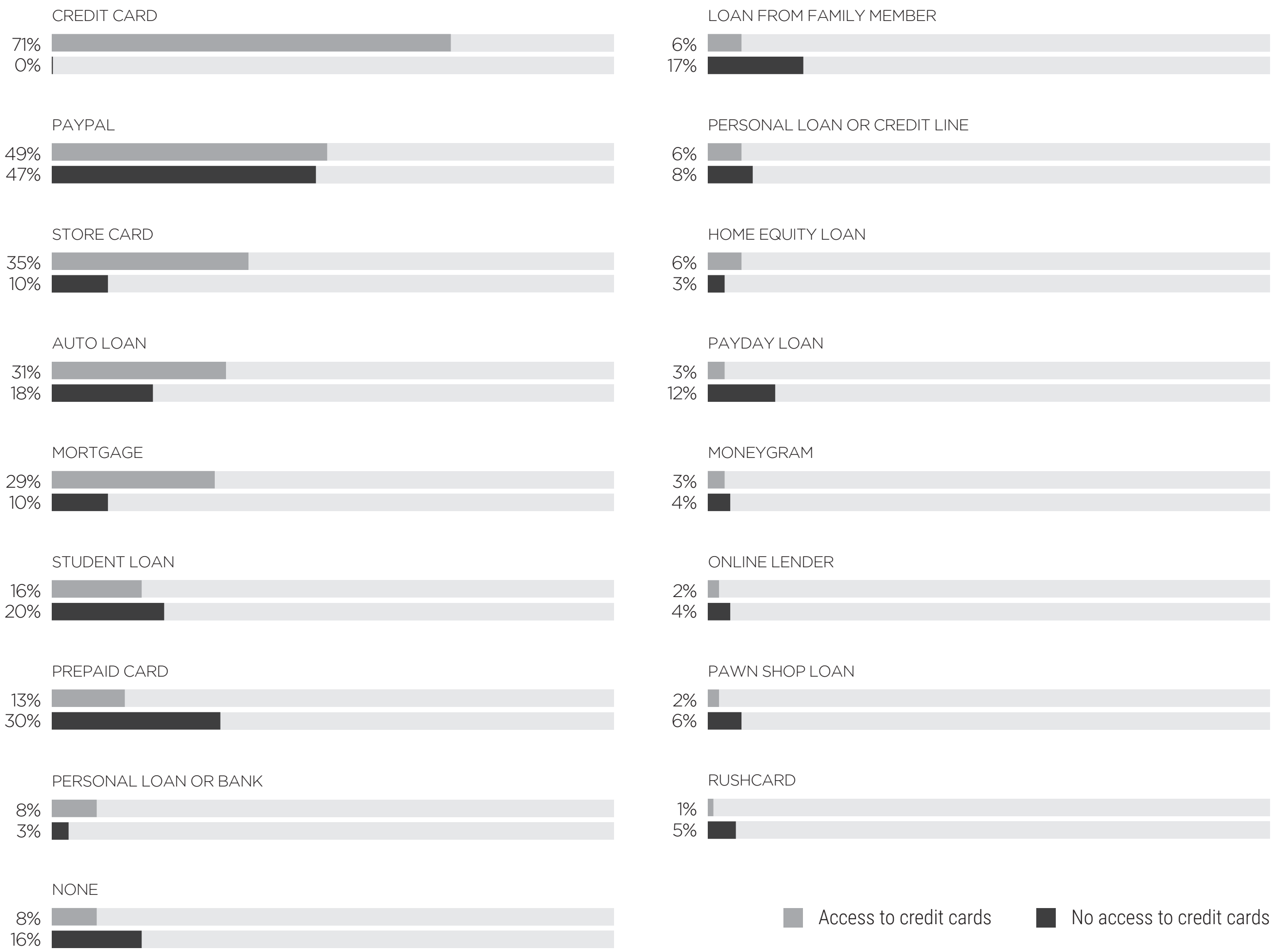
**TABLE 7: CREDIT PRODUCT USAGE, BY PERSONA**
Percent of respondents who reported using select credit products

