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LendingClub

NEW REALITY CHECK: THE PAYCHECK-TO-PAYCHECK REPORT

THE GENERATIONAL DIVIDE EDITION



New Reality Check: The Paycheck-To-Paycheck Report, a PYMNTS and LendingClub collaboration, seeks to provide a full and accurate picture of consumer finances in the U.S. today. The report is part of a monthly series based on surveys of more than 36,000 U.S. consumers conducted between March 2020 and October 2021.

NEW REALITY CHECK: THE PAYCHECK-TO-PAYCHECK REPORT

TABLE OF CONTENTS

Introduction	03
PART I: Paycheck-to-paycheck landscape overview	06
PART II: Economic impact across generations	08
PART III: The effect on savings	10
PART IV: Fielding an emergency expense	12
Conclusion	14
Methodology	15

INTRODUCTION

Pandemic-induced job losses are on the rebound, and the current economic environment has grown more complicated as the global health crisis continues. While the United States economy seems to have stabilized, those living paycheck to paycheck still find themselves in precarious financial situations. Inflation, which rose 7% in December 2021 from one year earlier, is making it increasingly difficult for many to make ends meet.¹

PYMNTS' research finds that 61% of consumers were living paycheck to paycheck in December 2021. Although this is four percentage points less than a year earlier, this share has been on the rise since May 2021 and now is approaching pre-pandemic levels. In fact, the last two months of 2021 witnessed a sharp uptick in the number of consumers living paycheck to paycheck.

These are just some of the findings of New Reality Check: The Paycheck-To-Paycheck Report, a PYMNTS and LendingClub collaboration. This edition examines why consumers across different generations are living paycheck to paycheck and what they see as the most prominent stressors on their finances. The series draws on insights from a survey of 3,070 U.S. consumers conducted from Dec. 2 to Dec. 14, 2021, as well as an analysis of other economic data.

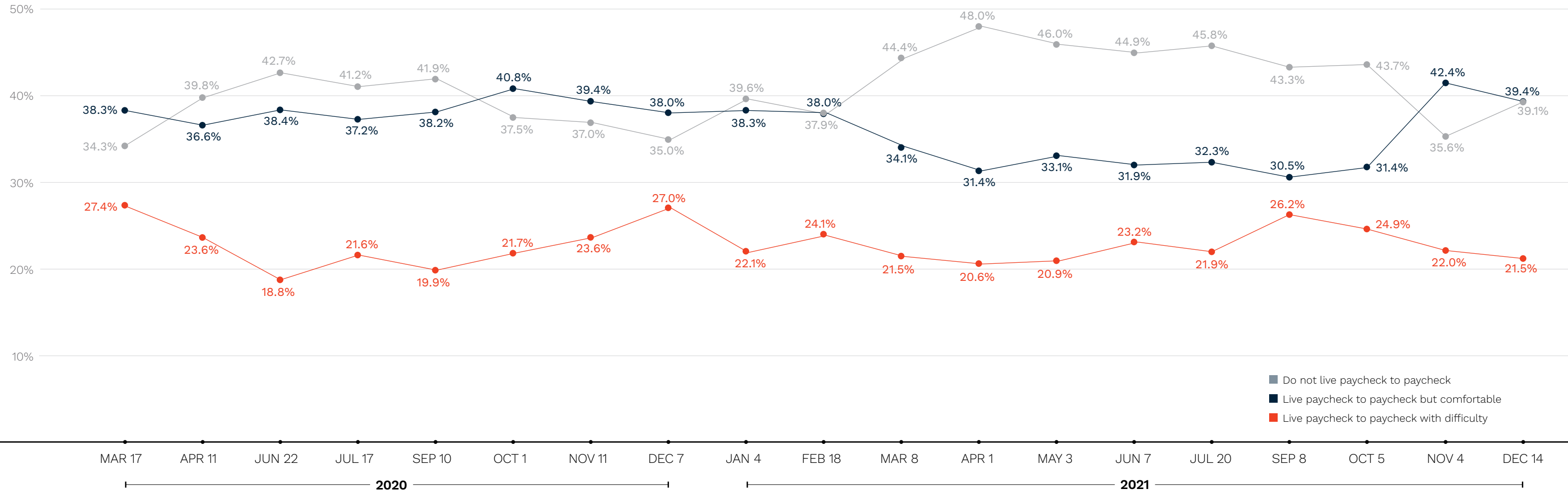
Here is what we learned.

