NEW REALITY CHECK: THE PAYCHECK-TO-PAYCHECK REPORT

The Seasonal Financial Distress Deep Dive Edition

September 2023
Report

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New Reality Check: The Paycheck-to-Paycheck Report — The Seasonal Financial Distress Deep Dive Edition was produced in collaboration with LendingClub, and PYMNTS Intelligence is grateful for the company's support and insight. PYMNTS Intelligence retains full editorial control over the following findings, methodology and data analysis.

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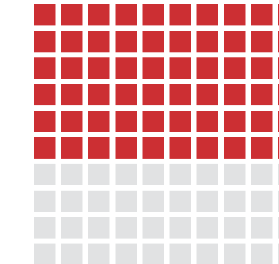
WHAT'S **AT STAKE**

Living paycheck to paycheck continues to be the predominant financial lifestyle in the United States, even as inflation has dropped from 9.1% in July 2022 to 3.7% in August 2023, according to the Bureau of Labor Statistics' Consumer Price Index.[1] Consumers continue to adjust their lifestyles to live within their means, yet 60% live paycheck to paycheck as of August 2023, with 19% struggling to pay monthly bills. Those living paycheck to paycheck include as many as 45% of high-income consumers. Despite efforts to manage budgets and put aside savings, many consumers across financial lifestyles report that their financial standing fluctuates with the seasons.

Nearly half of all consumers say that their finances are particularly tight at specific times of the year, including 28% of those not living paycheck to paycheck — with December, i.e., the holiday season, being the month most cited. When grouping distressing factors by quarter, changes in utility bills topped the list of reasons for Q1, tax payments led in Q2, school expenses led in Q3 and events and celebrations led in Q4. To smooth out these seasonal fluctuations, 1 in 5 consumers across all financial lifestyles cite using credit products as their top strategy.



60%

of consumers lived **paycheck to paycheck** as of August 2023.

These are just some of the findings detailed in this edition of New Reality Check: The Paycheck-to-Paycheck Report, a PYMNTS Intelligence and LendingClub collaboration. The Seasonal Financial Distress Deep Dive Edition examines the impact of seasonal spending on consumers' ability to manage expenses and put aside savings. This edition draws on insights from a survey of 4,218 U.S. consumers conducted from Aug. 2 to Aug. 15 and an analysis of other economic data.[2,3,4]

This is what we learned.

[1] Author unknown. Consumer Price Index. U.S. Bureau of Labor Statistics. 2023. https://www.bls.gov/cpi/. Accessed September 2023.

[2] Author unknown. Consumer Credit - G.19. Board of Governors of the Federal Reserve System. 2023. https://www.federalreserve.gov/releases/g19/current/. Accessed September 2023.

[3] Author unknown. Current Employment Statistics - CES (National). U.S. Bureau of Labor Statistics. 2023. https://www.bls.gov/ces/. Accessed September 2023.

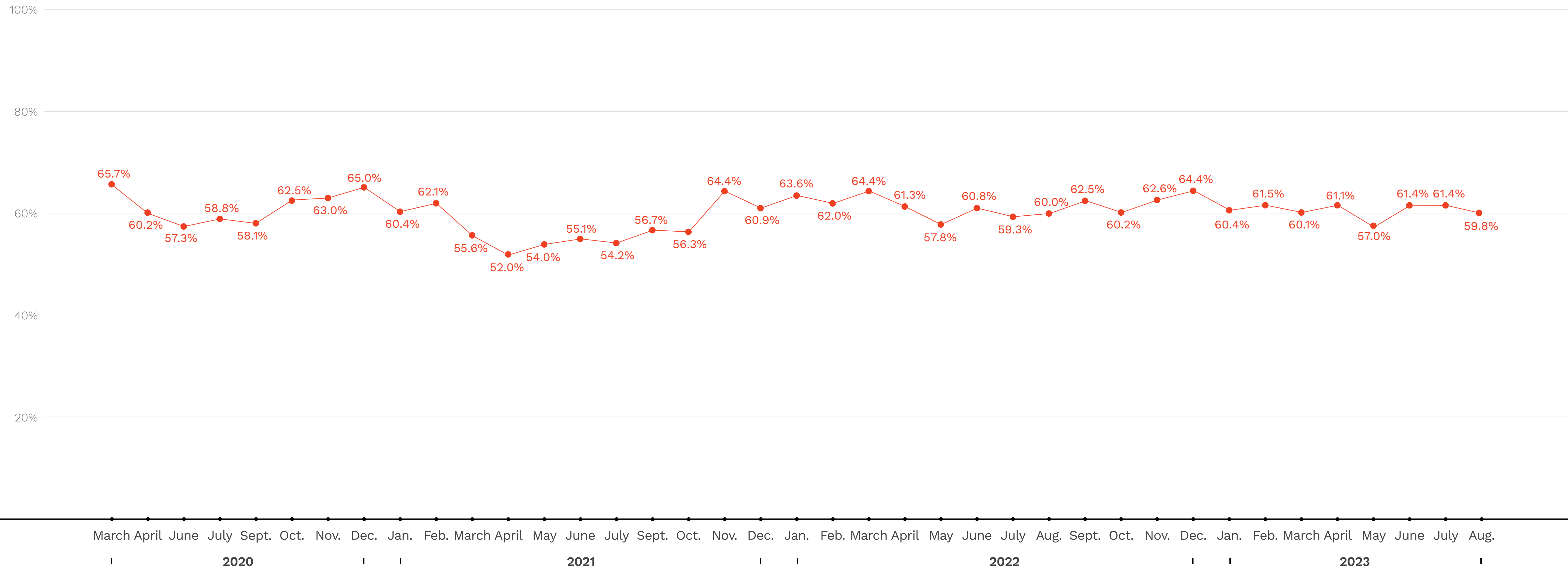
[4] Author unknown. Consumer Price Index Summary. U.S. Bureau of Labor Statistics. 2023. https://www.bls.gov/news.release/cpi.nr0.htm. Accessed September 2023.

