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 LendingClub

NEW REALITY CHECK: THE PAYCHECK-TO-PAYCHECK REPORT

THE WEALTH DIVIDE



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 a census-balanced survey of 2,633 complete responses from U.S. consumers that was conducted from Jan. 11 to Jan. 18, 2022, as well as an analysis of other economic data.

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INTRODUCTION

As the pandemic continued to weigh on the economy in the early months of 2022, the United States government reported that inflation climbed to 7.5% over the past 12 months.¹ Both the pandemic and inflation are making it harder for consumers in all income brackets to make ends meet. PYMNTS' research finds that 64% of consumers were living paycheck to paycheck in January 2022 — up from 61% in December 2021. The share of consumers living paycheck to paycheck has fluctuated in the past 12 months, but the last two months of 2021 witnessed a pronounced uptick. The share of paycheck-to-paycheck consumers now is only two percentage points lower than the high of 66% seen in March 2020.

The portion of consumers who live paycheck to paycheck now is four percentage points higher than it was in January 2021, and the wealthiest consumers comprise a growing share. Six percent more Americans who earn more than \$100,000 per year were living paycheck to paycheck in January 2022 than they were a month earlier.

These are just some of the findings to emerge from New Reality Check: The Paycheck-To-Paycheck Report,

a PYMNTS and LendingClub collaboration. The Wealth Divide Edition examines the growing shares of consumers across different income brackets living paycheck to paycheck and its impact on their ability to both build savings and afford emergency expenses. The series draws on insights from a survey of 2,633 U.S. consumers conducted from Jan. 11 to Jan. 18, 2022, as well as an analysis of other economic data.

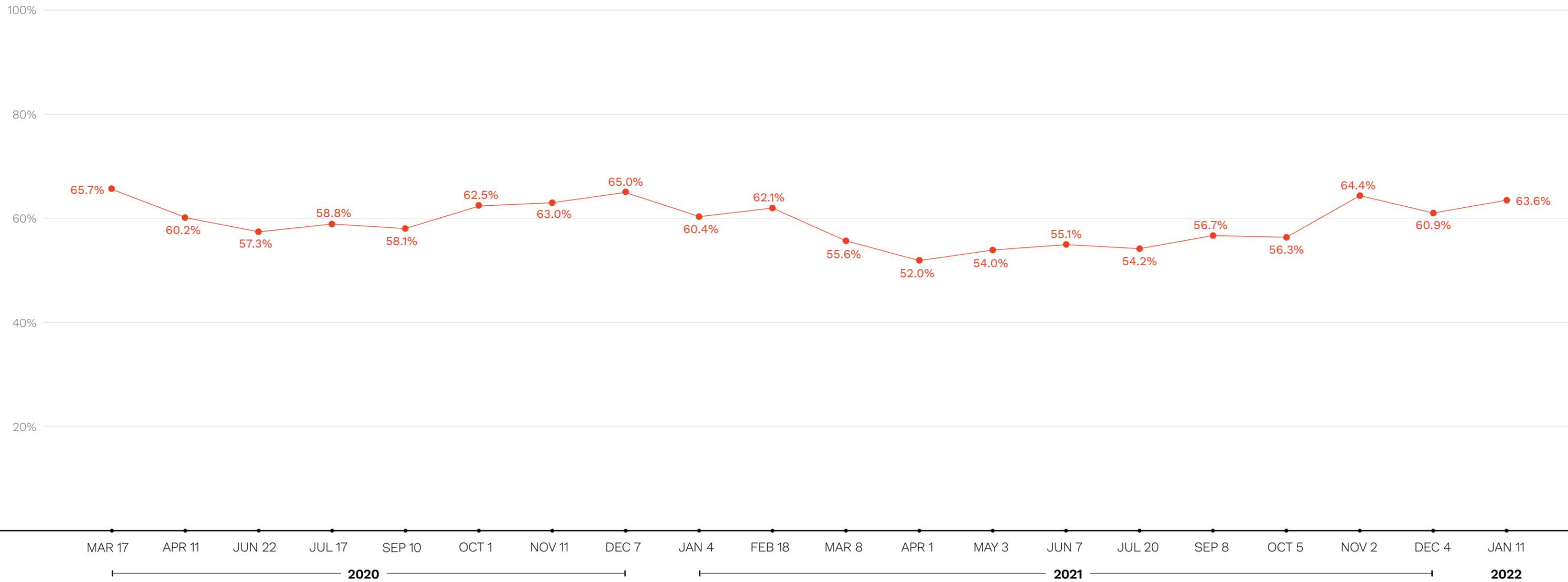
Here is what we learned.

