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 LendingClub

NEW REALITY CHECK: THE PAYCHECK-TO-PAYCHECK REPORT

THE REGIONAL 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 3,250 complete responses from U.S. consumers that was conducted from Feb. 7 to Feb. 14, as well as an analysis of other economic data.

NEW REALITY CHECK:

THE
PAYCHECK-TO-PAYCHECK REPORT

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INTRODUCTION

Though the immediate threat of the pandemic began to thaw in late February in the United States, mounting inflationary risks weighed on consumers’ economic prospects. The U.S. government reported that inflation climbed to 7.9% in the past 12 months, with energy and food prices experiencing the most significant increases.¹

These inflationary pressures impact consumers of all income brackets, increasing the share of those living paycheck to paycheck. Living paycheck to paycheck means devoting all of one’s salary to expenses with little to nothing left over at the end of the month. Actively managing their cash flows in real time, however, allows paycheck-to-paycheck consumers to remain credit-worthy.

PYMNTS’ research finds that 62% of consumers lived paycheck to paycheck this February, a slight drop from 64% in January. After witnessing an uptick in the last two months of 2021 into early 2022, the share of consumers living paycheck to paycheck has eased to levels slightly above those seen in December 2021.

Consumers in urban areas, however, are more likely to live paycheck to paycheck, and the wealthiest consumers comprise a growing share. The share of Americans earning more than \$100,000 per year and living paycheck to pay-

check was two percentage points more in February than in the prior month, meaning exactly half the share of the wealthiest Americans now live paycheck to paycheck. These high-income consumers constitute 35% of urban consumers now living paycheck to paycheck.

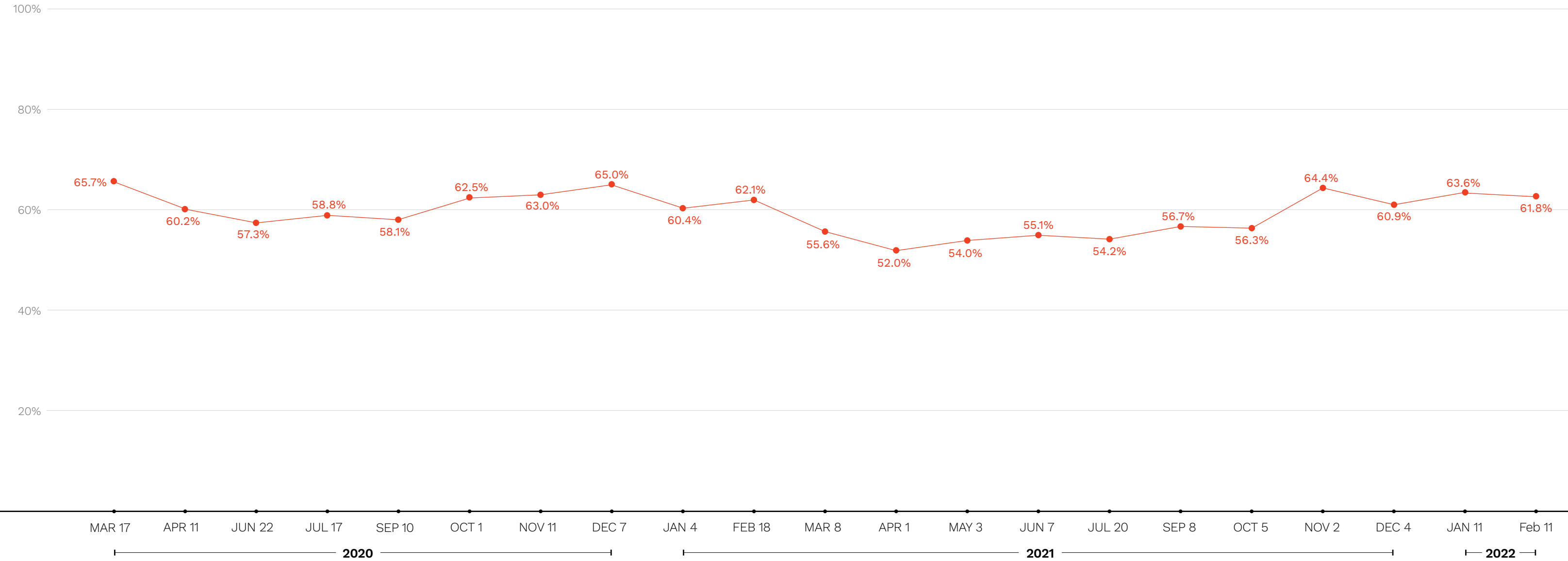
These are just some of the findings to emerge from New Reality Check: The Paycheck-To-Paycheck Report, a PYMNTS and LendingClub collaboration. The Regional Divide Edition examines the growing shares of consumers living paycheck to paycheck in urban, sub-urban and rural areas of the U.S. and the impact on their ability to both build savings and afford emergency expenses. The series draws on insights from a survey of 3,250 U.S. consumers that was conducted from Feb. 7 to Feb. 14 as well as 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 March 2022.