FIGURE 1:

Consumers living paycheck to paycheck

Share of U.S. consumers living paycheck to paycheck, over time

Source: PYMNTS Intelligence
New Reality Check: The Paycheck-to-Paycheck Report, September 2023
N = 4,218: Whole sample, fielded Aug. 2, 2023 – Aug. 15, 2023



01

LITTLE CHANGE

At 60% in August 2023, the share of U.S. consumers living paycheck to paycheck is unchanged from August 2022.

45%

Share of consumers in the higher end of the income spectrum — those annually earning $100K or more — who see themselves as living paycheck to paycheck

02

SEASONAL SHIFTS

Nearly half of consumers say their financial standing fluctuates seasonally, including close to one-third of consumers not living paycheck to paycheck.

48%

Share of consumers who say their finances are particularly tight at specific times of the year

03

CELEBRATIONS COST

The factors that introduce seasonal financial distress vary significantly throughout the year, but events and celebrations are the most cited by consumers overall.

55%

Share of consumers facing seasonal swings in financial standing who cited events and celebrations as a reason for seasonal financial distress

04

MORE CREDIT

Using credit products to smooth out seasonal dips in financial standing is a top strategy across all financial lifestyles.

36%

Share of consumers feeling seasonal stress who used credit products, with 20% citing credit usage as their top strategy

PYMNTS IN DEPTH

Consumers across financial lifestyles continue to find ways to manage their cash flows but may still face financial distress due to seasonal swings in spending.

At 60% in August 2023, the share of U.S. consumers living paycheck to paycheck is unchanged from August 2022.

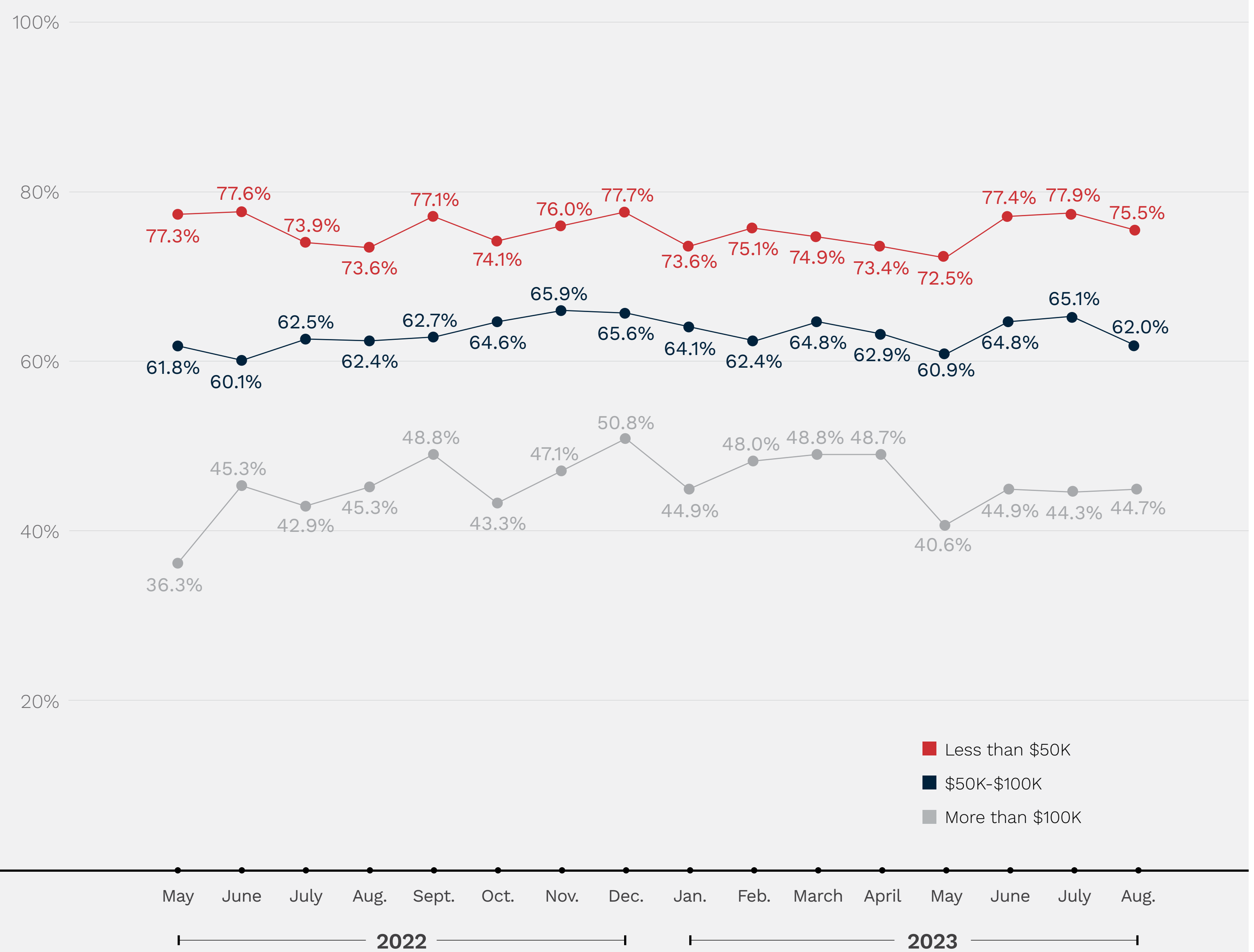
The share of consumers living paycheck to paycheck includes as many as 45% of consumers in the higher end of the income spectrum — those who annually earn $100,000 or more. Among consumers annually earning between $50,000 to $100,000, 62% lived paycheck to paycheck as of August 2023. The share of low-income consumers — those annually earning less than $50,000 — living paycheck to paycheck stands at 76%. Just one-quarter of low-income consumers report not living paycheck to paycheck.