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

FIGURE 1:
Paycheck-to-paycheck status over time

Share of consumers living paycheck to paycheck, March 2020 to January 2022

N = 2,633; Complete response
Source: PYMNTS | LendingClub
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PART I:
WEALTH IN THE PAYCHECK-TO-PAYCHECK LANDSCAPE

In January 2022, 64% of consumers reported living paycheck to paycheck — an increase of 3 percentage points from December 2021.

Forty-eight percent of consumers earning more than \$100,000 per year were living paycheck to paycheck in January 2022, representing a six percentage point increase from December 2021.

The number of consumers living paycheck to paycheck has increased steadily since April 2021 and now is 12 percentage points higher than it was then, with a three percentage point jump between December 2021 and January 2022. Consumers of all income brackets are increasingly living paycheck to paycheck, including those earning higher incomes.

Our research finds that 48% of consumers earning more than \$100,000 per year report living paycheck to paycheck — up from 42% in December 2021. This number has fluctuated since May 2021, when it was 39%, before reaching a high of 50% in November 2021.

The share of those who earn between \$50,000 and \$100,000 who report living paycheck to paycheck also is on the rise. In May 2021, 53% of these middle-income consumers lived paycheck to paycheck. In January 2022, 67% reported living paycheck to paycheck — up from 66% in December 2021. The share of those earning less than \$50,000 and living paycheck to paycheck remained the same from December 2021 to January 2022 at 77%.