| | No Worries | Second Chances | On the Edge | Shut Outs |
|---|---|---|---|---|
| RUSH CARD | 0.9% | 2.2% | 2.7% | 4.6% |
| PAWNSHOP LOAN | 0.4% | 4.3% | 1.0% | 6.7% |
| ONLINE LENDERS | 0.9% | 5.3% | 0.7% | 4.2% |
| MONEYGRAM | 1.9% | 4.1% | 1.7% | 4.2% |
| PAYDAY LOAN | 1.3% | 8.7% | 1.7% | 14.6% |
| HOME EQUITY LOAN | 6.9% | 6.4% | 3.2% | 2.5% |
| PERSONAL LOAN OR CREDIT LINE | 4.3% | 11.4% | 2.7% | 10.8% |
| LOAN FROM FAMILY OR FRIEND | 3.6% | 11.4% | 3.9% | 20.4% |
| PERSONAL LOAN OR BANK | 8.1% | 10.6% | 4.9% | 4.2% |
| PREPAID CARD | 10.9% | 16.9% | 18.6% | 30.4% |
| STUDENT LOAN | 13.4% | 23.8% | 16.4% | 22.5% |
| MORTGAGE | 34.1% | 23.4% | 13.7% | 10.8% |
| AUTO LOAN | 31.4% | 36.7% | 15.9% | 17.9% |
| STORE CARD | 40.2% | 33.3% | 18.8% | 10.8% |
| PAYPAL | 52.7% | 48.9% | 41.3% | 45.8% |
| CREDIT CARD | 80.8% | 65.4% | 40.3% | 2.5% |
| NONE | 4.6% | 7.1% | 21.3% | 13.8% |

Interestingly, On the Edge consumers, who enjoy a higher average credit score than Second Chances, were less likely to use credit cards. Only 40 percent of On the Edge consumers use credit cards — that number is 65 percent for Second Chances. This was yet another example of On the Edge consumers defying expectations.

The ability or choice of consumers to obtain a credit card impacted whether they were likely to use traditional or alternative credit products. More specifically, consumers with access to credit cards were more likely to use traditional credit products, like store cards and auto loans, while those without access were more likely to use non-traditional or alternative products, including loans from family members and payday loans.

**FIGURE 8:** **USE OF TRADITIONAL CREDIT PRODUCTS, BY CREDIT CARD ACCESS**
Percent of respondents who reported using traditional credit products



Among consumers who had both credit cards and store cards, most preferred using credit cards: 35 percent of consumers who had access to credit cards reported using store cards. Similarly, it was more likely that those with credit cards would also take out auto loans, compared to those that did not have credit card access. Thirty-one percent of consumers had both a credit card and an auto loan, while 18 percent had only an auto loan.

Meanwhile, 17 percent of the sample that did not have access to credit cards did ask for loans from family members — only 6 percent of those with a credit card did the same. The case was similar when it came to payday loans: 12 percent of the sample used payday loans but did not have a credit card, while only 3 percent used payday loans and had a credit card.

This suggests that those who use alternative products use them because they cannot obtain traditional credit products and, as a result, turn to alternatives out of necessity. This is supported by the fact that personas with higher credit scores and access to both traditional and alternative products tend to use the former. All in all, consumers who can obtain traditional credit products prefer to use them over alternative products.

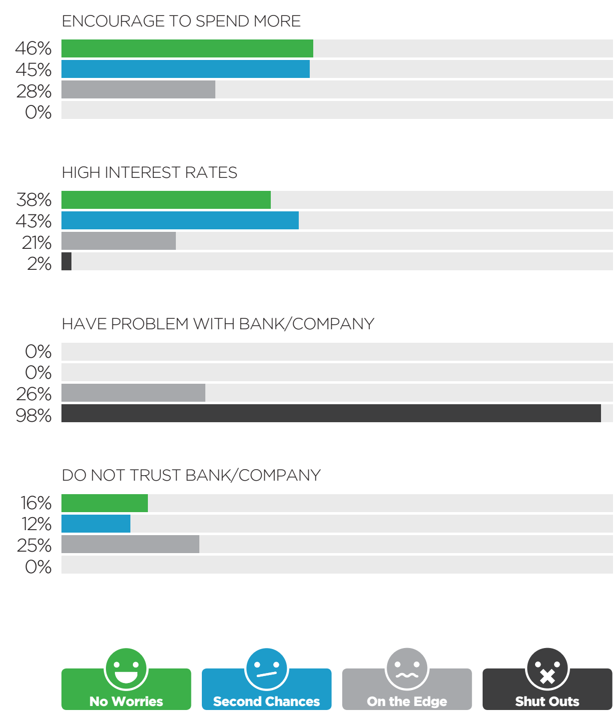
When we asked consumers without credit cards about why they had not obtained one, only Shut Outs were likely to cite prior problems with credit card companies or banks (98 percent). Consumers in other groups were far more likely to have voluntarily opted out of owning one.

