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 LendingClub

NEW REALITY CHECK: THE PAYCHECK-TO-PAYCHECK REPORT

THE HIGH EARNERS 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 a census-balanced survey of 2,326 complete responses from U.S. consumers that was conducted from March 9 to March 11 as well as an analysis of other economic data.

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INTRODUCTION

Inflationary pressures are continuing to weigh heavily on U.S. consumers’ economic prospects. The U.S. government’s April 2022 Consumer Price Index report finds that inflation has risen 8.3% over the past 12 months, with energy and food prices increasing the most.¹ And while costs everywhere are going up, more pandemic-related restrictions are lifting across the country, meaning that staying in and saving money may be harder than ever. We find that consumers in all income brackets — including those who make more than \$100,000 annually — are living paycheck to paycheck. PYMNTS’ research finds that 61% of U.S. consumers were living paycheck to paycheck in April 2022, marking a 9 percentage point increase from 52% in April 2021, meaning that approximately three in five U.S. consumers devote nearly all of their salaries to expenses with little to nothing left over at the end of the month.

Our data reveals that slightly more than one in three consumers earning \$250,000 or more annually currently live paycheck to paycheck. These top-earning consumers handle their financial lifestyles in interesting ways, however, as they are associated with stronger credit scores and more intense credit usage and likely to moderate their cash flows. Those earning over \$250,000 are 40% more likely to use financial products than consumers in the lowest bracket and as many as 63% of them have above average credit scores, exceeding 750 points.

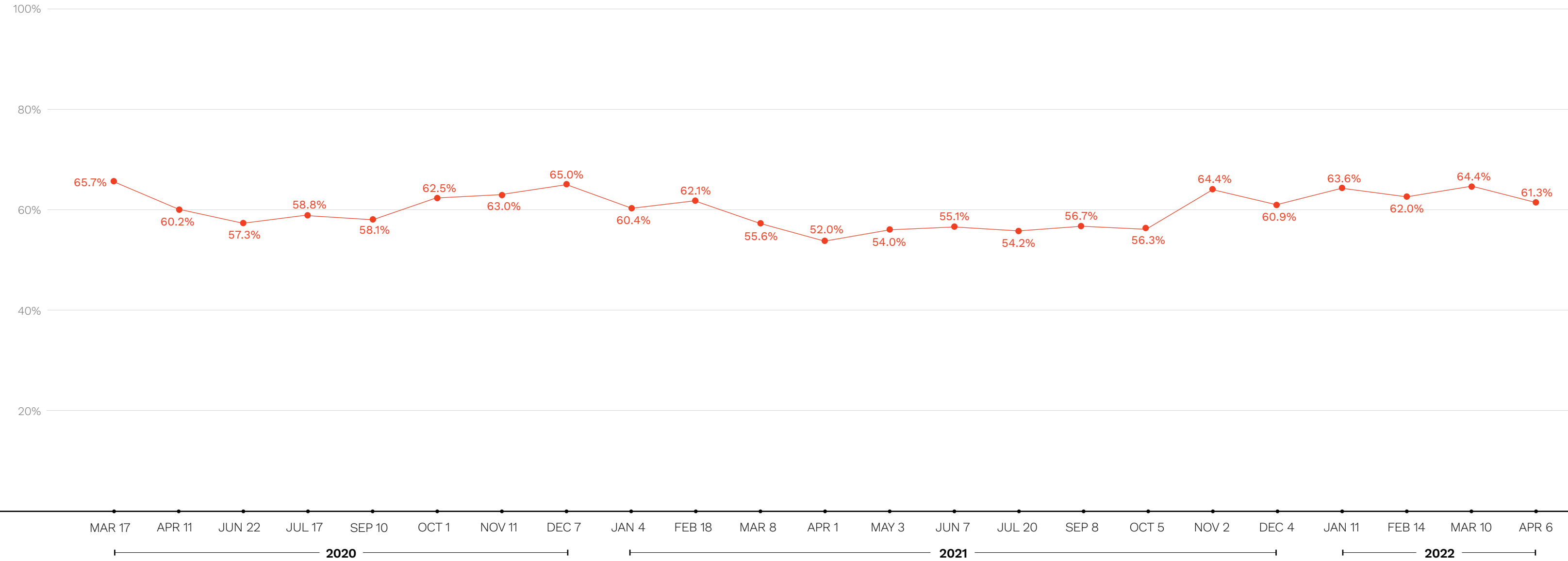
These are just some of the findings to emerge from this edition of New Reality Check: The Paycheck-To-Paycheck Report, a PYMNTS and LendingClub collaboration. The High Earners Edition examines the financial lifestyles of the growing share of high-income U.S consumers who live paycheck to paycheck and the impacts on their ability to access credit and other expense management tools. The series draws on insights from a survey of 4,048 U.S. consumers that was conducted from April 6 to April 13, as well as an analysis of other economic data.^{2,3}

This is what we learned.

¹ Author unknown. Consumer Price Index. U.S. Bureau of Labor Statistics. 2022. <https://www.bls.gov/cpi/>. Accessed May 2022.
² Author unknown. Consumer Credit. Board of Governors of the Federal Reserve System. 2022. <https://www.federalreserve.gov/releases/g19/current/>. Accessed May 2022.
³ Author unknown. Current Employment Statistics. U.S. Bureau of Labor Statistics. 2022. <https://www.bls.gov/ces/>. Accessed May 2022.

FIGURE 1:
Consumers living paycheck to paycheck
Share of U.S. consumers living paycheck to paycheck, over time

N = 4,048: Complete responses
Source: PYMNTS | LendingClub
New Reality Check: The Paycheck-To-Paycheck Report



PART I: THE CURRENT PAYCHECK-TO-PAYCHECK LANDSCAPE

Close to two-thirds of the U.S. population — about 157 million adults — currently live paycheck to paycheck, making it the main financial lifestyle in the United States.

Though lower incomes generally correlate with financial distress, 36% of consumers who earn \$250,000 or more annually live paycheck to paycheck.

In April, 61% of consumers lived paycheck to paycheck, down from 64% in March. Over time, however, this share has been trending up: The share of consumers living paycheck to paycheck has increased 9 percentage points from 52% in April 2021.