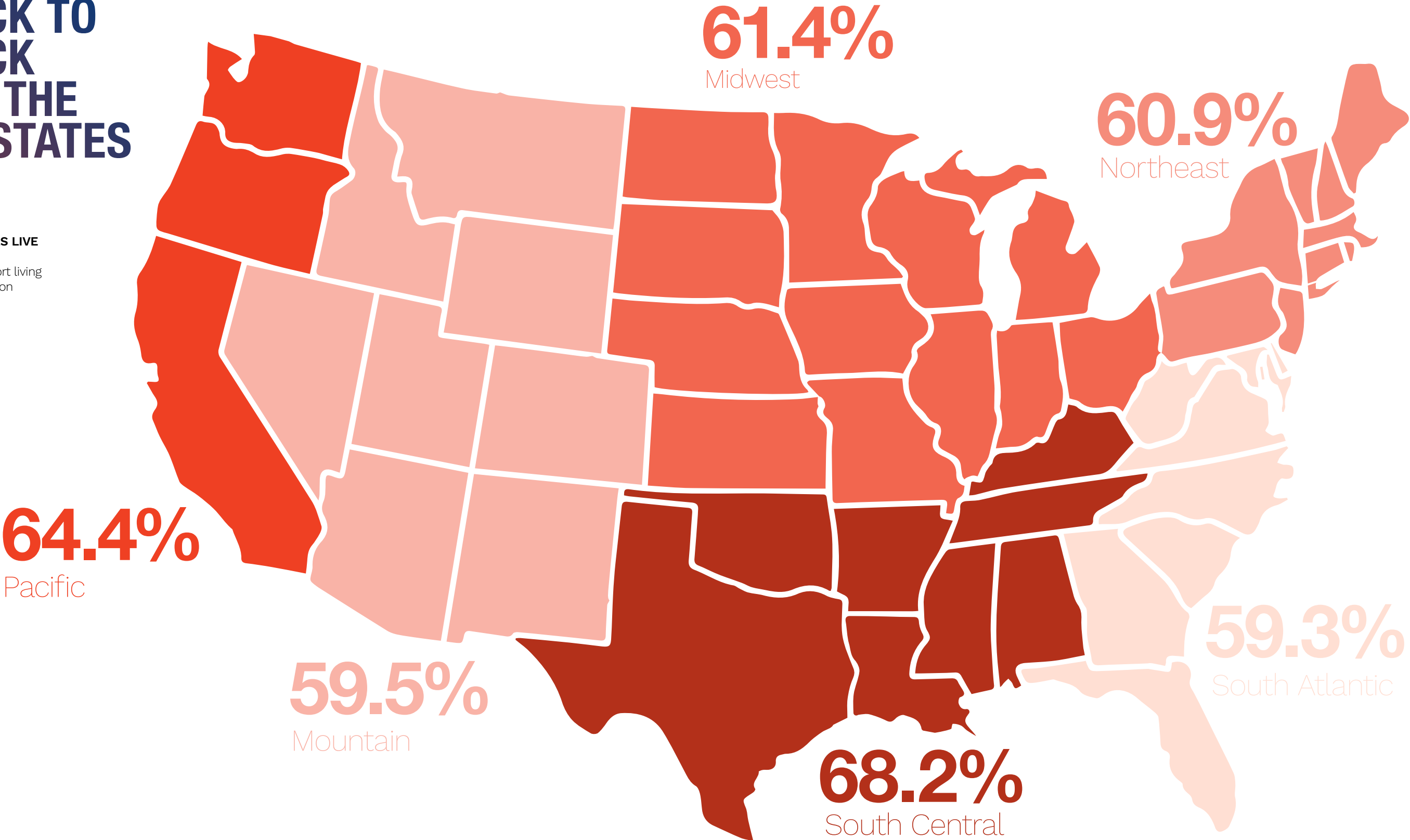
FIGURE 1:
Consumers living paycheck to paycheck throughout time
Share of consumers living paycheck to paycheck throughout time

N = 3,250; Complete response
Source: PYMNTS | LendingClub
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PAYCHECK TO PAYCHECK ACROSS THE UNITED STATES