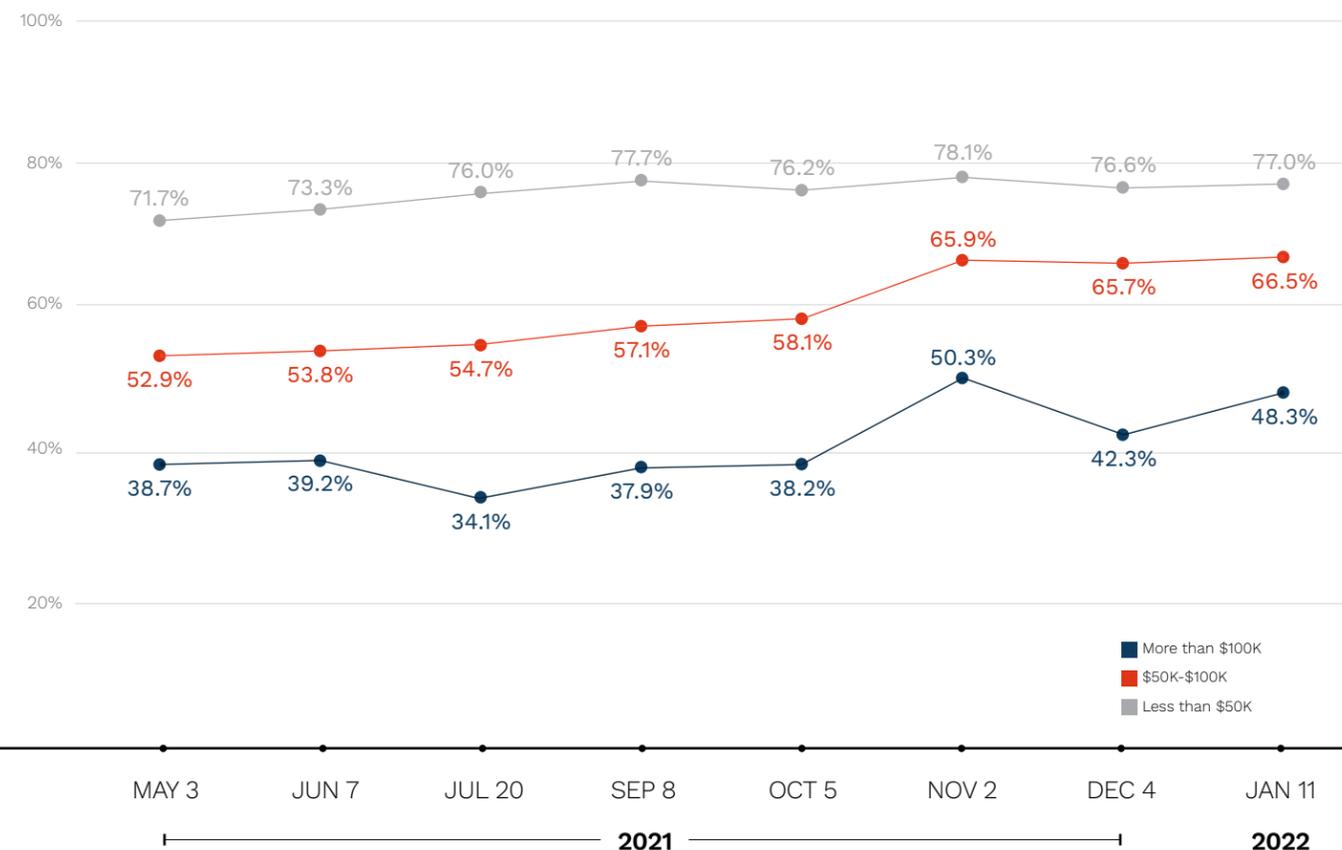
48%

SHARE OF CONSUMERS EARNING MORE THAN \$100,000 ANNUALLY WHO **LIVE PAYCHECK TO PAYCHECK**

FIGURE 2:

Consumers who live paycheck to paycheck, by annual income, compared over time

Share of consumers who live paycheck to paycheck, by annual income and compared over time



N = 2,633: Complete response
Source: PYMNTS | LendingClub
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PART II:
WEALTH AND LIVING PAYCHECK TO PAYCHECK

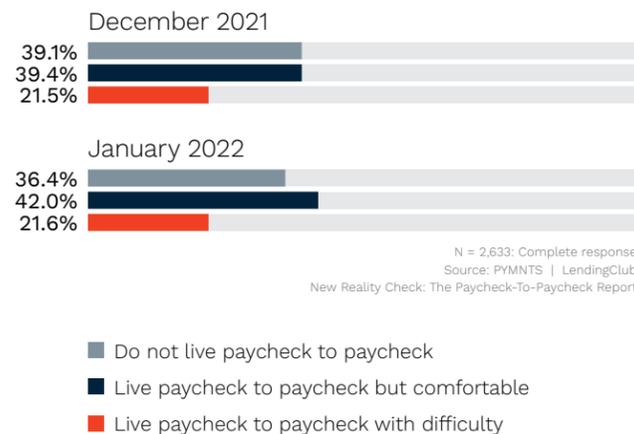
The share of consumers living paycheck to paycheck and comfortably paying their bills has increased significantly since October 2021.

The share of higher-income consumers living paycheck to paycheck and comfortably paying their bills has seen the largest increase.

PYMNTS' research finds ongoing shifts in the portion of consumers living paycheck to paycheck. As of January 2022, the share of consumers who do not live paycheck to paycheck declined to 36% from 39% in December 2021. Consumers living paycheck to paycheck and able to pay their bills increased to 42% in January 2022, rising from 39% in December 2021, while 22% of paycheck-to-paycheck consumers still struggled to pay their monthly bills.

FIGURE 3:
Consumers' financial lifestyles, compared over time

Share of consumers with different financial lifestyles, compared over time



Notable is that the share of consumers living paycheck to paycheck and able to pay their bills has seen the biggest uptick since October 2021, especially among higher-income consumers. The ranks of paycheck-to-paycheck consumers who struggle to pay their monthly bills have seen little fluctuation.