The share of struggling paycheck-to-paycheck consumers remains practically unchanged year over year as well. As of August 2023, 19% of consumers lived paycheck to paycheck with issues paying bills. The share of consumers living paycheck to paycheck without issues paying monthly bills is 41%, also unchanged compared to last year. With ongoing inflation, U.S. consumers remain resilient by adjusting their spending to live within their means.

FIGURE 2:

Consumers in different income brackets who live paycheck to paycheck

Share of U.S. consumers living paycheck to paycheck, by annual income

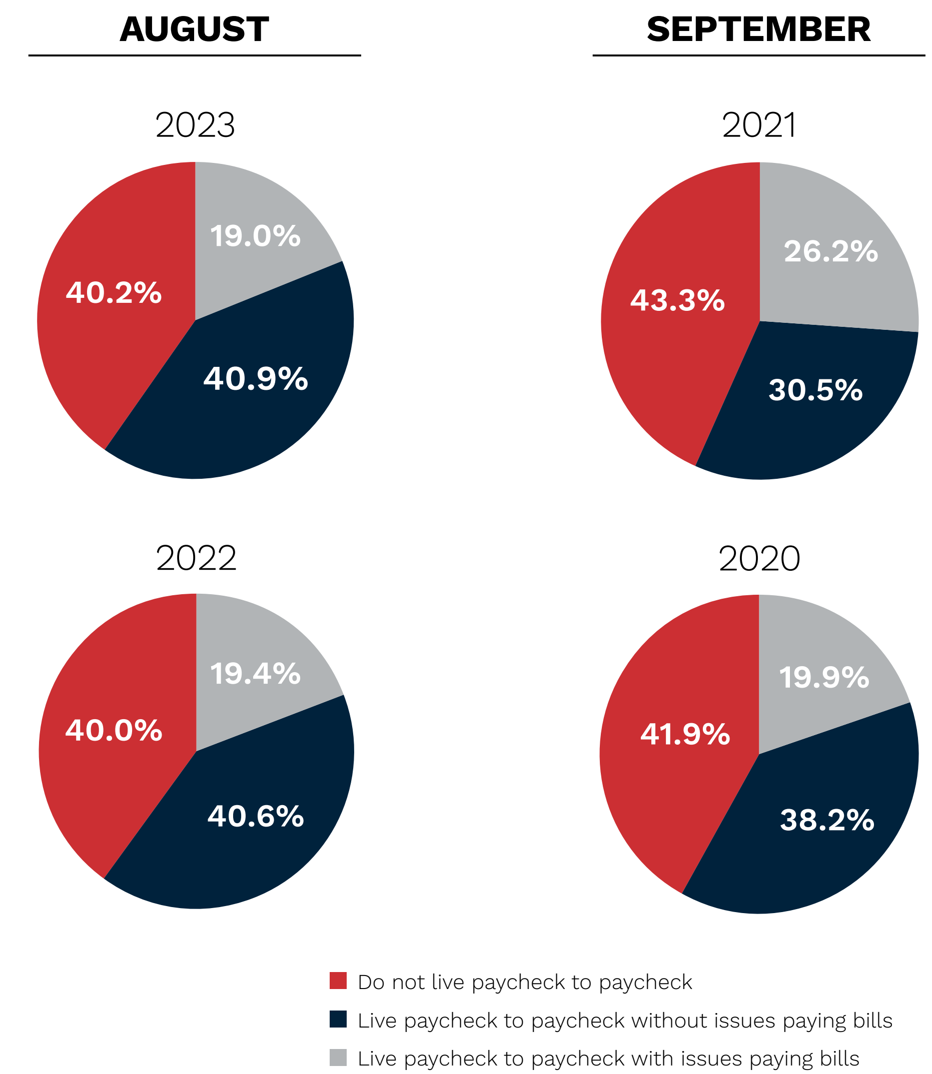


Source: PYMNTS Intelligence
New Reality Check: The Paycheck-to-Paycheck Report, September 2023
N = 4,218: Whole sample, fielded Aug. 2, 2023 – Aug. 15, 2023

FIGURE 3:

Consumers' financial lifestyles

Share of consumers with different financial lifestyles, over time



Source: PYMNTS Intelligence
New Reality Check: The Paycheck-to-Paycheck Report, September 2023
N = 4,218: Whole sample,
fielded Aug. 2, 2023 – Aug. 15, 2023