FIGURE 2:
HOW MANY U.S. CONSUMERS LIVE
PAYCHECK TO PAYCHECK
Share of consumers who report living
paycheck to paycheck, by region

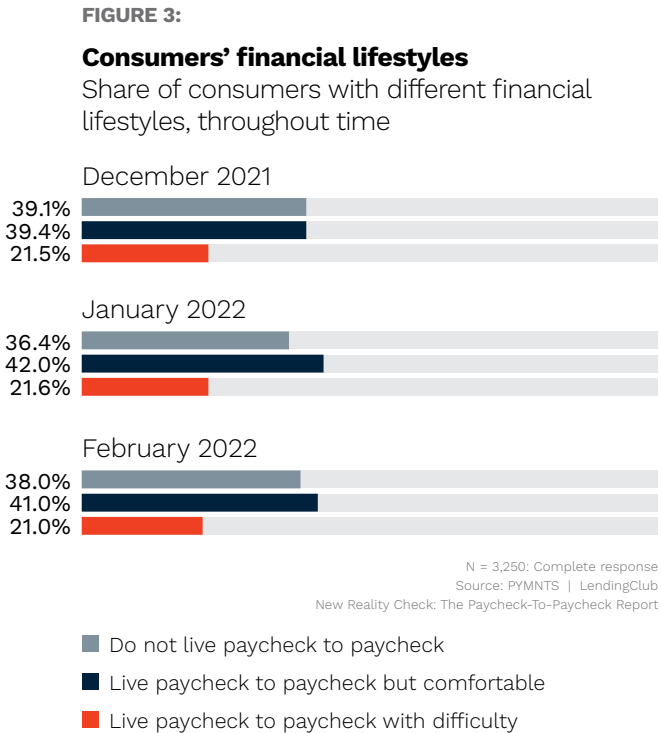


N = 3,250: Complete response
Source: PYMNTS | LendingClub
New Reality Check: The Paycheck-To-Paycheck Report

PART I:
WEALTH IN THE PAYCHECK-TO-PAYCHECK LANDSCAPE

The share of paycheck-to-paycheck consumers earning more than \$100,000 rose by two percentage points to 50%, and more consumers in lower income brackets are also living paycheck to paycheck. Still, 2% fewer consumers overall reported living paycheck to paycheck in February than one month prior.

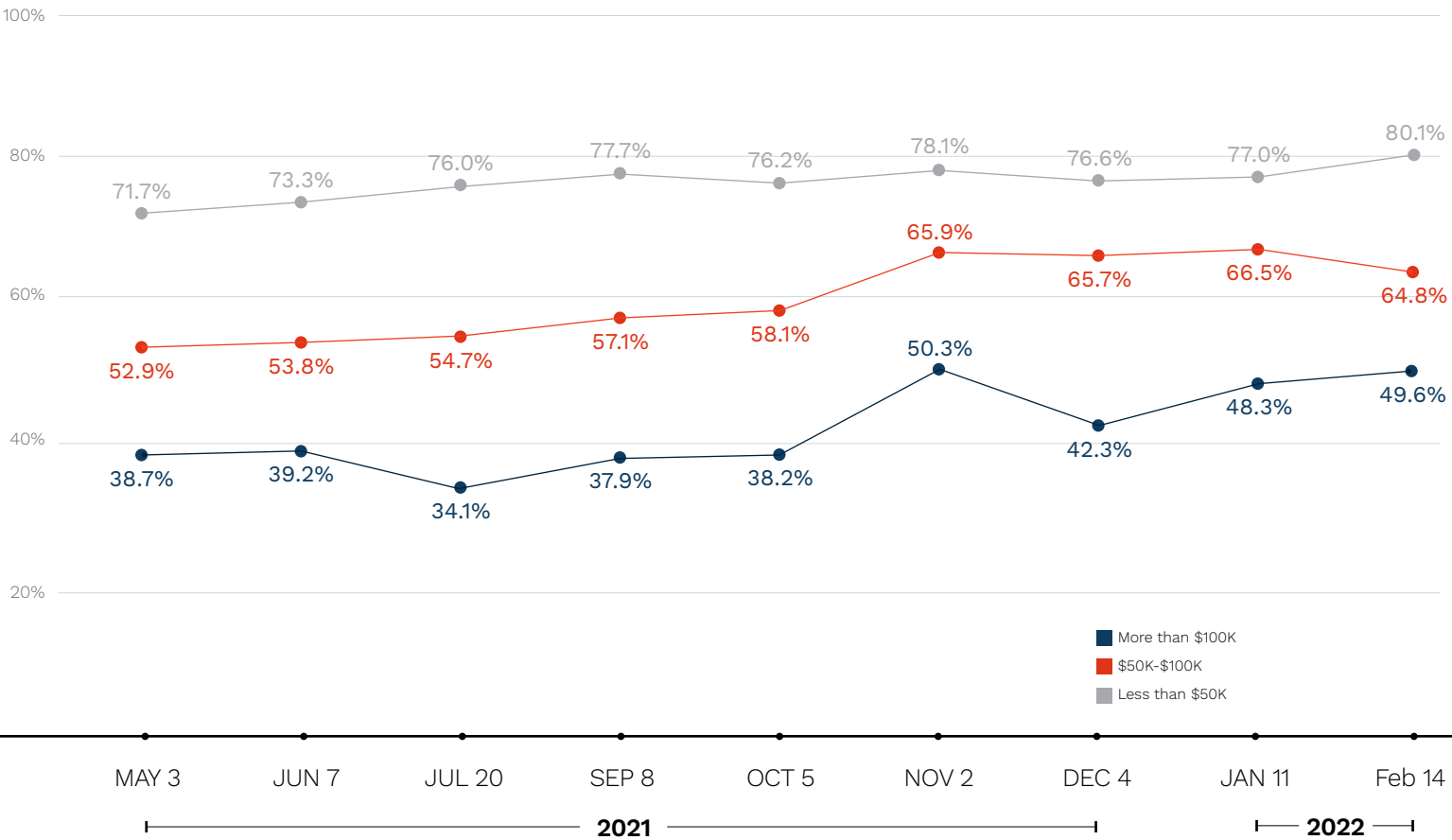
Following a sharp rise in the number of consumers living paycheck to paycheck in the last months of 2021 into early 2022, the portion of overall consumers living paycheck to paycheck decreased from 64% in January to 62% in February. Despite this trend, consumers in the lowest income brackets increasingly live paycheck to paycheck, and those earning more than \$100,000 do so as well.