FIGURE 4:
Consumers who live paycheck to paycheck hail from all income brackets

Share of consumers who lived paycheck to paycheck in January 2022, by income



Share of consumers earning more than \$100,000 annually who live paycheck to paycheck with issues paying their bills

In January 2022, 47% of consumers earning between \$50,000 and \$100,000 per year and 43% of those earning less than \$50,000 reported living paycheck to paycheck without issues paying their bills. These numbers have been on the rise since October 2021, when the share was 36% for both, and then reached 41% and 48%, respectively, in November, before leveling off over the last two months.

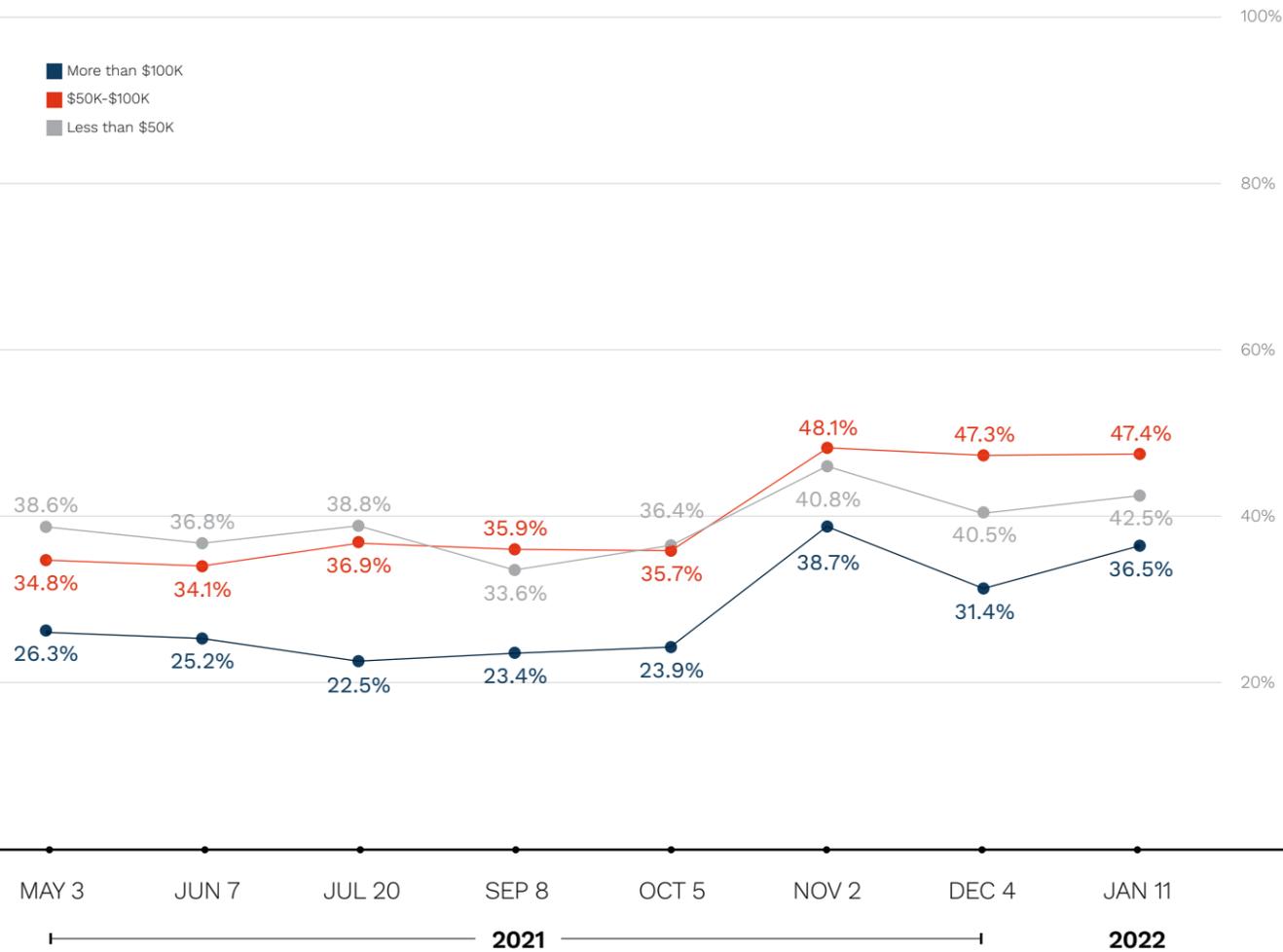
Our data shows a large number of high-income consumers joining the ranks of those who live paycheck to paycheck without issues paying their bills. At 26% in May 2021, the share of consumers who earn more than \$100,000 and live paycheck to paycheck without issues reached a high of 39% in November 2021 before dropping to 31% in December 2021. This share was 37% in January 2022.