While the share of high-income consumers living paycheck to paycheck decreased slightly in April, it has risen year over year. Forty-two percent of consumers earning more than \$100,000 per year reported living paycheck to paycheck in April 2022 — a decrease from 49% in March 2022, but an increase from 40% in April 2021. Consumers in the highest income brackets are not immune to these trends. In April 2022, 36% of consum-

ers earning \$250,000 or more annually lived paycheck to paycheck, as did those earning between \$200,000 and \$250,000 per year.

We find that paycheck-to-paycheck consumers fall into two categories: those who can pay their bills easily and those who cannot. In April 2022, 40% — or approximately 102 million U.S. consumers — were living paycheck to paycheck without difficulties paying monthly bills, an increase from 31% — or an estimated 81 million consumers — in April 2021. The share of those living paycheck to paycheck with issues paying their bills also rose, albeit slightly, to 22% in April 2022 from 21% in April 2021.

24%

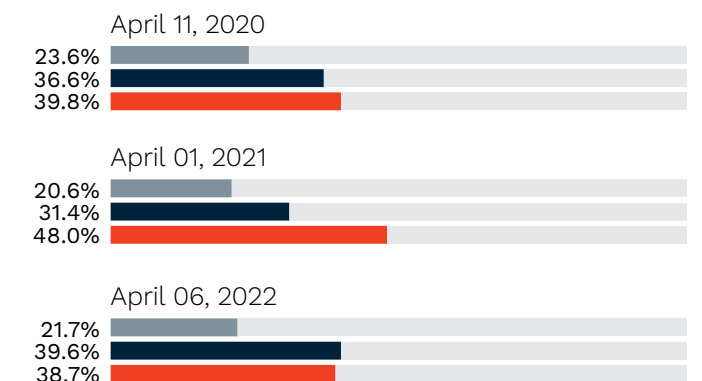
SHARE OF CONSUMERS EARNING MORE THAN \$250,000 WHO WERE LIVING PAYCHECK TO PAYCHECK WITHOUT ISSUES PAYING THEIR BILLS IN APRIL 2022

Our data also finds that, in April 2022, 36% of consumers earning \$100,000 to \$150,000, 31% earning \$150,000 to \$200,000, 26% earning \$200,000 to \$250,000 and 24% earning more than \$250,000 were living paycheck to paycheck without issues paying their bills. Between 10% and 12% of consumers in these higher income brackets were living paycheck to paycheck with issues paying their bills in April, while 19% of middle-income consumers (those earning \$50,000 to \$100,000) and 36% of lower-income consumers (those earning less than \$50,000) were living paycheck to paycheck with issues paying their bills.

FIGURE 2:

Consumers' financial lifestyles

Share of consumers with different financial lifestyles, over time



N = 4,048 Complete responses
Source: PYMNTS | LendingClub
New Reality Check: The Paycheck-To-Paycheck Report

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

FIGURE 3:
Consumers living paycheck to paycheck
Share of consumers who live paycheck to paycheck, over time and by income

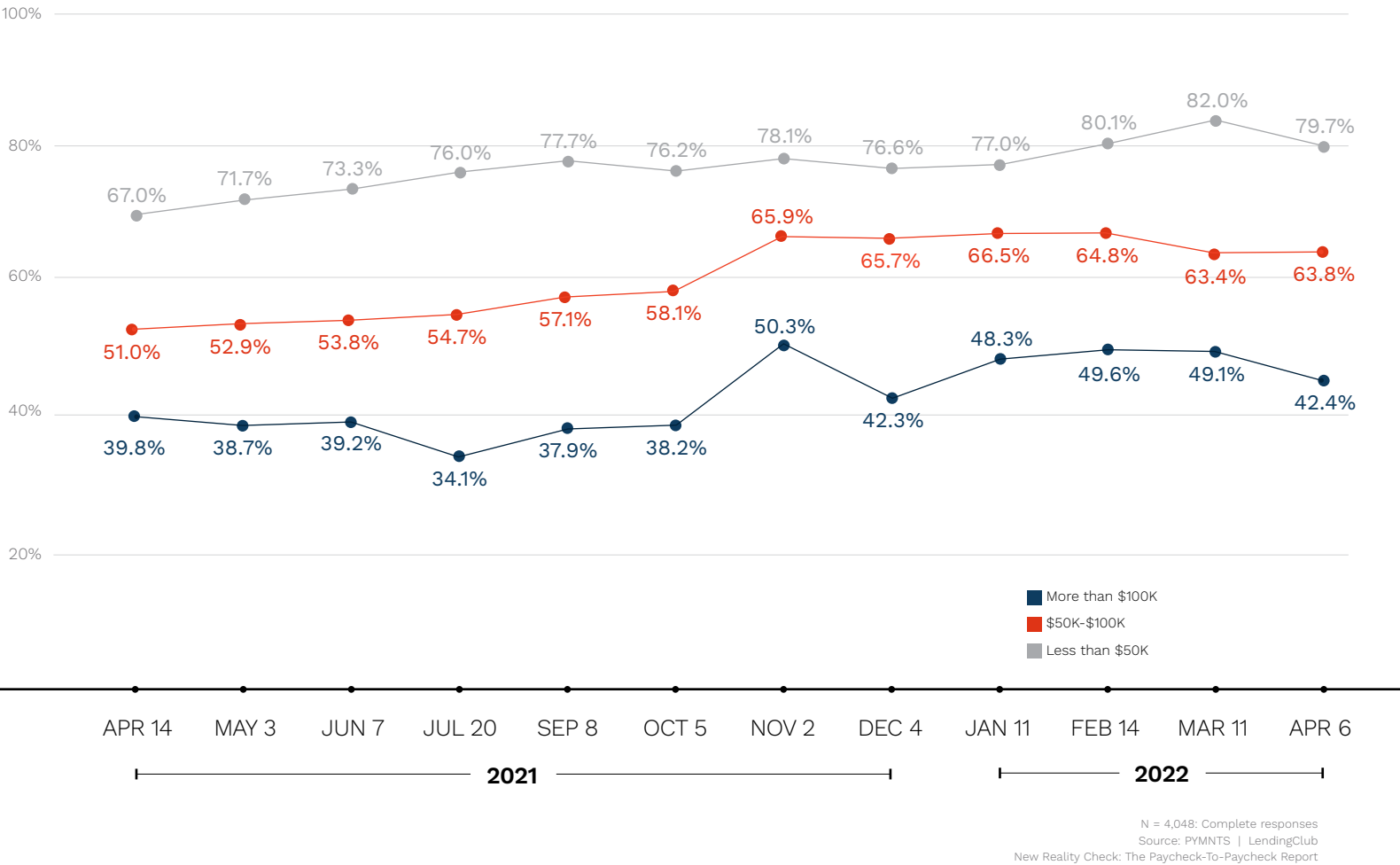
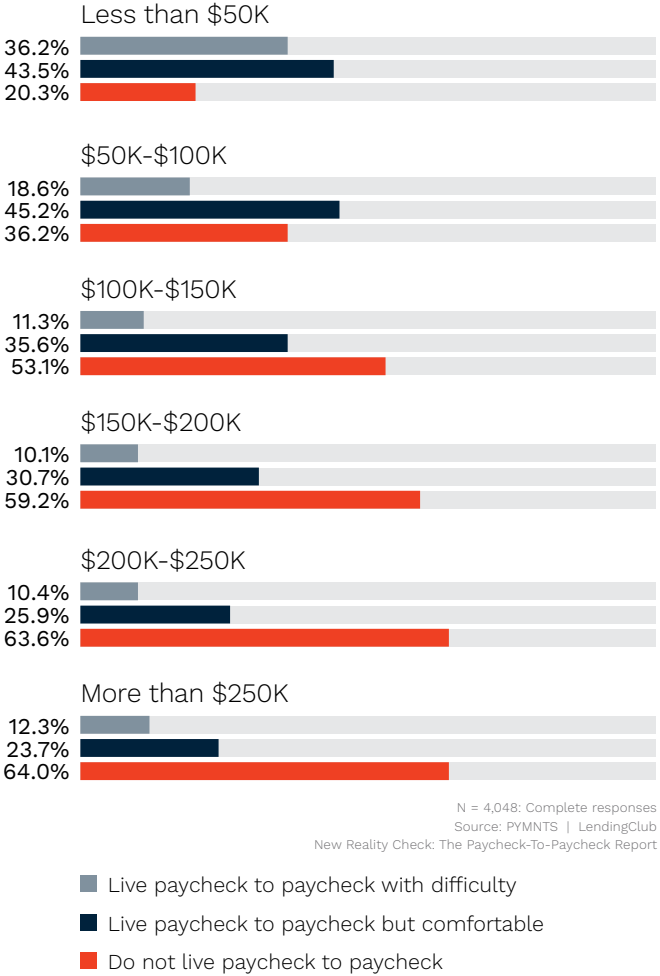