50%

SHARE OF CONSUMERS EARNING MORE THAN **\$100,000 A YEAR** WHO REPORT LIVING PAYCHECK TO PAYCHECK

FIGURE 4:
Consumers living paycheck to paycheck
Share of consumers who lived paycheck to paycheck throughout time, by annual income



Our research finds that 50% of consumers earning more than \$100,000 per year reported living paycheck to paycheck in February, up from 48% in January. The share of those earning between \$50,000 and \$100,000 who report living paycheck to paycheck decreased to 65% in February from 67% in January, but the share of those earning less than \$50,000 who live paycheck to paycheck rose to 80% from 77% in that same time frame.

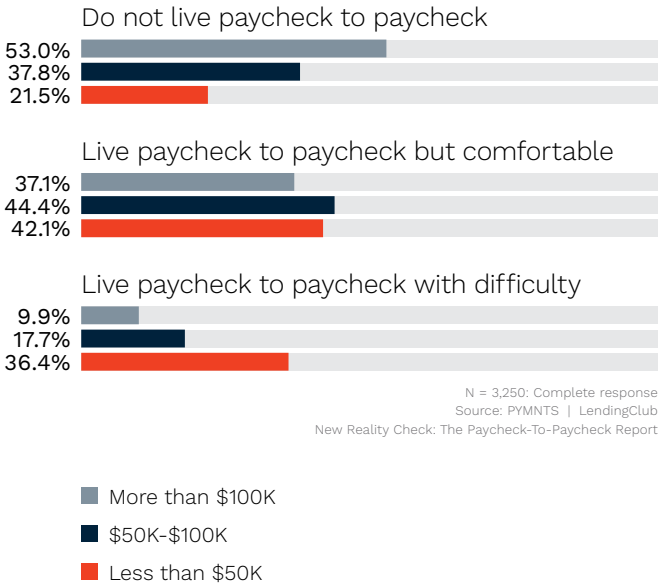
Paycheck-to-paycheck consumers fall into two categories: those who can pay their bills easily and those who cannot. PYMNTS’ research finds that 41% of consumers were living paycheck to paycheck without difficulties paying monthly bills in February, while 21% were living paycheck to paycheck with difficulties paying their monthly bills. In February, 38% of consumers were not living paycheck to paycheck, up from 36% in January.

Thirty-seven percent of consumers earning more than \$100,000 per year, 44% of consumers earning between \$50,000 and \$100,000 and 42% of those earning less than \$50,000 reported living paycheck to paycheck without issues paying their bills in February. Ten percent of consumers who earn more than \$100,000 reported living paycheck to paycheck with issues paying their bills in February. This rate is significantly higher among those in the middle income bracket (18%) and those earning less than \$50,000 (36%).