Just 12% of consumers who earn more than \$100,000 reported living paycheck to paycheck with issues paying their bills in January. This rate is significantly higher among those earning \$50,000 to \$100,000 per year (19%) and those earning less than \$50,000 (34%).

FIGURE 5:

Consumers who live paycheck to paycheck and can pay their monthly bills

Share of consumers who live paycheck to paycheck without issues paying bills, by income and compared over time

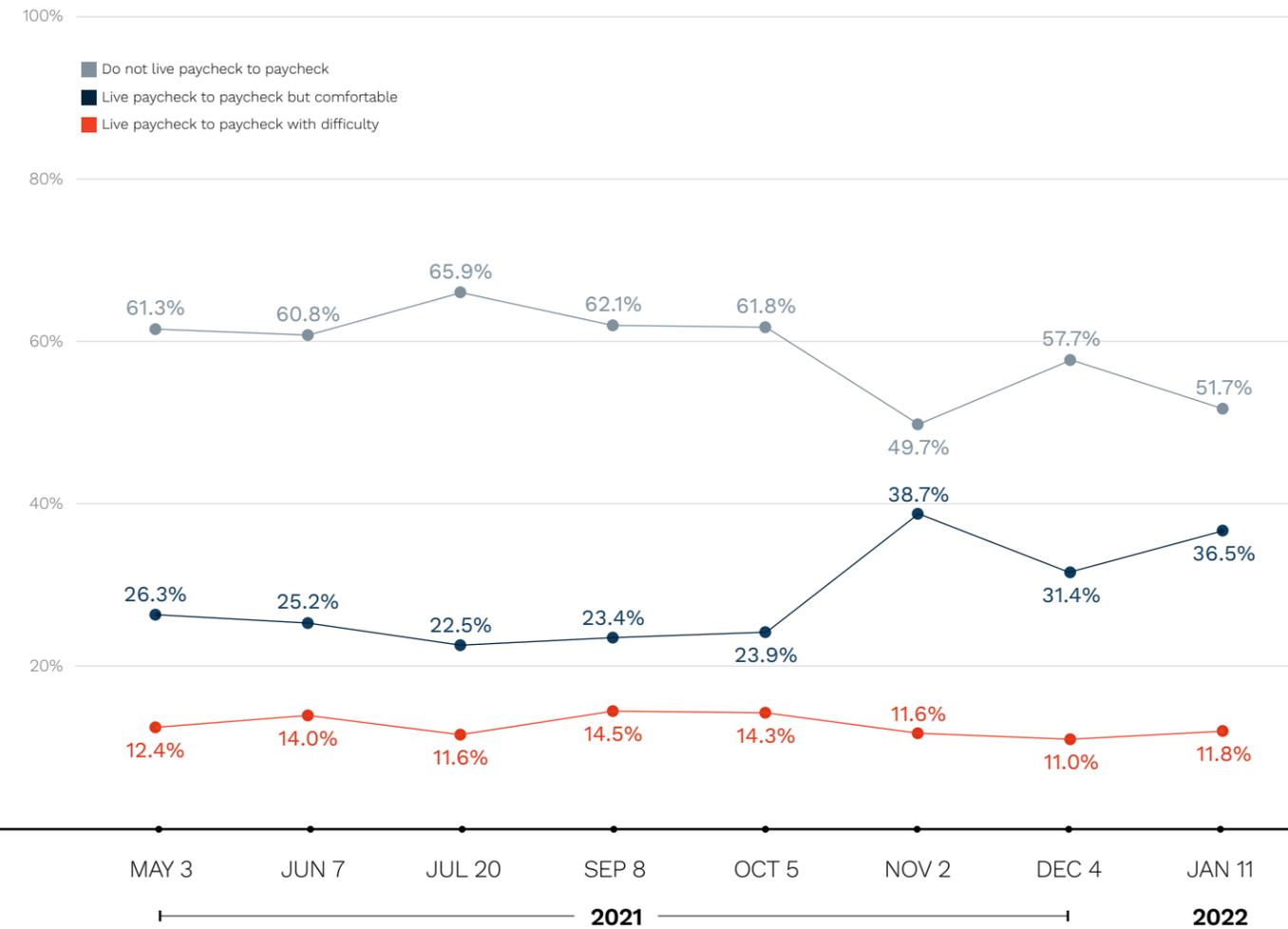


N = 2,633: Complete response
Source: PYMNTS | LendingClub
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FIGURE 6:

Change in lifestyles of paycheck-to-paycheck consumers earning more than \$100,000

Share of paycheck-to-paycheck consumers earning more than \$100,000 per year, by financial lifestyle



N = 2,633: Complete response
Source: PYMNTS | LendingClub
