

FINANCE >> FORWARD

CONSUMER FOCUS GROUPS COLUMBIA, SOUTH CAROLINA

Purpose: To understand the challenges that consumers face as a result of income and expense volatility. To explore how consumers cope / make ends meet, and new ways to address the challenge.

Participants

- 14 consumers who encounter income and expense volatility
- Less than 1 month of expenses saved
- 500-650: common credit score range
- \$1400 - \$2999: common monthly household income ranges
- Income fluctuates between \$100-\$400
- Majority of participants employed hourly, mix of full and part-time, a few salaried or self-employed

“Stress is at the top of the list. You can’t even think through in a rational way to work things out, because you don’t have the energy or focus.”

Major Concerns

- Affording medical care, such as prescriptions, doctor visits, procedures
- Paying rent or mortgage on time
- Paying utilities or other bills on time
- Weary of having to rely on title or payday loans again
- Missing bill payments that could have a negative effect on credit score
- Recurring (predictable) expenses still generate a lot of stress
- Unanticipated costs of supporting family or children
- Emotional and mental health, including stress about money

REASONS FOR VOLATILITY

Income Shocks

- Inconsistent work hours (Ex. Being sent home because it’s slow at work; Being efficient with work and sent home)
- Sudden loss of employment (Ex. job moves overseas; Job loss because of caring for sick family member / self)

“I’m a server and bartender. You’re hoping someone tips properly or you get a good table, or an extra table. It’s day by day, dollar by dollar.”

Expense Shocks

- Medical (self or family)
- Car troubles
- Family / household expenses
- Utilities

“The electric bill came up. It was \$350. I thought I was going to die.”

FINANCE >> FORWARD

Coping Strategies

- Cutting back or “doing with less”
- Leveraging local nonprofit services
- Using food stamps
- Rationing food
- Grocery/shopping cost saving apps
- Payday loans, title loans, credit cards
- Use cash to control spending

“I use physical envelopes so I budget my money. I’ve started to stay away from getting money in and out of my checking account just because I got so tired of fees.”

INNOVATIONS CONSUMERS THINK WOULD HELP

Ways to Encourage Savings

1. Rounding up debit card purchases to the nearest dollar and putting that in a savings account (Ex. You buy a \$1.99 product. Your checking account deducts \$1.99 and transfers the rest, a penny [\$0.01], into savings)
2. Contributing to savings directly from paycheck
3. Opportunities to earn prizes when you put money in your savings account
4. Opportunities to earn cash matching when you reach savings goals
5. Mobile app to track and support your progress towards savings goals (including reminders)

Employer / Paycheck Innovations

1. Being paid more frequently (i.e. as weekly)
2. Guarantee to be paid at least some amount when you are scheduled to work but are sent home before starting your shift
3. Getting access to wages you’ve earned before payday
4. Rescheduling paydays to better align with big expenses like rent and utilities
5. Having a predictable schedule at work
 - Guaranteed minimum number of hours
 - Receive work schedule 2 weeks in advance
 - Have paid sick leave
 - Be able to work more hours

CONSUMER QUOTES

Sudden job loss “My job went overseas. They didn’t give me a timeframe. It was just my last day all of a sudden, and they tax you on severance. Your life can change just like that.”

On Income Volatility

Inconsistent paychecks “If we had to depend on my part-time salary, we wouldn’t be able to do it... Every month we never know. Sometimes we may have a large surplus. Sometimes it will be average. We never know.”

Self-employed “I clean houses and do random stuff because my anxiety makes it hard for me to be in one place for too long, or 8 hours at a desk. My income can vary depending on customers and season.”

FINANCE >> FORWARD

On Expense Volatility

Expenses that aren't planned "It's little snags that get us. My son has eczema and needs medicine. My partner is pregnant so she needs to go to hospital. Someone wants to play basketball and get new sneakers."

Self/family member illness "My youngest kept having strange fevers. I ended up taking time off work and got fired. Of course they didn't want to hear the excuse."

"I can't afford to get sick. I had to quit going to school just so I could afford to pay rent. I can't even take a day off of work if I can't breathe through my nose or have a cold."

"From January-March, I was sick and couldn't do anything. I was doing what I could to scrape by and take care of my cousin."

On How Consumers Make Ends Meet

Use financial products "When my daughter got sick, I had to do the most dreadful thing... and that was go get a title loan. I am still paying it off... I think I am going to give the car back."

"I'm the credit card queen...When stuff happens, that's how I live, off the credit cards. Most recently it was my car... My \$300 trip turned into a \$5000 trip. So, I did what I do best. I whipped out the credit cards."

"I know a guy who...does lending on the side and helps people...He says that he's better than the auto title loan company...I hate having to take a loan, but you have to pay bills."

Negotiate bill payments "The only thing you can do is push yourself to make a call. See if a bill can be put on a payment plan. You may not even realize that there are resources out there."

"When my daughter was sick, I got a medical certificate on file with the electric company. For several months, I didn't have to pay, but the bill kept going up."

"I came up with a system for the electric bill during that time. I found out that if you call the phone number there is an option to select 'more time to pay'."

On How Consumers Make Ends Meet

Put money away when you have extra

"Maybe when you get your income tax, instead of splurging, pay up some bills... It does lighten the load and stress."

Prioritize bills

"A cell phone bill may be cut off. We'll figure out another way to talk... Sometimes you have to rob Peter to pay Paul. We don't have a whole lot left for anything."

"We had all of these medical bills and made a [payment plan] agreement to pay back. If you have extra money, you're trying to pay a little bit here and there. Before I wasn't getting anywhere. I'm seeing results when I apply anything extra to the lowest balance."

Negotiate bank fees "Right now I'm talking with my bank about something I wasn't supposed to be charged for... Now I have about \$100 in overdraft fees. I'm in the process of trying to get that refunded now."

Only the necessities

"As long as I make sure my kids have a roof, lights and food. Me being a single parent, that's my priority. Those three things."

Use cost savings tools/apps

"There's another way I've found a way to save money, for things you have to do, like shopping. There's an app I use. For example, any bananas, you get \$0.25 back."