FIGURE 4:
Income's impact on consumers' financial lifestyles
Share of consumers who live different financial lifestyles, by income



PART II: KEEPING UP WITH CREDIT SCORES

Credit scores strongly correlate with income, yet one-third of those earning more than \$250,000 report average or below average credit scores. Higher-income consumers recognize credit's value and tend to check their credit scores more frequently.

PYMNTS' research finds that consumers' average credit scores tend to increase with income: 63% of those earning more than \$250,000 a year report having above average credit scores. The average credit score for these respondents is 758. Our data also finds that 18% of consumers earning more than \$250,000 a year report having average credit scores, while 13% report having below average credit scores.

Approximately half of consumers earning between \$100,000 and \$250,000 report above average credit scores as well. In contrast, just 18% of consumers earning less than \$50,000 a year have above-average credit scores, and 40% of this group have a below-average credit score of 650 or less. Those who make less than \$50,000 a year have an average a credit score of 641.

Our data also finds that consumers with higher incomes tend to check

their credit scores more frequently. Sixty-three percent of consumers checked their credit scores in the month prior to being surveyed, and roughly 37% checked them in the week prior to the survey. Among those reporting incomes over \$250,000 per year, 41% checked their credit scores in the same week they took the survey, and as many as 19% did so in the 24 hours before being surveyed.

Interestingly, the share of higher-income consumers who checked their credit scores in the same week they took the survey is similar to the share of paycheck-to-paycheck consumer with issues paying their bills who did the same, as 44% of those living paycheck to paycheck and struggling to pay their bills also checked their credit scores in the week prior to being surveyed. It seems that financial distress also may correlate with credit awareness, indicating that consumers care about their credit reputations.

FIGURE 5A:
How consumers' most recent credit scores measure up
Consumers' average credit scores, by income