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PART III:
IMPACT ON SAVINGS

The difference in savings levels between consumers living paycheck to paycheck with issues paying their bills and those without issues widens among lower-income consumers.

PYMNTS' data reveals a direct negative correlation between savings levels for consumers who live paycheck to paycheck, and it becomes especially pronounced among those who struggle to pay their monthly bills.

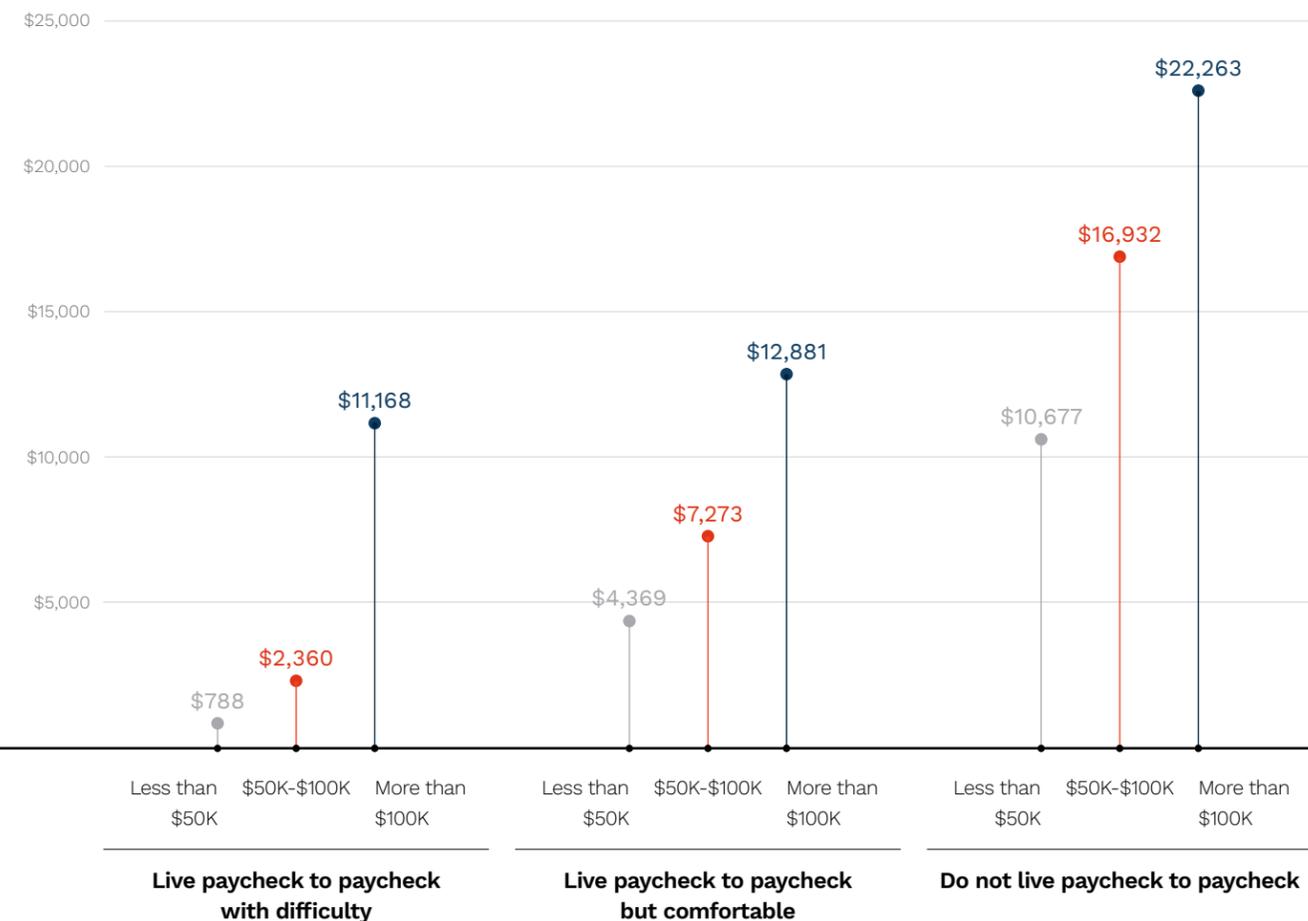
Our data indicates that the difference in average savings between consumers living paycheck to paycheck with issues paying their bills and those without issues widens significantly at lower income brackets. Declared savings among consumers with incomes over \$100,000 living paycheck to paycheck are nearly identical among those who face difficulties paying their bills (\$11,168) and those who do not (\$12,881).