¹ Author unknown. Consumer Price Index. U.S. Bureau of Labor Statistics. 2022. <https://www.bls.gov/cpi/>. Accessed February 2022.

FIGURE 1:
Consumers' financial lifestyles

Share of consumers with different financial lifestyles compared over time

Source: PYMNTS | LendingClub
New New Reality Check: The Paycheck-To-Paycheck Report



PART I:
PAYCHECK-TO-PAYCHECK LANDSCAPE OVERVIEW

At the end of 2021, 61% of the U.S. population were living paycheck to paycheck, up seven percentage points since May 2021. Forty-two percent of U.S. consumers earning more than \$100,000 annually live paycheck to paycheck as well, up three percentage points since May 2021.

While the portion of consumers living paycheck to paycheck has fluctuated since its peak of 65% in December 2020, it resided at 61% as of December 2021. PYMNTS' data shows that the share of consumers living paycheck to paycheck stood at 54% in May 2021.

Of consumers who reported earning less than \$50,000 per year, 77% lived paycheck to paycheck in December 2021, up slightly from 72% in May 2021. Meanwhile, 66% of those who reported earning between \$50,000 and \$100,000 now live paycheck to paycheck — a notable rise from 53% in May 2021.

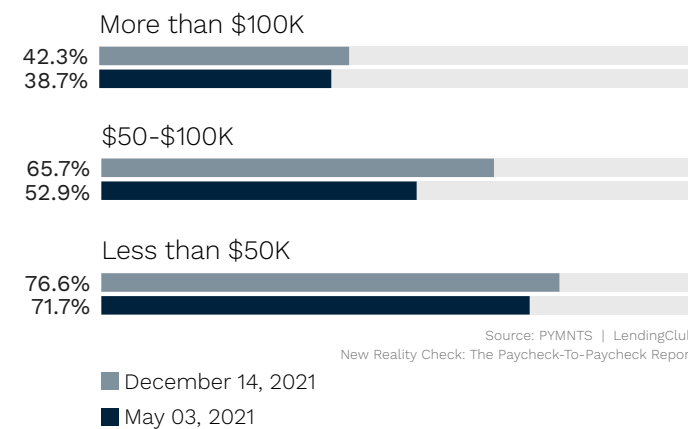
More affluent consumers also reported living paycheck to paycheck. Among consumers who reported earning more than \$100,000, 42% were living paycheck to paycheck in December 2021, up from 39% in May 2021.

Paycheck-to-paycheck consumers fall into two categories: those who are and those who are not able to pay their bills easily. Our research finds that 39% of paycheck-to-paycheck consumers are able to pay their bills, while 22% struggle to do so every month.

The share of consumers who do not live paycheck to paycheck declined from 46% to 39% from May 2021 to December 2021, while the share of consumers living paycheck to paycheck increased across the board during the same time period. The share of consumers living paycheck to paycheck without issues paying their monthly bills increased from 33% to 39%, and the share with issues paying their monthly bills increased from 21% to 22%.

42%
SHARE OF CONSUMERS EARNING MORE THAN \$100,000 LIVING PAYCHECK TO PAYCHECK IN DECEMBER 2021

FIGURE 2:
Consumers in all income brackets live paycheck to paycheck
Share of consumers who live paycheck to paycheck, by annual income

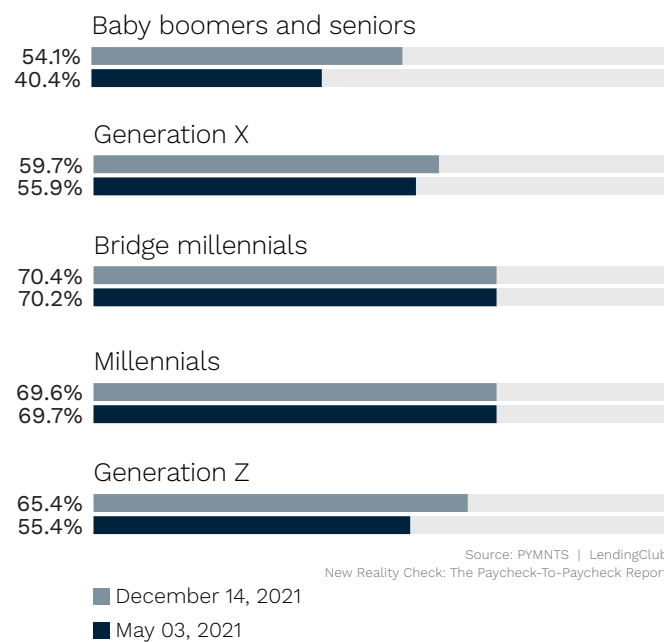


PART II:
ECONOMIC IMPACT ACROSS GENERATIONS

The number of baby boomers and seniors living paycheck to paycheck increased 14 percentage points from May 2021 to December 2021.