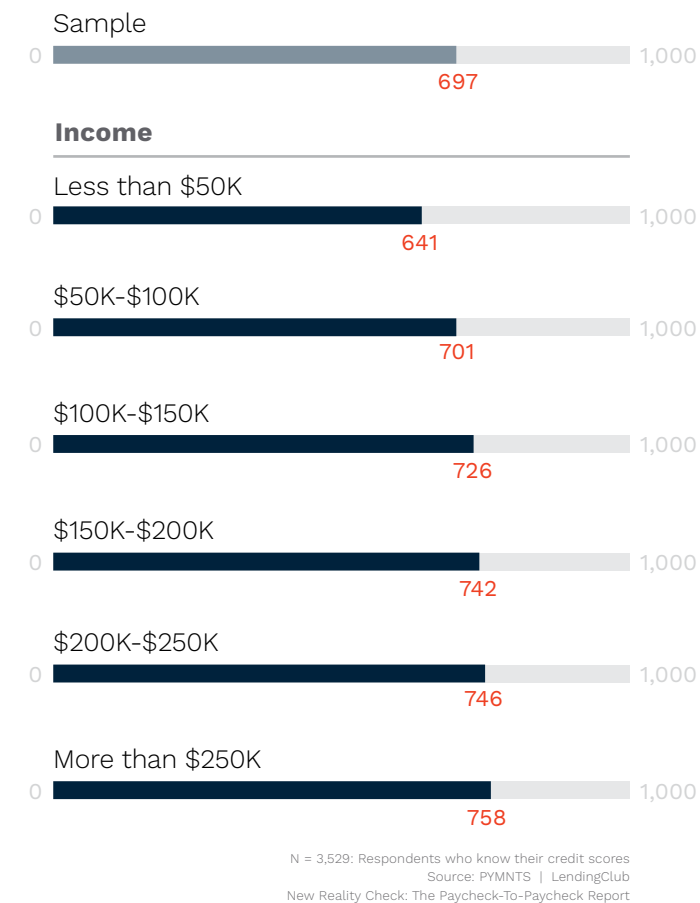
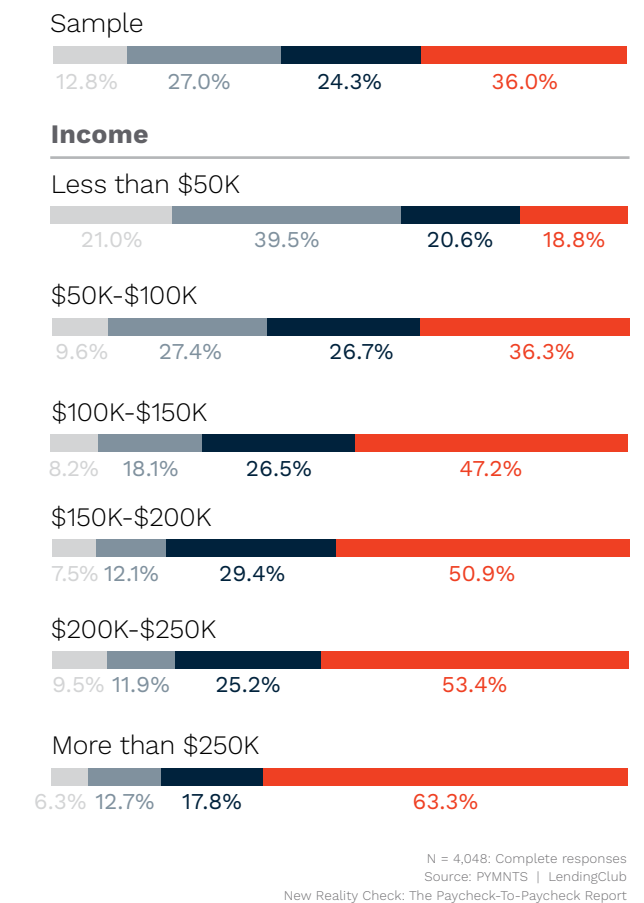


FIGURE 5B:
How consumers' most recent credit scores measure up
Share of consumers in different credit score brackets, by income

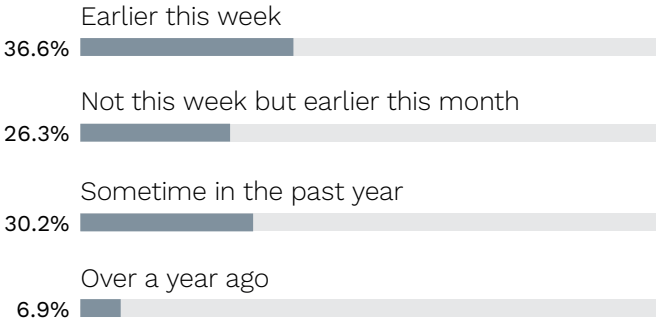


■ Do not know their credit scores
■ Below average (300 to 650)
■ About average (651 to 750)
■ Above average (751 to 850)

FIGURE 6A:

When consumers last checked their credit scores

Share of consumers who checked their credit scores at specific times

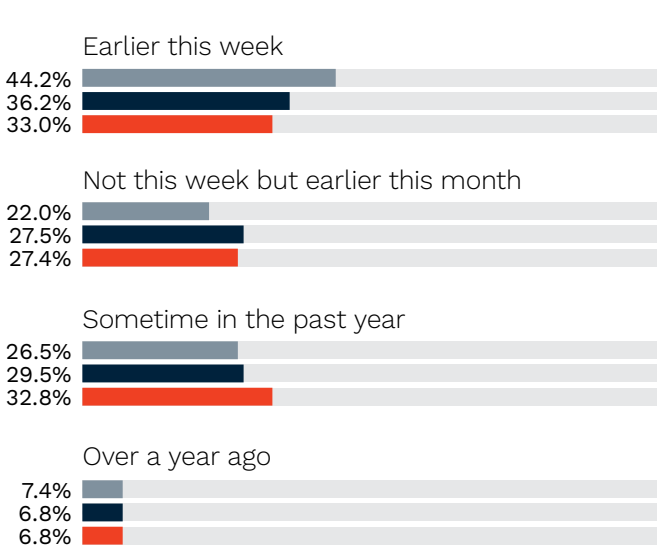


N = 3,529: Respondents who know their credit scores
Source: PYMNTS | LendingClub
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FIGURE 6B:

When consumers last checked their credit scores

Share of consumers who checked their credit scores at specific times, by financial lifestyle



N = 3,529: Respondents who know their credit scores
Source: PYMNTS | LendingClub
New Reality Check: The Paycheck-To-Paycheck Report

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

TABLE 1:

How consumers' incomes affect how often they check their credit scores

Share of consumers checked their credit scores at specific times, by income

	Earlier this week	Not this week but earlier this month	Sometime in the past year	Over a year ago
• Less than \$50K	35.2%	24.9%	29.5%	10.5%
• \$50K-\$100K	36.4%	24.6%	32.4%	6.5%
• \$100K-\$150K	36.5%	28.0%	31.6%	4.0%
• \$150K-\$200K	37.0%	33.2%	25.9%	4.0%
• \$200K-\$250K	41.9%	30.3%	24.2%	3.6%
• More than \$250K	40.7%	24.2%	28.2%	6.9%

N = 3,529: Respondents who know their credit scores
Source: PYMNTS | LendingClub
New Reality Check: The Paycheck-To-Paycheck Report

13%

SHARE OF CONSUMERS EARNING MORE THAN \$250,000 WHO REPORT HAVING BELOW AVERAGE CREDIT SCORES

PART III: USING CREDIT TO MANAGE CASH FLOW

Consumers earning over \$250,000 are 40% more likely to engage with financial products than consumers in the lowest income bracket. Roughly 85% of high-income U.S. consumers have made a credit product payment in the last 90 days.

Credit products are a cash flow management tool for paycheck-to-paycheck consumers, especially those in higher income brackets. PYMNTS' research finds that approximately 15% of U.S. consumers who earn more than \$250,000 annually have not made a credit product payment in the last three months. In contrast, 39% of consumers earning less than \$50,000 and 32% of all paycheck-to-paycheck consumers with issues paying their bills have not paid for a credit product in the last three months.