The primary reason why consumers in these other groups did not have a credit card was that they believed credit cards would encourage them to overspend — 46 percent of No Worries, 28 percent of On the Edge and 45 percent of Second Chances shared this concern.

**46%**

Portion of No Worries who do not have a credit card, because they are worried it will encourage them to spend more

**FIGURE 9: REASONS FOR NOT HAVING A CREDIT CARD, BY PERSONA**
Percent of respondents citing select reasons for not having a credit card



Another major reason consumers chose not to have a credit card was high interest rates, with 38 percent of No Worries, 21 percent of On the Edge and 43 percent of Second Chances concerned about this. Meanwhile, 16 percent of No Worries, 25 percent of On the Edge and 12 percent of Second Chances said they did not own a credit card because they did not trust credit card companies.

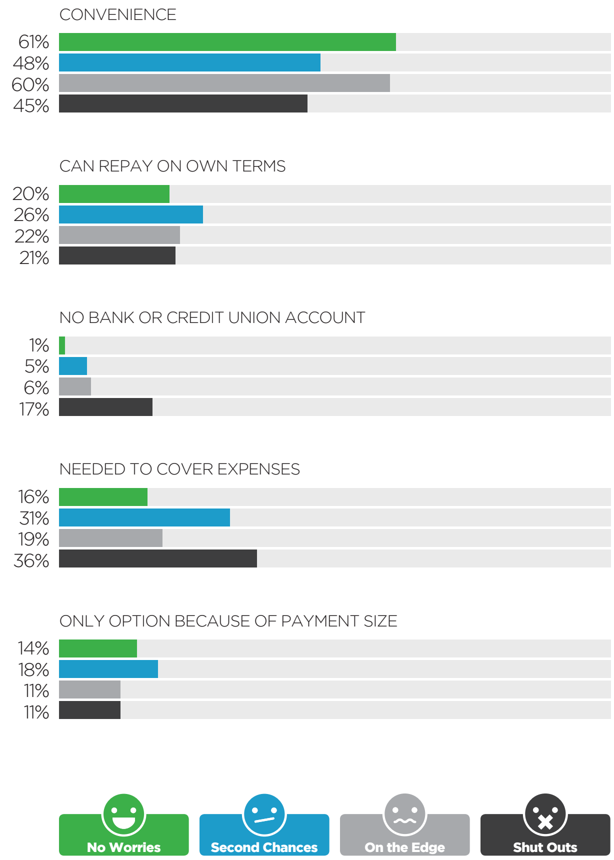
For all their respective differences, all personas in our sample used credit products for similar reasons, convenience being chief among them.

This was true for non-traditional financial products as well, with options like PayPal, store credit cards, prepaid cards and MoneyGram all being used primarily for their convenience. Of those who use credit cards, 74 percent do so for their convenience, as do 85 percent of consumers who use PayPal, 62 percent who use store credit cards, 69 percent of those who use prepaid cards and 65 percent who use MoneyGram.

This suggests that the most popular credit products are also likely to be those that consumers consider to be the most convenient. Yet, there is one group of consumers who defy this general rule: On the Edge.

**FIGURE 10: WHY DIFFERENT PERSONAS USE DIFFERENT FINANCIAL PRODUCTS**

Percent of consumers citing select reasons for using financial products, by persona




# DEEP DIVE

## LIFE ON THE EDGE

Of all the persona groups in our study, On the Edge consumers are the most perplexing — as a group, they have little interest in most of the more popular credit products, like credit cards and even bank accounts.

On average, On the Edge consumers were younger than any other persona group, at 40.5 years old. Furthermore, 27 percent were either 24 years old or younger, and another 19 percent were between the ages of 24 and 35, meaning that 46 percent of this group are between the ages of 18 and 35.