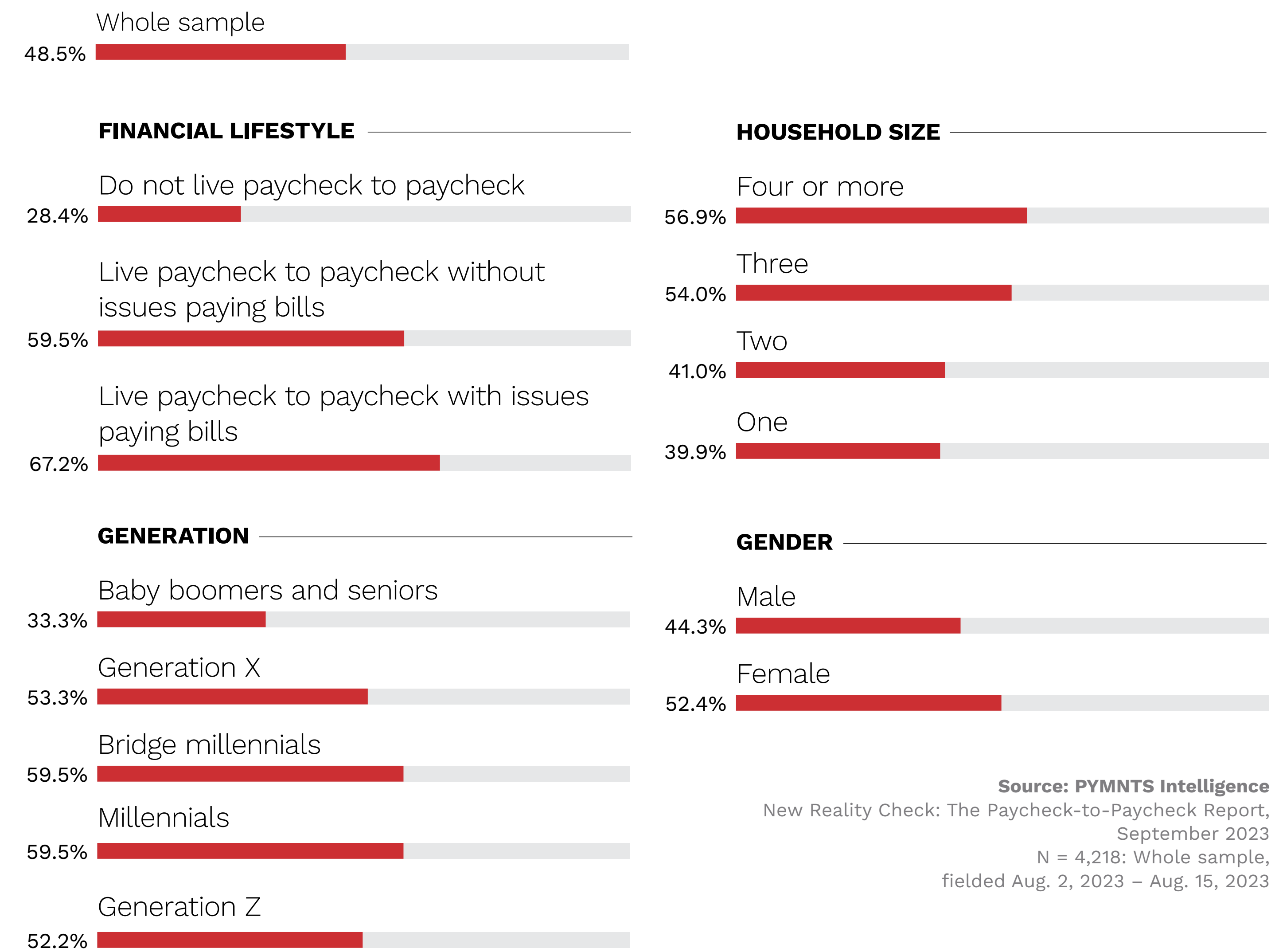
Nearly half of consumers say their financial standing fluctuates seasonally, including close to one-third of consumers not living paycheck to paycheck.

Seasonal fluctuations in financial conditions can induce 30 million consumers not living paycheck to paycheck to think and act as if they do live paycheck to paycheck. While 49% of all consumers consider their financial situation particularly tight at specific times of the year, 28% of consumers in this group do not live paycheck to paycheck. Meanwhile, 60% of consumers living paycheck to paycheck without issues paying monthly bills cite experiencing seasonal shifts in their financial livelihood, as do 67% of those struggling to pay bills. At 60%, millennials are the generation most likely to say that their financial situation is particularly tight at specific times of the year. Also, 57% of consumers with a household size of four or more say the same.

FIGURE 4:

Fluctuations in financial stress

Share of consumers whose financial stress varies throughout the year, by demographic



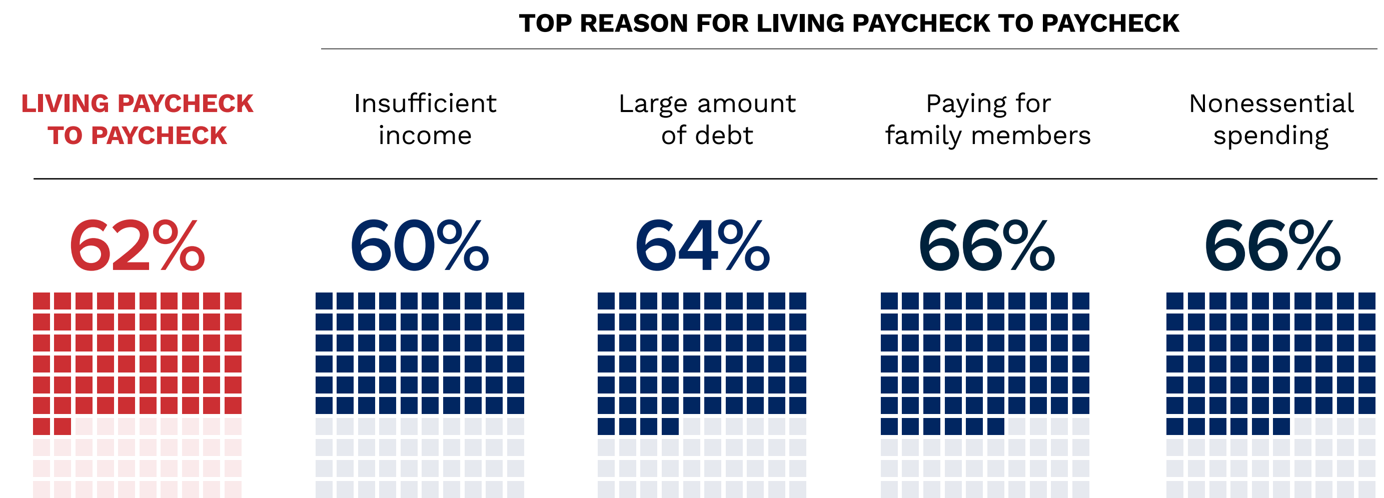
Source: PYMNTS Intelligence
New Reality Check: The Paycheck-to-Paycheck Report, September 2023
N = 4,218: Whole sample, fielded Aug. 2, 2023 – Aug. 15, 2023

December is the month most cited by consumers as the most financially stressful across all financial lifestyles, and holiday spending is the most likely reason. Thirty-six percent of all consumers cite December as a month where they experience seasonal financial distress, followed by November and January, at 19% and 15% of consumers, respectively.