Our data also finds that 62% of respondents have made a credit card payment in the past three months and that higher-income consumers are more likely to do so. Approximately three-quarters of consumers earning more than \$100,000 have made a credit card payment during that span, with those earning between \$200,000 and \$250,000 being the most likely to do so. Just 47% of consumers earning less than \$50,000 and 48% of paycheck-to-paycheck consumers with issues paying their bills have used a credit card in the last three months. Higher-income consumers have also made personal loan payments at an above-average rate of 14%.

PYMNTS' data shows that consumers who earn more than \$250,000 a year are more likely to engage with credit cards and personal loans than consumers who earn less than \$50,000. Utilization of credit cards, based on credit card payments, ranges from 47% among lower-income consumers to 73% among consumers in the highest income bracket. Personal loan usage ranges from 9% to 14%.

Credit card ownership remains high: 81% of U.S. adults of all financial lifestyles say they have at least one credit card. This share grows as annual income increases, with 95% of consumers who earn more than \$250,000 a year reporting they hold at least one credit card. While 26% of consumers earning more than \$250,000 have two cards, we find that they are also the most likely income bracket to have three credit cards, at 22%.

22%

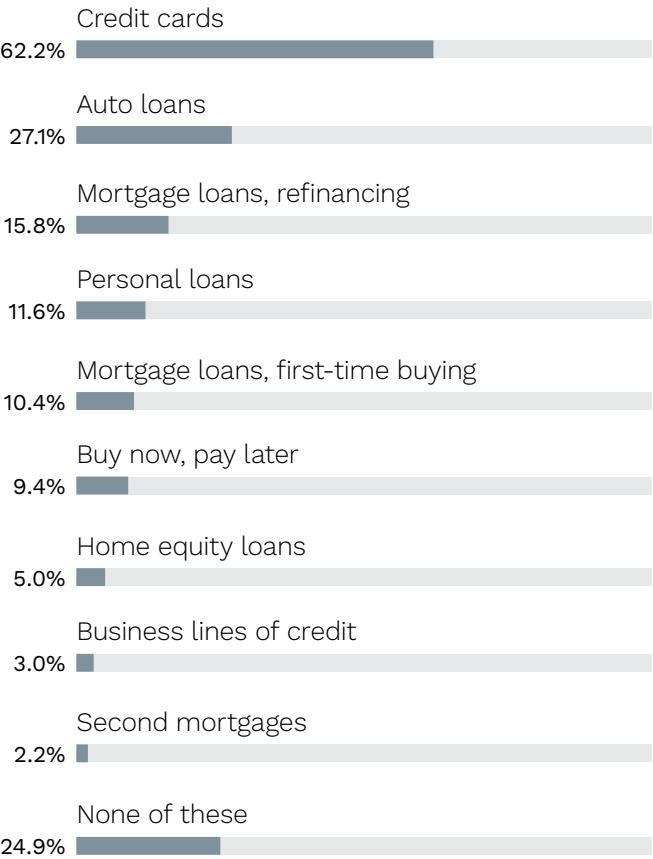
SHARE OF CONSUMERS
EARNING MORE THAN
\$250,000 WHO REPORT
HAVING THREE
CREDIT CARDS



FIGURE 7A:

Consumers’ credit product-related payments in the last 90 days

Share of consumers who made credit product-related payments in the last 90 days, by type of payment

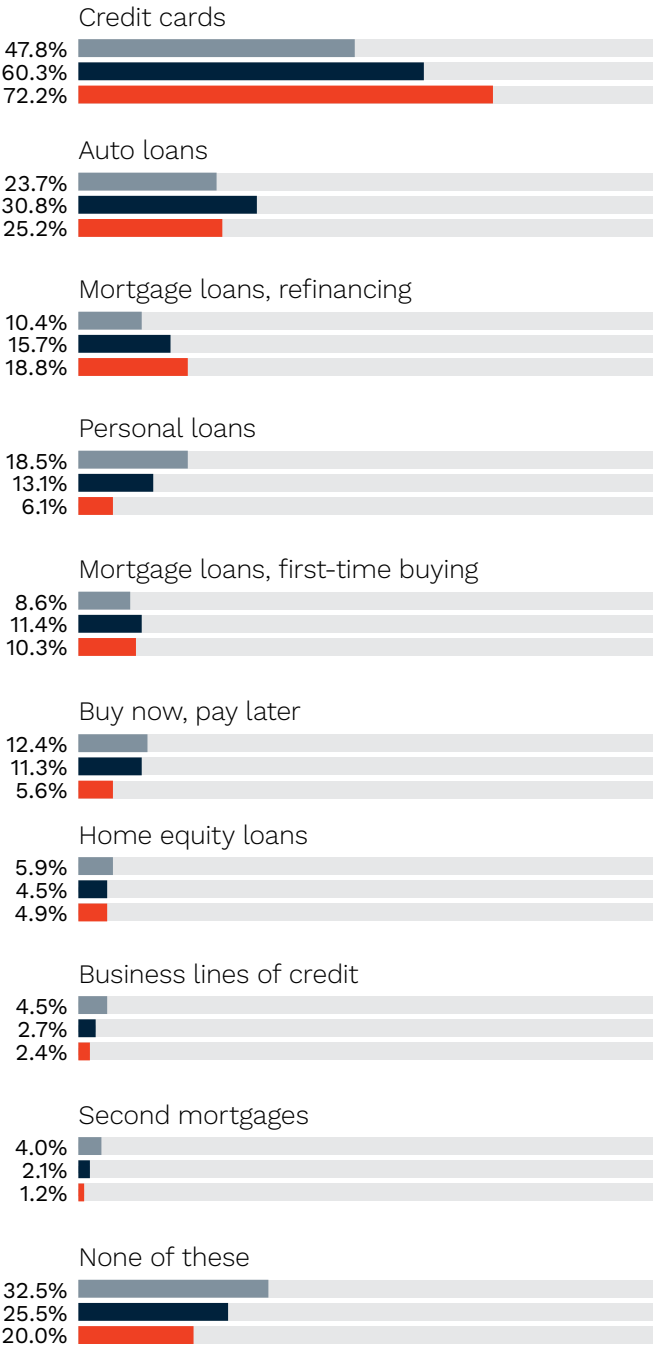


N = 4,048: Complete responses
Source: PYMNTS | LendingClub
New Reality Check: The Paycheck-To-Paycheck Report