A deep dive into the generational demographics of consumers currently living paycheck to paycheck indicates that millennials are the most likely to fall into the category, but the greatest increase in consumers living paycheck to paycheck is among baby boomers and seniors. In December 2021, 54% of baby boomers and seniors were living paycheck to paycheck, a sharp increase from 40% in May 2021.

FIGURE 3:
Consumers who live paycheck to paycheck hail from all generations
Share of consumers who live paycheck to paycheck, by generation



Research shows that 70% of both bridge millennials and millennials were living paycheck to paycheck in May and December 2021. Sixty-five percent of Generation Z consumers reported living paycheck to paycheck in December 2021, up from 55% in May 2021. Sixty percent of Generation X consumers were living paycheck to paycheck in December 2021, up from 56% in May.



PART III:
THE EFFECT ON SAVINGS

Savings levels are a key differentiator between those who live paycheck to paycheck and struggle to pay bills and those who do not struggle, and the gap widens with older generations.

It is not surprising that consumers living paycheck to paycheck with issues paying their monthly bills are the least likely to have significant savings, but what is striking is the gap in savings between this group and those who live paycheck to paycheck but do not struggle with their bills. The difference is even more stark among consumers who do not live paycheck to paycheck and those who do and have trouble paying their monthly bills. This chasm widens even further among older age groups.






Generation Z consumers who live paycheck to paycheck and have issues paying their monthly bills report the lowest average savings at just \$1,158. Millennials living paycheck to paycheck with issues paying their monthly bills report the highest savings, with an average of \$3,731. Savings amounts decrease and then level off as consumers grow older. Bridge millennials, Generation X consumers and baby boomers and seniors who live paycheck to paycheck and struggle to pay their bills report having \$2,765, \$1,236 and \$1,277 in savings, respectively.

Savings balances for consumers who do not live paycheck to paycheck increase by generation. Baby boomers and seniors are the consumers with the highest average savings among those living paycheck to paycheck without issues paying bills (\$7,961) and among those who do not live paycheck to paycheck (\$22,866).

TABLE 1:

How consumers' average savings vary

Average savings reported by consumers of different financial lifestyles, by generation

	 Generation Z 23 or younger	 Millennials 24 to 39	 Bridge millennials 32 to 41	 Generation X 40 to 55	 Baby boomers/seniors 56 or older
• Live paycheck to paycheck with difficulty	\$1,158	\$3,731	\$2,765	\$1,236	\$1,277
• Live paycheck to paycheck but comfortable	\$3,362	\$6,841	\$7,845	\$7,668	\$7,961
• Do not live paycheck to paycheck	\$6,469	\$15,415	\$17,618	\$19,381	\$22,866

Source: PYMNTS | LendingClub
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59%

SHARE OF GENERATION Z CONSUMERS LIVING PAYCHECK TO PAYCHECK WITH ISSUES PAYING MONTHLY BILLS WHO ARE **UNABLE TO PAY A \$400 EMERGENCY EXPENSE**

PART IV:
FIELDING AN EMERGENCY EXPENSE

Paying a \$400 emergency expense is a challenge for close to half of consumers who live paycheck to paycheck and struggle to pay their bills.

Paycheck-to-paycheck consumers with issues paying their monthly bills not only tend to have less savings, but also find it difficult to pay emergency expenses. Our research finds that paying an emergency expense can be a significant challenge for all consumers living paycheck to paycheck, especially for those who struggle to pay their bills each month. When asked how they would handle an emergency expense of \$400 based on their current financial situations, approximately half of consumers living paycheck to paycheck with issues paying their bills reported that they would be unable to pay such an expense.
