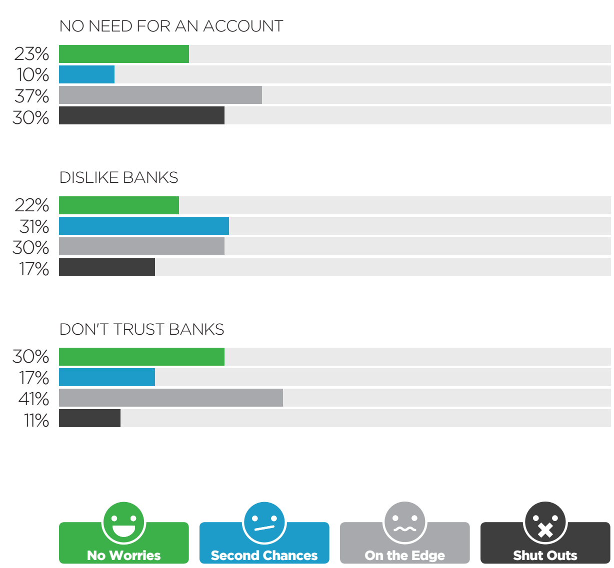
Even though they had the second-highest average income of all groups — $64,200 per year — they were also the second-least educated: only 23 percent had finished at least a bachelor's degree, as compared with 41 percent of No Worries and 20 percent of Second Chances.

On the Edges were also the least likely to be employed full-time. Just 33 percent of them had a full-time job. The second-least likely group to be employed, Shut Outs, had a full-time employment rate of 37 percent. Of On the Edge consumers who do not pay bills, about 45 percent have never been married, 32 percent are between 18 and 24 years old and 42 percent have obtained a high school diploma, passed the GED or less. Only 16 percent live alone, even though they are the group with the largest portion of single individuals.

This data paints a very particular picture of the average On the Edge consumer: a relatively young, unemployed and single individual living with close family, or possibly in student housing while enrolled in a secondary education program.

This would explain why so many On the Edge consumers report not having to pay bills: They rely on family members or close friends to pay them on their behalf. This makes sense, as 66 percent say they are uncomfortable managing their own finances. One reason they may prefer to have a family member manage their finances is their general distrust of banks. This group tends to trust banks and other financial institutions less than other groups, which leads many of them to not only avoid credit cards, but also choose not to have a checking or savings account.

**FIGURE 11:** **WHY SOME CONSUMERS DO NOT HAVE A BANKING OR CHECKING ACCOUNT**
Percent of consumers citing select reasons not to open an account




As shown in Figure 11, 30 percent of On the Edge consumers choose not to have a checking account because they dislike banks, while 41 percent choose not to because they do not trust banks. This makes them the most likely persona group to cite lack a of trust in banks as a reason for not having an account, and the second most likely to not have an account due to their dislike of banks.

Oddly enough, not having a bank account does not appear to have a significant impact on whether On the Edge consumers can pay their bills. This is because a strong majority of them do not pay bills at all.

When we asked respondents about how they paid their bills, 82 percent of On the Edge consumers said they do not have to pay bills, and among those who do pay bills, only half pay all or most of those bills on time.

If a large portion of On the Edge consumers are younger, unemployed individuals who are just getting a grip on the responsibilities that come with adulthood, they are unlikely to be accustomed to dealing with financial stressors, such as managing their own finances, paying their own bills or owning a credit card.

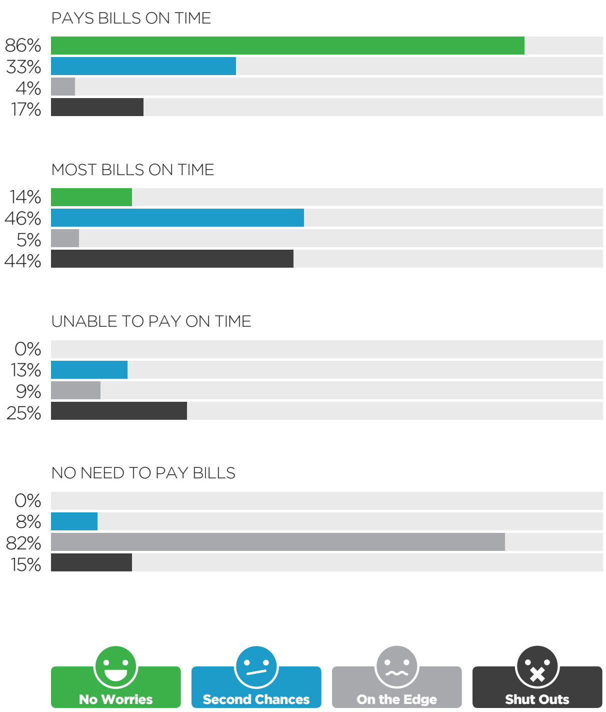
Just 40 percent of them had a credit card, while 44 percent could obtain one if they wanted, but chose not to. This makes sense — at least for a certain portion of On the Edge consumers. Why choose to open a financial account or start their own credit line when they already have access to finances provided by family or friends?