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

FIGURE 5:
Impact of income on consumers’ financial lifestyles
Share of consumers living different financial lifestyles, by annual income



PART II: LOCATION AND LIVING PAYCHECK TO PAYCHECK

Consumers in urban areas are both more likely to live paycheck to paycheck and earn more than \$100,000 a year.

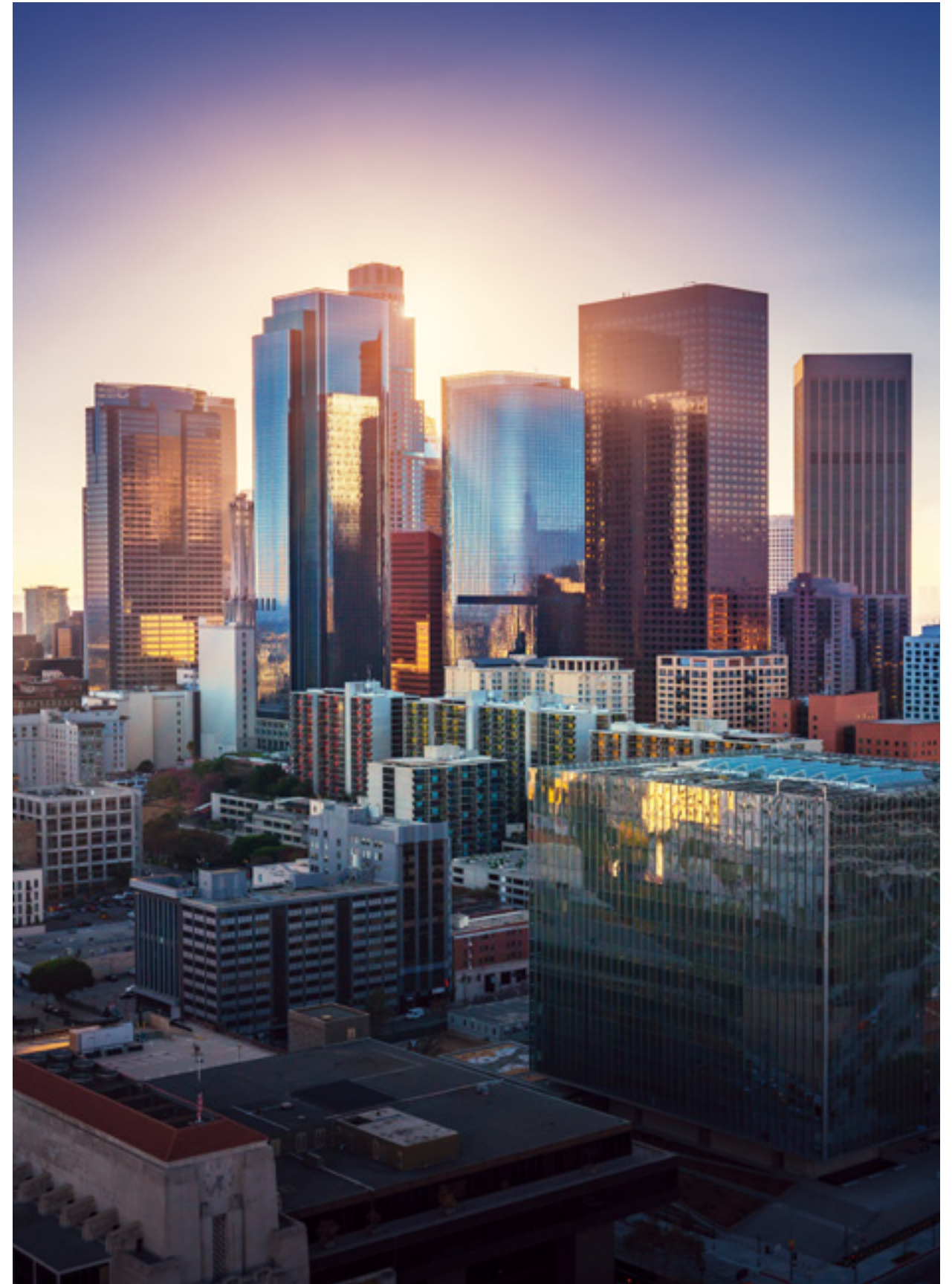
This seems to correlate with the relatively younger demographics of urban dwellers.