Meanwhile, consumers earning \$50,000 to \$100,000 per year and living paycheck to paycheck with difficulties paying bills reported an average savings of \$2,360, compared to \$7,273 for those without issues. Not surprisingly, the largest gap in savings levels was between those earning less than \$50,000 per year living paycheck to paycheck with difficulties paying their bills, who reported average savings of \$788, compared to \$4,369 for those without issues.

26%

SHARE OF PAYCHECK-TO-PAYCHECK CONSUMERS WITH DIFFICULTY PAYING BILLS EARNING MORE THAN \$100,000 WHO WOULD PAY FOR AN EMERGENCY EXPENSE WITH **MONEY IN THEIR CHECKING OR SAVINGS ACCOUNTS**

FIGURE 7:
Consumers' average savings varies based on financial lifestyle and income
Average savings consumers of different financial lifestyles reported, by income



N = 2,633; Complete response
Source: PYMNTS | LendingClub
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PART IV:
HANDLING AN EMERGENCY EXPENSE

One-quarter of high-income consumers who live paycheck to paycheck with issues paying their bills say they would not be able to pay a \$400 emergency expense.

This share increases among those with lower incomes.

When asked how they would pay a \$400 emergency expense, 43% of consumers living paycheck to paycheck who struggle to pay their bills each month say they would not be able to pay. Our research shows that among consumers who earn more than \$100,000, 23% who live paycheck-to-paycheck with issues paying their bills say they would not be able to pay a \$400 emergency expense. This share understandably increases among middle- and low-income consumers who live paycheck-to-paycheck and have issues paying their bills. Fifty-two percent of those who earn less than \$50,000 and 38% of those earning \$50,000 to \$100,000 say they would not be able to pay a \$400 expense.

With higher-income consumers reporting higher average savings, it is not surprising that 26% of paycheck-to-paycheck consumers with issues paying their bills who earn more than \$100,000 report that they would pay for such expenses with money in their checking or savings accounts. This share increases to 53% among those earning more than \$100,000 who live paycheck to paycheck without issues paying their bills as well as those not living paycheck to paycheck.