In Q2 2018, 12 percent of On the Edge consumers had to piggyback on the checking or savings account of a family member, while 16 percent had to do so in Q1, meaning that a small portion of them were paying their bills with others' financial accounts. The actual portion of On the Edge consumers who rely on others' accounts could be even higher, as this statistic only accounts for

**82%**

Portion of On the Edge consumers who say they do not need to pay bills at all

**FIGURE 12: PERSONAS' BILL SITUATIONS**
Percent of consumers who pay their bills, on time or otherwise



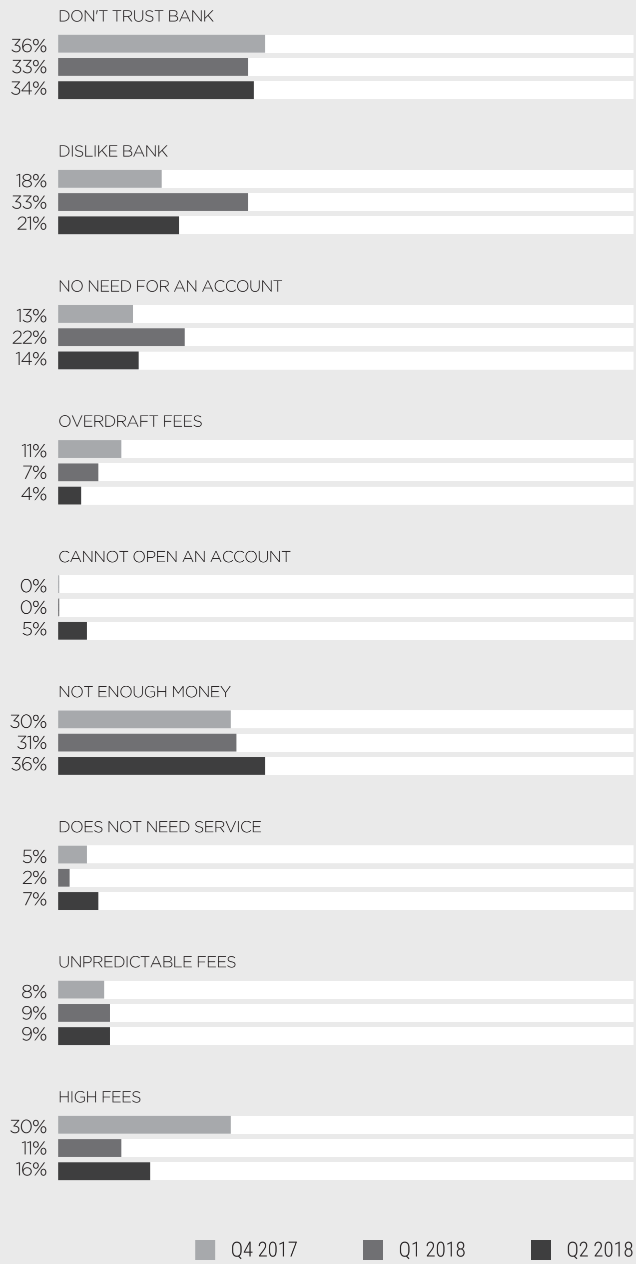
those paying with others' accounts on their own behalf. It does not account for those whose bills are directly paid by family or friends.

It is tempting to characterize the On the Edge persona as young people just gaining their financial footing, but they are a diverse group. Only 46 percent are between the ages of 18 and 35. What of the remaining 54 percent?

One possible explanation is that a certain portion of On the Edges are out of work or otherwise unemployed. Specifically, 18 percent are unemployed and 19 percent are neither working nor retired. With so many of them relying on other people to pay their bills, a sizeable portion of them could be unemployed and depend on family and friends to help make ends meet while they search for new employment. They could also be suffering from a temporary disability, and, as a result, rely on family and friends for similar reasons.

Some On the Edge consumers may simply dislike or distrust traditional financial institutions and avoid engaging with them as much as possible. When On the Edge respondents were asked to cite their reasons for not opening a checking or savings account, 34 percent chose not to for the simple fact that they do not trust banks or otherwise see no benefit in opening one. Another 21 percent dislike banks, and 14 percent said they have no need for such an account. It would not be inconceivable that such a group, who desires to minimize its contact with banks, would choose to live with either family or friends who are willing to pay bills on their behalf.