FIGURE 7B:

Consumers’ credit product-related payments in the last 90 days

Share of consumers who made credit product-related payments in the last 90 days, by type of payment and financial lifestyle



N = 4,048: Complete responses
Source: PYMNTS | LendingClub
New Reality Check: The Paycheck-To-Paycheck Report

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

TABLE 2:

Income and credit product-related payments

Share of consumers who made credit product-related payments in the last 90 days, by type of payment and income

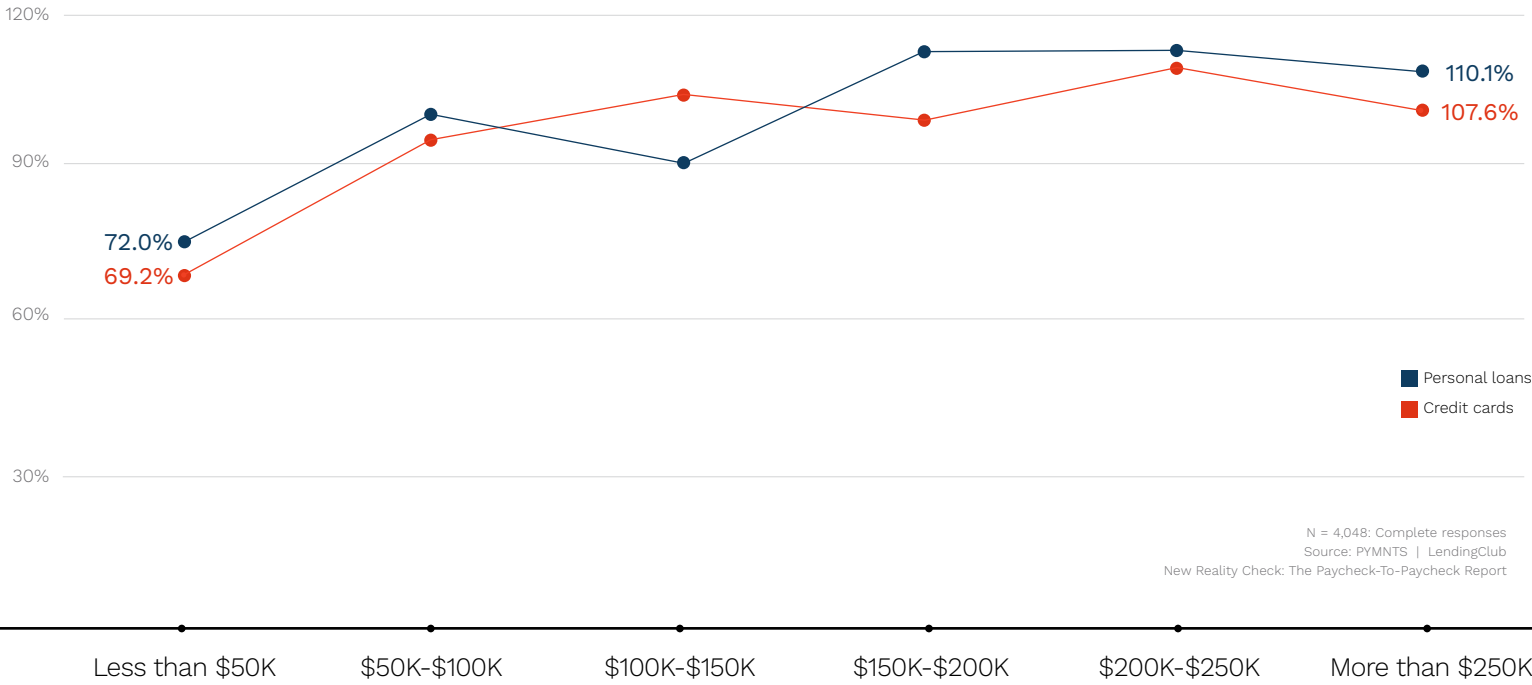
	Less than \$50K	\$50K-\$100K	\$100K-\$150K	\$150K-\$200K	\$200K-\$250K	More than \$250K
• Credit cards	47.0%	65.2%	74.2%	72.9%	75.4%	73.1%
• Auto loans	17.0%	30.1%	35.7%	35.5%	32.8%	26.8%
• Mortgage loans, refinancing	8.4%	15.6%	23.4%	22.9%	21.0%	21.7%
• Personal loans	9.1%	12.9%	11.4%	14.2%	14.2%	13.9%
• Mortgage loans, first-time buying	4.9%	12.1%	13.0%	15.6%	12.6%	15.3%
• Buy now, pay later	8.4%	9.2%	10.6%	8.9%	11.4%	10.8%
• Home equity loans	2.0%	5.2%	8.1%	7.9%	4.4%	7.1%
• Business lines of credit	1.1%	3.1%	2.1%	5.7%	5.5%	9.4%
• Second mortgages	1.0%	1.8%	1.7%	4.6%	4.7%	6.3%
• None of these	39.4%	20.8%	15.0%	13.4%	17.4%	14.9%

N = 4,048: Complete responses
Source: PYMNTS | LendingClub
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FIGURE 8:

Analyzing credit product utilization across income groups

Share of income group utilization relative to sample utilization (equal usage = 100%), by credit product



N = 4,048: Complete responses
Source: PYMNTS | LendingClub
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PART IV:
LIVING PAYCHECK TO PAYCHECK: REVOLVING CREDIT TRENDS

Paycheck-to-paycheck consumers tend to carry higher monthly credit card balances, independent of income.

Those that earn more are most likely to fully pay off their balances each month, however.

The average U.S. consumer uses 40% of their available credit card limits monthly, according to PYMNTS’ research. This usage is higher than the 30% often recommended by credit experts for perceived creditworthiness. With an average credit limit of \$7,300, the average U.S. consumer spends \$2,900 per month across two credit cards.

Consumers earning \$250,000 or more annually average credit card usage of 44% of their spending limit of \$10,500. This means that the gap between credit limits and spending expands to \$5,900 for those in the highest income bracket; the gap is \$4,400 for the average consumer.