Among consumers earning more than \$100,000 who live paycheck to paycheck with issues paying their bills, 33% would use a credit card and pay it off over time, while 20% would use a credit card and pay it off in full. High-income consumers who live paycheck to paycheck without issues paying their bills are more likely to use a credit card and pay it in full (23%), and less likely to use a credit card and pay it over time (21%).

TABLE 1:

Ways in which consumers pay for emergency expenses

How consumers who live paycheck to paycheck with difficulty pay for emergency expenses, by income

LIVE PAYCHECK TO PAYCHECK WITH DIFFICULTY	AVERAGE	INCOME		
		Less than \$50K	\$50K-\$100K	More than \$100K
Would not be able to pay	42.8%	52.4%	37.8%	23.4%
Payday loan, deposit advance or overdraft	7.5%	4.0%	9.4%	14.4%
Bank loan or line of credit	9.0%	6.4%	9.0%	16.6%
Selling belongings	13.2%	8.8%	14.7%	23.4%
Borrow from friend or family member	18.6%	18.1%	17.0%	22.2%
Credit card, pay off over time	19.3%	14.2%	19.9%	32.5%
Credit card, pay in full amount	8.8%	3.4%	11.7%	19.8%
Checking or savings accounts	16.2%	12.1%	17.4%	25.9%

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TABLE 2:

Ways in which consumers pay for emergency expenses

How consumers who live paycheck to paycheck but comfortable pay for emergency expenses, by income

LIVE PAYCHECK TO PAYCHECK BUT COMFORTABLE	AVERAGE	INCOME		
		Less than \$50K	\$50K-\$100K	More than \$100K
Would not be able to pay	11.9%	18.8%	9.4%	7.4%
Payday loan, deposit advance or overdraft	2.6%	2.0%	3.4%	2.3%
Bank loan or line of credit	6.4%	3.1%	8.3%	7.6%
Selling belongings	4.8%	5.9%	3.2%	5.6%
Borrow from friend or family member	6.2%	8.5%	5.7%	4.1%
Credit card, pay off over time	19.6%	17.7%	20.5%	20.5%
Credit card, pay in full amount	20.6%	15.9%	22.5%	23.3%
Checking or savings accounts	48.1%	38.5%	52.7%	53.3%

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33%

SHARE OF PAYCHECK-TO-PAYCHECK CONSUMERS WITH DIFFICULTY PAYING BILLS EARNING MORE THAN \$100,000 WHO WOULD PAY FOR AN EMERGENCY EXPENSE WITH **A CREDIT CARD AND PAY IT OFF OVER TIME**

TABLE 3:

Ways in which consumers pay for emergency expenses

How consumers who do not live paycheck to paycheck pay for emergency expenses, by income

DO NOT LIVE PAYCHECK TO PAYCHECK	AVERAGE	INCOME		
		Less than \$50K	\$50K-\$100K	More than \$100K
Would not be able to pay	9.8%	17.8%	11.4%	5.4%
Payday loan, deposit advance or overdraft	1.2%	2.4%	0.0%	1.3%
Bank loan or line of credit	3.6%	2.4%	2.1%	5.0%
Selling belongings	2.6%	4.4%	3.2%	1.5%
Borrow from friend or family member	2.5%	6.6%	2.5%	0.7%
Credit card, pay off over time	8.2%	7.3%	8.2%	8.5%
Credit card, pay in full amount	33.1%	26.7%	32.7%	36.1%
Checking or savings accounts	52.1%	46.8%	54.0%	53.2%

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CONCLUSION

Consumers of all income brackets increasingly live paycheck to paycheck. Inflationary pressures make it hard for many consumers who find it difficult to pay their bills and have money left over to build their savings or have a financial plan for emergencies. This is particularly true for those in lower income brackets. However, growing numbers of high-income consumers report living paycheck to paycheck in the first month of 2022. After covering essential expenses such as gas, food and rent, almost one-quarter of higher-income consumers living paycheck to paycheck and struggling to pay their bills can not cover a \$400 emergency expense. With inflation most likely to be a part of the economic picture for months to come, consumers at every income level who live paycheck to paycheck will need to review their financial plans and find ways to manage their spending.

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METHODOLOGY

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