Regardless of annual income, consumers living in urban, suburban and rural areas in the U.S. exhibit different financial lifestyle patterns. Forty-nine percent of survey respondents resided in suburban areas, with approximately one-quarter each living in urban (26%) and rural (25%) areas, yet PYMNTS' research finds that 67% of consumers living in urban areas and 68% living in rural areas are more likely to live paycheck to paycheck.

At 28%, urban consumers are also the most likely to live paycheck to paycheck with issues paying bills, followed by rural consumers at 24%. This is in spite of the fact that many of these consumers fall into higher income brackets. Among paycheck-to-paycheck consumers living in urban areas, 35% earn more than \$100,000 per year, while 20% of those living in rural areas earn the same. These findings could be attributed to the high percentage of millennials living in urban areas (40%)

as well as the large share of baby boomers and seniors living in rural areas (44%).






At 39%, baby boomers and seniors are also the most likely to reside in suburban areas. Forty-four percent of consumers in suburban areas do not live paycheck to paycheck, and just 16% live paycheck to paycheck with issues paying bills. Twenty-eight percent of suburban dwellers living paycheck to paycheck earn more than \$100,000 per year.



67%

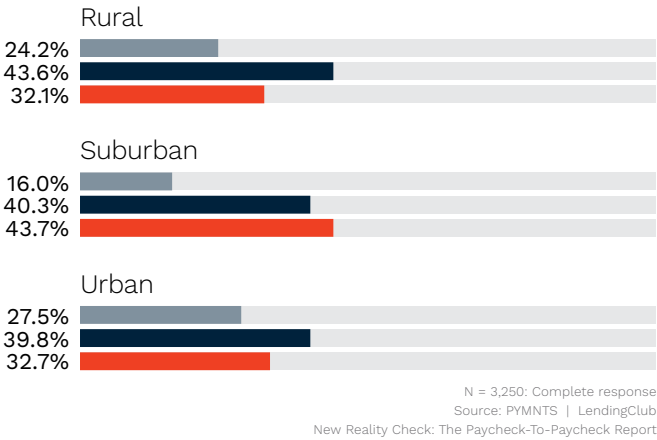
SHARE OF CONSUMERS **LIVING IN URBAN AREAS** WHO CURRENTLY LIVE PAYCHECK TO PAYCHECK

TABLE 1:
Where generations live
Share of consumers who live in each area, 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
• Rural	10.4%	21.3%	19.0%	24.7%	43.5%
• Suburban	9.2%	24.4%	17.6%	27.3%	39.0%
• Urban	12.9%	39.8%	25.0%	25.2%	22.1%

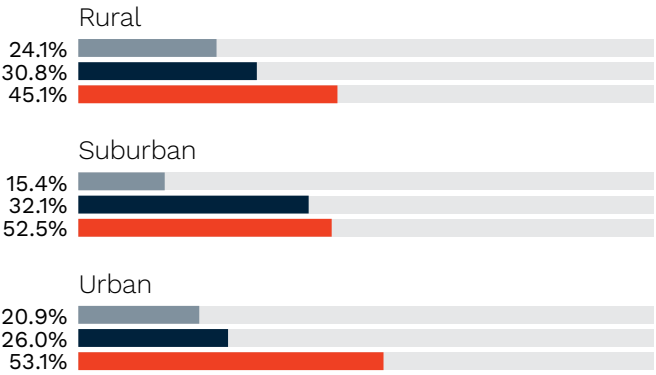
N = 3,250: Complete response
Source: PYMNTS | LendingClub
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FIGURE 6:
Consumers’ financial lifestyles and where they live
Share of consumers who live paycheck to paycheck, by area of residence



■ Live paycheck to paycheck with difficulty
■ Live paycheck to paycheck but comfortable
■ Do not live paycheck to paycheck

FIGURE 7:
Income, residential area and financial lifestyle
Share of consumers who have different financial lifestyles and live in various areas, by annual income
Not paycheck to paycheck



Paycheck to paycheck
Share of consumers who live paycheck to paycheck by area of residence (Rural, Suburban, Urban) and their annual income (Less than \$50K, \$50K-\$100K, More than \$100K).

■ Less than \$50K
■ \$50K-\$100K
■ More than \$100K

PART III: HOW LOCATION IMPACTS SAVINGS

Urban dwellers who live paycheck to paycheck and struggle to pay their bills nonetheless report holding significantly more savings than those in suburban and rural areas.

More urban dwellers living paycheck to paycheck trend toward higher income brackets and have higher declared savings than those in rural and suburban areas. Our data also finds that the difference in declared savings between those who live paycheck to paycheck and struggle to pay their bills and those who do not is less pronounced for urban consumers than for corresponding consumers in suburban and rural areas.