Consumers living paycheck to paycheck without issues paying their bills report an average balance of 48% of their credit limit, which averages to \$6,165 across two credit cards. Paycheck-to-paycheck consumers with issues paying their bills, on the other hand, tend to nearly saturate their average credit card spending limit of \$4,230. Using 87% of their credit limit on average, they are only \$550 away from reaching their credit limit.

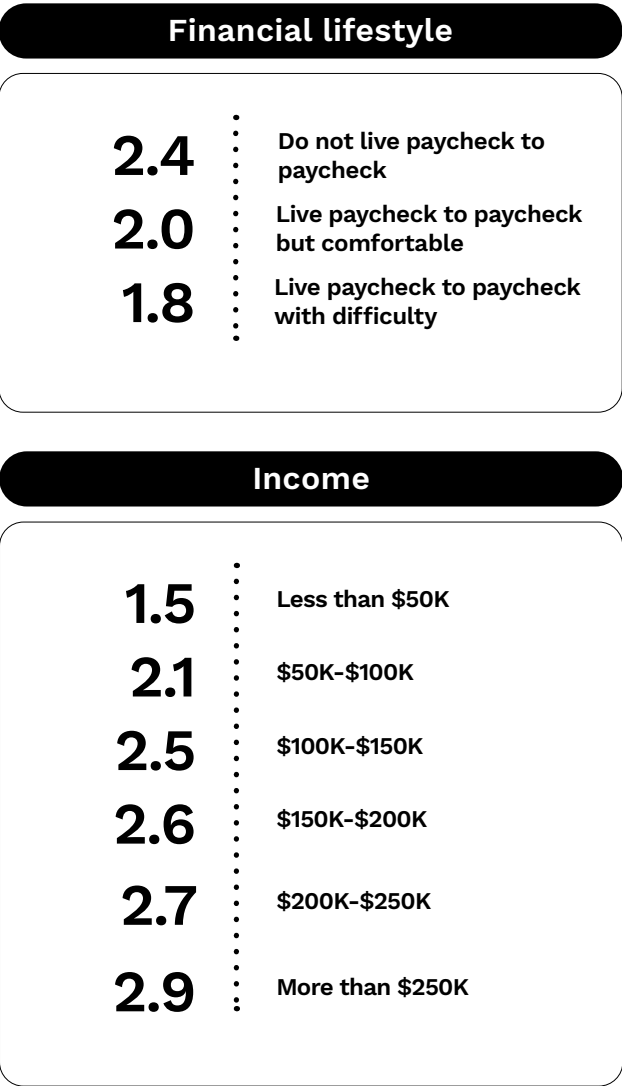
Paycheck-to-paycheck consumers have higher monthly credit card balances independent of annual income, yet 46% of paycheck-to-paycheck consumers also “never” or “rarely” revolve their credit balances. We also find a correlation between

higher income and lower likelihoods that consumers will revolve their credit balances. Data shows that at least 60% of paycheck-to-paycheck consumers who earn over \$200,000 “never” or “rarely” revolve their credit balances, compared to 51% of paycheck-to-paycheck consumers who earn between \$150,000 and \$200,000 and less than half of paycheck-to-paycheck consumers who earn less than \$150,000 who report the same.

The gap between the average sum of credit card balances of consumers living paycheck to paycheck and consumers not living paycheck to paycheck is largest among those in the highest income brackets. Among those earning more than \$200,000, for instance, the sum of average balances for consumers living paycheck to paycheck is, on average, \$1,300 higher than that sum for consumers in the same bracket who do not live paycheck to paycheck. For lower-income consumers, the margin is razor thin, as the difference in average balances is less than \$200 among those earning less than \$50,000 annually.

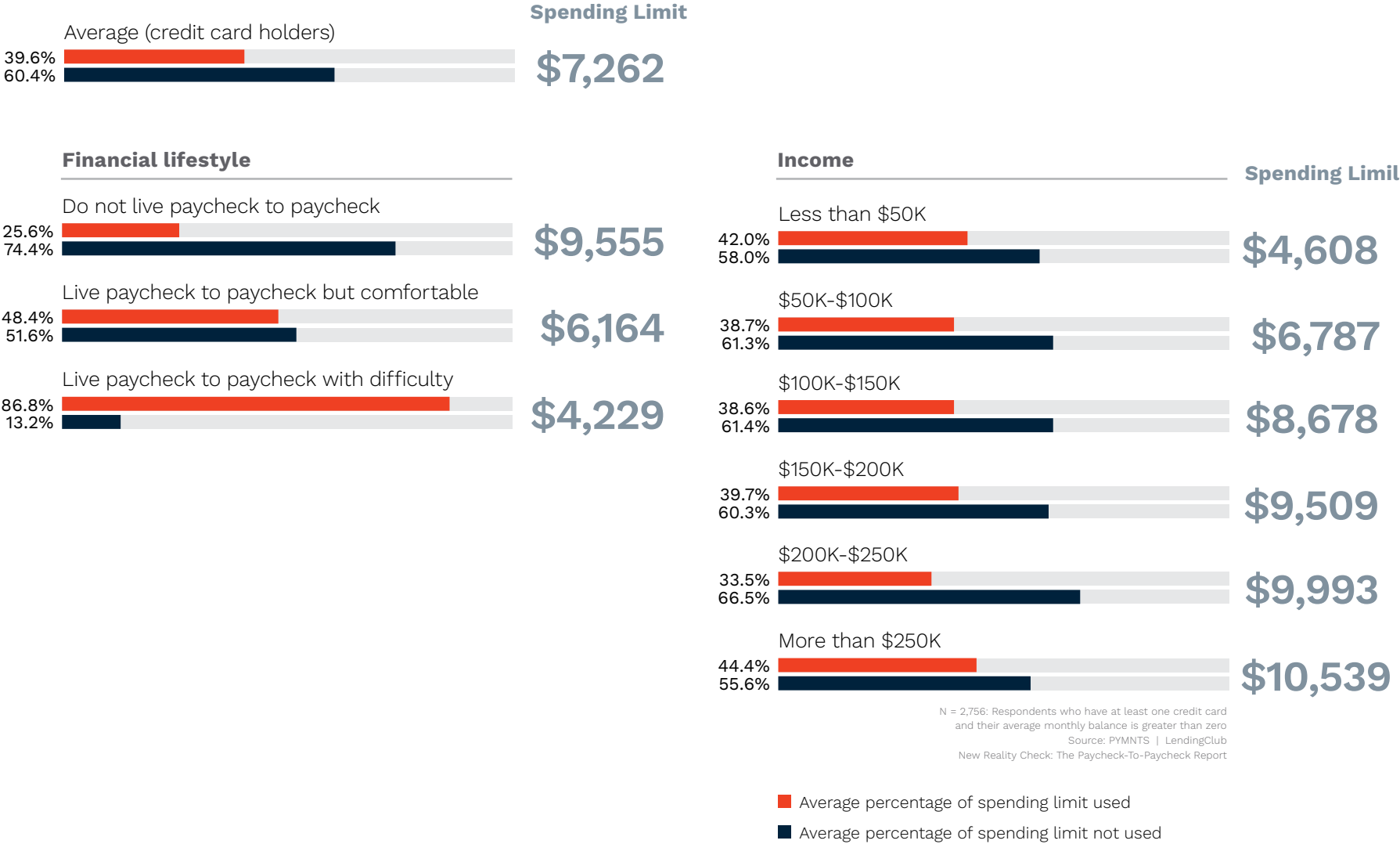
FIGURE 9:
Details on consumers’ credit cards, spending limits and monthly balances
Average number of credit cards consumers hold, by financial lifestyle and income