Two-thirds of consumers who cite nonessential spend as the main reason they live paycheck to paycheck say their financial situation changes significantly throughout the year. Although these changing financial situations could also be explained by seasonal incomes or general splurges, holiday spending, which consumers often expect, is technically a nonessential expense. Consumers who cite insufficient income as the main reason they live paycheck to paycheck are less likely to say their financial situation changes significantly throughout the year, at 60%, suggesting that the holiday season may be less of a factor.

FIGURE 5:

Paycheck-to-paycheck consumers and seasonal financial distress
Share of paycheck-to-paycheck consumers who experience seasonal financial distress, by the top reason they live paycheck to paycheck



Source: PYMNTS Intelligence
New Reality Check: The Paycheck-to-Paycheck Report, September 2023
N = 2,666: Respondents who live paycheck to paycheck, fielded Aug. 2, 2023 – Aug. 15, 2023

36%

Share of all consumers who cite **December** as a month where they experience seasonal financial distress

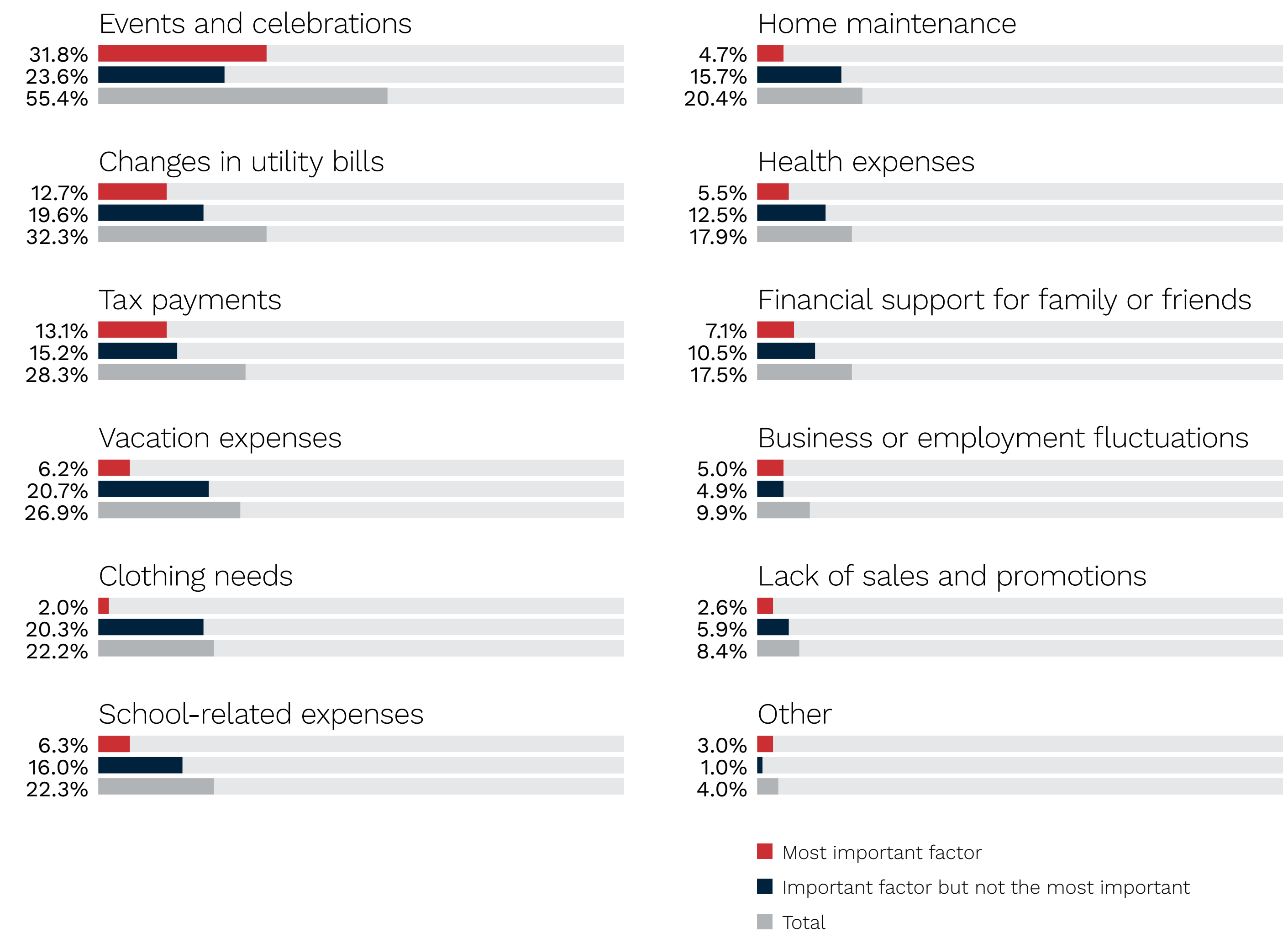
The factors that introduce seasonal financial distress vary significantly throughout the year, but events and celebrations are the most cited by consumers overall.

With consumers citing December and November the most as times of financial stress, it is little surprise that 55% of consumers facing seasonal swings cite events and celebrations as a reason for financial distress, with 32% saying this is the top factor for such stress. Consumers in large households and bridge millennials, at 36% and 41%, respectively, were the groups most likely to cite events and celebrations as the top reason for financial distress.

When examining the data further, 32% of consumers cited changes in utility bill costs as a reason for seasonal financial stress, with 13% saying this is the top contributing factor. Thirteen percent of respondents also cite tax payments as the top reason for seasonal financial distress, and an additional 15% say it is a factor, albeit not the most important. This is followed by vacation expenses, with 27% reporting that as a factor for seasonal financial stress. For 22% of consumers, clothing needs or school-related expenses are reasons for financial distress at certain times of the year.