At 59%, Generation Z consumers who live paycheck to paycheck and have issues paying their bills are the most likely to be unable to afford a \$400 emergency expense. This is followed by Generation X consumers who live paycheck to paycheck and struggle to pay their bills at 51%. Forty-six percent of bridge millennials, 44% of millennials and 42% of baby boomers and seniors who live paycheck to paycheck with issues paying their bills report the same.

Our data also indicates that consumers who live paycheck to paycheck and struggle with their bills are more likely to sell something, borrow from family members or friends or use a credit card to pay an emergency expense than they are to use

money from a checking or savings account. Consumers who live paycheck to paycheck without issues paying bills and those who do not live paycheck to paycheck, however, are much more likely to use funds from their checking or savings accounts to pay an emergency expense of \$400.

Among consumers who live paycheck to paycheck without issues paying bills, close to half of almost all generations would cover emergency expenses with money from their checking or savings accounts. Just 34% of Generation Z consumers who live paycheck to paycheck and do not have issues paying bills would use the money in their checking or savings accounts to pay an emergency expense, making them the least likely to do so.

TABLE 2:
Ways in which consumers pay emergency expenses
Share of consumers who would use select methods to pay emergency expenses, by financial lifestyle and generation

	Live paycheck to paycheck with difficulty					Live paycheck to paycheck but comfortable					Do not live paycheck to paycheck				
	 Generation Z 23 or younger	 Millennials 24 to 39	 Bridge millennials 32 to 41	 Generation X 40 to 55	 Baby boomers/seniors 56 or older	 Generation Z 23 or younger	 Millennials 24 to 39	 Bridge millennials 32 to 41	 Generation X 40 to 55	 Baby boomers/seniors 56 or older	 Generation Z 23 or younger	 Millennials 24 to 39	 Bridge millennials 32 to 41	 Generation X 40 to 55	 Baby boomers/seniors 56 or older
Would be unable to pay	58.6%	44.1%	46.2%	50.9%	41.7%	17.4%	11.0%	12.2%	15.6%	10.5%	19.3%	15.5%	14.8%	7.4%	5.9%
Payday loan, deposit advance or overdraft	0.6%	8.1%	5.8%	2.2%	1.0%	1.9%	6.9%	7.8%	0.9%	0.6%	0.3%	1.1%	0.5%	0.6%	0.2%
Money from a bank loan or line of credit	2.7%	7.2%	4.9%	3.1%	2.7%	4.5%	9.2%	7.7%	3.4%	4.7%	4.5%	3.1%	1.6%	2.1%	0.6%
Selling something	5.5%	14.5%	14.3%	12.6%	6.5%	17.0%	8.6%	10.8%	4.9%	2.2%	14.0%	2.8%	4.1%	2.5%	0.5%
Borrowing from a friend or family member	19.5%	17.0%	15.0%	14.1%	12.4%	19.7%	11.6%	9.7%	6.4%	3.6%	7.5%	6.4%	7.7%	2.5%	0.1%
Credit card and pay it off over time	5.9%	17.8%	20.3%	15.3%	21.6%	25.4%	21.3%	19.9%	17.4%	19.1%	14.7%	10.3%	7.4%	9.0%	5.7%
Funds from checking/savings accounts	6.2%	18.4%	10.2%	12.8%	18.4%	34.2%	47.2%	49.7%	45.9%	45.4%	44.9%	50.4%	50.5%	62.4%	55.9%
Credit card and pay it off in full	6.1%	12.6%	5.1%	3.2%	7.7%	12.4%	18.1%	18.8%	20.0%	26.9%	10.6%	24.2%	29.1%	32.3%	42.2%

CONCLUSION

Consumers of all ages increasingly are living paycheck to paycheck, with growing numbers among baby boomer and senior populations across America. The current spike in inflation is making it more difficult for consumers across all demographic groups to save and have a financial plan for emergencies after covering essential expenses such as gas, food and rent. Younger consumers living paycheck to paycheck are more likely to have children, have less money in savings and be less able to pay for an emergency expense. With inflation likely becoming part of the economic picture for months to come, consumers who live paycheck to paycheck will need to review their financial plans and find ways to manage their spending.

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METHODOLOGY

New Reality Check: The Paycheck-To-Paycheck Report is based on a census-balanced survey of 3,070 U.S. consumers conducted from Dec. 2 to Dec. 14, 2021, as well as an analysis of other economic data.

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