Average (credit card holders) 2.1



N = 2,756: Respondents who have at least one credit card and their average monthly balance is greater than zero
Source: PYMNTS | LendingClub
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FIGURE 10:
Consumers' credit limits and utilization
Average credit limit and share of limit used in an average month, by financial lifestyle and income



46%

SHARE OF
PAYCHECK-TO-PAYCHECK
CONSUMERS FROM ALL
INCOME BRACKETS WHO
“NEVER” OR “RARELY”
REVOLVE THEIR CREDIT
BALANCES

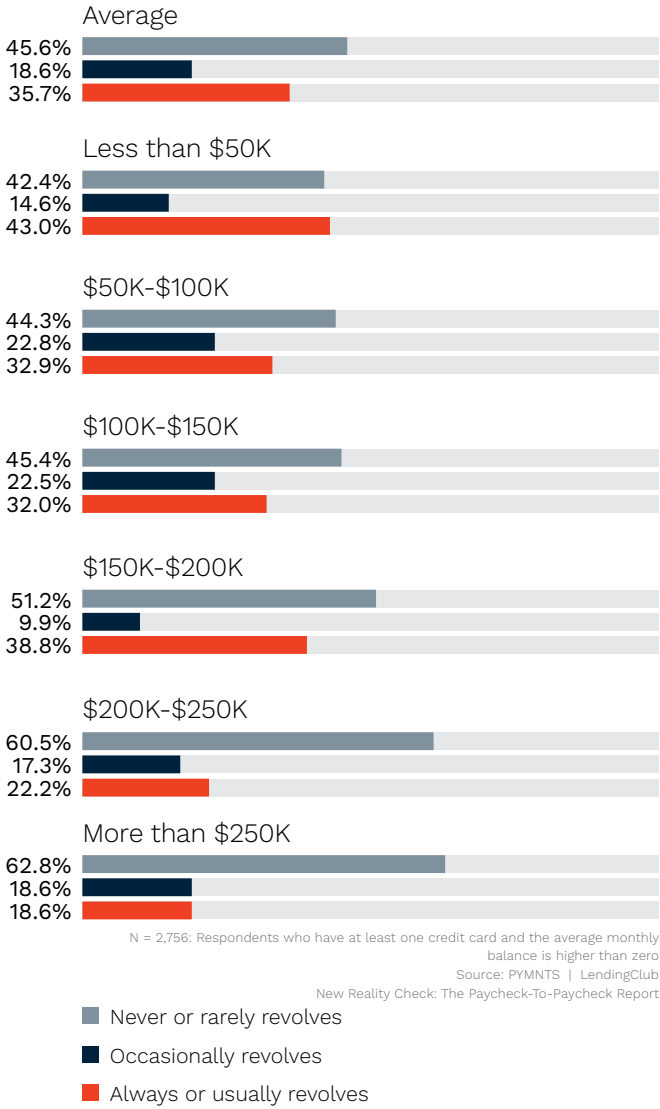


FIGURE 11A:
How paycheck-to-paycheck consumers manage and revolve credit card balances
Average sum of monthly balances on all credit cards in the last six months, by income

Income		
	Paycheck to paycheck	Sample
Average	\$3,200	\$2,879
Less than \$50K	\$2,125	\$1,934
\$50K-\$100K	\$2,972	\$2,629
\$100K-\$150K	\$4,444	\$3,350
\$150K-\$200K	\$4,436	\$3,775
\$200K-\$250K	\$4,734	\$3,350
More than \$250K	\$5,955	\$4,681

Paycheck-to-paycheck consumers:
N = 1,112: Less than \$50K
N = 646: \$50K-\$100K
N = 337: \$100K-\$150K
N = 139: \$150K-\$200K
N = 96: \$200K-\$250K
N = 133: \$250K+
Source: PYMNTS | LendingClub
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FIGURE 11B:
How paycheck-to-paycheck consumers manage and revolve credit card balances
Share of paycheck-to-paycheck consumers who manage credit card balances in specific ways, by income



60%

SHARE OF PAYCHECK-TO-PAYCHECK CONSUMERS WHO EARN OVER \$200,000 WHO “NEVER” OR “RARELY” REVOLVE THEIR CREDIT BALANCES



CONCLUSION

As rising inflation makes it increasingly difficult to pay bills and build savings, U.S. consumers of all types are now living paycheck to paycheck, including those at the highest income levels. As of April, more than one-third of paycheck-to-paycheck consumers report earning more than \$250,000. These consumers tend to use credit products to manage their spending more than those in lower income brackets. Like many paycheck-to-paycheck consumers, they remain creditworthy and maintain above average credit scores and are apt to tap into credit cards and other payment options, such as personal loans, to manage their cash flows. Inflation will most likely be part of the economic picture for many months to come, and consumers living paycheck to paycheck of all income brackets 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 4,048 U.S. consumers conducted from April 6 to April 13. 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 look 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 identified as females, 32% were college-educated and 36% declared incomes of over \$100,000 per year.

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