FIGURE 6:

Factors causing seasonal financial stress
Share of consumers citing select factors that cause seasonal financial stress, by level of importance



Source: PYMNTS Intelligence
New Reality Check: The Paycheck-to-Paycheck Report, September 2023
N = 2,113: Respondents who feel more financial stress during certain times of the year, fielded Aug. 2, 2023 – Aug. 15, 2023

The factors that increase financial stress change with the seasons. When grouping distressing factors by quarter, no factor was at the top of the list more than once. At 18%, changes in utility bills topped the list of reasons cited for Q1. Tax payments led in Q2, with 40% of consumers reporting this as a reason for seasonal financial distress. In Q3, school expenses topped the list, with 18% citing this factor as contributing to their financial stress. Events and celebrations topped the list in Q4, with 47% of respondents citing this as the top reason they felt financially stressed.

FIGURE 7:

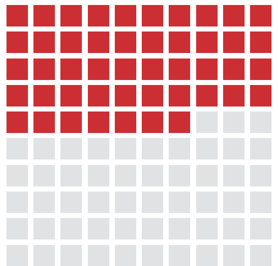
Financial stressors by time of year

Share of consumers ranking the top reasons for experiencing seasonal financial stress, by most stressful quarter

	MOST STRESSFUL QUARTER			
	Q1	Q2	Q3	Q4
• Events and celebrations	16.7%	9.2%	6.1%	47.1%
• Tax payments	17.1%	39.9%	11.1%	8.3%
• Changes in utility bills	18.0%	9.4%	16.2%	11.0%
• Financial support for family or friends	10.5%	5.8%	5.9%	6.8%
• School-related expenses	3.5%	6.8%	18.0%	3.3%
• Health expenses	9.4%	6.7%	4.0%	4.8%
• Vacation expenses	3.6%	5.3%	9.1%	6.1%

Source: PYMNTS Intelligence
New Reality Check: The Paycheck-to-Paycheck Report, September 2023
N = 2,113: Respondents who feel more financial stress during certain times of the year, fielded Aug. 2, 2023 – Aug. 15, 2023

47%



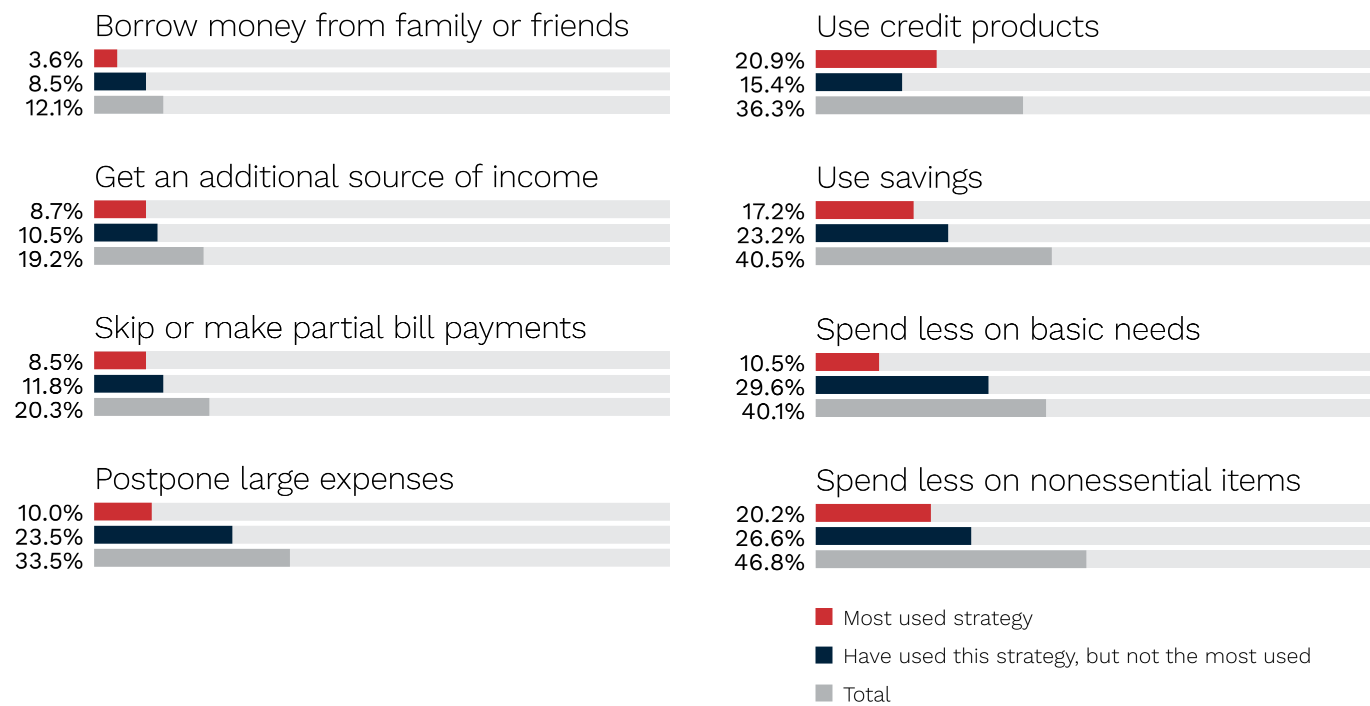
Share of respondents who cite **events and celebrations** as the top reason they felt financially stressed in Q4

Using credit products to smooth out seasonal dips in financial standing is a top strategy across all financial lifestyles.

While nearly half of consumers say that cutting back on nonessential spending is a strategy they use to deal with seasonal financial distress, the most frequently cited coping strategy across all financial lifestyles is using credit. Overall, 36% of consumers feeling seasonal financial stress use credit products, but 21% say this is their top strategy. This share is virtually the same as respondents who cite cutting down on nonessential spending as their top strategy. Even so, 47% of consumers cite cutting down on nonessential spending as a strategy, while 40% say spending less on basic needs is another strategy. Forty-one percent of all respondents say they use savings to deal with seasonal financial distress.