Urban consumers report the highest savings (\$9,890) among those living paycheck to paycheck without issues paying monthly bills. They also report the highest savings (\$4,569) among consumers living paycheck to paycheck struggling to pay bills. In contrast, rural consumers living paycheck to paycheck without issues paying their bills report average savings of \$7,437, while those with issues report the lowest average savings: \$705. Although not as low, the average savings of suburban consumers living paycheck to paycheck with issues paying monthly bills (\$1,313) is considerably lower than those of suburbanites living paycheck to paycheck without issues paying their monthly bills (\$8,089).

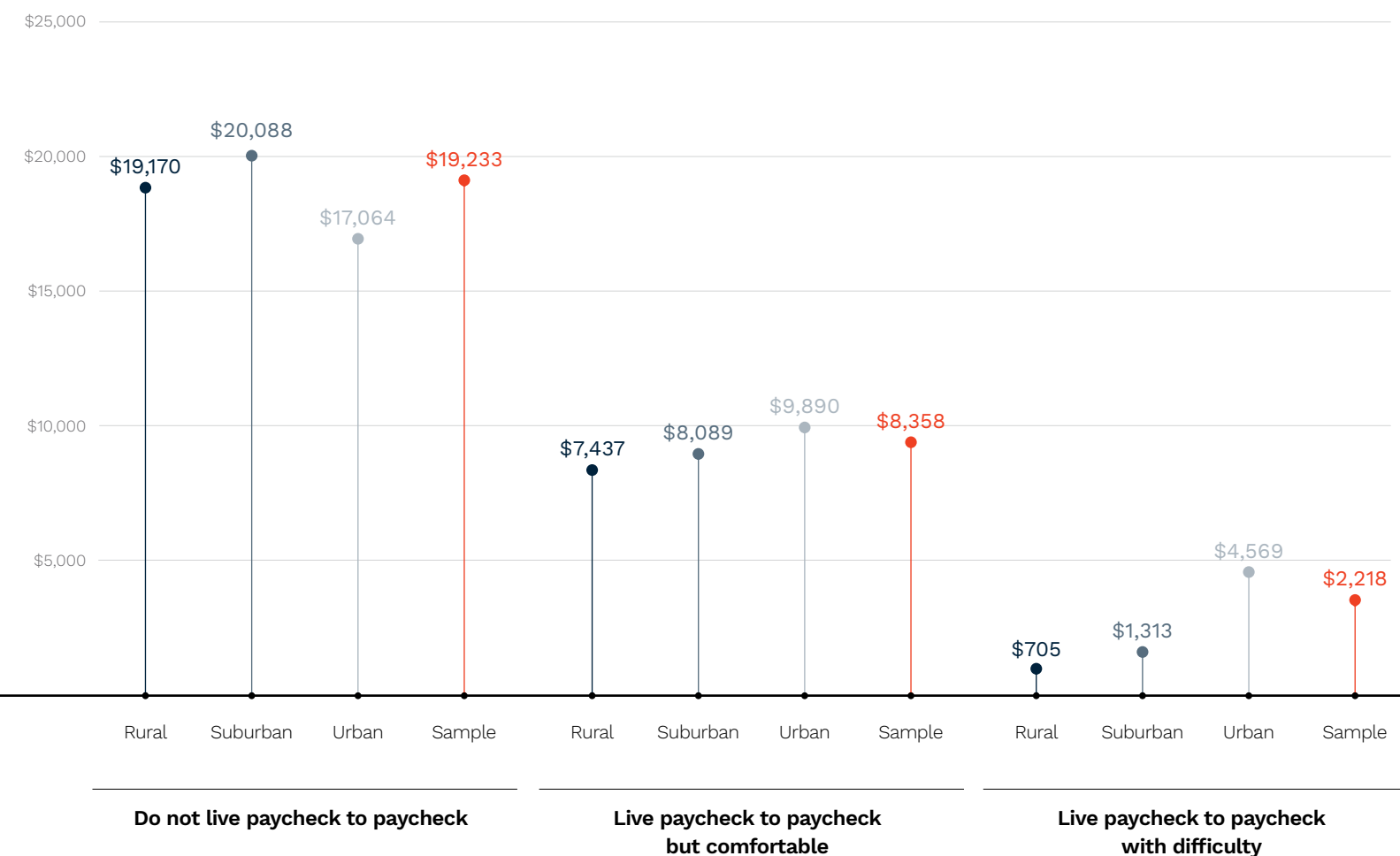
20%

SHARE OF URBAN DWELLERS LIVING PAYCHECK TO PAYCHECK WITH DIFFICULTIES PAYING BILLS WHO WOULD
USE A CREDIT LINE TO PAY A \$400 EMERGENCY EXPENSE

FIGURE 8:

Consumers' average savings

Average savings that consumers of different financial lifestyles reported, by area of residence



N = 3,250; Complete response
Source: PYMNTS | LendingClub
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PART IV:
MANAGING EMERGENCY EXPENSES

Close to half of paycheck-to-paycheck consumers with difficulties paying their monthly bills across all locations would not be able to pay a \$400 emergency expense.