**FIGURE 14: WHY CONSUMERS DO NOT HAVE CHECKING OR SAVINGS ACCOUNTS**
Percent of consumers citing select reasons for not having a bank account



Whatever financial situation On the Edge consumers may have, it has, in many ways, improved since last quarter. The average income for this group has increased from $63,000 to $64,200 per year, and the unemployment rate also decreased, going from 20 percent in Q1 2018 to 18 percent in Q2 2018. Even when taking the inflation rate into consideration, On the Edge respondents still have more money coming in than before.

More On the Edge consumers are also opening bank accounts, despite their general distrust of the traditional financial industry. In fact, the share of On the Edges with bank accounts increased by a larger margin than it did for any other group, rising from 75 percent in Q1 2018 to 81 percent in Q2 2018. For all other persona groups, the number of consumers with bank accounts actually decreased during this time.

Though it's tempting to dismiss On the Edge consumers for their preference for living life on the edge, as it were, their financial situation is improving, and they represent a sizeable and moneyed market segment. To calculate the On the Edge's collective purchasing power, we weighted their data using the official 2017 U.S. Census data.

On the Edge consumers represent 10.4 percent of the U.S. population, and they make up 10.7 percent of our sample. Their weighted income was $65,400, versus $64,200 in our sample, and they collectively have a purchasing power of approximately $1.7 trillion — approximately 8.6 percent of the country's GDP.

Financial institutions and businesses would do well to take On the Edge consumers seriously and take the time to get to know them — who they are, what they want and what sort of products might appeal to their particular and very unique circumstances.

**34%**

Portion of consumers in Q2 2018 who did not have a bank account **because they did not trust banks**

# CONCLUSION

When it comes to personal finances, American consumers appear to be confident in the future. In comparison to Q4 2017, more of them feel as though they are able to accumulate savings at the end of the month, and a larger portion have access to basic financial products, like bank accounts and credit cards. This suggests that their confidence in their financial standings is neither delusional nor misplaced.

There are, however, several areas where many consumers are still struggling. The average consumer credit score may be going up, but certain groups still suffer from scores low enough to block them from accessing the financial products they need. As a result, only a tiny portion of Shut Outs have credit cards. A lingering distrust in banks, as well as an emerging class of younger consumers with legacy access to their families' financial accounts, have created a seemingly self-contradictory market segment, the On the Edge consumer, that seeks to steer as far clear of the traditional financial system as possible — and is willing to go to great lengths to do so.

The sheer diversity in consumer preferences in terms of personal financial management, payments products and financial outlook paints a complex portrait of American financial consumers. Though No Worries may have the sunniest outlook and stability, it is growing more apparent that consumers are looking for new, different ways to get and stay ahead financially. The market is ripe for innovative, ambitious payments providers and financial institutions that want to help bring all stripes of American consumers the products and services they want and need to optimize their finances.

# ABOUT

The PYMNTS Financial Invisibles Index™, a Unifund collaboration, is designed to examine how the general population uses its credit and deals with paying bills. It also aims to shed light on financial invisibles by diving into a variety of issues, including how individuals handle bill payments and use credit products, as well as the impact of traumatic events on an individual's financial stability.

To compile the report, PYMNTS surveyed more than 2,000 Americans and asked them about their financial habits and circumstances. Overall, our sample demographically mirrors the U.S. population with one important exception: We sought relatively low-income Americans to help deepen our insights into the use of credit by those who are financially challenged.

PYMNTS.com

PYMNTS.com is where the best minds and the best content meet on the web to learn about "What's Next" in payments and commerce. Our interactive platform is reinventing the way in which companies in payments share relevant information about the initiatives that shape the future of this dynamic sector and make news. Our data and analytics team includes economists, data scientists and industry analysts who work with companies to measure and quantify the innovation that is at the cutting edge of this new world.

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Unifund is a technology solutions provider with 30-plus years' experience working with lenders to grow revenue, enhance charge-off portfolio management and provide a valuable solution for their most at-risk customers. Our proprietary data and predictive analytics help lenders successfully manage charged-off consumer portfolios and enhance overall recoveries in a non-confrontational, compliant manner.

We are interested in your feedback on this report. Please send us your thoughts, comments, suggestions or questions to financialinvisibles@pymnts.com.

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