FIGURE 8:

Dealing with seasonal financial distress
Share of consumers citing select strategies for coping with seasonal financial distress, by usage level



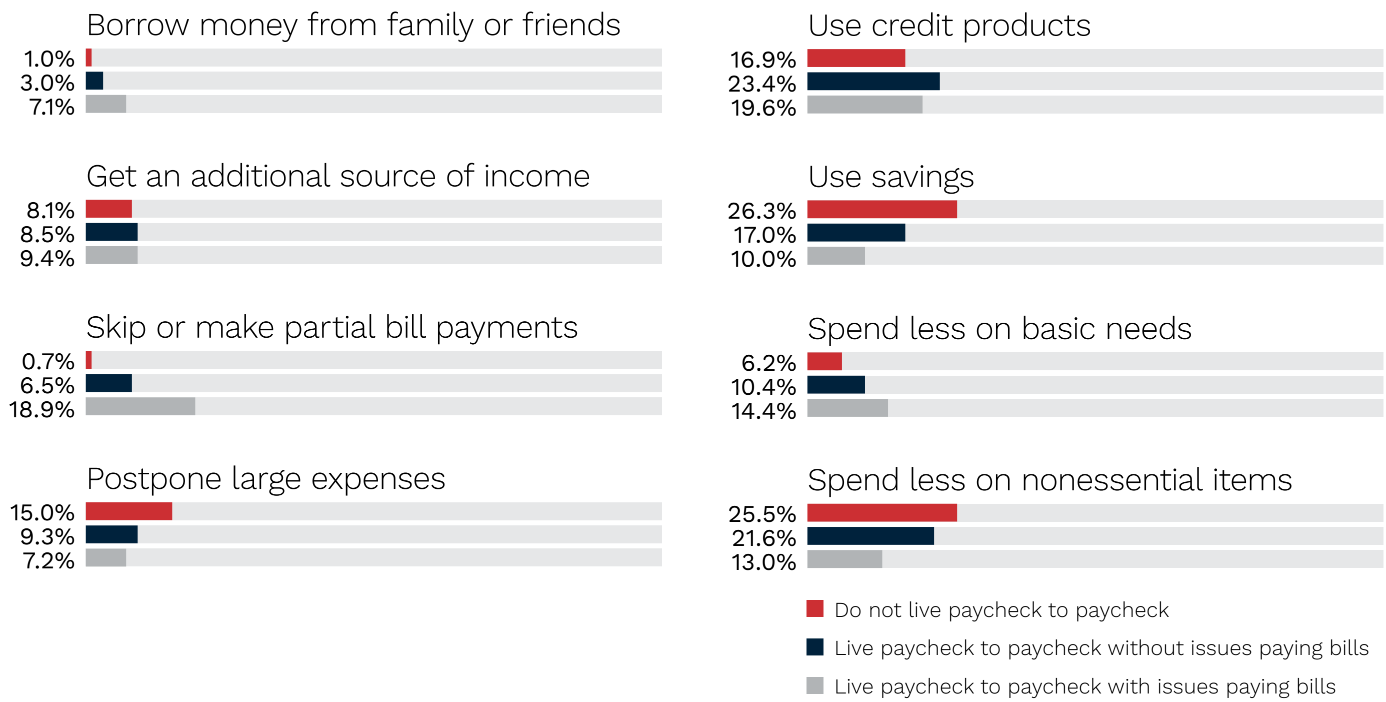
Source: PYMNTS Intelligence
New Reality Check: The Paycheck-to-Paycheck Report, September 2023
N = 2,113: Respondents who feel more financial stress during certain times of the year, fielded Aug. 2, 2023 – Aug. 15, 2023

Using credit to deal with seasonal financial distress is a popular strategy for all consumers. At 23%, paycheck-to-paycheck consumers without issues paying their bills cite credit product usage as their top strategy — slightly more than the 20% of paycheck-to-paycheck consumers struggling to pay bills and the 17% of consumers not living paycheck to paycheck who say the same.

The financial management strategies consumers most favor vary with their financial lifestyles. At 26% each, consumers not living paycheck to paycheck are the most likely to use savings or cut back on nonessential spending to smooth out seasonal financial stress. Meanwhile, paycheck-to-paycheck consumers with issues paying their bills are the most likely to skip or make partial payments and to spend less on basic needs, at 19% and 14%, respectively. Struggling consumers are the least likely to use savings and cut back on nonessential spend, at 10% and 13%, respectively. This indicates that struggling consumers have limited resources and cut back where they can when not turning to credit products to cope with seasonal financial distress.

FIGURE 9:

Top ways consumers deal with seasonal financial distress
Share of consumers citing the top strategies they use when coping with seasonal financial distress, by financial lifestyle



Source: PYMNTS Intelligence
New Reality Check: The Paycheck-to-Paycheck Report, September 2023
N = 2,113: Respondents who feel more financial stress during certain times of the year, fielded Aug. 2, 2023 – Aug. 15, 2023

DATA FOCUS

Using credit products to cover expenses during financially stressful times can negatively impact consumers' financial standing.

While 78% of credit users believe they could accommodate an unexpected monthly payment of $500, 1 in 4 say it would cause significant financial stress.

More than half of credit product users believe their level of debt does not harm their financial standing — although this share drops significantly among paycheck-to-paycheck consumers — and 17% think it has a slightly negative impact.

The share of consumers who think their level of debt has a very or extremely negative impact on their financial standing jumps from 2.2% among those not living paycheck to paycheck to 11% for those living paycheck to paycheck without issues paying bills and 34% for those struggling to pay their bills.