Those living in urban areas are most interested in using a credit line to make up the difference.

When asked how they would pay for a \$400 emergency expense, 46% of rural consumers living paycheck to paycheck with issues paying bills each month said they would not be able to pay.² Paycheck-to-paycheck consumers with difficulties paying monthly bills in urban and suburban areas seem to be in a slightly better position, with just 40% and 42%, respectively, reporting they would not be able to pay.

Close to one-quarter of paycheck-to-paycheck consumers with difficulties paying monthly bills located in urban, suburban and rural areas would use a credit card to pay. An average of 16% of urban, suburban and rural consumers who live paycheck to paycheck with difficulties paying monthly bills would use their savings. At 20%, interest in using a credit line is highest among urban dwellers who live paycheck to paycheck with difficulties paying monthly bills, but it is low in rural and suburban areas, just reaching approximately 6%.

Consumers who live paycheck to paycheck without difficulties paying monthly bills and those who do not live paycheck to paycheck are most likely to use either savings or credit cards, no matter where they may reside. In all locations, less than 13% of consumers who live paycheck to paycheck without difficulties paying their monthly bills and those who do not live paycheck to paycheck say they would not be able to pay for a \$400 emergency expense.

² \$400 is the hypothetical emergency expense benchmark used by the Board of Governors Federal Reserve System in their annual report on the Economic Well-Being of U.S. Households: <https://www.federalreserve.gov/publications/2021-economic-well-being-of-us-households-in-2020-dealing-with-unexpected-expenses.htm>

TABLE 1:

How consumers pay for emergency expenses

Share of consumers who would use select methods to pay for a \$400 emergency expense, by financial lifestyle and location

	NOT ABLE TO PAY	CREDIT LINES	BORROWING OR SELLING SOMETHING	CREDIT CARD	SAVINGS
SAMPLE	15.7%	5.9%	9.1%	33.3%	40.8%
Live paycheck to paycheck with difficulty					
• Urban	39.5%	20.1%	26.1%	23.3%	15.5%
• Suburban	42.2%	6.5%	21.1%	25.9%	16.7%
• Rural	45.5%	6.4%	19.4%	22.9%	16.1%
Live paycheck to paycheck but comfortable					
• Urban	12.0%	13.9%	11.2%	36.4%	47.3%
• Suburban	11.1%	5.4%	7.7%	41.7%	44.1%
• Rural	12.7%	3.9%	9.7%	39.9%	43.4%
Do not live paycheck to paycheck					
• Urban	7.8%	3.4%	4.1%	35.2%	57.6%
• Suburban	7.2%	2.5%	2.8%	39.3%	57.5%
• Rural	10.5%	2.8%	4.9%	32.8%	56.9%

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CONCLUSION

More and more U.S. consumers dwelling in urban, suburban and rural areas live paycheck to paycheck, and inflationary pressures make it even more difficult for all consumers to pay their bills and build savings. This is particularly true of rural consumers with lower incomes, yet growing numbers of high-income consumers, many of whom live in urban and suburban areas, reported living paycheck to paycheck in February. After covering essential expenses, close to half of urban, suburban and rural consumers living paycheck to paycheck with issues paying their bills cannot cover a \$400 emergency expense. Inflation will most likely be part of the economic picture for months and years to come, and consumers living paycheck to paycheck across urban, suburban and rural areas will need to review their financial situations and plan their spending accordingly.

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METHODOLOGY

New Reality Check: The Paycheck-To-Paycheck Report is based on a census-balanced survey of 3,250 U.S. consumers conducted from Feb. 7 to Feb. 14. The Paycheck-To-Paycheck series expands on existing data published by state agencies such as the Federal Reserve System and the Bureau of Labor Statistics to provide a deep dive into the elements that lie at the backbone of the American consumer's 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: 52% of respondents identify as female, 32% are college-educated and 36% declared incomes of more than \$100,000 per year.

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