

CONSUMER FOCUS GROUPS OAKLAND, CA

FINANCE >> FORWARD

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

About the Participants

- 6 consumers who experience income and expense volatility
- 450-650: common credit score range
- \$3200: commonly reported for last month's household income
- \$100-\$400+: range of monthly income fluctuations
- Most employed hourly, mix of full and part-time, a few salaried or self-employed

REASONS FOR VOLATILITY

Income Shocks

- Inconsistent work hours
- Not enough work hours
- Commissions based
- Sudden job loss

"Mostly what I do is drive for Uber and Lyft and temp gigs. Because you're being paid directly in proportionate to the work you're doing, there's not consistency."

Expense Shocks

- Medical emergency
- Overspending – not saying no to sales
- Rent increases / having to move

"I get paid 100% by commissions in my full-time job. I work in healthcare. Income fluctuates, if someone doesn't pay their premium that month, it lowers my income."

COPING STRATEGIES

- Cutting back / living within means
- Short-term loans
- Credit cards
- Pull from savings / 401(k)
- Lending circles

"It's helpful to always have money coming in, from the various things I do. I have multiple deposits, not having one income stream."

“If I get paid a paper check [with a side hustle], I don’t count that as part of my base income... I have a system if I cash it, I know exactly what I am cashing it for.”

INNOVATIONS THEY THINK WOULD HELP

Financial Products / Bill Payments

1. Setting due dates for bills and debt payments based on when you get paid
2. Ways to help encourage savings
3. Having bills and debt payments deducted directly from your paycheck so you don’t have to pay them individually later

Employers / Paychecks

1. Being paid more frequently (i.e. weekly)
2. Guaranteed minimum number of hours
3. Ability to work more hours
4. Rescheduling paydays to better align with big expenses
5. Ability to join a labor union

IN THEIR FREE TIME, THEY ENJOY...

- Spending time with family
- Knitting
- Reading
- Relaxing with their dogs
- Hiking
- Social dancing
- Playing piano
- Making jewelry

CONSUMER QUOTES

On Income and Expense Volatility

“I had a successful mortgage business. I lost a lot of money and had to start over (in 2008).”

“Maybe I’ll be sick or have to take care of something, have a flat tire or something... if you’re working in a gig, you make no money. It’s very anxiety producing.”

“I get paid 100% by commissions in my full-time job in healthcare. My income fluctuates if someone doesn’t pay their premium that month; it lowers my income.”

“As their agent, they want to drop it in my lap. I have a ton of empathy... But there’s very little I can do. It’s depressing at the moment.”

“I specialize in Medicare. 60/40 Medicare. If you’re commission-based... If you don’t keep up with your clients, you have to get new clients all the time.”

“My nutrition... When I’m hustling trying to work, I don’t eat as well.”

“I need to be financially educated to know how to reel it back, how to be responsible spending my money.”

“I cannot walk away from a sale. If something is cheap, I will buy it. If it is ugly, I will keep it in my closet.”

“When the harvest is good, you set aside some for the lean years. The problem is the way the compensation works, they just don’t pay you enough. The amount these gigs pay keeps getting lower and lower... I’m working more and I’m more experienced in what I’m doing, but they’re paying me less. They are always looking to have an oversupply and automate as much as possible.”

“I didn’t have a good grasp of credit until I was about 25. When I started college that’s when they used to have the little creditor recruiter on campus with highlighters and dictionaries. I thought, I need that, so I’m going to sign up and then when the card comes I’ll send it back. But then I was 20 years old and had \$10k in credit debt.”

“I got pushed out of my housing with my neighbors due to all of the gentrification. Now I pay almost double that in rent. Even when I have a full-time job, and I got a raise, one whole check at the beginning of the month is my rent.”

“Impossible. Every time I think I have a good week and will have a little money, something comes along, unforeseen and wipes it out... I don’t have any savings in my checking account, literally what I have in my account is what I’ll have next week.”

“I had a few credit cards, so for about three years it was fine. I used up all of my credit... I can’t borrow anymore.”

“It affected my mental health and my relationship the most... He [boyfriend] had to pay my rent last month, which was nice because he offered, but I don’t like having to depend on people. It made me annoyed. I had an attitude. I would say, it’s not you, but I can’t be the independent person I want to be.”

“I was at a stable job for 1.5 years...then we had layoffs... then I was diagnosed with a medical condition. I was hit all at once.”

CONSUMER QUOTES

On How Consumers Make Ends Meet

Living within means

“Because I can’t afford to be ill, to be off my feet, I make a point of eating well. I eat organic. It’s been a long time since I ordered take-out. I also do this to keep my spirits up, and I learn to live within my means.”

Taking out short-term loans

“I’m kind of in the same place, three years after having my baby. Working 2 jobs, I think I have two payday loans out at the moment, that I keep recycling over and over.”

Part-time jobs

“I dabble in other part-time things. I originally borrowed money from LendUp to start a dog treat business. My hobby is showing and breeding dogs. I have a dog treat business on the side. To fuel that passion, I work part-time at Williams and Sonoma stores to avail myself of their discounts.”

Pull from savings / 401(k)

“I lived off my savings for 2 years, thinking the mortgage company would turn around... I started pulling money out of my 401(k)... I was forced to take a job making one-fifth of what I used to make.”

Decrease consumption

“When I moved to the Bay Area, I joke that my stomach shrank. If I get a burrito, I’ll eat half for lunch and the other half for dinner. If it’s a grande, I’ll cut it in thirds. Living in the Bay Area, it’s a feast or famine situation.”

Credit cards

“The first thing you do is try to use your credit card as the tool when you have unforeseen expenses.”

Lending circles

“I’ve used lending circles to pay off a few credit cards.”

Sharpen career skills

“I’m actually taking a few online courses to sharpen my marketing skills. I’m educated. I have a degree from a good school. I have a master’s degree from a good school. It’s just I’m old and my skills have depreciated, so I have to reinvent myself with new skills.”