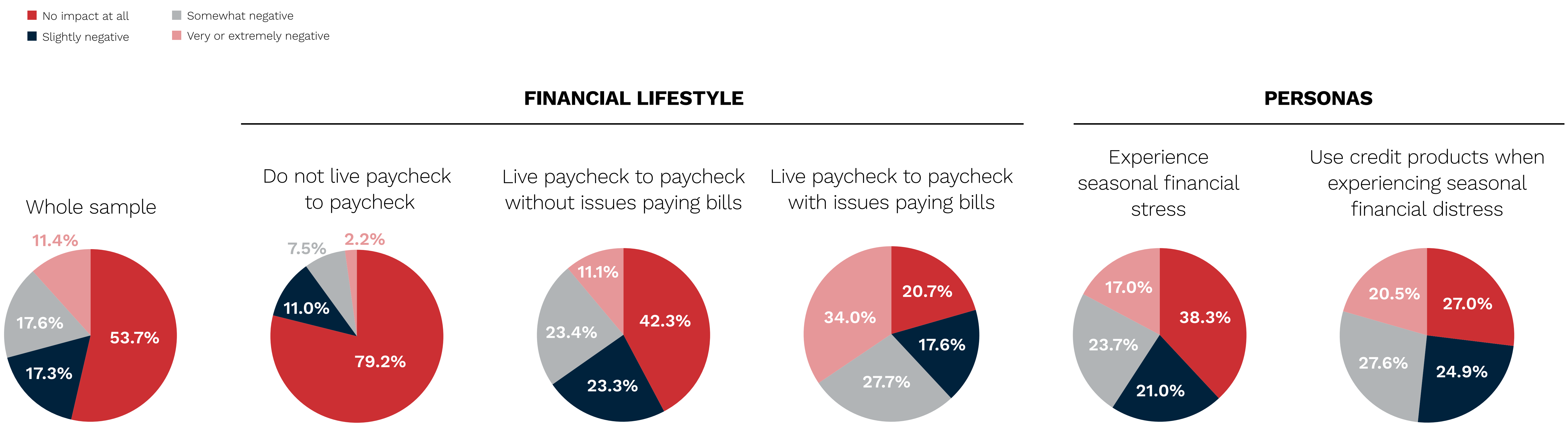
Facing a sudden increase in debt payments of $500 — from the resurgence of student loan payments, for example — would leave 42% of paycheck-to-paycheck consumers unable to meet their debt obligations. While 65% of those struggling to pay bills would not be able to cope with such an increase, this share drops to 25% among those without issues paying their bills. Just 1.4% of consumers not living paycheck to paycheck think they could not face such an increase in debt payments.

Generation X consumers and bridge millennials, at 28% each, were the most likely to say they could not cope with a sudden increase in debt payments of $500. This indicates that paying off a new loan of $500 per month could be hardest for these consumers as they may face other financial responsibilities, such as household expenses, mortgage payments and car loans due to their stage of life.

FIGURE 10:

The impact of credit product usage on financial standing

Share of consumers whose credit product payments in the last three months had select impacts on their financial status, by demographic



Source: PYMNTS Intelligence
New Reality Check: The Paycheck-to-Paycheck Report, September 2023
N = 3,383: Respondents who have made credit product payments in the last three months, fielded Aug. 2, 2023 – Aug. 15, 2023

ACTIONABLE INSIGHTS

01

The share of U.S. consumers living paycheck to paycheck, including those struggling to pay their monthly bills, has remained unchanged compared to August 2022. This suggests that although consumers are still feeling the weight of rising costs of living, many have found ways to adjust their spending to better serve their financial obligations.

02

Consumers who cite nonessential spending as the main reason they live paycheck to paycheck are more likely to say their financial situation changes significantly throughout the year, while those who cite insufficient income are less likely to say the same. This suggests that those who engage in nonessential spending may splurge even more around the holidays should consider establishing a budget and adjusting the volume of purchases.

03

There is a clear correlation between each quarter of the year and the key factors that increase financial stress among U.S. consumers. Many consumers, especially those struggling to meet their monthly financial obligations, could benefit from identifying their peak spending months and proactively budgeting for these major quarterly expenditures.

04

Even as cutting back on spending is often a first response when faced with financial stress, a significant portion of consumers across all financial lifestyles turn to credit products to help them cope with seasonal spikes in expenses. Using credit products to cover expenses in financially difficult times can negatively impact consumers' financial standing, so consumers should only rely on credit as a financial management tool instead of support to help them stay afloat.

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METHODOLOGY

New Reality Check: The Paycheck-to-Paycheck Report — The Seasonal Financial Distress Deep Dive Edition is based on a census-balanced survey of 4,218 U.S. consumers conducted from Aug. 2 to Aug. 15, as well as an analysis of other economic data. The data in this report is not intended to be a representation of LendingClub's core member base. The Paycheck-to-Paycheck series expands on existing data published by government agencies, such as the Federal Reserve System and the Bureau of Labor Statistics, to provide a deep look into the core elements of American consumers' 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: 51% of respondents identified as female, 33% were college educated and 38% declared incomes of more than $100,000 per year.

ABOUT

LendingClub

LendingClub Corporation (NYSE: LC) is the parent company of LendingClub Bank, National Association, Member FDIC. LendingClub Bank is the leading digital marketplace bank in the U.S., where members can access a broad range of financial products and services designed to help them pay less when borrowing and earn more when saving. Based on more than 150 billion cells of data and over $85 billion in loans, LendingClub's advanced credit decisioning and machine-learning models are used across the customer lifecycle to expand seamless access to credit for our members, while generating compelling risk-adjusted returns for our loan investors. Since 2007, more than 4.7 million members have joined the Club to help reach their financial goals. For more information about LendingClub, visit https://www.lendingclub.com.

PYMNTS INTELLIGENCE

PYMNTS Intelligence is a leading global data and analytics platform that uses proprietary data and methods to provide actionable insights on what's now and what's next in payments, commerce and the digital economy. Its team of data scientists include leading economists, econometricians, survey experts, financial analysts and marketing scientists with deep experience in the application of data to the issues that define the future of the digital transformation of the global economy. This multi-lingual team has conducted original data collection and analysis in more than three dozen global markets for some of the world's leading publicly traded and privately held firms.

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